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A Study On Impact Of Credit Risk Management On Financial Stability At Icici Bank

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ABSTRACT

Credit risk control is crucial for maintaining the financial stability of banks, especially in a rapidly changing and competitive banking environment. This study delves into how credit risk management affects the financial stability of ICICI Bank, one of India's leading private sector banks. It looks at how risk assessment methods, credit policies, and regulatory frameworks impact the bank's financial health and overall sustainability. The research employs a blend of financial data analysis and qualitative assessments to evaluate the effectiveness of ICICI Bank's credit risk management practices. Key indicators such as Non-Performing Assets (NPAs), Capital Adequacy Ratio (CAR), and Provisioning Coverage Ratio (PCR) are examined to gauge the bank's risk exposure and its ability to maintain stability during economic uncertainties. The findings suggest that effective credit risk management enhances financial stability by reducing loan defaults and ensuring adherence to regulatory standards. Additionally, the study sheds light on the challenges ICICI Bank faces in balancing risk-taking with profitability, along with recommendations for improving risk management strategies.

1.1 INTRODUCTION

The banking region plays a essential role within the economic development of any america thru facilitating financial transactions, providing credit score score, and making sure monetary balance. However, banks are uncovered to various risks, with credit chance being the various maximum sizable. Credit chance arises at the same time as borrowers fail to satisfy their reimbursement responsibilities, leading to capability financial losses for banks. Effective credit score rating threat control is vital to hold monetary stability, preserve profitability, and follow regulatory necessities.ICICI Bank, one in each of India's largest private region banks, has a well-installation chance management framework geared toward mitigating credit score-related uncertainties. With a growing mortgage portfolio and a diverse patron base, the monetary organization continuously faces demanding situations in handling Non-Performing Assets (NPAs) and making sure essential capital allocation. Credit hazard control techniques—which include mortgage screening, threat assessment fashions, and provisioning policies—play a essential role in keeping the economic health of the financial institution. This examine objectives to research the effect of credit score score risk management on the financial stability of ICICI Bank. It explores the financial institution's credit suggestions, threat assessment strategies, and regulatory compliance mechanisms to understand how those elements have an impact on its fundamental monetary health. The studies moreover examines key economic signs together with the Capital Adequacy Ratio (CAR), Provisioning Coverage Ratio (PCR), and Net NPA levels to evaluate the monetary institution's resilience in dealing with credit score score chance.

By evaluating ICICI Bank's credit score danger management practices, this test offers insights into the effectiveness of its danger mitigation techniques and their characteristic in making sure prolonged-term monetary stability. The findings will make a contribution to understanding how banks can aid their threat management frameworks to enhance sustainability in an evolving monetary surroundings.

1.2 NEED FOR THE STUDY

The banking vicinity serves due to the fact the spine of monetary boom through providing financial manual to corporations, human beings, and industries. However, with growing lending sports activities, banks are exposed to credit score hazard, that could substantially impact their monetary balance. Effective credit rating danger control is critical to limit the chances of mortgage defaults and make certain the smooth functioning of monetary establishments.

ICICI Bank, being considered one in all India's fundamental personal area banks, operates in a pretty dynamic and aggressive economic environment. With a diverse mortgage portfolio, the economic institution faces massive publicity to credit score risk, that would have an effect on its profitability and average stability. The developing huge style of non-performing belongings (NPAs) within the Indian banking place similarly emphasizes the want for robust credit rating risk management recommendations.

1.Three OBJECTIVES OF THE STUDY

1) To look at the credit rating hazard control practices at ICICI Bank – Analyze the tips, frameworks, and techniques used by the monetary institution to apprehend, decide, and mitigate credit score score hazard.

2) To study the impact of credit hazard on economic stability – Evaluate how credit score chance impacts key economic signs and symptoms and symptoms collectively with Non-Performing Assets (NPAs), Capital Adequacy Ratio (CAR), and Provisioning Coverage Ratio (PCR).

Three) To have a observe the effectiveness of ICICI Bank's hazard mitigation techniques – Study how numerous chance mitigation techniques, consisting of credit score rating appraisal strategies and loan restructuring rules, make a contribution to lowering financial instability.

Four) To look at regulatory compliance and its have an effect on on hazard manipulate – Examine the quantity to which ICICI Bank follows Reserve Bank of India (RBI) pointers and awesome global regulatory frameworks in handling credit score threat. Five) To offer suggestions for reinforcing credit score risk management – Suggest techniques which could enhance ICICI Bank's credit score score risk control framework to make certain long-time period economic balance and sustainability.

1.Four HYPOTHESIS

• Null Hypothesis(H0): There is not any massive effect of credit score threat control on the monetary balance of ICICI Bank.

€ Alternative Hypothesis(H1): There is a good sized impact of credit score chance manage on the monetary stability of ICICI Bank.

1.Five SCOPE OF THE STUDY

This have a look at makes a speciality of studying the impact of credit score hazard management on the financial stability of ICICI Bank. It covers numerous elements of danger manage practices, regulatory compliance, and monetary overall performance signs and symptoms to understand how efficiently the bank mitigates credit score rating danger. The scope of the have a take a look at consists of The study is especially focused on ICICI Bank, considered considered one of India's primary non-public place banks, to assess its credit score risk control framework and economic balance. The research explores key elements of credit risk manage, collectively with loan appraisal techniques, threat evaluation models, non-appearing asset (NPA) manage, and provisioning guidelines.

1.6 METHODOLOGY

The study follows a primarily based technique to analyze the effect of credit chance control on the financial balance of ICICI Bank. It includes each qualitative and quantitative techniques to ensure a comprehensive assessment. The technique consists of the following additives:

1. Research Design

The have a look at adopts a descriptive and analytical research layout to check the connection amongst credit score rating score risk manipulate and monetary balance at ICICI Bank. It consists of gathering, studying, and interpreting data to assess the effectiveness of credit score hazard techniques.

2. Data Collection Methods

• Primary Data: (If relevant) Information accrued through mounted questionnaires, interviews with ICICI Bank officers, and expert reviews from banking professionals.

€ � Secondary Data: Financial statements, annual reports, Reserve Bank of India (RBI) courses, Basel norms, studies papers, and case research related to ICICI Bank's credit score score threat control.

Three. Data Analysis Techniques

• Tools and Techniques for Data Analysis

1.7 LIMITATIONS OF THE STUDY

1) Limited to ICICI Bank: The observe focuses absolutely on ICICI Bank, and the findings may not be completely applicable to other banks or monetary establishments with one in every of a type hazard manage framework.

2) Dependence on Secondary Data: The research is based on economic evaluations, regulatory filings, and company records, which can be problem to reporting biases or barriers in statistics availability.

Three) Influence of External Factors: Economic situations, hobby price fluctuations, regulatory changes, and international monetary crises can effect credit score risk control and monetary stability, making it hard to isolate the effects of risk manipulate on my own.

Four) Time Constraints: The have a take a look at covers a specific length (e.G., the last 5 years), which may not really capture long-time period tendencies or structural modifications in ICICI Bank's credit score hazard manipulate guidelines.

Five) Lack of Primary Data: Due to confidentiality concerns, get right of entry to to internal chance control strategies, choice-making methods, and actual-time credit rating assessment system can be confined, limiting the intensity of assessment.

DATA ANALYSIS AND INTERPRETATION

- **Trend Analysis of Total Deposits**

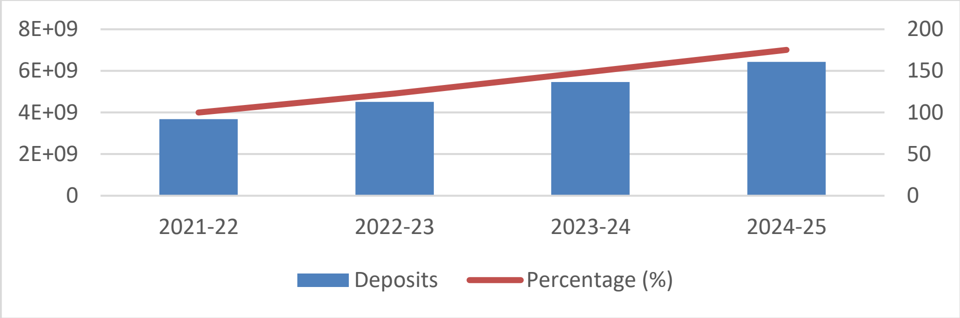
Table 4.1. Details of total deposits of ICICI BANK

Year	Deposits (INR)	Percentage (%)
2021–22	3,673,374,777	100.00
2022–23	4,507,956,425	122.72

2023–24	5,464,241,920	148.75
2024–25	6,436,396,563	175.22

(Source: financial statement)

Graph 4.1: showing the growth in percentage with respect to ICICI BANK



(Source: Table 4.1)

INTREPRETATION:

The deposits of ICICI BANK has been increased significantly from 2021-24 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 2025. The increase in the ratio of deposits shows the trust of the people towards the bank.

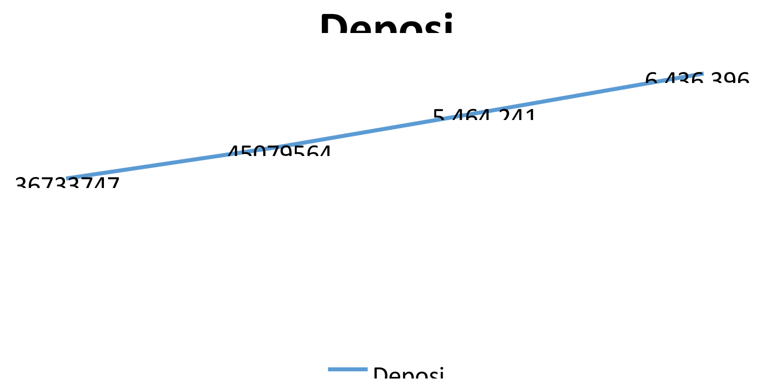
- **Trend Analysis of Growing Deposits**

Table 2: showing growing deposits in the ICICI BANK from 2021-24

Year	Deposits
2021-22	3,673,374,777
2022-23	4,507,956,425
2023-24	5,464,241,920
2024-25	6,436,396,563

(Source: financial statement)

Graph 2: showing growing deposits in the ICICI BANK from 2021-24



(Source: Table 4.2)

INTREPRETATION:

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.

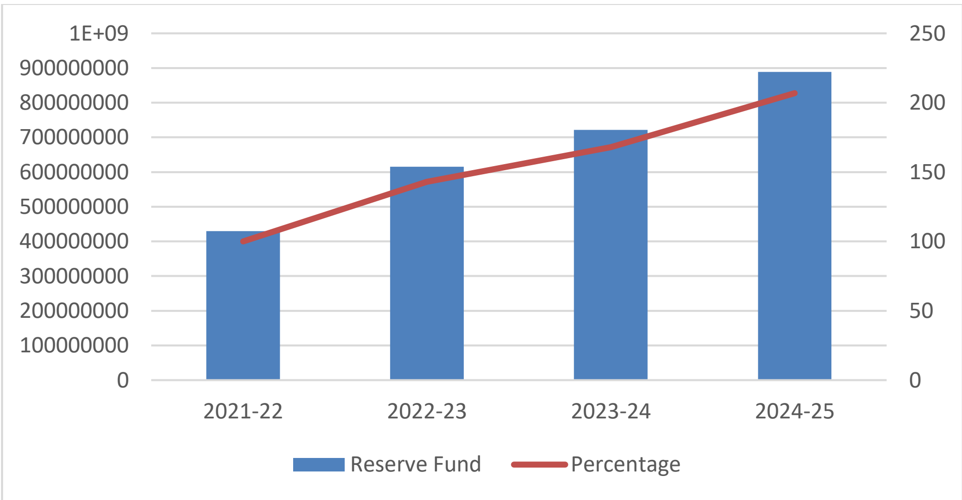
- **Trend Analysis of Investment Position**

Table 4.3: The investment position of ICICI BANK from 2021-24**(Amt. in Rs.)**

Year	Reserve Fund	Percentage
2021-22	429988169	100
2022-23	615081174	143.05
2023-24	721721274	167.85
2024-25	888498416	206.87

(Source: financial statement)

Graph 4.3: Showing position of reserve funds of ICICI BANK from 2021-24



(Source: Table 4.3)

INTERPRETATION:

The above format shows there is a steadily make bigger in reserve fund in ICICI BANK from 2022 to 2024. While calculating the ratio 2022 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 2023 and there is a in addition multiplied to 167.85 in the year 2024 and continued to amplify to 206.87 in the year 2025.

- **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 ICICI BANK and the savings obtained by means of the financial institution is considered

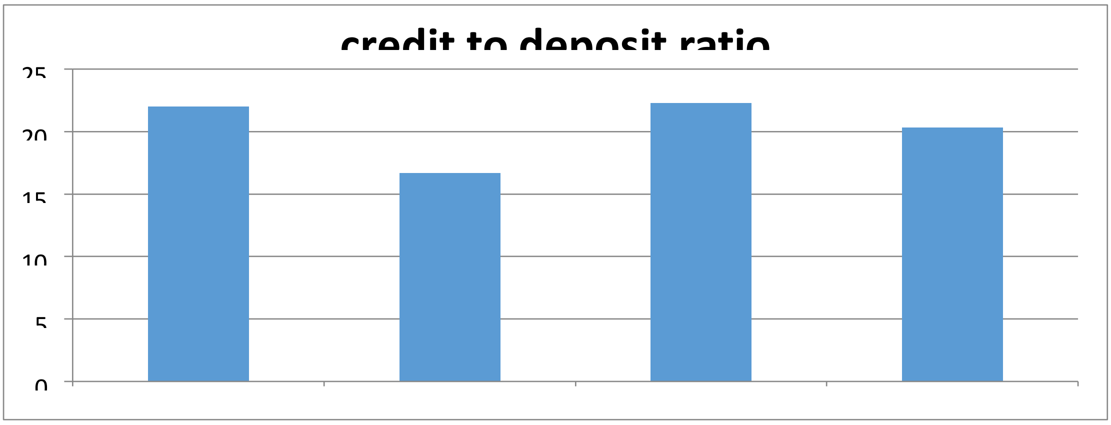
Table 4.4: Table showing the credit to deposit Ratio of ICICI BANK from 2021-24

(Amt. in Rs.)

Year	loans	Deposits	credit to deposit ratio
2021-22	807,833,960	3,673,374,777	21.99
2022-23	749,980,141	4,507,956,425	16.64
2023-24	1,216,941,161	5,464,241,920	22.27
2024-25	1,307,381,847	6,436,396,563	20.31

(Source: financial statement)

Graph 4.4: Graph showing the credit to deposit Ratio of ICICI BANK from 2021-24



(Source: Table 4.4)

5.1 FINDINGS

1. This evaluation objectives to find out the credit score rating risk control practices at ICICI Bank, focusing on how finance plays a essential role within the enterprise organization's growth. This section highlights the key findings of the observe.
2. I've come to recognise the importance of numerous manage abilties, collectively with making plans, organizing, staffing, directing, and controlling, which manual the commercial company in navigating body of employees demanding situations posed thru competition.
3. I've determined out approximately the importance of management traits that help benefit each personal and organizational dreams.

Four. It has turn out to be clean to me that people want to be proactive inside the company worldwide, which aids in career making plans and improvement.

Five. From the statistics analyzed, the stableness sheet suggests that steady property have visible a moderate boom.

6. The balance sheet additionally suggests that borrowing has been fluctuating from 12 months to year.

5.2 SUGGESTIONS

1. Banks ought to awareness on diversifying their finances to make the most of their finances.
2. Before approving loans, banks need to behavior a thorough hazard evaluation of the customer.

Three. It's important for banks to modernize their banking practices.

Four. Bankers ought to assessment the applicant's beyond credit records while considering a mortgage.

Five. They need to moreover recollect the borrower's current-day earnings and property.

6. A targeted analysis of the purchaser's economic general performance is important.
7. Proper training want to be furnished to the banking body of workers.

Eight. The credit score fame of businesses or clients have to be up to date frequently.

Five.Three CONCLUSION

The attention on how credit score danger control influences monetary balance highlights clearly how vital effective credit score threat practices are for retaining financial establishments regular. By properly identifying, assessing, and mitigating credit score threat, banks and financial entities can steer clean of substantial losses that might rise up from borrower defaults, therefore protecting their capital and liquidity. The studies shows that institutions with strong credit chance management frameworks are better organized to climate economic fluctuations and uncertainties inside the credit score score marketplace, in the long run contributing to the general balance of the financial machine. Moreover, the look at emphasizes that proactive credit score threat monitoring and compliance with regulatory pointers beautify the resilience of financial establishments, lessen non-appearing property, and enhance profitability. It's clear that sound credit score score risk control is not actually crucial for man or woman economic entities but also serves as a vital pillar for balance and self notion inside the broader economic panorama. Credit threat manipulate begins offevolved with a way and culminates within the reimbursement of the debt amount alongside aspect interest. To efficiently control this danger, banks need to popularity on credit scoring and the factors which have an impact on credit score rankings, which not handiest streamline the lending approach however additionally help in assessing the creditworthiness of borrowers. Bankers need to pay close hobby to person creditworthiness earlier than approving loans to reduce threat and ability losses.

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