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Risk Management in Public and Private Sector Banks

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Abstract: *Risk is the foremost element that drives financial performance. Without risk, the financial system would be vastly simplified. However, risk is omnipresent in the real world. Financial Institutions, therefore, should manage the risk efficiently to survive in this highly uncertain world. The future of banking will undoubtedly rest on risk management dynamics. Only those banks that have effective risk controlling system will continue in the market in the long run. The effective management of credit risk is a perilous component of ample risk management essential for long-term success of a banking institution. Credit risk is the oldest and biggest risk that bank, by virtue of its very nature of business, inherits. This has however, acquired a greater significance in the recent past for various reasons. Foremost among them is the wind of economic liberalization that is blowing across the globe. India is no exception to this swing towards market driven economy. Better credit portfolio diversification enhances the prospects of the reduced concentration credit risk as empirically evidenced by direct relationship between concentration credit risk profile and NPAs of public sector banks.*

Keywords: Risk Management, Banking

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