NAME = MUHAMMAD FAWAD HUSSAIN

ID = 15967

TEACHER = WAJAHAT GULL

SUBJECT = Advance research method

ASSIGNMENT = LITERATURE REVIEW

**CREDIT RISK MANAGEMENT**

**Literature review**

**Ali sulliemanAlsatti (Jordan)2015.**

Also, banks ought to establish adequate credit risk management policies by imposing strict credit estimation before granting loans to customers, and banks in planning a good credit risk management system, ought to establish an acceptable credit risk environment; in operation beneath a sound credit granting method, maintaining associate acceptable credit administration that involves observation, process further as enough controls over credit risk, and banks ought to place and devise methods can which will that may not solely limit the banks exposition to credit risk however will develop performance and fight of the banks. This analysis aims at examining the result of credit risk management on money performance of the Jordanian industrial banks throughout the amount (2005 2013), 13 industrial banks are chosen to precise on the complete Jordanian industrial banks. Two mathematical models are designed to live this relationship, the analysis discovered that the credit risk management effects on money performance of the Jordanian industrial banks as measured by ROA and ROE. The analysis any concludes that the credit risk management indicators thought-about during this analysis have a big result on money performance of the Jordanian industrial banks. Based on findings, the man of science recommends banks to enhance their credit risk management to attain additional profits, in this banks ought to take into thought, the symptoms of Non-performing loans/Gross loans, Provision for facilities loss/Net facilities and also the leverage quantitative relation that were found vital in determinative credit risk management.

**Syed Muhammad(2017)**

The Loan loss provision ratio (LLPR), liquidity ratio (LR) and Non-performing loan ratio (NPLR) have negative while the capital adequacy ratio (CAR), loan and advances (LAR), and SIZE have positive impact on the return on assets. In relation to return on equit, the CAR, LAR and LLPR variables have significant impact on ROE. For return on asset (ROA) analysis revealed that capital adequacy ratio (CAR), Loan loss provision ratio (LLPR), liquidity ratio (LR) and Non-performing loan ratio (NPLR) variables have significant impact on return on assets (ROA).

**SemeresimonEmbaye.et.all (2017)**

The significant positive relationship between loan loss provision and commercial banks performance in this study could indicate the presence of potential earning management activities by bank managers. The main indicators used in this study are Return on Assets (ROA), Non-performing Loans Ratio (NPLR), Capital Adequacy Ratio (CAR), Loan and Advances Ratio (LAR) and Loan Loss Provision Ratio (LLPR)

**Peter mutual Mutava (2016)**

The objective of this study was to establish the effect of credit risk management on Financial Performance of commercial banks in Mombasa County. The study had three specific objectives of establishing the effect of liquidity risk manage to determine the effect of market risk management and determine the effect of default risk management on credit risk management. Credit risk management is vital. The study found that there is a correlation between liquidity risk management, default risk management and market risk management with Performance of the banks. Sampling involves assortment of a number of individuals or objects from a population such that the selected group contained elements representatives of characteristics found in the entire group. Mugenda and Mugenda , (2003) recommends a representative sample of 10%-30% for descriptive survey research.

**OlawaleLuqman Samuel (2014)**

The study is intended by the damaging impact of classified assets on bank capitalization and would be of utmost connation because it addresses however credit risk affects banks’ profitableness employing a sturdy sample and also the findings would function the premise to produce policy measures to the assorted stakeholders on the way to tackle the credit risk so as to reinforce the standard of banks’ assets and cut back bank risk. Improper credit risk management cut back the bank profitableness, affects the standard of its assets and increase loan losses and non-performing loan which can eventually cause money distress

**ASHA SINGH (2013)**

The risk of loss of principal or loss of a financial reward stemming from a borrower’s failure to repay a loan or otherwise to meet a contractual obligation is termed as credit risk. In view of this, aligning risk management to bank’s organizational structure and business strategy has become integral in banking business. Credit risk is the bank’s risk of loss arising from a borrower who does not make payments as promised. Credit risk arises whenever a borrower is expecting to use future cash flows to pay a current debt.

**BENJAMIN AGYEPONG (2015)**

The study concludes that to a greater extent ADB Bank Ltd has good credit risk management practices that ensure a considerable level of profitability. The study further showed that ADB Bank complies to all the regulations enshrined by the Bank of Ghana which comprises of provision of restrictions on lending and investment by banks (Bank of Ghana Act 2004, Act 673/ PART VI), regulation on Liquidity of banks (Bank of Ghana Act 2004, Act 673/PART IV), regulation on Capital and Reserve of banks (Bank of Ghana Act 2004, Act 673/PART III).The findings of the study proved that ADB has a good credit risk management practices which is being reflected in its loan granting, evaluation and monitoring processes. Per the findings of the study, loan applicants are assessed by credit officers based on their capacity, character, capital, conditions and collateral which is popularly referred to as the five C‟s of credit. This study assessed the credit risk management practices of ADB Bank Ltd. The study therefore recommended the need for the training of credit officers on better ways of assessing the creditworthiness of clients in order to reduce the rate of repayment defaults among clients. Further the study recommended the need for management of ADB to come up with a policy that will ensure the disbursement of current loans whiles cutting down drastically the approval of loans which have the potency of becoming doubtful or loss to the bank

**Indianelkaaya.et.all (2013)**

Regression model was used to develop the relationship between the indicators of credit risk and bank performance, the credit risk indicators have produced negative correlation which indicate the higher the credit risk the lower the bank performance. The study was meant to find the relationship between the credit risk and bank performance as measured by return on asset.

**KOLAPO,Funso.et.all (2012)**

The ancient profit theory was used to formulate profit, measured by come on plus (ROA), as a operate of the quantitative relation of Non-performing loan to loan & Advances (NPL/LA), quantitative relation of Total loan & Advances to Total deposit (LA/TD) and also the quantitative relation of loan loss provision to classified loans (LLP/CL) as measures of credit risk. Based on our findings, it's counseled that banks in African country ought to enhance their capability in credit analysis and loan administration whereas the administrative body ought to pay additional attention to banks’ compliance to relevant provisions of the Bank and alternative money establishments Act (1999) and prudent pointer.

**Ravi PrakashPoudel (2012).**

Financial report of thirty one banks were accustomed analyze for eleven years (2001-2011) comparison the profitableness quantitative relation to default rate, price of per loan assets and capital adequacy quantitative relation that was bestowed in descriptive, correlation and regression was  accustomed analyze the info.

**MubbashirIftikhar (2016).**

Banks in Islamic Republic of Pakistan got to ought to establish acceptable credit risk management ways and polices by implementing sound credit estimation before disposition loans to customers, and banks ought to established economical and effective credit risk management system, and credit providing system ought to be strict by correct observation, through complete info of client , their purpose associate degreed capability to repay loans; operative underneath a secures system of credit granting method and by maintaining an adequate management. An applied math model had been designed to live this relationship, the study exposed that the credit risk management impact on monetary performance of the industrial banks of Islamic Republic of Pakistan as calculated by ROE and ROA, wherever the indicator of credit risk management were non acting loan and capital adequacy quantitative relation. On the premise of results, the study conclude that the issue of credit risk management have important impact on monetary performance of business banks of Islamic Republic of Pakistan. This study is conducted to check the link between credit risk management and monetary performance of business banks of Islamic Republic of Pakistan that area unit listed in KSE.

**Sohaibiqbalkasana.et.all(2016)**

The robustness of the results will be statistically checked through Hausman specification test. Findings The results show that there capital adequacy ratio and loan loss provision had highly significant positive correlate with credit risk, while this study shows that operating inefficiency, growth in GDP and growth in advances had significant relation with credit. The dependent variable of the study was credit risk (CR) which is measured as the ratio of nonperforming loan to total loan. Design/Methodology: The size of the sample consist 26 commercial banks covering data period from 2007-2013. The purpose of the concern study is to investigate the determinants of credit risk (CR) of commercial banks in Pakistan. Variable Specification: The explanatory variable of the concern study are macro and bank specific variable that has been used in the study. Macro variable includes GDP growth (GDPGR) and growth in interest rate(IRGR), while the bank specific variable consist capital adequacy ratio(CAR), growth in advances(ADVNGR), operation inefficiency(OPINF), loan to depots ratio(LD), loan loss provision (LLP) and size of the bank. It was revealed that operating inefficiency, loan deposit ratio, and size has insignificant relation with credit risk in commercial banks of Pakistan.

**Reference**

**Investment Management and Financial Innovations, Volume 12, Issue 1, 2015 338 Ali SuliemanAlshatti (Jordan) The effect of credit risk management on financial performance of the Jordanian commercial banks**

**ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol.9, No.1, 2017 57 Impact of Credit Risk Management on Banks Performance: A Case Study in Pakistan Banks Syed Muhammad Hamza Banking and finance department, GC university Faisalabad**

**Research Journal of Finance and Accounting www.iiste.org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) Vol.8, No.19, 2017 70 The Impact of Credit Risk Management on Financial Performance of Commercial Banks –Evidence from Eritrea**

**Research Journal of Finance and Accounting www.iiste.org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) Vol.7, No.17, 2016 15 Effects of Credit Risk Management on Financial performance of Commercial Banks in Mombasa County Peter MutuaMutava\***

**Luqman, Olawale, The Effect of Credit Risk on the Performance of Commercial Banks in Nigeria (December 10, 2014). Available at SSRN:**[**https://ssrn.com/abstract=2536531**](https://ssrn.com/abstract=2536531)**or**[**http://dx.doi.org/10.2139/ssrn.2536531**](https://dx.doi.org/10.2139/ssrn.2536531)

**International Journal of Marketing, Financial Services & Management Research\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ISSN 2277- 3622 Vol.2, No. 7, July (2013) Online available at www.indianresearchjournals.com 47 CREDIT RISK MANAGEMENT IN INDIAN COMMERCIAL BANKS MS. ASHA SINGH RESEARCH SCHOLAR, MEWAR UNIVERSITY, CHITTORGARH, RAJASTHAN.**

**AN ASSESSMENT OF CREDIT RISK MANAGEMENT PRACTICES OF AGRICULTURAL DEVELOPMENT BANK LIMITED BY BENJAMIN AGYEPONG, (BSc. Finance) © 2015 Department of Accounting and Finance**

**Research Journal of Finance and Accounting www.iiste.org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) Vol.4, No.16, 2013 55 Credit Risk and Commercial Banks Performance in Tanzania: a Panel Data Analysis**

**Australian Journal of Business and Management Research Vol.2 No.02 [31-38] | May-2012 31 CREDIT RISK AND COMMERCIAL BANKS’ PERFORMANCE IN NIGERIA: A PANEL MODEL APPROACH**

**University of Haripur Journal of Management (UOHJM) Published by University of Haripur. October 2016 UOHJM available at www.uoh.edu.pk/uohjm Volume 1. Issue 2 ISSN: 2415-5098 Iftikhar (2016) 110 Impact of Credit Risk Management on Financial Performance of Commercial Banks of Pakistan MUBBUSHAR IFTIKHAR E-mail:** [**mubbushariftikhar@gmail.com**](mailto:mubbushariftikhar@gmail.com)**.**

**Journal of Poverty, Investment and Development www.iiste.org ISSN 2422-846X An International Peer-reviewed Journal Vol.25, 2016 65 The Determinants of Credit Risk in Commercial Banks of Pakistan Sohaibiqbalkasana The University of Lahore, Pakistan**