A Synthesis of Banking Sector Credit Risk

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Abstract

Banks play a vital role in economic development of any country by supplying credit to the various sectors of the economy. In advancing loans they face major risks. One of the important risks that banks encounter is credit risk. Several macro-economic factors and also various shocks within the country and the world over influence the credit risk. This paper presents a summary of various articles published on credit risk which cover various issues related to credit risk such as factors influencing credit risk, impact of qualitative information on credit risk, relationship between liquidity risk and credit risk, credit risk transfer and various other aspects of credit risk. The paper introduces the concept of credit risk and briefly explained the various factors influencing credit risk and then presents certain key issues studied in the literature and finally presents a brief summary of some articles published on credit risk from 2002 to 2016.

Keywords: Credit Risk; Loans; Macro-economic Factors.

References


RBI Master Circulars on credit risk.
