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A Comparative Study on Risk Management of Selected Public and Private Sector Banks in India

Dr. Reena Raj, M.Com., M.Phil., Ph.D.,
HOD, Department of Commerce
St.Joseph's College of Arts & Science for Women, Hosur.

Ms. L. Manjula, M.Com., M.Phil.,
Assistant Professor
Department of Commerce
St.Joseph's College of Arts & Science for Women, Hosur.

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Abstract
Risk Management is the proactive approach to plan, lead, organize, and control the wide variety of risks into the framework of an organization's daily and long-term functioning. Risk plays an important role in the achievement of our goals and in the overall success of an organization. This paper is an attempt to identify the different types of risks faced by the banking industry and to examine the different techniques adopted by the banks inmanaging risk. It hasbeen concluded that the banks should take risk more willfully, anticipate adverse changes and hedge accordingly. The study recommended the banks to implement effective tools and techniques to reduce the different types of risks faced by the banks.

***Keywords;** Risk Management, Banking Industry, Credit Risk, Interest Rate Risk, Liquidity Risk.*

INTRODUCTION:

Risk management enables banks to bring their risk to manageable levels without severely dropping their income. Risk management does not mean risk decline. Thus, risk management enables a bank to take required level of risk exposures in order to achieve its revenue targets. Risk is defined as anything that can cause hindrances in the way of achievement of certain objectives. It can be because of either internal factors or external factors, depending upon the type of risk that exists within a particular condition. Exposure to that risk can make a situation more critical. A better way to deal with such a situation; is to take certain positive measures to identify any kind of risk that can result in undesirable outcomes. In simple terms, it can be said that managing a risk in advance is far better than waiting for its occurrence. Risk Management is a measure that is used for identifying, analyzing and then responding to a particular risk. It isa continuous process and is helpful in decision-making. Credit risk, liquidity risk, interest rate risk, solvency risk and operational risk are the commonly faced by any bank.

REVIEW OF LITERATURE

Muhammad Ishtiaq(March 2015) investigated in his paper "Risk Management in Banks: Determination of Practices and Relationship with Performance" that the variable for managing operational, credit and liquidity risk are important predictors of banks' performance. DEA technique was used which concluded that proper risk management enhances the performance of banks and helps to manage funds, decrease NPAs and maintain optimum level of capital adequacy.

Daniel Onyebuchi Okehi(2014)analysed in his paper "Modelling Risk Management in Banks: examining