Project report on
(16MBAPR407)
A Study on Credit Risk Management At HDFC Bank, Tumkur

BY
Thejaswini C
1AY16MBA81

Submitted to

VISVESVARAYA TECHNOLOGICAL UNIVERSITY,
BELAGAVI

In partial fulfilment of the requirements for the award of the degree of
MASTER OF BUSINESS ADMINISTRATION

Under the Guidance of

INTERNAL GUIDE	EXTERNAL GUIDE
Dr. Prakash B Yaragol	Mr. Kiran Kumar K L
Professor, Dept. of MBA, AIT	Relationship Manager

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Acharya PO, Soladevanahalli, Bangalore-560 107

May 2018

HDFC Bank Limited
Swarna Mahal, Opp Govt Junior
College Ground, BH Road,
Tumkur - 572 102 Karnataka

Date: 24.03.2018

CERTIFICATE

This is to Certify That **Ms. Thejaswini C** Reg No **1AY16MBA81** student of **MBA 4th** sem , at **Acharya Institute of Technology College** . She has successfully completed her academic Project report **"A study on Credit Risk management at HDFC Bank"**, During the period from 15th January 2018 to 24th March 2018 in our organization Under the guidance of **Mr Kiran Kumar K L**, Relationship Manager of our Bank.

She has showed her Extensive Interest during her project , which is worth appreciating.

The HDFC Bank, wishes Ms Thejaswini, a bright future.

For HDFC Bank Ltd.

Kiran K L

Authorised Signatory

(Kiran Kumar K L)

Relationship Manager

Name: KIRAN KUMAR.K.L
Emp Code: K8064
Designation: RM

ACHARYA INSTITUTE OF TECHNOLOGY

(Affiliated to Visvesvaraya Technological University, Belagavi, Approved by AICTE, New Delhi and Accredited by NBA and NAAC)

Date: 19/05/2018

CERTIFICATE

This is to certify that **Ms. Thejaswini C** bearing USN **1AY16MBA81** is a bonafide student of Master of Business Administration course of the Institute 2016-18 batch, affiliated to Visvesvaraya Technological University, Belgaum. Project report on "**A Study on Credit Risk Management at HDFC Bank, Tumkur**" is prepared by her under the guidance of **Dr. Prakash B Yaragol** in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belgaum, Karnataka.

28/5/18

Signature of Internal Guide

Signature of HOD

Head of the Department
Department of MBA
Acharya Institute of Techno...
Soldevanahlli, Bangalore-56...

28 May 18

Signature of Principal

PRINCIPAL
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Soldevanahalli Bangalore-560 107

DECLARATION

I, Thejaswini C, hereby declare that the Project report entitled "A Study on Credit Risk Management at HDFC Bank, Tumkur" prepared by me under the guidance of Dr.Prakash B Yaragol, Professor of M.B.A Department, Acharya Institute of Technology and external assistance by Kiran kumar K L ,HDFC Bank, Tumkur.

I also declare that this Project work is towards the partial fulfilment of the universityregulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belgaum.

I have undergone a summer project for a period of Ten weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University / Institution.

Signature of the student

Place: Bangalore

Date: 28 05 2018

USN: 1AY16MBA81

ACKNOWLEDGEMENT

I deem it a privilege to thank our Principal, Dr.Sharanabasava C Pilli, Dr. Mahesh, Dean Academics and our HOD Dr.Nijaguna for having given me the opportunity to do the project, which has been a very valuable learning experience.

I am truly gratefulto my external guide Mr. Kiran kumar K L, HDFC Bank, Tumkur and my internal research Guide, Dr.Prakash B Yaragol, for their research guidance, encouragement, and opportunities provided.

I wish to thank all the respondents from the firms who spent their valuable time in discussing with me and giving valuable data by filling up the questionnaire.

My sincere and heartfelt thanks to all my teachers at the Department of MBA, Acharya Institute of Technology for their valuable support and guidance.

Last, but not least, I want to express my deep appreciation to my parents for their unstinted support.

Thejaswini C

1AY16MBA81

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EXCECUTIVE SUMMARY

The project report was carried on at HDFC Bank, Tumkur on the topic “The Study of Credit Risk Management”.

The research mainly focused on the risk involved that the bank need to be faced while lending loans to the customers and bank have to frame the strategies and methods to reduce the risk that arises out of lending.

The information regarding the finance is been derived from financial statement such as Balance sheet and profit and loss account of HDFC bank. Analysis of data is made for four years that is from 2014 to 2017 is been collected from the annual report of the bank.

It can be found that the bank manages its credit risk in appropriate manner which is clear by the amount of loss of NPA. There exists some non performing assets but in the last four years bank have never experienced any loss arising out of such loans.

The bank manages its credit risk in appropriate manner can be found as there is there is no much loss to the bank because of lending. Bank has a well planed mechanism and strategies for managing the credit risk.

CHAPTER-1

INTRODUCTION

1.1 INTRODUCTION

The program consisting of 10 weeks helps a student to understand the particular entity’s ethics, nature and type of the work they are indulged in and also helps in understanding the performances of that entity in a broader perspective. It helps the students in learning outside the classroom.

The study is done on the topic Credit Risk Management of HDFC Bank. The study mainly focus on the measures to be taken by the Bank in order to reduce the risk associated with the credit and regarding the background check that has to conducted by the bank to know their customers credit worthiness by considering credit rating.

The study may reveal that the risk factor which the bank faces can be minimized by considering some important factor before lending any kind of loan to its customers or any advances.

The purpose of the internship is:

1. To enrich classroom learning through exposure to related on-the-job experiences.

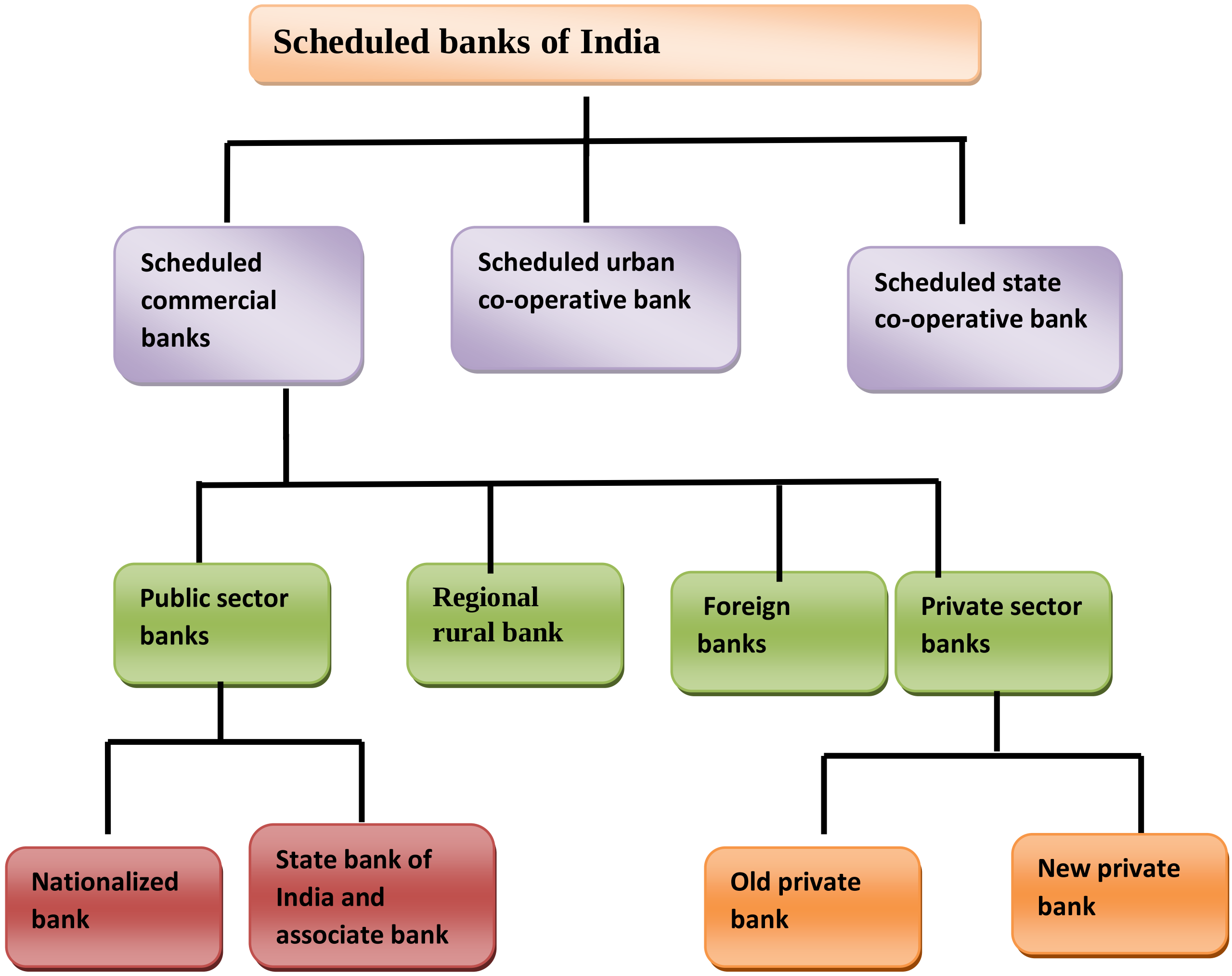
2. To assist in the determination of career goals.

3. To provide experience in the field for those just entering the criminal justice field.

4. To broaden that experience and the students’ perspective on criminal justice issues for those who have prior experience in the criminal justice field.

1.2 INDUSTRY PROFILE

THE INDIAN BANKING SYSTEM



Indian Banking system has a life of more than 200 years.It started its journey in 1786. The drastic change in this sector took place only after the nationalization of banks in the year 1969. The policy of the government helped this industry to grow rapidly by taking into consideration the liberalization, privatization and globalization. Liberalization policy and economic reforms in India explored many opportunities for the banks from mere lending and buying to other financial facilities. As a result of this banks begun to experience numerous positive changes and successive growth. By this banks made a remarkable step in the Indian banking scenario. However at present, in the presence of the foreign banks, Indian nationalized banks have a greater operation due to the size of the banks and the penetration of their banking networks.

Origin of the word "BANK"

The word bank is derived from French word 'BENQUE' or the Italian word 'BANCO' which is referred to an office or the premises of monitory traction over the counter. In those days banked are used to be called as desk which was the place of monitory transfer. During the Barter system there was a trace of banking that is people use to deposit cattle and agriculture product in specified places against the loan is raised in exchange of those. This exists a solid proof found in the records of Mesopotamia showing some bank existence around 1700BC and during this time barely, silver, gold, copper etc. were used as valuation standard.

Establishment of Reserve Bank of India (1935)

The Reserve Bank of the country was found on 1st April, 1935 in consensus with the necessities of the RBI Act, 1934. And the foundation of this central bank of the nation concluded the quasi- central banking is the part of Imperial Bank. And the next to be supporters to the government of the nation and in its place converted meditator of the reserve bank for all the operation of the government business next to which central banks was not formed.

Nature of the industry

Banks are mainly engaged in lending and accepting of deposits from the people. Banks are also involved in safeguarding of valuables such as jewelers, documents, clears the cheques and any of the negotiable instrument. Bank can be differentiated based on the operations they involved in. The differences have reduced as the days passed and banks have emerged and expanded their products and services in a wide range to their customers.

Functions of banking

Banks are mainly known by the functions they perform. The functions of bank are classified into two categories.

1. Primary or fundamental functions.
2. Secondary or supplementary functions.

Primary functions:

- Accepting deposits from the public.
- Lending of money or advancing of various types of loans which can be secured or unsecured loans. The loans which are given against the collateral securities are known as secured loans and on those loans where collateral securities are not considered for lending are said to be unsecured loans. Unsecured loans involve huge risk.
- Banks provide safety lockers called vaults for valuables
- Acts as a intermediary in the exchange of foreign currency.
- Purchases and sells of bonds and any form of securities on behalf customers.

Secondary functions:

- The banks issue letter of credit and traveler's cheque.
- Money transfer from one bank account to another bank account or from one branch.
- Collecting and supplying of business information
- The banks issue demand draft and pay order.
- Acts on behalf of the government or local authorities or any individual.
- Carrying on assurance and indemnity business.
- Manages to sell and get its realisation on any property or asset or any interest there on.
- Undertaking and executing of trusts.
- Granting pensions and allowances and making of payments towards pensions.
- Provides debit card, credit card, smart card and such other cards.
- Acts as attorney, correspondent and executor.

1.3 COMPANY PROFILE

The Housing Development Finance Corporation Limited (HDFC) changed into a few of the first to get hold of an 'in precept' approval from the Reserve Bank of India (RBI) to set up a financial institution in the private area, as a part of the RBI's liberalization of the Indian Banking Industry in 1994. The Bank changed into incorporation in august 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank started out its operation as a Scheduled Commercial Bank in January 1995.

HDFC Bank's goal is to build sound customer franchises throughout distinct enterprise a good way to be the desired issuer of banking offerings for goal retail and wholesale customer segments and to gain healthful growth in profitability, regular with the financial institution's threat urge for food. I devoted to maintain the very best stage of ethical requirements, professional integrity, corporate governance and regulatory compliance. HDFC Bank's commercial enterprise philosophy is primarily based on 5 middle values: Operational Excellence, Customer Focus, Product Leadership, Sustainability and people.

1.3.1 PROMOTORES , VISION, MISSION AND QUALITY POLICY

✓ PROMOTORES

HDFC Bank became founded inside the year 1977 because the first specialised loan business enterprise in India. HDFC turned into promoted by way of the Industrial Credit and Investment Corporation of India. Mr.Hasmukhbhai Parekh performed a key role within the basis of this organization

✓ **VISION**

"To build a World-Class Indian Bank"

By offering a wide variety of relevant product and service:

- Modified solution for customers
- Ensure unrivaled customer service
- Providing the right solution at the right price
- To provide a wide and extensive reach

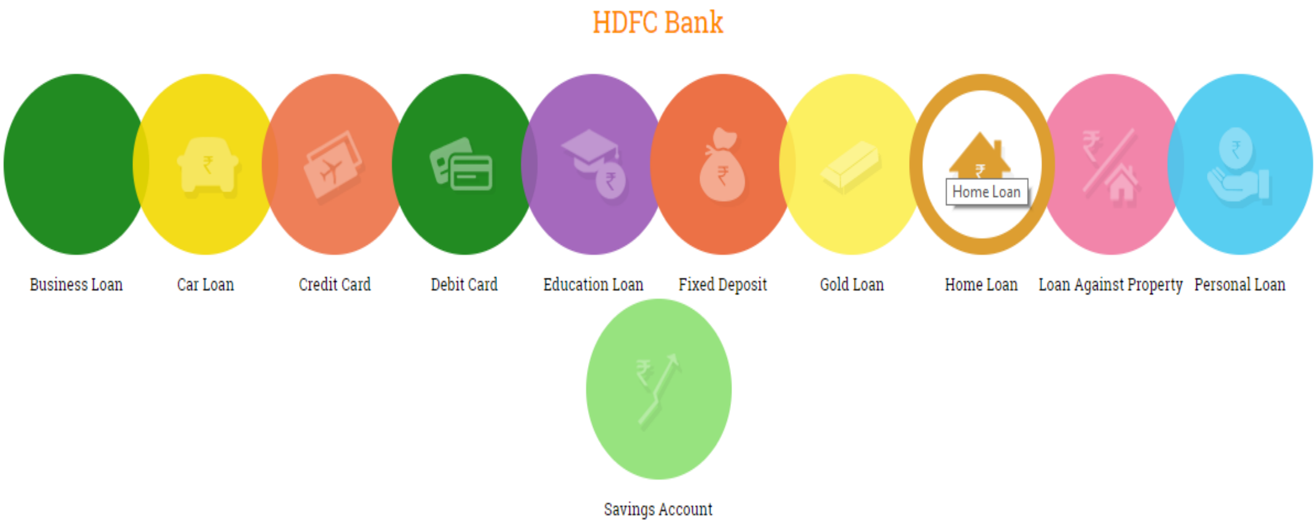
✓ MISSION

Use Enabling technology to offer valued products and provider to customers. The objective is to build sound purchaser franchises across wonderful business a good way to be the preferred company of banking offerings for target retail and wholesale customer segments and to obtain healthful growth in profitability, regular with the bank’s danger urge for food. The financial institution is committed to maintain the very best degree of ethical requirements, professional integrity, company governance and regulatory compliance.

✓ QUALITY POLICY

HDFC Bank shall constantly try to innovate and supply overall financial solutions to meet customers beyond their expectancies in their domestic and life-style needs. This might be pushed by means of; Caring customer support, expecting requirements and handing over proactive answers.

1.3.2 **PRODUCT AND SERVICE PROFILE:**



- **Accounts And Deposit:**

  In today's world, it has become a necessity for every individual to have an extra cash account. HDFC Bank offers various types of savings accounts with interest rate 4% which is calculated daily on the end of day balance. The various types of savings account schemes are as follows:

The main operations of the bank (customer service)

- **Deposit Products:**

  1. Savings for individual and non-trading organization/ institution.
  2. Current accounts for business operations-traders, business man, corporate bodies.
  3. Fixed deposit which is a secured way to earn high rate of return for individuals and institutions.
  4. Can flexi deposit which is a combination of savings and fixed deposit return instant liquidity.
  5. Recurring deposit scheme which inculcates saving, rewarding & recurring habits.
  6. Floating rate deposit scheme which provides insurance against interest fluctuations.
  7. Saving Suraksha is a group insurance scheme for its deposits clients.

LOAN:

HDFC Bank offers a number of styles of loans at minimal interest charges for all of the needs of the individual. The specific varieties of loans on hand are:

- **PERSONAL LOAN:** This loan may be used for assembly any personal or commercial enterprise-associated necessities.
- **CAR LOANS:** These loans furnish the crucial finance to shop for your very own car.
- **TWO-WHEELER LOANS:** those loans are supposed for buying two-wheelers.
- **BUSINESS LOANS:** the loan that is used for assembly any kind of enterprise related fee is referred to as a enterprise loan.
- **HOME LOAN:** a very well-known mortgage, domestic loans are sanctioned in order that human beings can buy or assemble a home for residential use.
- **LOAN AGAINST ASSETS:** that is a secured mortgage that's granted towards the safety of assets like deposits, insurance plan coverage, saving certificates, and so forth.
- **EDUCATIONAL LOANS:** training loans are used for investment graduate or put up-graduate education.
- **GOLD LOAN:** Loan granted in opposition to the fee of gold adorns and jewelry that's secured for the loan is known as a gold mortgage.

Commercial Credit Cards

As stated earlier, HDFC Bank additionally offers especially designed industrial credit score playing cards which cater especially to business-related requirements. The cards provided by means of the bank include the following:

- **Business Platinum Card:** - a top rate enterprise savings card, this card offers different lounge access, 1% money back on retail as properly as international spends, becoming a member of and renewal charge reversal through spending a particular amount on the card and international acceptability.

- **Business Money Back Credit Card:** this savings card permits companies cash backs through redemption of reward points earned on transactions executed using the card. Other benefits include gas surcharge waiver, zero lost card liability and annual rate reversal via exact transactions.

- **Business Regalia Credit Card:** this card is a first-rate top rate deposit card for businesses which promise one-of-a-kind privileges and rewards. Benefits include up to 15% discount on lifestyle spends, expert global concierge service, reward points on every transaction, a complimentary Priority Pass Membership which gives free lounge get entry to across all important international and domestic airports, charge Silver membership to Club Vistara, a overseas currency mark-up of only 2% on global transactions, etc.

1.3.3. Infrastructure facilities.

The HDFC Bank, Tumkur Branch is outfitted with 24 hours CCTV Camera. The department has acquired all the primary needs which are required to carry out the banking activities. Core banking facility is been adopted in the bank branch.

Below cited are some of the offerings rendered with the aid of the bank:

- Multicity payable at par cheque facility.
- Anywhere banking facility
- Trade services.
- Phone banking facilities.
- Online tax account system
- Internet banking,
- Fund transfer
- Credit cards or any different sorts of loan.
- Debit or ATM cards.
- Mobile banking.
- RTGS or NEFT transfers.
- Locker facility.

1.3.4. COMPETITORS INFORMATION

- IDBI Bank.
- Oriental Bank.
- Canara Bank.
- Bank of India.
- Union Bank of India.
- Syndicate Bank.
- Apex Bank.
- Andhra Bank.
- Induslnd Bank.
- ICICI Bank
- Federal Bank
- Dhanalakshmi Bank
- Jummu &Kashmir Bank
- City Union Bank

1.3.5. SWOT ANALYSIS

The framework deposit goes to Albert Humphrey, tested the techniques in Sixties and Seventies at Stanford Research Institute (SRI).

SWOT evaluation (Strengths, weakness, opportunities and threads analysis) is a framework for identifying and analysing the variability of a projects, product, region or people of an organisation. The evaluation has been adopted through all company of all type as an resource to making decision.

STRENGTHS

- HDFC bank is the 2nd biggest private banking area in India having 2,201 branches and seven, hundred and ten ATM’s
- HDFC financial group is placed in 1,174 cities in India and has greater than 800 places to serve customers thru Telephone banking
- The bank’s ATM card is nicely suited with all home and worldwide Visa/Master card, Visa Electron/ Maestro, Plus/cirus and American Express. This is one motive for HDFC playing playing cards to be the most preferred card for buying and on line transactions
- HDFC bank has the immoderate diploma of consumer pleasure whilst compared to different non-public banks.
- The attrition fee in HDFC is low and it's miles one of the excellent places to work in non-public banking zone.
- HDFC has lots of awards and popularity, it has acquired ‘Best Bank’ award from a number economic ranking institutions like Dun and Bradstreet, Financial explicit, Euro money awards for excellence, Finance Asia U. S. Awards and many others.
- HDFC has properly financial advisors in phrases of guiding clients inside the path of right investments

WEAKNESS:

- HDFC financial organization doesn't have robust presence in Rural areas, the region as ICICI economic organization its direct competitor is increasing in rural market.
- HDFC can't revel in first mover advantage in rural regions. Rural people are hard middle loyals in terms of banking services.
- HDFC lacks in aggressive marketing strategies like ICICI.
- Some of the financial institution's product lessons lack in performance and doesn't have obtain within the marketplace.
- The proportion costs of HDFC are often fluctuating and hence, inflicting uncertainty for the traders

OPPORTHUNITIES:

- HDFC financial group has better asset outstanding parameters over authorities banks. Hence, the earnings boom is probably to increase.
- The corporations in big and SME are growing at very brief pace. HDFC has remarkable popularity in phrases of maintaining enterprise earnings accounts.
- HDFC financial institution has increased it's lousy money owed portfolio and the restoration of horrific debts are excessive while compared to government banks.
- HDFC has very specific opportunities in abroad.
- Greater scope for acquisitions and strategic alliances due to sturdy monetary role

THREATS:

- HDFC's nonperforming property (NPA) extended from zero.18 percent to zero.20%. Though it's miles a moderate variant it's now not a correct signal for the economic health of the bank.
- The non-banking economic corporations and new age banks are growing in India.
- The HDFC is no longer capable to increase its market percentage as ICICI imposes predominant risk.
- The authorities banks are looking to modernize to compete with non-public banks.
- RBI has opened up to seventy four% for overseas banks to invest in Indian marketplace.

1.3.6 FINANCIAL STATEMENTS

BALANCE SHEET AS ON 31 MARCH 2017 **(Amt. in Rs.)**

CAPITAL AND LIABILITIES	**2017**	**2016**	**2015**	**2014**
Capital	**5,125,091**	5,056,373	5012991	4798101
Reserves and surplus	**889,498,416**	721,721,274	615081174	429988169
Deposits	**6,436,396,563**	5,464,241,920	4507956425	3673374777
Borrowings	**740,288,666**	849,689,823	425135582	394389918
Other liabilities and provisions	**567,093,181**	367,251,338	324844559	413444042
Total	**8,638,401,917**	7,407,960,728	5905030731	4915995007
ASSETS				
Cash and balances with RBI	**378,968,755**	300,583,087	275104536	253456277
Balances with banks and call money and short notice	**110,552,196**	88,605,293	88209982	142380101
Investments	**2,144,633,366**	1,958,362,768	1664599477	1209510703
Advances	**5,545,682,021**	4,645,939,589	3654950477	3030002712
Fixed assets	**36,267,379**	33,431,573	31217343	29399180
Other assets	**422,298,200**	381,038,418	190949081	251246034
Total	**8,638,401,917**	7,407,960,728	5905030731	4915995007
Contingent liabilities	**8,178,695,893**	8,533,181,145	9752339539	7231549138
Bills for collection	**308,480,352**	234,899,997	223049263	209430623

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

(Amt. in Rs.)

I INCOME	**2017**	**2016**	**2015**	**2014**
Interest earned	**693,059,578**	602,214,451	484699044	411355336
Other income	**122,964,990**	107,517,233	89963521	79196415
Total	**816,024,568**	709,731,684	574662565	490551751
II EXPENDITURE				
Interest expended	**361,667,334**	326,299,330	26742352	226528999
Operating expenses	**197,033,442**	169,797,000	139875416	120421981
Provisions and contingencies	**111,827,380**	90,673,223	17885608	58817010
Total	**670,528,156**	586,769,553	472503376	405767990
III PROFIT				
Net profit for the year	**145,496,412**	122,962,131	102159189	84783761
IV APPROPRIATIONS				
Transfer to Statutory Reserve	**36,374,103**	30,740,533	25539798	21195941
Proposed dividend	**–**	24,017,772	20051963	16433495
Tax on dividend	**-**	4,889,453	4082107	2792873
Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits	**(16,909)**	(117,135)	8411	48462
Transfer to General Reserve	**14,549,641**	12,296,213	10215919	8478376
Transfer to Capital Reserve	**3,134,100**	2,221,532	2249166	582710
Transfer to / (from) Investment Reserve Account	**42,934**	(85,184)	275413	32218
Balance carried over to Balance Sheet	**326,689,434**	235,276,891	186277944	146541532
Total	**380,773,303**	309,240,075	248700721	196105607

CHAPTER-2

CONCEPTUAL BACKGROUND AND LITERATURE REVIEW

2.1 Theoretical Background

RISK MANAGEMENT

Risk management is a tremendous management it should pick out the variety of dangers that the corporation as a complete is uncovered to and additionally the dangers that individual things to do are exposed to. Risk management, identify the chance and controls or measures that can effectively mitigate each of the recognized risks.

Features of Risk

- Risk is an uncertainty of occurrence of loss and it when seen from a tremendous angle, risk is a chance to act on and earn profits.
- Risk is no longer a peril however its likelihood. It pervades all human activities. Need of danger management
- Risk administration in a position to manipulate the credit score risk. It introduces special products, methods, techniques, and strategy in the bank.
- Proper danger management machine helps in forecasting losses. Theoretical background of deposit danger management

CREDIT

The word ‘credit’, comes from the Latin word ‘credere’, which means ‘trust’, when marketers transfer his wealth to a customer who has agreed to pay later, there is a clear implication of two believe that the fee will be made at the two agreed date. The deposit period and the quantity of deposit depend upon the diploma of trust. Credit is an imperative advertising and marketing tool. It bears a cost, the cost of the seller having to borrow till the customer’s fee arrives.

RISK

The phrase threat is derived from an Italian phrase “Risicare” which potential to “Dare”.

Risk is defined as uncertain ensuing in negative outcomes, unfavorable in relation to deliberate goal or expectation. It is very challenging to discover a hazard free investment. Risk is the risk that an match or action will adversely affect an organization’s capacity to reap its objective and successfully execute its strategies.

There are mainly three types of risk. They are,

1. **Market Risk:**

It is the risk of deviation which is incompatible in nature of the market estimation of the exchanging portfolio, because of market development, amid the period required to sell the exchanges.

2. **Operational Risk:**

It is one area of risk that is confronted by all associations. More unpredictable association more uncovered it would be operational hazard. This hazard emerges because of deviation from arranged and typical working of the innovation, framework strategies and human disappointment of exclusion and commission. Aftereffect of deviation from ordinary working is reflected in the income of the association, either by the method for extra costs or by method for loss of chance.

3. **Credit Risk:**

It is characterized as the potential that a bank borrower will neglect to meet its commitment as per concurred terms.

Credit danger arise

- Lending
- Hedging settlement
- Other financial transactions like pledge, personal loan etc…

CREDIT RISK

Credit risk is described by means of "the losses in the match of a default of the borrower or counterparty will fail to meet its duty or in the event of a deterioration of the borrower's credit quality.

CREDIT RISK MANAGEMENT

Introduction

Credit chance confronted by the banks requires exclusive therapy in future. It is nothing however possibility of default due to non- payment or delayed payment. Banks are acquainted with the chance on non-payment in the performs period due to failure of the task or willful default. Banks cover it partly by means of taking the guarantees from savings Guarantee Corporation.

The main concern of present day banks is to minimize the share of non-performing advances to complete advances therefore by enhancing efficiency by means of the management of banks and by adopting appropriate techniques of deposit management. Investors sift thru a company's strategic graph to recognize how pinnacle leadership manage company affairs especially when it comes to evaluating business partners solvency change players may also strike a defiant tone if they consider administration is now not administering savings danger effectively. A refrain of complaints from financial market contributors may also arise if corporate leadership does now not control liquidity level adeptly.

Personnel Involvement

In the corporate and banking placing a number of experts recognize that the hassle of deposit losses wishes attention. These personnel consist of portfolio managers, investment analysts and credit reviews, financial accountants, alternate credit supervisors and corporate treasury analysts also combine their enterprise acumen to suggest sufficient danger administration policies.

Internal receivers and external auditors additionally pitch in credit threat administration strategies, advising top management on methodologies fundamental to rein in inadequate credit score extension.

Meaning of credit score threat management

It refers to the procedure of hazard evaluation that comes in an investment; danger often comes in investing and in the allocation of capital. The chance ought to be assessed so as to derive a sound funding choice likewise, the evaluation of hazard is additionally fundamental in coming up with the position to balance danger and returns.

Credit Risk Management Process:

Following process explain the steps that are taken before lending any credit.

- **Appraisal of Credit**
  Before lending credit to any customer, the information related the soundness and capability of that particular customer needs to be collected and it should be properly analyzed. In any case the customer proved not to have any soundness in his incomes then the loan can be discarded at any time.

- **Sanctioning of credit:**
  A proper guideline for the sanction of credit needs to be maintained. Only after the customer is proven with adequate incomes, the further procedure takes place. Customer needs to follow the rules, regulations and guidelines related to the credit that he is availing. Need to know the terms and conditions of the particular bank and the type of the loan.

- **Collecting the documents related to credit:**
  Financial institution collects the information regarding the properties or the collateral securities against which the loan is raised. Analyses the real worth of such collateral securities and understands the legality of those assets or properties.

- **Administration of credit:**
  Financial Institutions must guarantee that their credit portfolio is appropriately managed that is, advance understandings are properly arranged, reestablishment notification are sent deliberately and records identified with credit are frequently refreshed. An establishment may assign its credit organization capacity to an office or to assigned

people in credit operations, contingent upon the size and multifaceted nature of its credit portfolio.

- **Disbursement:**

  Loan amount can be discharged to the customers after the offer given by the bank is duly signed and authorized by the customer and its one copy is returned to the banks or financial institution. Loan amount, collateral securities, insurance any on such collateral securities everything should be in favor of the institution.

- **Having a control over the individual credit and monitoring it by time to time:**

  Continuous monitoring of the individuals loan whether the loan granted is utilised fully to its purpose or not. The decision of granting loan is correct or wrong can be identified. If any loss arises out of such credit, how much credit loss can be expected is to be ascertained.

- **Maintaining a credit portfolio:**

  The basket of the credit created should be properly maintained in order to identify the loss making units in the portfolio. Such loss making units needs to be properly administered and measures to recover from such losses can be identified.

- **Classifying the credit:**

  Credit which is making high amount of profit and which is incurring losses needs to be identified and classified for further valuation. The loss making credits amounts of loan can be reduced in future course and the reasons for such loss are determined and certain corrective measures are implemented. Where the profit making units need to be pulled further with the intention of making further high profits.

- **Facing the problems related to the recovery of credits:**

  In case the credits lent cannot be recovered, loss arises in such situation. Further the necessary changes relating to the credit term is introduced to improve the quality of the credit policies and strategies used to control the risk of the credit.

Importance of examining the deposit risk management

- It helps keep away from dealing with financially unstable companions and limit the risk of dropping assets or badly impacting enterprise reputation.

- It is related a high hazard two decision than a complete savings check supplying a unique analysis of the business financial standing can be extra beneficial.
- It can give up to date records about the bank payment loan, leasing financial disaster statistics about shareholders, cash go with the flow etc.
- It can assist to shield business from any financial risk and an useless hazard of dropping your assets.

2.2 REVIEW OF LITERATURE

- **Danjuman, Ibrahim, Kola, Ibrahim Abdullateef, Magaji, Badiya Yusuf, Kumshe&HauwaModu (2016)** explained the credit risk management and purchaser pride. It suggests the nice relationship among credit score threat control and consumer satisfaction and there is no want for banks control to be aware of other elements that contributes closer to the patron delight apart from granting of credit. Bank desires to consciousness on its credit score coverage in an effort to make greater earnings.

- **Hameeda Abu, Hussain, Al Ajmi & Jasim(2012)** exmined the management of danger practices observed by using the ordinary banks and determined that the threat stages confronted with the aid of banks are better in case of traditional banks. Hence, nationwide, residual and agreement, operational, risks are visible to be higher if there have to be an occasion to occur in conventional banks**.**

- **AroraA(1197)** assessed to review and examine the financial risk management machine within the business banks. The foremost trouble that the economic banks face is that it reveals it difficult to cope with shortcomings of the contemporary technique that's used to analyse threat and factors which can be missing inside the contemporary hazard management methods.

- **Alfred Lehar(2005)** discovered a brand new technique to measure and screen the threat in the banking gadget that may assist the industrial banks. Standard tools and regulators are required by means of the banks to manipulate their inner risks which might be applied at the level of banking machine to degree the hazard of a regulators portfolio. Larger and greater income making banks could have a decrease systematic danger simplest for banks which can be lacked via regulatory capital necessities.

- **Dr.AtulMehrotra (1999)**, Dean, Vishwakarma Institute of Management (forty five) emphasizes the need for advertising and marketing of Corporate Governance in Banks in those uncertain and unstable times. This paper noted at size Corporate Governance associated components in Banks as additionally touches upon the requirements for enhancing Corporate Governance in Banks as cautioned by means of using BCBS. The creator felt that regardless of the RBI's tasks on the suggestions of the Consultative Group of Directors of Banks/Financial Institutions underneath the Chairmanship of Dr.A.S.Ganguly, member of the Board for Financial Supervision, there is greater ground to be blanketed before Indian Banks are in a function to gain authentic Governance Standards.

- **Meighs & Frank E(1995)**Analysed by utilizing conventional credit instruments with regards to interest rate swaps which offers the credit officers to sufficiently deal with another source of credit risk. End clients of financing interest rate swaps can fundamentally decrease their credit chance by taking insurance. It acts as new instrument to deal with the risk required in loaning credit to the clients.
- **Lazarus Angbazo (1997)** examined that the banks with extra unstable loans and higher activity price danger exposure would pick out loan and savings fee in order to gain higher internet hobby margins. Commercial bank reflects each default and activity charge danger The net top class edges of the money center of attention is influenced just by using a default hazard and no longer via interest rate risk. Cash center of attention is dependable with their emphasis on quick time period belongings and off stability sheet hedging and reeling sheet aiding instruments. Provincial managing an account corporations are subtle just to mortgage price hazard and no longer to default chance.

- **Parsley & Mark(1996)** discovered that credit score and market dangers on my own cannot explain the income volatility they revel in and against which they want to allocate capital. Measuring operational danger will offer banks a way to charge a new and profitable source of business. Hence financial institution wishes to concentrate more on controlling its operational chance that allows you to growth its supply of business.

  Meighs & Frank E(1995)Analysed by way of utilizing traditional credit score devices with regards to interest rate swaps which gives the credit officers to sufficiently cope with some other supply of credit hazard. End customers of financing hobby price swaps can basically decrease their credit score risk by using taking insurance. It acts as new tool to deal with the threat required in loaning credit score to the customers.

- **Ahmed, Sufi Fizan, Malik & QaisarAli(2015)** assessed the credit score threat administration and enhance execution of micro scale banks. The consequences of the examination are demonstrating that there is a wonderful connection among the credit score term and execution of develop. While, there is a fine connection between accumulating approach and control of credit threat however they may be insignificantly affecting the improvement.

- **Gupta P K (1991)** Reviewed that asset and legal responsibility administration has extended to comprise into financing activity price risk, cash chance, liquidity danger and operational risk. Modeling making use of all the hazard factors empowers traders to get prepared for any instability. It is required for each and every bank to set their fixation toward the credit showing which allows the broker to limit and face any possibility.

- **Weber, Olaf, Fenchel, Marcus, Scholz & Roland W (2008)** examined the reconciliation of herbal risks into deposit dangers administration techniques and methods of banks and discovering the massive contrasts in incorporating environmental dangers between banks that are signatories of UNEP proclamation through the banks on the earth and sustainable advancement in coordinating environmental risks and banks that had now not consented to this arrangement so some distance may want to be found.

- **Jobst, Norbert J, Zenios & Stavros A (2005)** discovered that unfold hazard and hobby rate risk are fundamental variables which might not broaden away in a sizable portfolio putting and particularly when pinnacle notch contraptions are considered. Bank must center of attention on limiting such risks preserving in mind the give up aim to accomplish long run improvement in the business level.

- **Sensarma, Rudra & Jaydev M (2009)** determined a novel method for taking a glimpse at banks monetary related components that is from the risk management perspective. This assessment helps in growing outline scores of chance management capacities of banks. As chance administration is appeared to be an crucial determinant of inventory return of banks, financial institution ought to modify all round organized instrument to manipulate credit score risk and push the stock comes again to every other level.

- **Ijaz & Maha (2015)** found that examination in credit risk administration has extensively moved from estimation of credit score risk to the evaluating of savings chance which is more pivotal system for the bank. There is reliable increment in the zone of pastime fee risk. In any case, distinct parts of the place are now not yet aware of its fullest potential.

- **Waemustafa, Waeibroheem & Sukri&Sriani (2015)** discovered that insecure quarter financing regulatory capital and Contract are very essential to credit risk. For Conventional Banks, provisions made equipment causing of loan, debt of the financial institution to the whole assets, size, incomes administration and liquidity are the important factors influencing savings risk.

- **Freeman, Mark C, Cox, Paul R, Wright & Brain (2006)** analyzed a number fundamental and commonsense guides in which corporations can make use of deposit subordinates to oversee hazard are exposed and the pragmatic qualities and shortcoming of taking after such methodologies are underlined. What's more, this paper is of particular incentive to company fortune.

- **GhoshS K & Maji S G (2000)** analyzed and included a threat administration primarily based procedure evaluate into savings assessment function. It also emphasizes interest closer to the risk and finds that threat is no longer a chance however is, instead an opportunity to outperform the competition. And also made an rationalization of the evolution of the credit overview function.

- **Hussein A & Hassan Al Tamimi (2007)** examined the level of threat management strategies and equipment used by banks when it considers the exclusive kinds of risks faced with the aid of banks are compared by taking seem into the questionnaire prepared for the two units of bank. It can be concluded that commercial banks have to face greater foreign change risk, operating threat and credit score risk. It shows that significant relationship between the overseas and country wide banks.

- **Ali Fatemi & IrajFooladi(2006)** analysed the on-going practices and strategies for managing the credit risk in the financial institution. Only few financial institution are able to face counterparty migration risk. Minority banks use the seller based model for managing their risk. These models are utilized for managing the non-traded credit portpolios.

- **Sinan Cebenoyan& Philip E Strahan(2004)** examined that how dynamic management of financial institution credit danger exposes thru the advance deals promote it which influences capital structure, loaning, blessings and chance. Banks that rebalance their improve portfolio exposures by means of each buying and providing credits, banks that usage the advance offers show off for administration functions in place of adjust their property of advances within the financial institution. It recommends that banks that decorate their capability to supervise well known hazard may fit for more outstanding use and may loan extra cash to hazardous borrowers.

- **Julpa Jagtaini, George Kaufman & Catharine Lemieux(2002)**analysed irrespective of whether the authorities wellness is seen by using market as it's far stretched out past. Stores to different bank deposits or even the deposits of financial institution retaining companies. Its final results provide verify that both bank and financial institution conserving corporations securities are evaluated by using the auxiliary market in connection shockingly threat for less promoted backers recommending that proposition obliging banks to difficulty obligation may also beautify put it up for sale and valuable in regulatory discipline.

- **Prakash S, SoniG, Rathore&Singh(2010)**tested the position of hazard management and company governance as a matter of economic disaster. It examined that the banks failure in applying well evolved hazard control ideas become a end result of hassle between predominant and agent that is inner to the company and it breaks the corporate governance machine which is designed to conquer the trouble among foremost and agent.

- **Olaf Weber(2012)** analysed the combination of environmental risks into the credit score management. The quantitative and qualitative analyses made shows that Canadian business banks, credit unions and export development Canada need to manipulate environmental dangers in credit score management so that you can avoid the monetary threat.

- **Evan Gatev, Tilschuermann & Philip E Strahan(2007)** analysed the liquidity hazard that the banks are dealing with which is attributed to transactions deposits and their potential to spark runs. Instead of that transaction deposits assist banks to hedge liquidity risk from loans that are not used. Banks inventory return volatility increases with the commitments made which might be mendacity unused but most effective for the banks with low stage of transaction deposits.

- **Abul Hassan(2009)** assessed the diploma to which Islamic Banks in Brunei Darussalam uses threat control strategies and contains out the chance management practices in managing specific type of risks. There exist risks which include forex chance, credit rate danger and running threat. It discovered that Islamic banks are fairly efficient in dealing with the threat.

- **Jose M Pastor & Lorenzo Serrano(2006)** analysed the performance and the credit risk of the crucial banks inside the euro area using one degree parametric stochastic technique which permits one to perceive whether or not the behaviour closer to danger of the banks within the Euro area turned into more cautious all through the length of evaluation. The end result indicates that the adjustment for danger is very crucial in case of earnings efficiency but no longer in case of price performance.

CHAPTER -3

RESEARCH DESIGN

3.1 STATEMENT OF THE PROBLEM

Credit risk continuous to be the leading source of problem in HDFC bank. The exposure to the credit dangers massive in case of economic establishments such industrial banks, while firms borrow cash they in flip reveal lenders to credit score risk. As a result borrowing exposes the firm owners to the danger that firm may be unable to pay its debt and as a result be forced to Bankruptcy Banks Should have a eager consciousness of the want to become aware of, measure and manage credit score danger as well as to determine that they keep ok capital against these risks and that they're competently compensated for dangers incurred..

The profits of the bank are to dependent on loans and advances which lead to both economic and industrial growth. If the borrower fails to make the payment for the amount borrowed by him, the credit risk for the bank increases. For most of the banks, loans and advances are the essential source of credit risk exists through the operations of the bank. Bank are progressively confronting credit risk in different budgetary instruments other than advances, including acknowledgment, interbank exchanges, exchange financials, remote trade exchanges, money related fates, swaps, securities, equities, options and in the expansion of duty and ensures, and the settlement of transactions.

Hence, there is a need to study the reasons for the credit risk and the process to manage or minimize the credit risk.

3.2. NEED FOR THE STUDY

There is need to understand the risk involved in the process of lending hence, the process involved in credit risk must be undertaken to reduce the default . The analysis was on the topic Credit Risk at HDFC bank, Tumkur branch. The study mainly concentrate on the various process to examine credit worthiness ,instalment repayments and clearance of non-performing assets and to find out the necessary measures that how the bank can minimise the risk in lending.

3.3. OBJECTIVES OF THE STUDY

- To find out the Credit risk management position in HDFC bank.
- To study the RBI norms regarding Credit risk management.
- To handle the effect of high NPAs.
- To avail the creditworthiness criteria of customer.
- To make suggestions on the basis of the analysis.3
- To study various types of loans and advances for the last 4year
- To study various credit risk management strategies adopted by the HDFC Bank.
- To offer suggestions to HDFC based on the study.

3.4. SCOPE OF THE STUDY

The study throws light on the factors influencing Credit risk management of the bank and the steps taken by the bank to minimize the Credit risk management and guidelines issued by the Reserve Bank of India. This study is confined to HDFC Bank.

The information collected will be very useful to the bank, students and to the customer. The project will help the bank to take steps based on the suggestions and recommendations given at the end of the project.

3.5. RESEARCH METHODOLOGY

By considering the annual report provided by the company, Analytical Research can be used in the study. The activity includes the examination of the data collected and critical skills adopted for decision making. It provides an outline for the purpose the study.

3.5.1 Analytical Research Design is been used in the project because the study and inference drawn on the topic is mainly based on the secondary data collected through analytical technique in fetching the inference.

3.5.2 Source of Data

Secondary Data

The reviewing of the data of relevant to the topic which is been already collected and drawing the inference based on the information gathered.

The secondary data used in the study are:

1. Financial records of HDFC Bank.
2. Annual report of HDFC Bank.
3. Text book and journals.
4. Websites.

Sampling Design

Last four years financial statements is been considered in the study that is from 2014 to 2017

Tools and Techniques

1. Ratios.

Significance of the study

Before Indian population used to face numerous till the development in the banking system took place. But in these days the Banks are facing the problem of default. The borrowers are failing to repay their debt they owe to the bank and this may even lead to increase in non-performing assets of the bank.

The main purpose of the study on credit appraisal is to reduce non-performing assets and the default is by having a proper background study of the customer and knowing the creditworthiness by considering the credit rating and risk which is involved in lending would reduce.

3.6. LIMITATIONS

- ✓ The study is limited to the extent of available data.
- ✓ An in depth study cannot be done because of time constraint.
- ✓ Owing the confidentially enforced by the bank, all the data could not be obtained.
- ✓ Since the area wise Credit risk management data are not available for study, overall concept is taken for the study

3.7. CHAPTER SCHEME

CHAPTER 1: INTRODUCTION

This chapter deals with the basic information related to the subject of the study. It deals with the introduction of the project, industry profile, complete details of the company profile of regarding history of the company, vision and mission, product profile, objectives, and SWOT analysis is made.

CHAPTER 2: CONCEPTUAL BACKGROUND AND LITERATURE REVIEW

This part generally includes the background study of the topic that is credit risk management and literature review regarding the topic.

CHAPTER 3: RESEARCH DESIGN

This chapter explains about the statement of problem, the scope of the study, objectives of the study, limitation of the study, research methodology, sources of data that is been obtained from for the research and analysis of the data collected.

CHAPTER 4: ANALYSIS AND INTERPRETATION

This chapter deals with analysis of data that are collected through various sources and interpret the result using graphs tables.

CHAPTER 5: FINDINGS, SUGGESTIONS AND CONCLUSION

This chapter explains about the summary of all findings, the conclusions drawn from this study and recommendation made to the company.

CHAPTER -4

DATA ANALYSIS AND INTERPRETATION

- Trend Analysis of Total Deposits

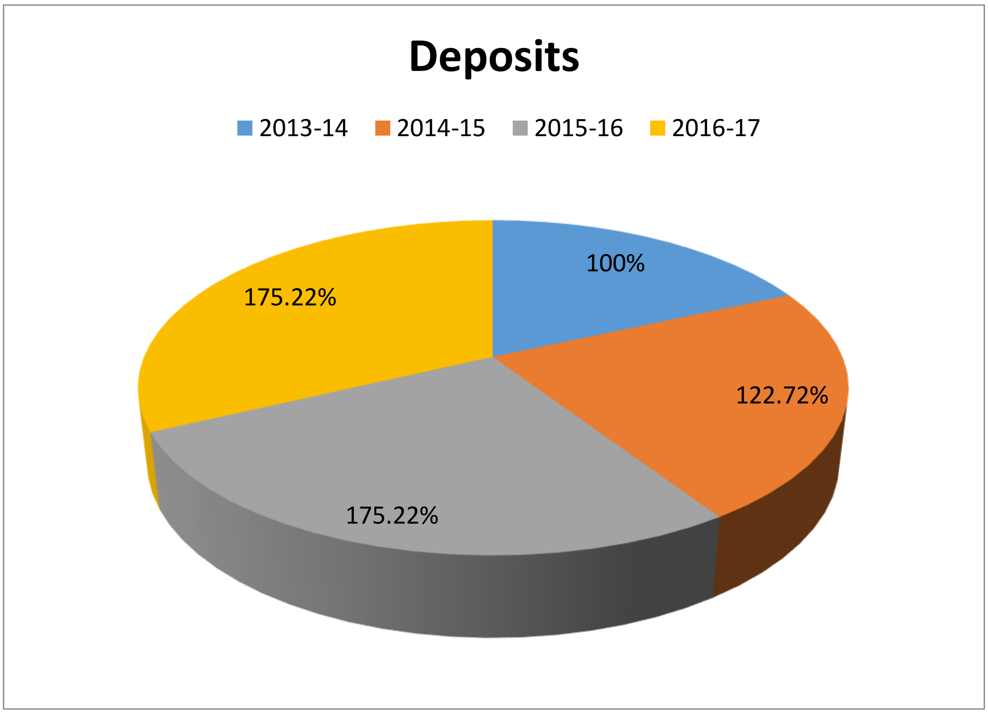
Table 4.1. Details of total deposits of HDFC Bank

(Amt. in Rs.)

Year	Deposits	Percentage (%)
2013-14	3673374777	100
2014-15	4507956425	122.72
2015-16	5,464,241,920	148.75
2016-17	6,436,396,563	175.22

(Source: financial statement)

Graph 4.1: showing the growth in percentage with respect to HDFC Bank



(Source: Table 4.1)

Analysis and interpretation:

The deposits of HDFC Bank has been increased significantly from 2014-17 is been understood from the above graph.

Rs. 3673374777 was the deposit in the base year and has been increased to Rs.6436396563 in the year 2017. The increase in the ratio of deposits shows the trust of the people towards the bank.

- Trend Analysis of Growing Deposits

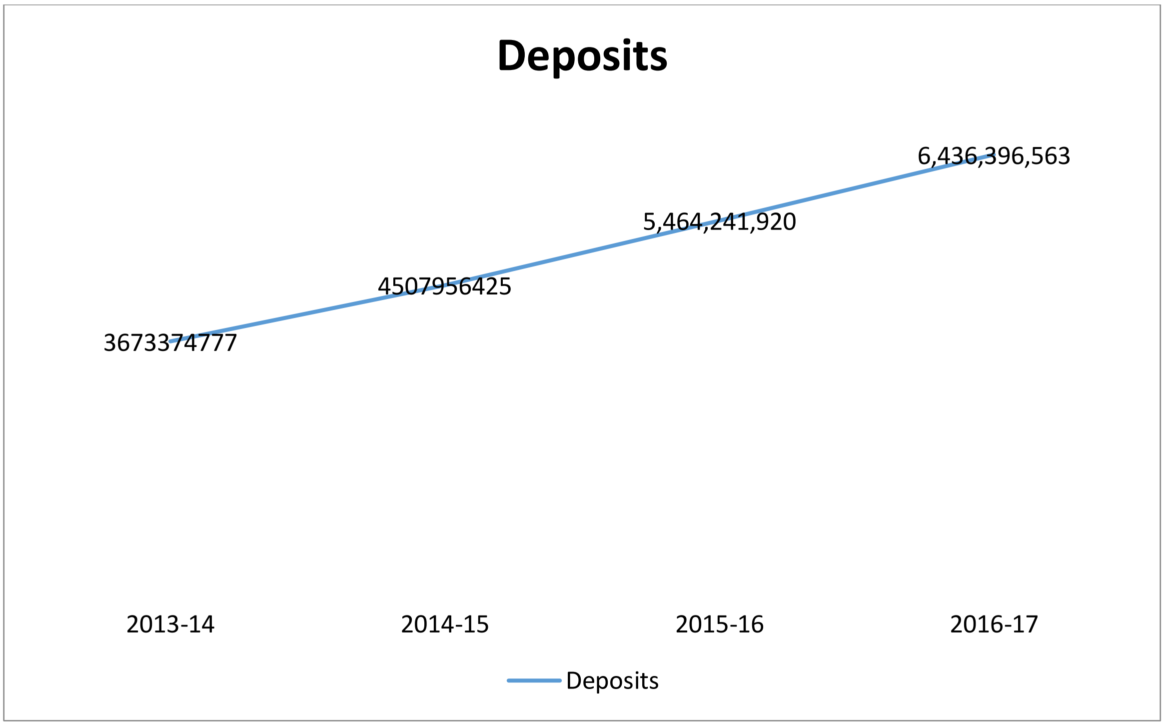
Table 2: showing growing deposits in the HDFC Bank from 2014-17

(Amt. in Rs.)

Year	Deposits
2013-14	3,673,374,777
2014-15	4,507,956,425
2015-16	5,464,241,920
2016-17	6,436,396,563

(Source: financial statement)

Graph 2: showing growing deposits in the HDFC Bank from 2014-17



(Source: Table 4.2)

Findings and interpretation:

The increase in the deposits in the above diagram suggests that the financial institution is having the high-quality sign in its operation. The trust among the human beings involving the financial institution has been multiplied has there is a make bigger in the deposits. Deposits are the legal responsibility that a financial institution owes to its customers which must be repaid after certain length of time or on a demand.

- Trend Analysis of Investment Position

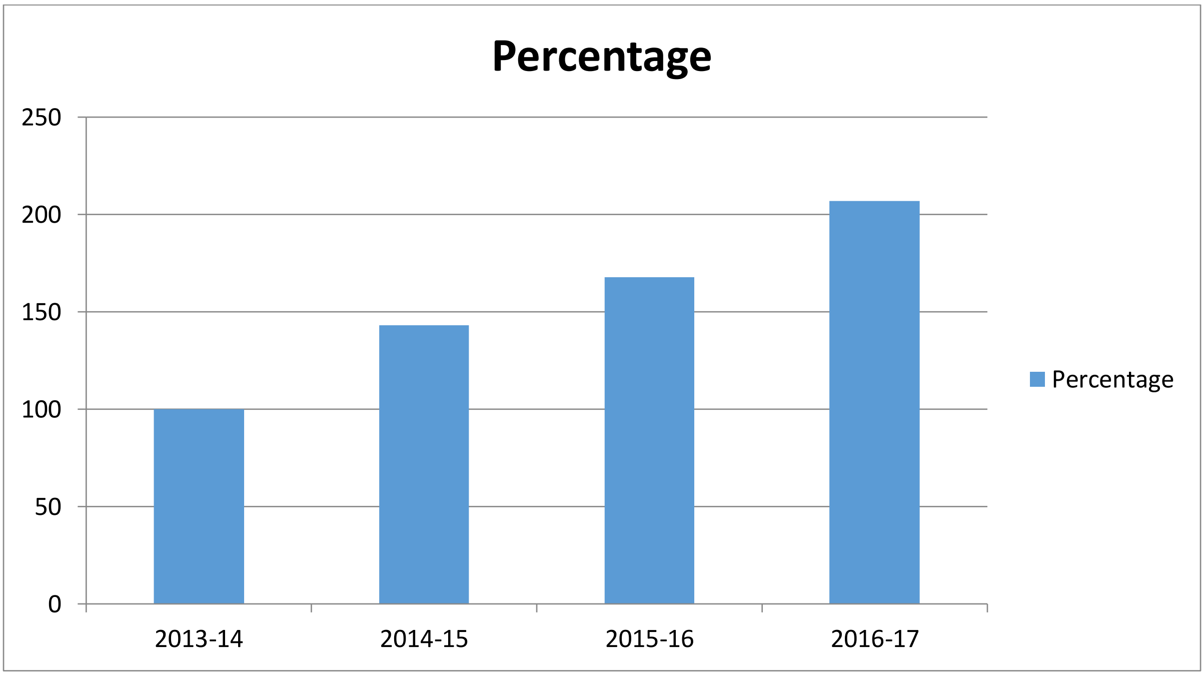
Table 4.3: The investment position of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	**Reserve Fund**	**Percentage**
2013-14	429988169	100
2014-15	615081174	143.05
2015-16	721721274	167.85
2016-17	888498416	206.87

(Source: financial statement)

Graph 4.3: Showing position of reserve funds of HDFC Bank from 2014-17



(Source: Table 4.3)

FINDING AND INTERPRETATION:

The above format shows there is a steadily make bigger in reserve fund in HDFC Bank from 2014 to 2017. While calculating the ratio 2014 is been regarded as the base 12 months and the calculations are performed. In the base year the share is a hundred which has been accelerated to 143.05 in the yr 2015 and there is a in addition multiplied to 167.85 in the year 2016 and continued to amplify to 206.87 in the year 2017.

- **Credit to Deposit Ratio:**

Total cash lent to the patron by using the bank to the whole money acquired by way of the financial institution in the shape of deposit. The loans lent by HDFC Bank and the savings obtained by means of the financial institution is considered

$$\boldsymbol{credit\ to\ deposit\ ratio} = \frac{\boldsymbol{loans}}{\boldsymbol{deposits}} * \mathbf{100}$$

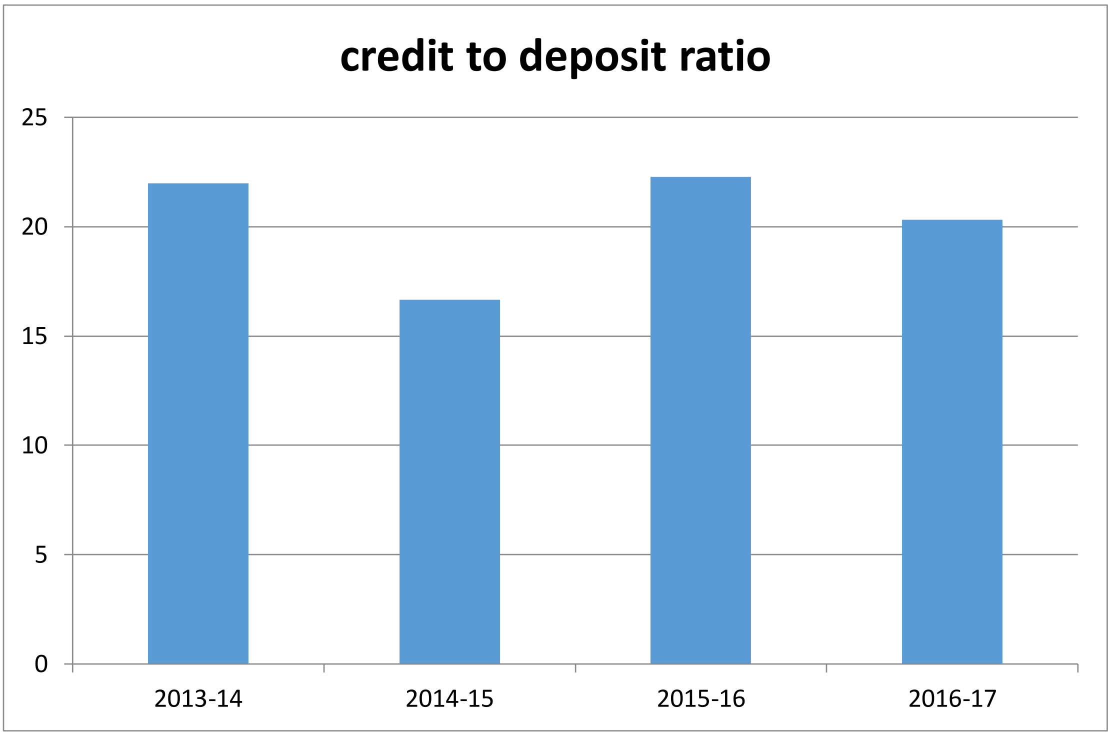
Table 4.4: Table showing the credit to deposit Ratio of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	loans	Deposits	credit to deposit ratio
2013-14	807,833,960	3,673,374,777	21.99
2014-15	749,980,141	4,507,956,425	16.64
2015-16	1,216,941,161	5,464,241,920	22.27
2016-17	1,307,381,847	6,436,396,563	20.31

(Source: financial statement)

Graph 4.4: Graph showing the credit to deposit Ratio of HDFC Bank from 2014-17



(Source: Table 4.4)

Analysis and interpretation:

The base year credit to deposit ratio used to be 21.99 which reduced to 16.64 in 2015 and in the 12 months 2016 used to be again multiplied to 22.27 and there was a decreased to 20.31. According to the evaluation made from the above the is a decrease in the credit to credit score ratio of the HDFC Bank.

Investment to Deposit ratio:

The investment made by the bank is compared with the deposits made by using the customers in the financial institution is compared to get funding to deposit ratio.

$$\boldsymbol{Investment\ to\ Deposit\ Ratio = \frac{invstment}{deposit} * 100}$$

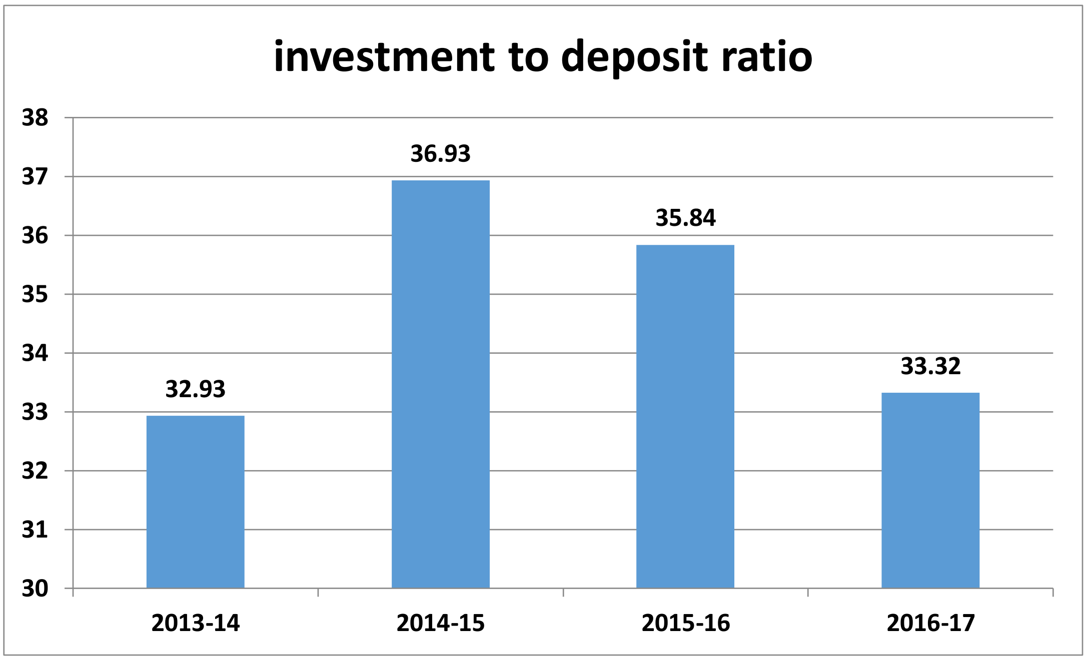
Table 4.5: Table showing the investment to deposit Ratio of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	Investment	Deposits	investment to deposit ratio
2013-14	1209510703	3,673,374,777	32.93
2014-15	1664599477	4,507,956,425	36.93
2015-16	1,958,362,768	5,464,241,920	35.84
2016-17	2,144,633,366	6,436,396,563	33.32

(Source: financial statement)

Graph 4.5: Graph showing the investment to deposit Ratio of HDFC Bank



(Source: Table 4.5)

Findings and interpretation:

In the above pill the investment made by means of the HDFC Bank is in contrast deposits made by way of the clients in the bank to locate the funding to credit score ratio. Investment to savings ratio in the base yr that is in the yr 2014 was once 32.93% which used to be improved to 36.93% in the subsequent year. Then in the year 2016 the ratio slightly decreased to 35.84% and persisted to reduce in the 12 months 2017 to 33.32%. the above evaluation concludes that there is a limit in the funding to savings ratio from 2013 to 2017.

- **LOANS AND ADVANCECS**

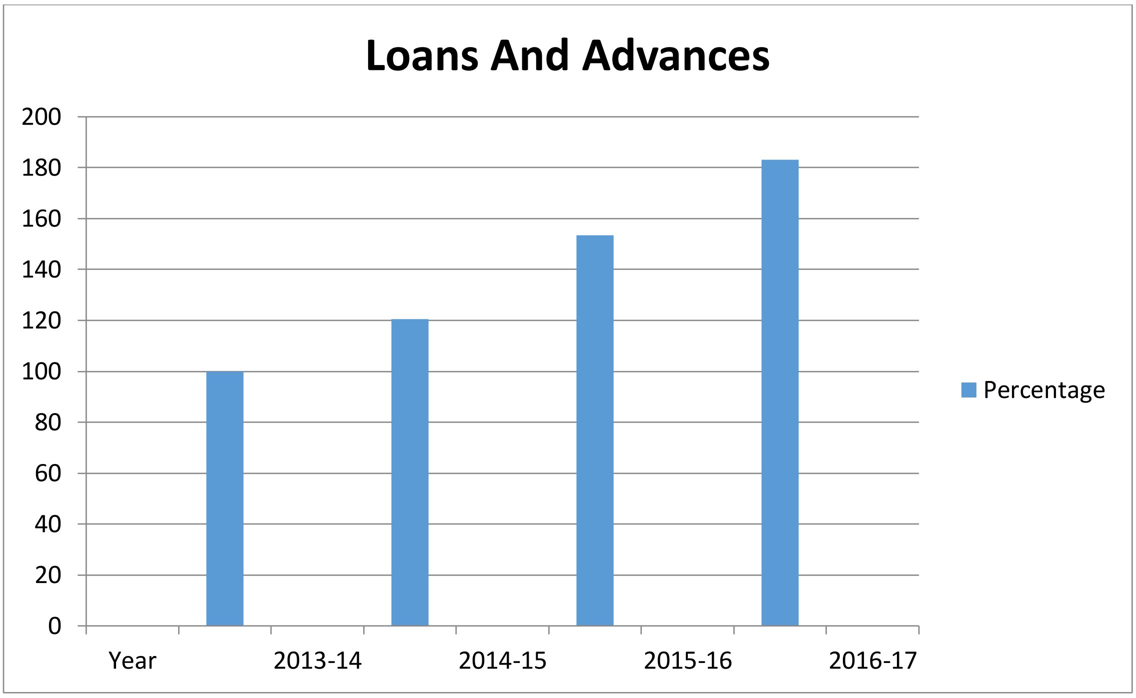
Table 4.6 showing the details of loans and advances of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	Advances	Percentage
2013-14	3030002712	100
2014-15	3654950477	120.63
2015-16	4,645,939,589	153.33
2016-17	5,545,682,021	183.03

(Source: financial statement)

Graph 4.6: showing the position of loan and advances of HDFC Bank from 2014-17



(Source: Table 4.6)

Findings and Interpretation:

From the above evaluation we can decide that the advances lent through the bank have been growing progressively over the years. Here 2014 is considered to be the base year and there is a make bigger in the advances from 2014 to 2016 with the aid of a hundred percent to 183.03%. The advances that are lent by using the financial institution are the assets of the bank

Current ratio

$$\textbf{current ratio} = \frac{\textbf{current assets}}{\textbf{current liabilities}}$$

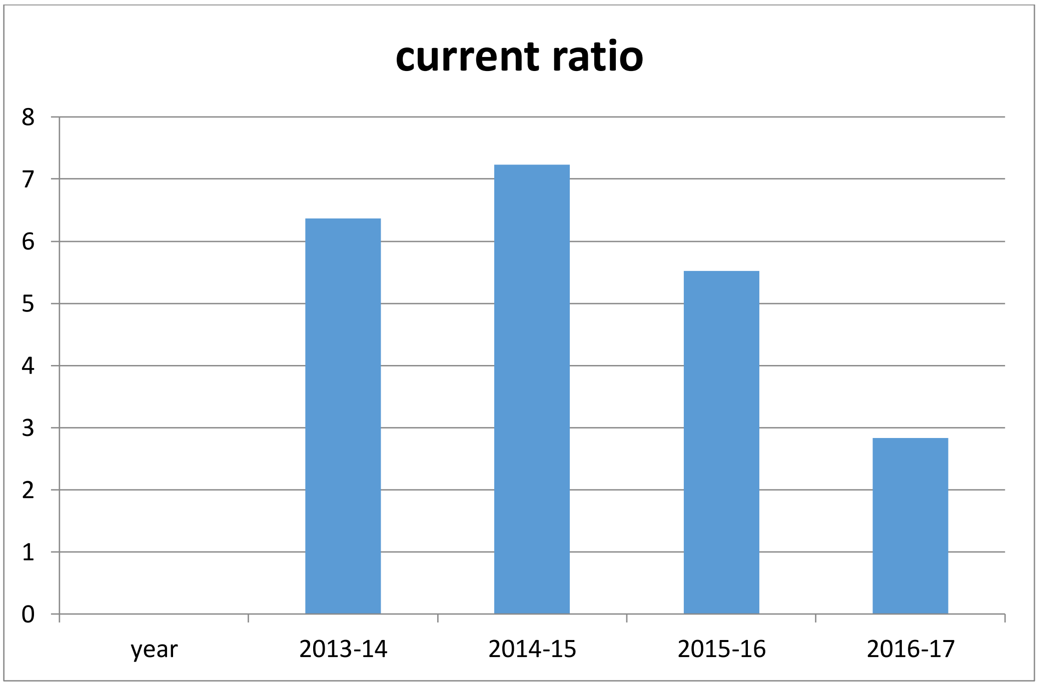
Table 4.7: Table showing the current ratio of HDFC Bank from 2014-17

(Amt. in Rs.)

year	current assets	current liabilities	current ratio
2013-14	2634154317	413444042	6.37
2014-15	2347551148	324844559	7.23
2015-16	2027913995	367,251,338	5.52
2016-17	1605347081	567,093,181	2.83

(Source: financial statement)4

Graph 4.7: Graph showing the current ratio of HDFC Bank



(Source: Table 4.7)

Finding and Interpretation:

From the above we can evaluate that the liquidity position is good. The standard current ratio is 1:1. The bank has the fluctuating current ratio which is greater the standard ratio. The current ratio is 6.37 in the year 2013-14 which is been increased to 7.23 in the year 2014-15 but in the year 2015-16 the ratio is decreased to 5.52 and to 2.83 in the year 2016-17.

- **Borrowings**

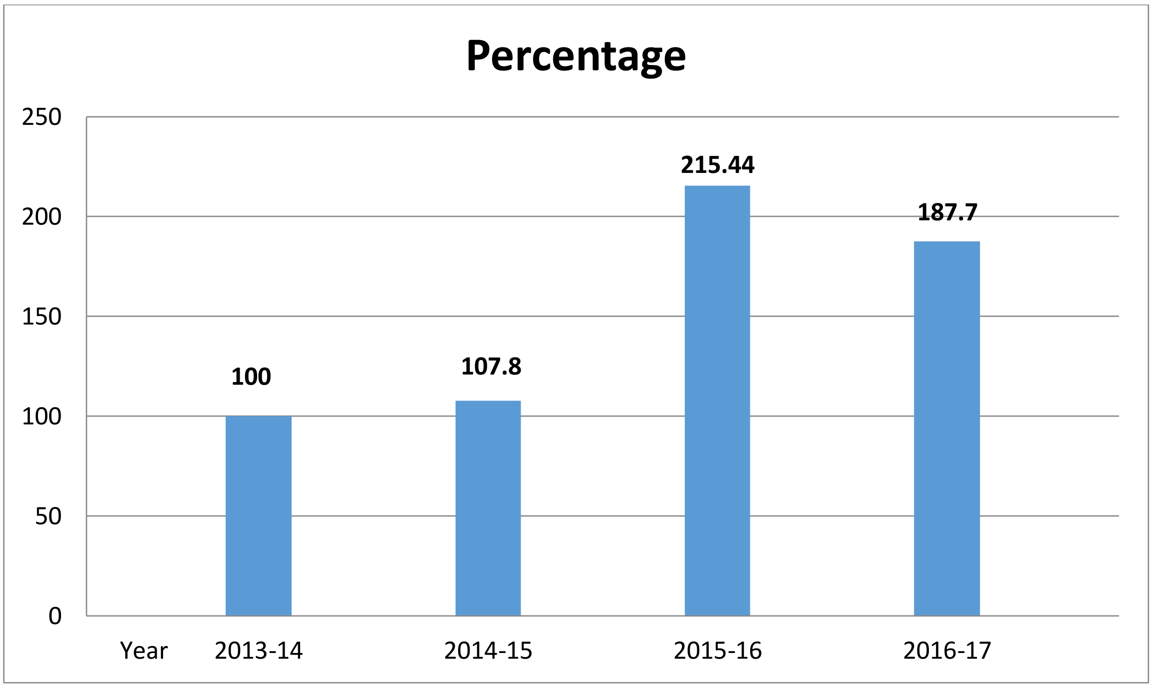
Table 4.8: Table showing the position of borrowings of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	**Barrowings**	**Percentage**
2013-14	394,389,918	100
2014-15	425,135,582	107.80
2015-16	849,689,823	215.44
2016-17	740,288,666	187.70

(Source: financial statement)

Graph 4.8: Graph showing the position of borrowings of HDFC Bank from 2014-17



(Source: Table 4.8)

Finding and Interpretation:

The borrowings of the HDFC bank is compared where year 2013-14 is considered to be the base year and percent is 100 and in the year i.e. in the 2014-15 is been increased to 107.80and further increased to 215.44 in the year 2015-16 but in the year 2016-17 there is a slightly decreased in previous year i.e. to 187.70.

- **Share Capital**

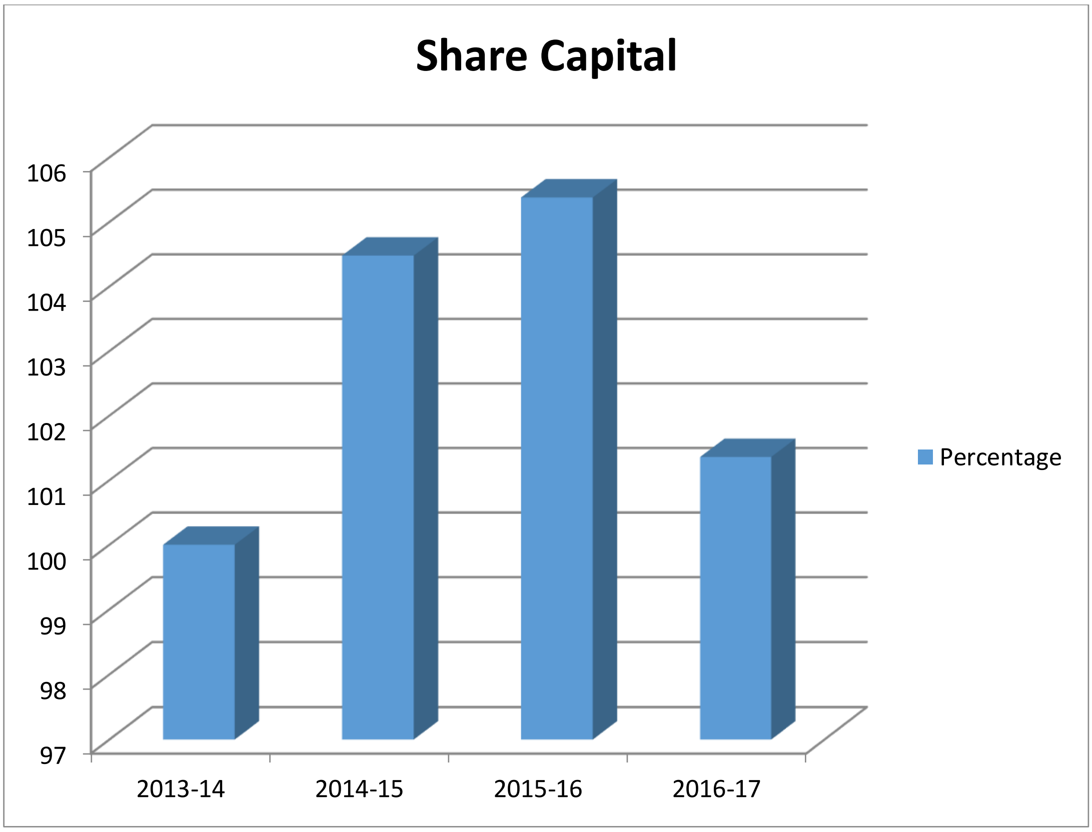
Table 4.9: Table showing the percentage of share capital of HDFC Bank from 2014-17

(Amt. in Rs.)

year	share capital	Percentage
2013-14	4798101	100
2014-15	5012991	104.48
2015-16	5,056,373	105.38
2016-17	5,125,091	101.36

(Source: financial statement)

Graph4.9: Graph showing the percentage of share capital of HDFC Bank from 2014-17



(Source: Table 4.9)

Finding and Interpretation:

When the share capital of the HDFC bank is compared there is a consistency in the share capital invested by the share holders. In the year 2013-14 the share capital is considered to be 100 then in the year 2014-15 the capital is increased to104.48 and in the year 2015-16 to 105.39 and in the year share capital was reduced to 101.36.

- **Current Assets**

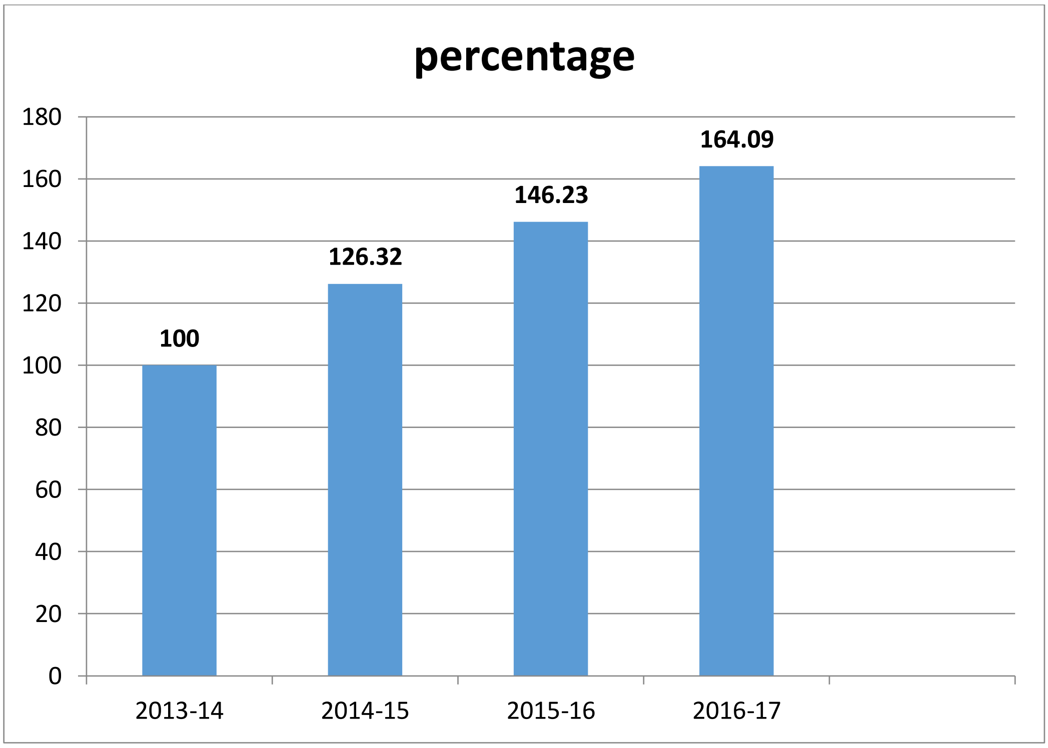
Table 4.10: Table showing the percentage of current assets of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	**current assets**	**percentage**
2013-14	1605347081	100
2014-15	2027913995	126.32
2015-16	2347551148	146.23
2016-17	2634154317	164.09

(Source: financial statement)

Graph 4.10: Graph showing the percentage of current assets of HDFC Bank from 2014-17



(Source: Table 4.10)

Finding and Interpretation:

The current assets of the bank considered by considering the year 2013-14 as the base year. There is continuity in the increase of current assets of the bank. The banks current assets in the year 2013-14 was 100 and in 2014-15 was increased to 126.32 further in the year 2015-16 was increased to 146.23 then in year 2016-17 was 164.09.

- current liabilities

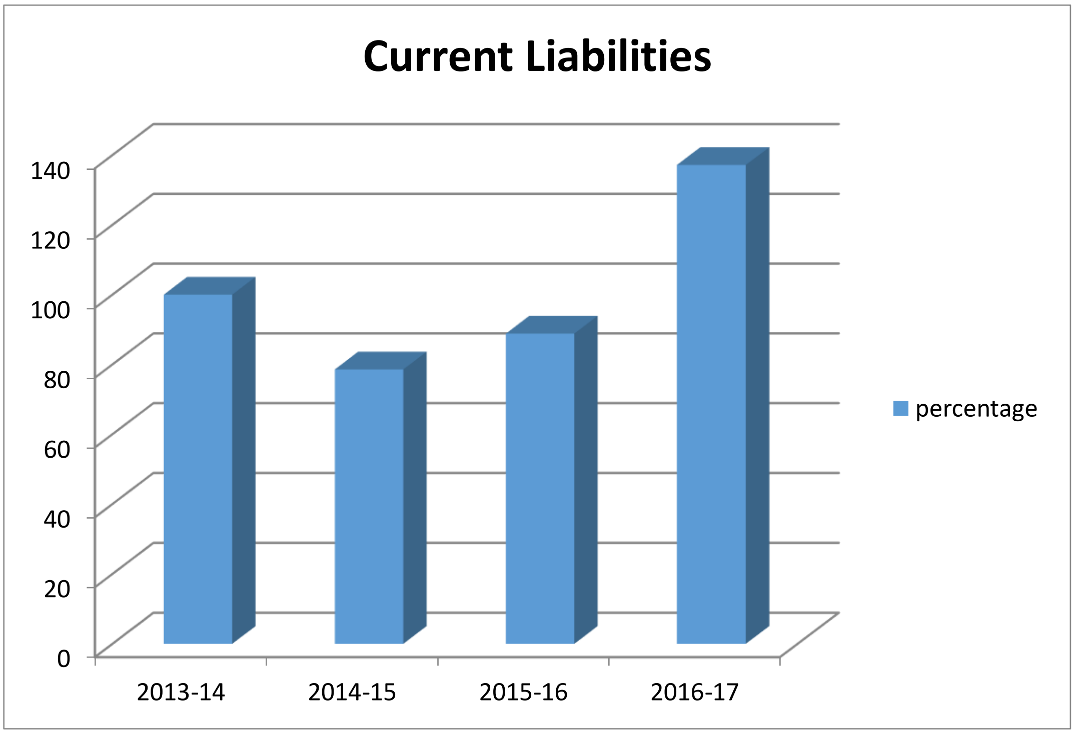
Table 4.11: Table showing the percentage of current liabilities of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	**Current liabilities**	**percentage**
2013-14	413,444,042	100
2014-15	324,844,559	78.57
2015-16	367,251,338	88.83
2016-17	567,093,181	137.16

(Source: financial statement)

Graph 4.11: Graph showing the percentage of current liabilities of HDFC Bank from 2014-17



(Source: Table 4.11)

Finding and Interpretation:

There is a fluctuation in the current liabilities of the bank. The comparison is made by considering 2013-14 as the base year. There is a decrease in the current liabilities for two year that is in the year 2014-15 and 2015-16 but it was increased gradually in 2016-17 to 137.16.

- **Sub Standard Assets Ratio**

$$\boldsymbol{Sub\ Standard\ Assets\ Ratio = \frac{Sub\ standard\ Ratio}{Gross\ NPA} * 100}$$

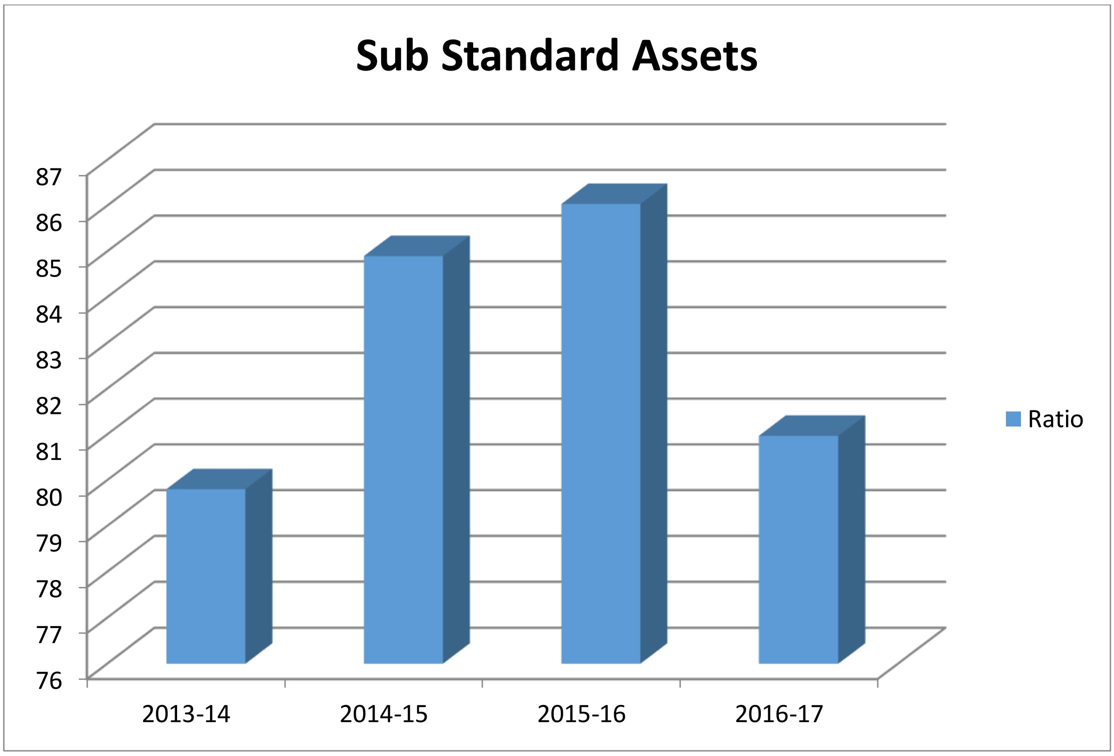
Table 4.12: Table showing the Ratio of Sub Standard Assets of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	**Sub-Standard Assets**	**Gross NPA**	**Ratio**
2013-14	25389347.18	31815028.48	79.803
2014-15	32581288.48	38376980.00	84.898
2015-16	41970883.96	48782365.68	86.037
2016-17	47148556.69	58229661.22	80.97

(Source: financial statement)

Graph 4.12: Graph showing the Ratio of Sub Standard Assets of HDFC Bank from 2014-17



(Source: table 4.12)

Analysis and Interpretation:

The Sub-standard assets ratio of HDFC bank was 79.80% in the year 2014 which was increased to 84.89% in 2015 and further increased in 2016 and in the year 2017 showing the decreasing trend i.e., 80.97. Hence, it indicates the negative sign for the bank demonstrating a reduced amount of recovery of the Sub-standard as compared to that of last year.

- **Doubtful Assets Ratio:**

$$\textbf{Doubtful Assets Ratio} = \frac{\textbf{Total Doubtful Assets}}{\textbf{Gross NPA}} * \textbf{100}$$

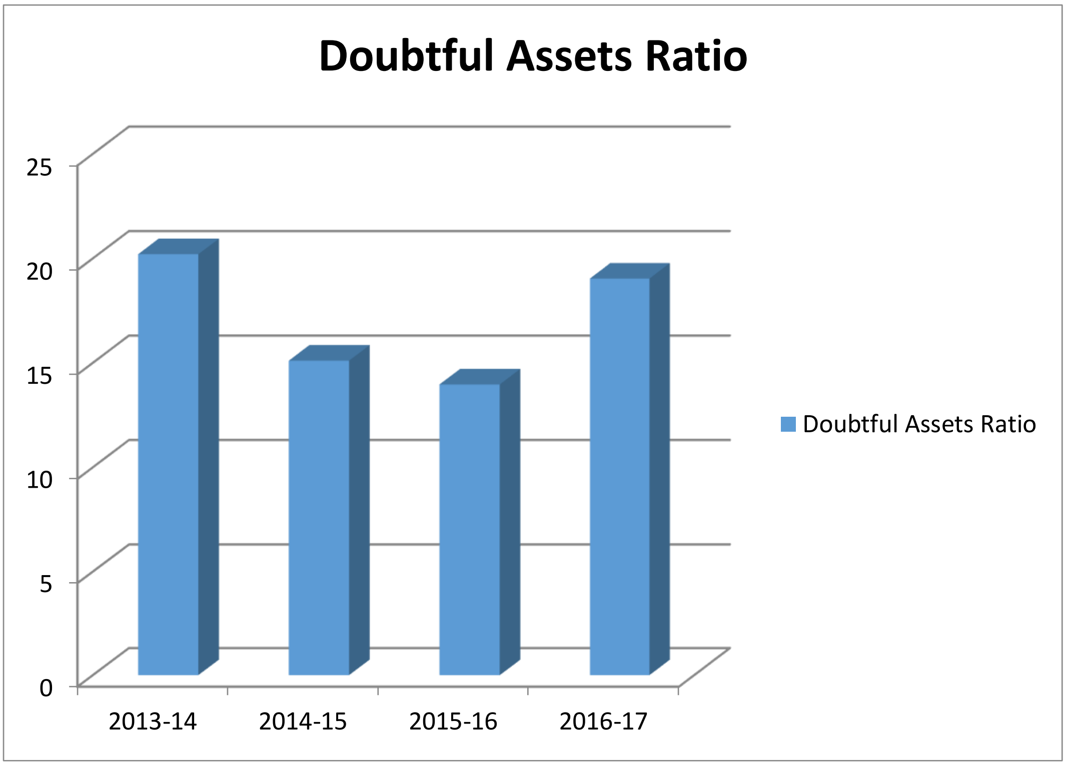
Table 4.13: Table showing the Ratio of Doubtful Assets of HDFC Bank from 2014-17

(Amt. in Rs.)

Year	Total Doubtful Assets	Gross NPA	Doubtful Assets Ratio
2013-14	6425681.30	31815028.48	20.20
2014-15	5795691.52	38376980.00	15.10
2015-16	6811481.72	48782365.68	13.96
2016-17	11081104.53	58229661.22	19.03

(Source: financial statement)

Graph 4.13: Graph showing the Ratio of Doubtful Assets of HDFC Bank from 2014-17



(Source: table 4.13)

Analysis and Interpretation:

The doubtful Assets Ratio in the year 2014 was 20.19%, in the year 2015 it was reduced to 15.10% and continued with the same trend in the 2016 and in 2017 it was increased to 23.92%, which depicts that the recovery technique of the bank is not up to the mark. And bank is under increased credit risk which is not a positive remark for the bank. Bank needs to focus more on the credit risk mechanism.

Chapter-5

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUTION

5.1. Summary of findings

This study is carried out with the objective of analyzing the credit risk management of HCFC bank to examine and understand the roll of finance is the growth of the company. This chapter attempts to highlight the findings of the study.

- I come to know the importance of different management functions such as planning, organizing, staffing, directing and controlling with guides the organization in facing staff competitions from competitors.
- I learnt importance of leadership traits which guide in achieving personal as well as organizational goals
- It helps me to understand that individual should be dynamic in the corporate sector which help in career planning and development
- From the data analyzed balance sheet shows that fixed asset have been increased marginally.
- The balance sheet shows that borrowing is fluctuating year by year.

5.2. Suggestions:

- Banks have to listen on diversifying its money in order to make ideal utilization of funds.
- Risk assessment of the purchaser should be made by using the banks before sanctioning loan to them.
- The bank want to adopt the modernized of banking activities.
- Bankers have to go through the past credit history of the purchaser whilst sanctioning loan.
- They should also think about the current earnings and property of the borrower.
- They need to examine the financial performance of the purchaser thoroughly.
- Proper coaching need to be given to the banking staff.
- Credit rating of the business enterprise or the clients should be up to date periodically.

- Banks observe the credit score management policies in order to avoid credit score risk.
- The performance and reviews have to be generally reviewed in order to notice errors.

5.3. Conclusion

Credit Risk management starts with the procedure and comes to an end by using repaying the debt quantity in conjunction with hobby. For coping with the danger, banks wishes to concentrate on credit score scoring and credit score components which improves technique of credit lending and additionally facilitates in identifying the credit score worthiness of the Bank. Bankers need to consciousness on the person credit worthiness earlier than lending loans to the character with the intention to reduce the hazard and loss.

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ANNEXURE:

BALANCE SHEET AS ON 31 MARCH 2017

CAPITAL AND LIABILITIES	**2017**	**2016**	**2015**	**2014**
Capital	**5,125,091**	5,056,373	5012991	4798101
Reserves and surplus	**889,498,416**	721,721,274	615081174	429988169
Deposits	**6,436,396,563**	5,464,241,920	4507956425	3673374777
Borrowings	**740,288,666**	849,689,823	425135582	394389918
Other liabilities and provisions	**567,093,181**	367,251,338	324844559	413444042
Total	**8,638,401,917**	7,407,960,728	5905030731	4915995007
ASSETS				
Cash and balances with Reserve Bank of India	**378,968,755**	300,583,087	275104536	253456277
Balances with banks and money at call and short notice	**110,552,196**	88,605,293	88209982	142380101
Investments	**2,144,633,366**	1,958,362,768	1664599477	1209510703
Advances	**5,545,682,021**	4,645,939,589	3654950477	3030002712
Fixed assets	**36,267,379**	33,431,573	31217343	29399180
Other assets	**422,298,200**	381,038,418	190949081	251246034
Total	**8,638,401,917**	7,407,960,728	5905030731	4915995007
Contingent liabilities	**8,178,695,893**	8,533,181,145	9752339539	7231549138
Bills for collection	**308,480,352**	234,899,997	223049263	209430623

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

I INCOME	**2017**	**2016**	**2015**	**2014**
Interest earned	**693,059,578**	602,214,451	484699044	411355336
Other income	**122,964,990**	107,517,233	89963521	79196415
Total	**816,024,568**	709,731,684	574662565	490551751
II EXPENDITURE				
Interest expended	**361,667,334**	326,299,330	26742352	226528999
Operating expenses	**197,033,442**	169,797,000	139875416	120421981
Provisions and contingencies	**111,827,380**	90,673,223	17885608	58817010
Total	**670,528,156**	586,769,553	472503376	405767990
III PROFIT				
Net profit for the year	**145,496,412**	122,962,131	102159189	84783761
IV APPROPRIATIONS				
Transfer to Statutory Reserve	**36,374,103**	30,740,533	25539798	21195941
Proposed dividend	**–**	24,017,772	20051963	16433495
Tax on dividend	**-**	4,889,453	4082107	2792873
Dividend (including tax / cess thereon) pertaining to previous year paid during the year, net of dividend tax credits	**(16,909)**	(117,135)	8411	48462
Transfer to General Reserve	**14,549,641**	12,296,213	10215919	8478376
Transfer to Capital Reserve	**3,134,100**	2,221,532	2249166	582710
Transfer to / (from) Investment	**42,934**	(85,184)	275413	32218

Reserve Account				
Balance carried over to Balance Sheet	**326,689,434**	235,276,891	186277944	146541532
Total	**380,773,303**	309,240,075	248700721	196105607

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DEPARTMENT OF MBA

INTERNSHIP WEEKLY REPORT (16MBAPR407)

Name of the Student	: Thejaswini C
Internal Guide	: Dr. Prakash B Yargol
USN No	: 1AY16MBA81
Specialization	: Core-finance
Title of the Project	: A Study on Credit Risk Management at
Company Name	: HDFC Bank Tumkur
Company Address	: Swarna Mahal ,Opp Govt Junior college ground, B H road, Tumkur -572102

Week	Work undertaken	External Guide Signature	Internal Guide Signature
1st Week	Introduction About the bank and its working	Kiran K.L	Byang
2nd Week	Orientation-gathering information about the growth of the bank	Kiran K.L	Byang
3rd Week	Learning about how to analysis the financial statement	Kiran K.L	Byang
4th Week	Computation of the percentage of loan that can be calculated from the balance sheet	Kiran K.L	Byang
5th Week	Studying the credit risk report of the HDFC Bank , Tumkur	Kiran K.L	Byang

6^{th} Week	Analysis of financial statement of HDFC bank for the purpose of the study	Kiran K.L	
7^{th} Week	Review of the office notes of the HDFC bank	Kiran K.L	
8^{th} Week	Risk analysis of the HDFC bank	Kiran K.L	
9^{th} Week	Interpretation of the data collected during the period	Kiran K.L	
10^{th} Week	Going through economic review magazines for the purpose of the study	Kiran K.L	

HOD

Head of the Department
Department of MBA
Acharya Institute of Tech...
Soldevanahlli, Bangalore

For HDFC Bank Ltd.

Company Seal

Authorised Signatory
Name: KIRAN KUMAR.K.L
Emp Code: K8064
Designation: RM

College Seal

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