ABSTRACT

Credit Risk and operation management can be treated as the heart of any commercial bank. It plays the vital role in the performance of a financial institution as it analyses credit worth ability of borrowers. If there is any loophole in credit risk assessment, then recovery of the loans and advances is a great challenge. Credit risk is the oldest and biggest risk that bank, by virtue of its very nature of business, inherits. India is no exception to this swing towards market driven economy. Better credit portfolio diversification enhances the prospects of the reduced concentration credit risk and operation management as empirically evidenced by direct relationship between concentration credit risk profile and NPAs of public sector banks. Credit risk has always been a vicinity of concern not only to bankers but to all in the business world because the risks of a trading partner not fulfilling his obligations in full on due date can seriously jeopardize the affairs of the other partner. Credit risk management in banks has become more important not only because of the series of financial crisis that the world has experienced in the recent past. So a research was conducted for studying credit operations and risk management in IDBI bank with special reference to Tamil Nadu.

The primary objective of the study is to investigate the effectiveness of credit operations and risk management by the employees of the selected banks through evaluation model and to measure the organizational performance of the selected bank through operational performance, financial performance and market based performance. With the extensive review of literature the conceptual framework for credit operations and risk management on organizational performance was developed. This study was conducted in Chennai City of Tamil Nadu state which was purposively selected as it the commercial hub which has been tagged as the
Banking Capital of India, for its exciting banking culture and trading. 615 respondents were selected by stratified random sampling design were adopted in this method and the subjective analysis of 123 branches of IDBI bank located in Tamil Nadu state was chosen from each branches 5 respondents were surveyed.

A structured questionnaire was developed and validated for data collection and five years balance sheets (FY 2011 to FY 2016) were used as a source for collection of secondary data for calculation of various ratios. Statistical analysis like correlation, regression, one way ANOVA, chi-square, t test and Fried man test were done to analyse the data. It was found out that there was significant relationship between credit risk and operation management on organizational performance. Structural Equation Modelling was used to test the conceptual model. The conceptual model developed was found to be fit.

The findings of the study revealed that the credit risk and operation management has positive relationship with the level of operational performance, financial performance and market based performance.. The aim of current research in credit risk and operation management is to reduce the probability of loss from all the credit transaction that happens in the selected bank.

Based on the findings of the study, the researcher recommended to develop appropriate credit scoring models using data mining techniques to support loan decisions for the public sector banks in India. Effective loan application evaluation would improve credit decision effectiveness and control credit section tasks, as well as save operating expenses. So from the research, it is proved that the effective credit risk and operation management system adopted by the selected bank can generates the positive attitudinal outcomes for the employees and overall development for the organizations performance as well.