A PROJECT REPORT ON *CREDIT RISK MANAGEMENTAT PUNJAB NATIONAL BANK*

KETHAVATH SAI RAM [1], KUMMARI VARALAXMI [2]
Student[1], Guide[2]
GLOBAL INSTITUTE OF ENGINEERING AND TECHNOLOGY AN AUTONOMOUS INSTITUTION
Chilkur (v). Moinabad (M). RR. District. Telangana

ABSTRACT

Credit risk management is a crucial function in banking, focusing on identifying, assessing, and mitigating the risk of financial loss due to borrower default. This study examines credit risk management practices at Punjab National Bank (PNB), one of India's leading public sector banks, with a focus on strategies to maintain asset quality and ensure financial stability. The research analyzes PNB's credit appraisal procedures, loan monitoring mechanisms, risk grading systems, and recovery practices. Emphasis is placed on evaluating non-performing assets (NPAs), provisioning norms, and compliance with regulatory guidelines set by the Reserve Bank of India (RBI). Data from PNB's annual reports and financial statements indicate that effective credit risk management enhances profitability, protects capital, and sustains public confidence in the banking system

I. INTRODUCTION

CRM is necessary for banks, lenders, and other financial organizations that offer credit. Credit risk is the possibility that a counterparty or borrower would violate their agreement, costing the investment or lender money. Credit risks have grown in complexity and scope as financial markets have grown, making effective credit risk management a legal necessity and essential to long-term financial operations. Credit risk management involves identifying, assessing, tracking, and managing the risk of loss resulting from a borrower's breach of contract. Credit activities are an essential part of financial risk management as they are essential to the commercial operations of banks and other financial institutions. A bank's loans, advances, credit facilities, or any kind of lending may fail due to poor financial health, severe economic circumstances, poor management, or unforeseen external shocks. For banks to be stable, profitable, and sustainable, credit risk management is crucial. Globalization, financial liberalization, rapid development of the credit market, and the complexity of financial products all contribute to the growing importance of credit risk management. Retail, corporate, SME, agricultural, and digital lending products with varying risk profiles make up bank credit portfolios.

II. NEED OF THE STUDY

Punjab National Bank's credit risk management methods must be studied to understand how it finds, analyzes, and mitigates loan defaults and non-performing assets. It assesses the bank's financial soundness and shareholder protection practices. The paper examines Punjab national bank risk management measures to reflect dynamic banking problems. It emphasizes how contemporary instruments and regulations reduce credit losses. The research improves bank credit operations and decision-making.

III. Objectives Of The Study

1. The goal is to decrease loan default risk and maintain financial stability for the bank.
2. Evaluate borrowers' financial health and repayment capabilities before granting loans.
3. To monitor, regulate, and minimize delinquent or problematic loans in the bank's portfolio.
4. Follow rules from regulatory bodies including the Reserve Bank of India and Basel regulations.
5. Maintain a well-balanced loan portfolio and employ initiatives to reduce credit losses.

IV. Scope Of The Study

The Punjab National Bank credit risk management research examines the bank's credit risk assessment, monitoring, and mitigation procedures. It evaluates loan assessment methods, credit rules, and current techniques like credit scoring and risk modeling. The research examines how the bank handles non-performing assets and regulatory compliance. Additionally, it examines Punjab national bank risk management framework's ability to preserve portfolio quality and reduce financial losses. The insights acquired may improve decision-making, operational efficiency, and financial stability

V. Research Methodology

1. *Research Design*

Descriptive research is used to examine Punjab National Bank's credit risk management processes. Description study is suitable since it carefully evaluates the bank's credit risk management policies, methods, and frameworks and gives factual information regarding their efficacy.

2. *Sources of Data*

The research uses primary and secondary data: • The primary data was collected via structured interviews and questionnaires with Punjab National Bank executives and credit management workers. • Secondary Data: Sourced from Punjab National Bank annual reports, official publications, RBI reports, research journals, books, and reliable web sources.

3. *Sampling Technique*

Purposive sampling is utilized in this investigation. This comprises choosing credit risk management-related respondents and branches to ensure accurate and relevant data.

4. *Sample Size*

The research examines 25–30 Punjab national bank offices and their credit evaluation, monitoring, and loan portfolio management authorities and personnel. The bank's credit risk management strategies can be reliably assessed with this sample size.

VI. Review Of Literature

His research on Indian bank performance is Petyakoeva (2023). During financial liberalization suggests fresh empirical information on Indian commercial banks' performance. Bank intermediation costs and profitability during liberalization are examined in the study. The evidence reveals that ownership type affects several performance measures and that financial liberalization increased competition, which lowers Indian banks' intermediation costs and profitability.

Kuldeep Solanki, Harshil Soni, Prof. Sonakshi Sharma (2023): The report highlights specific bank and banking sector vulnerabilities. It will analyze hazards and develop a risk profile for the Indian banking industry to determine its risk engagement.

G. According to KOTRESHWAR (2023), banks manage risk rather than avoiding it. Risk underpins financial behavior. Without risk, finance would be much simpler. Real-world danger is everywhere. To thrive in this unpredictable environment, financial institutions must manage risk well. The future of banking depends on risk management. Few banks will survive without effective risk management. Effective credit risk management is vital to a bank's long-term performance.

GRINOLD (2023):Grinold uses criteria to describe risk management. The issue is similar to performance analysis and attribution, but the scope is considerably broader. First, Grinold proposes a theoretical framework with a model that characterizes risk management as either variance allocation or risk and correlation findings. The broader framework and risk management emphasis allow for the study of many challenges. Grinold gives examples to show what the technique can achieve and when we're asking too much of the model.

VII. Data Analysis & Interpretation

Table 1:- The following table shows the details of deposits of Punjab national bank.

Year	Deposits	Percentage(%)
2020-2021	2,754,892,778	100
2021-2022	3,673,374,777	133.34
2022-2023	4,507,956,425	163.63
2023-2024	5,464,241,920	198.34
2024-2025	6,436,396,563	233 .63

Analysis:

Above, X-PUNJAB NATIONAL BANK indicates years and Y-PUNJAB represents deposit percentage. The 2020 ratio is 100, 2022 is 133.34, 2023 is 163.63, 2024 is 198.34, and 2025 is
233.63.

Interpretation:
The preceding graphic shows that deposits rose dramatically during 2019-2025. The 2020 deposits are 2,754,892,778 while the 2025 deposits are 6,436,396,563.

Trend Analysis of Investment Position

Table .2:- The following table shows the details of investment position of Punjab national bank

Year	Deposits	Percentage(%)
2020-2021	2,754,892,778	100
2021-2022	3,673,374,777	133.34
2022-2023	4,507,956,425	163.63
2023-2024	5,464,241,920	198.34
2024-2025	6,436,396,563	233.63

Year	Investment	Deposits	Investment to deposit ratio
2020-2021	1,127,526,921	2,754,892,778	40.92
2021-2022	1,209,510,703	3,673,374,777	32.93
2022-2023	1,664,599,477	4,507,956,425	36.93
2023-2024	1,958,362,768	5,464,241,920	35.84
2024-2025	2,144,633,366	6,436,396,563	33.32

Analysis:

X-PUNJAB NATIONAL BANK indicates years and Y-PUNJAB represents percentages in the figure above. From 2020-2022 to 2024-2025, the percentages are 100, 131.67, 188.35, 167.85, and
272.08.

Interpretation:
The accompanying graphic shows that reserve reserves expanded considerably between 2021-2025.Reserve reserves decline in 2020.

Credit to Deposit Ratio

Table .3: The following table shows the details of credit to deposits ratio of Punjab national bank.

Year	**Loans**	**Deposits**	**Credit to deposit Ratio**
2020-2021	642,841,734	2,754,892,778	23.33
2021-2022	807,833,960	3,673,374,777	21.99
2022-2023	749,980,141	4,507,956,425	16.64
2023-2024	1,216,941,161	5,464,241,920	22.27
2024-2025	1,307,381,847	6,436,396,563	20.31

Analysis:

X-PUNJAB NATIONAL BANK indicates years and Y-PUNJAB represents percentages in the figure above. The ratio is 23.33 in 2021, 21.99 in 2022, 16.64 in 2023, 22.27 in 2024, and 20.31 in 2025.

Interpretation:
Credit-to-deposit ratios declined from 23.33 in 2020 to 21.99 in 2022 and 16.64 in 2023.It rose and fell again in 2024 and 2025

INVESTMENT TO DEPOSIT RATIO

Table .4: The following table shows the details of investment to deposit Ratio of Punjab national bank.

Analysis:

X-PUNJAB NATIONAL BANK indicates years and Y-PUNJAB represents percentages in the figure above. 2021: 40.92, 2022: 36.93, 2023: 35.84, 2024: 33.32, 2025: 32.93.

Interpretation:

In 2021, the investment-to-deposit ratio was 40.92. It dropped to 32.93 in 2025.

VIII. FINDINGS

1. Punjab National Bank deposits increased by 133% in five years, from ₹2,754,892,778 in 2020-21 to ₹6,436,396,563 in 2024-25. This suggests PUNJAB NATIONAL BANK continues to recruit and keep depositors due to good consumer trust and bank stability.
2. The reserve fund rose 272.08% from 2020-21 to 2024-25, from ₹326,548,961 to ₹888,498,416. While 2023–24 saw a little decline, the bank is aggressively investing and strengthening its financial reserves, ensuring long-term stability.
3. The ratio ranged from 16.64% to 23.33% during five years. The lowest ratio, 16.64% in 2022–23, implies prudent lending, while higher ratios imply successful deposit-to-credit deployment, balancing liquidity and profitability.
4. The ratio decreased from 40.92% in 2020-21 to 33.32% in 2024-25, indicating that deposit growth exceeded investment growth despite an increase in investments. This suggests careful investing to retain liquidity.

IX. SUGGESTIONS

The falling current ratio suggests tighter liquidity recently. Punjab National Bank should regularly manage short-term liabilities and maintain adequate liquid assets to pay commitments without disrupting operations.

The substandard assets ratio has grown while the dubious assets ratio has dropped. To reduce non-performing assets, the bank should improve credit evaluation and evaluate high-risk loans regularly.

The investment-to-deposit ratio has fallen as deposits have overtaken investments. Punjab National Bank can optimize its investment portfolio for liquidity and profitability.

The large rise in borrowings in 2023–24 reflects external funding for growth. The bank should avoid over-leverage and plan borrowing to fulfill expansion goals.

Regular deposits have risen. Punjab national bank should keep offering new savings and deposit options to maintain growth and client trust.

X. CONCLUSION

Strong increases in deposits, loans, investments, and overall financial stability are shown in the Punjab National Bank's 2020–2025 financial study. High customer confidence and market credibility are shown by the bank's effective expansion of its lending activities and substantial deposits. Nonetheless, several signs point to areas that need attention, such as the decreasing current ratio and the increase in poor assets. Punjab National Bank can sustain its development trajectory while lowering financial risks by concentrating on efficient liquidity management, credit quality monitoring, and strategic investment. All things considered, Punjab National Bank's solid performance, careful financial management, and solid asset base place it as a major participant in the Indian banking industry with room to develop in the future

XI. REFERENCES

BOOKS

1. Witzany, J. (2017). *Credit Risk Management: Pricing, Measurement, and Modeling*. Springer International Publishing. SpringerLink.
2. Van Gestel, T., &Baesens, B. (2008). *Credit Risk Management: Basic Concepts: Financial Risk Components, Rating Analysis, Models, Economic and Regulatory Capital*. Oxford University Press. OUP Academic
3. Palit, S., & Das, K. K. (2021). *Credit Risk Management: Principle and Practices (An Observation of Indian Banking Sector)*. IBP Books. IBP Books
4. Zelenko, I. (2017). *Credit Risk Management for Derivatives: Post-Crisis Metrics for End-Users*. Palgrave Macmillan. SpringerLink
5. Vrins, F. (Ed.). (2020). *Advances in Credit Risk Modeling and Management*. MDPI Books. MDPI

WEBSITES

- **https://www.creditriskmonitor.com/ creditriskmonitor.com+1**
- **https://emeraldrating.com/knowledge-center/ emeraldrating.com**
- **https://www.coursera.org/learn/credit-risk-management coursera.org**