

# A STUDY ON CREDIT RISK MANAGEMENT AT HDFC BANK

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## ABSTRACT:

Credit risk management is a critical aspect of banking operations, especially in institutions like hdfc bank, where lending forms a significant part of the business model. This abstract explores the credit risk management practices at hdfc bank, one of india's leading private sector banks.

Hdfc bank employs a comprehensive framework for credit risk management aimed at assessing, monitoring, and mitigating risks associated with lending activities. The bank's approach encompasses several key components, including credit policies, risk assessment models, credit monitoring systems, and credit risk mitigation techniques.

The credit risk management framework begins with robust credit policies that outline the bank's risk appetite, lending criteria, and underwriting standards. These policies are continuously reviewed and updated to align with regulatory requirements and changing market conditions.

Hdfc bank utilizes advanced risk assessment models to evaluate the creditworthiness of borrowers and determine the probability of default. These models leverage a combination of quantitative techniques, such as statistical analysis and machine learning algorithms, along with qualitative factors to assess credit risk accurately.

In addition to risk assessment, hdfc bank employs proactive credit monitoring systems to track the performance of its loan portfolio in real-time. These systems enable the bank to identify early warning signs of credit deterioration and take timely remedial actions to mitigate potential losses.

Overall, hdfc bank's credit risk management framework reflects a proactive and prudent approach to managing credit risk while supporting the bank's objective of sustainable growth and profitability. By integrating advanced risk management practices with robust governance and oversight mechanisms, hdfc bank remains well-positioned to navigate the complexities of

the lending landscape and uphold its reputation as a trusted financial institution.

## INTRODUCTION

The program consisting of 10 weeks helps a student to understand the particular entity's ethics, nature and type of the work they are indulged in and also helps in understanding the performances of that entity in a broader perspective. It helps the students in learning outside the classroom.

The study is done on the topic credit risk management of hdfc bank. The study mainly focus on the measures to be taken by the bank in order to reduce the risk associated with the credit and regarding the background check that has to be conducted by the bank to know their customers credit worthiness by considering credit rating.

The study may reveal that the risk factor which the bank faces can be minimized by considering some important factor before lending any kind of loan to its customers or any advances.

### **The purpose of the internship is:**

1. To enrich classroom learning through exposure to related on-the-job experiences.
2. To assist in the determination of career goals.
3. To provide experience in the field for those just entering the criminal justice field.
4. To broaden that experience and the students' perspective on criminal justice issues for those who have prior experience in the criminal justice field.

## **Research design**

### **3.1 statement of the problem**

Credit risk continues to be the leading source of problem in hdfc bank. The exposure to the credit dangers is massive in case of economic establishments such as industrial banks, while firms borrow cash they in turn reveal lenders to credit score risk. As a result borrowing exposes the firm owners to the danger that the firm may be unable to pay its debt and as a result be forced to bankruptcy banks should have a eager consciousness of the want to become aware of, measure and manage credit score danger as well as to determine that they keep ok capital against these risks and that they're competently compensated for dangers incurred.

## **NEED FOR THE STUDY**

There is need to understand the risk involved in the process of lending hence, the process involved in credit risk must be undertaken to reduce the default. The analysis was on the topic credit risk at hdfc bank, dilsukhnagar branch. The study mainly concentrate on the various process to examine credit worthiness, installment repayments and clearance of non- performing assets and to find out the necessary measures that how the bank can minimize the risk in lending.

## RESEARCH METHODOLOGY

By considering the annual report provided by the company, analytical research can be used in the study. The activity includes the examination of the data collected and critical skills adopted for decision making. It provides an outline for the purpose the study.

**Analytical research design** is been used in the project because the study and inference drawn on the topic is mainly based on the secondary data collected through analytical technique in fetching the inference.

### Source of data secondary data

The reviewing of the data of relevant to the topic which is been already collected and drawing the inference based on the information gathered.

The secondary data used in the study are:

1. Financial records of hdfc bank.
2. Annual report of hdfc bank.
3. Text book and journals.
4. Websites.

### Sampling design

Last four years financial statements is been considered in the study that is from 2021 to 2024

### Tools and techniques

1. Ratios.

### Significance of the study

Before indian population used to face numerous till the development in the banking system took place. But in these days the banks are facing the problem of default. The borrowers are failing to repay their

debt they owe to the bank and this may even lead to increase in non-performing assets of the bank.

The main purpose of the study on credit appraisal is to reduce non-performing assets and the default is by having a proper background study of the customer and knowing the creditworthiness by considering the credit rating and risk which is involved in lending would reduce.

### LIMITATIONS

- ✓ The study is limited to the extent of available data.
- ✓ An in depth study cannot be done because of time constraint.
- ✓ Owing the confidentially enforced by the bank, all the data could not be obtained.
- ✓ Since the area wise credit risk management data are not available for study, overall concept is taken for the study

### LITERATURE REVIEW

- **Danjuman, ibrahim, kola, ibrahim abdullateef, magaji, badiya yusuf, kumshe&hauwamodu (2023)** explained the credit risk management and purchaser pride. It suggests the nice relationship among credit score threat control and consumer satisfaction and there is no want for banks control to be aware of other elements that contributes closer to the patron delight apart from granting of credit. Bank desires to consciousness on its credit score coverage in an effort to make greater earnings.
- **hameeda abu, hussain, al ajmi & jasim(2012)** examined the management of danger practices observed by using the ordinary banks and determined that the threat stages confronted with the aid of banks are better in case of traditional banks. Hence, nationwide, residual and agreement, operational, risks are visible to be higher if there have to be an occasion to occur in conventional banks.
- **Aroraa(1197)** assessed to review and examine the financial risk management machine within the business banks. The foremost trouble that the economic banks face is that it reveals it difficult to cope with shortcomings of the contemporary technique that's used to analyse threat and factors which can be missing inside the contemporary hazard management methods.
- **Alfred lehar(2005)** discovered a brand new technique to measure and screen the threat in the banking gadget that may assist the industrial banks. Standard tools and regulators are required by means of the banks to manipulate their inner risks which might be applied at the level of banking machine to degree the hazard of a regulators portfolio. Larger and greater income making banks could have a decrease systematic danger simplest for banks which can be lacked via regulatory capital necessities.

- **Dr.atulmehrotra (1999)**, dean, vishwakarma institute of management (forty five) emphasizes the need for advertising and marketing of corporate governance in banks in those uncertain and unstable times. This paper noted at size corporate governance associated components in banks as additionally touches upon the requirements for enhancing corporate governance in banks as cautioned by means of using bcbs. The creator felt that regardless of the rbi's tasks on the suggestions of the consultative group of directors of banks/financial institutions underneath the chairmanship of dr.a.s.ganguly, member of the board for financial supervision, there is greater ground to be blanketed before indian banks are in a function to gain authentic governance standards.
- **Meighs & frank e(1995)**analysed by utilizing conventional credit instruments with regards to interest rate swaps which offers the credit officers to sufficiently deal with another source of credit risk. End clients of financing interest rate swaps can fundamentally decrease their credit chance by taking insurance. It acts as new instrument to deal with the risk required in loaning credit to the clients.
- **Lazarus angbazo (1997)** examined that the banks with extra unstable loans and higher activity price danger exposure would pick out loan and savings fee in order to gain higher internet hobby margins. Commercial bank reflects each default and activity charge dangerthe net top class edges of the money center of attention is influenced just by using a default hazard and no longer via interest rate risk. Cash center of attention is dependable with their emphasis on quick time period belongings and off stability sheet hedging and reeling sheet aiding instruments. Provincial managing an account corporations are subtle just to mortgage price hazard and no longer to default chance.
- **Parsley & mark(1996)** discovered that credit score and market dangers on my own cannot explain the income volatility they revel in and against which they want to allocate capital. Measuring operational danger will offer banks a way to charge a new and profitable source of business. Hence financial institution wishes to concentrate more on controlling its operational chance that allows you to growth its supply of business.  
Meighs & frank e(1995)analysed by way of utilizing traditional credit score devices with regards to interest rate swaps which gives the credit officers to sufficiently cope with some other supply of credit hazard. End customers of financing hobby price swaps can basically decrease their credit score risk by using taking insurance. It acts as new tool to deal with the threat required in loaning credit score to the customers.

## DATA ANALYSIS AND INTERPRETATION

Trend Analysis of Total Deposits

Table 4.1. Details of total deposits of HDFC Bank

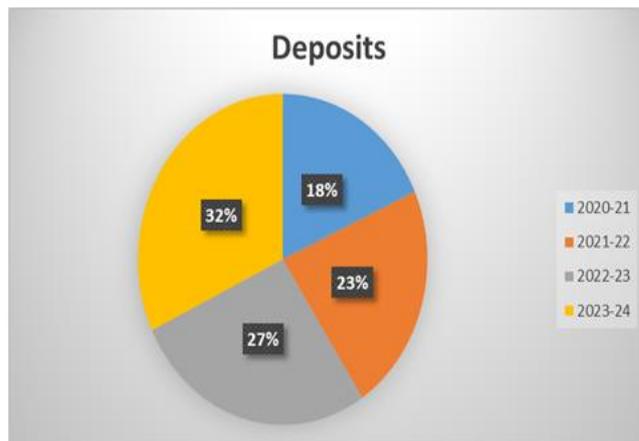
(Amt. in Rs.)

Year	Deposits	Percentage (%)
2020-21	3673374777	100
2021-22	4507956425	122.72
2022-23	5,464,241,920	148.75
2023-24	6,436,396,563	175.22

(Source: financial statement)

Graph 4.1: showing the growth in percentage with respect to HDFC Bank

(Source: Table 4.1)



**Analysis and interpretation:**

The deposits of hdfc bank has been increased significantly from 2021-22 is been understood from the above graph.

Rs. 3673374777 was the deposit in the base year and has been increased to rs.6436396563 in the year 2024.

The increase in the ratio of deposits shows the trust of the people towards the bank.

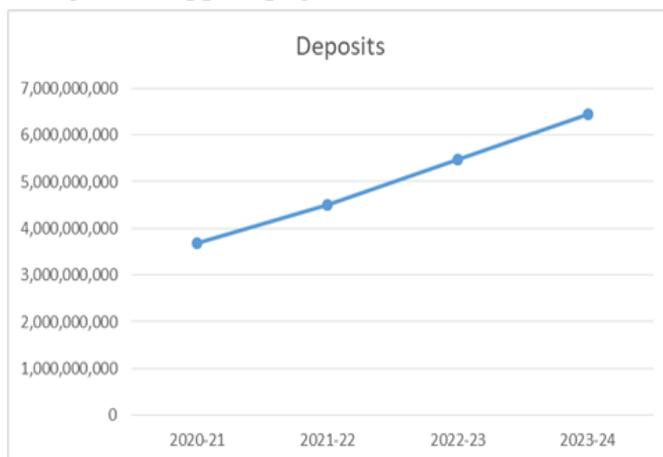
Trend Analysis of Growing Deposits

Table 2: showing growing deposits in the HDFC Bank from 2020-24  
(Amt. in Rs.)

Year	Deposits
2020-21	3,673,374,777
2021-22	4,507,956,425
2022-23	5,464,241,920
2023-24	6,436,396,563

(Source: financial statement)

Graph 2: showing growing deposits in the HDFC Bank from 2020-24



(Source: Table 4.2)

**Findings and interpretation:**

The increase in the deposits in the above diagram suggests that the financial institution is having the high-quality sign in its operation. The trust among the human beings involving the financial institution has been multiplied has there is a make bigger in the deposits. Deposits are the legal responsibility that a financial institution owes to its customers which must be repaid after certain length of time or on a demand.

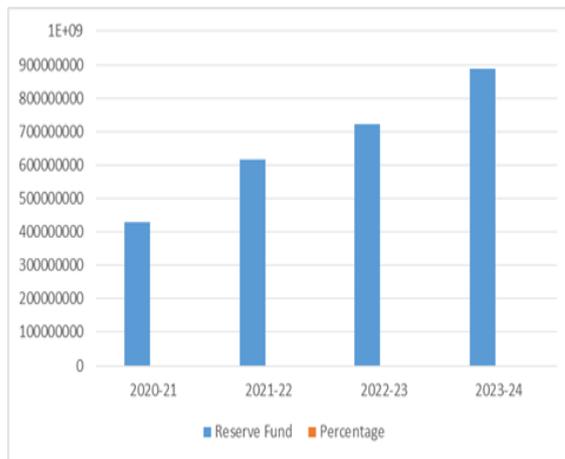
Trend Analysis of Investment Position

Table 4.3: The investment position of HDFC Bank from 2020-24  
(Amt. in Rs.)

Year	Reserve Fund	Percentage
2020-21	429988169	100
2021-22	615081174	143.05
2022-23	721721274	167.85
2023-24	888498416	206.87

(Source: financial statement)  
(Source: Table 4.3)

Graph 4.3: Showing position of reserve funds of HDFC Bank from 2020-24



**Finding and interpretation:**

The above format shows there is a steadily make bigger in reserve fund in hdfc bank from 2020 to 2024. While calculating the ratio 2021 is been regarded as the base 12 months and the calculations are performed. In the base year the share is a hundred which has been accelerated to 143.05 in the yr 2022 and there is an addition multiplied to 167.85 in the year 2023 and continued to amplify to 206.87 in the year 2024.

**FINDINGS, SUGGESTIONS AND CONCLUSION**

**SUMMARY OF FINDINGS**

This study is carried out with the objective of analyzing the credit risk management of hcfc bank to examine and understand the roll of finance is the growth of the company. This chapter attempts to highlight the

findings of the study.

- I come to know the importance of different management functions such as planning, organizing, staffing, directing and controlling with guides the organization in facing staff competitions from competitors.
- I learnt importance of leadership traits which guide in achieving personal as well as organizational goals
- It helps me to understand that individual should be dynamic in the corporate sector which help in career planning and development
- From the data analyzed balance sheet shows that fixed asset have been increased marginally.
- The balance sheet shows that borrowing is fluctuating year by year.

### **SUGGESTIONS:**

- Banks have to listen on diversifying its money in order to make ideal utilization of funds.
- Risk assessment of the purchaser should be made by using the banks before sanctioning loan to them.
- The bank want to adopt the modernized of banking activities.
- bankers have to go through the past credit history of the purchaser whilst sanctioning loan.
- They should also think about the current earnings and property of the borrower.
- They need to examine the financial performance of the purchaser thoroughly.
- Proper coaching need to be given to the banking staff.
- Credit rating of the business enterprise or the clients should be up to date periodically.
- Banks observe the credit score management policies in order to avoid credit score risk.
- The performance and reviews have to be generally reviewed in order to notice errors.

### **CONCLUSION**

Credit risk management starts with the procedure and comes to an end by using repaying the debt quantity in conjunction with hobby. For coping with the danger, banks wishes to concentrate on credit score scoring and credit score components which improves technique of credit lending and additionally facilitates in identifying the credit score worthiness of the bank. Bankers need to consciousness on the person credit worthiness earlier than lending loans to the character with the intention to reduce the hazard and loss.

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