CREDIT RISK MANAGEMENT PROCESS AND CREDIT RISK MANAGEMENT FRAMEWORK IN A COMMERCIAL BANK: AN INTEGRATED VIEW

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ABSTRACT
Credit Risk Management (CRM) is one of the most demanding and important function in a commercial bank. The study proposes a model for CRM process in commercial banks. The process of CRM involves three major activities, namely, credit risk assessment, risk treatment planning and finally use of CRM techniques. The present study is based on the premise that the three activities must be carried in an integrated manner to ensure effective CRM process in a commercial bank. Credit risk assessment involves identification of key risks underlying both, each individual transaction and aggregate advances portfolio. Risk treatment planning is the process of selecting approaches to modify the risks underlying credit risk. Within the broad direction suggested by risk treatment approach, specific techniques/practices (CRM organization, CRM policy/strategy and CRM operations and systems) may be identified by each bank depending upon its profile (size, ownership status, geographical spread, etc.). The paper shows how the bank management preferences and availability of techniques of CRM in turn influence the risk treatment plans and concludes that all the three elements of CRM process are interlinked. The present paper further proposes a holistic approach and combines the three building blocks, namely; CRM organization, CRM policy and strategy and CRM operations and systems, wherein, each building block takes an integrated view of CRM framework.

KEY WORDS: Credit Risk Management process, Credit Risk Management (CRM) framework, CRM Organization, CRM policy and strategy, CRM operations and systems.