

What is risk management and why is it important

[Business](#), [Risk Management](#)



Introduction

REVIEW OF LITERATURE

The banking is the old concept as old as the man existence in the world in the earliest.

From the day one of the banking sector development the credit risk management it is obvious that the credit risk is very much possible in the existence of the credit risk is as old as the banking concept is. The development of the banking sector has taken the new and developed shapes by having the technology from the advent of the science and technology of the present age. The credit risk exist from the first day of the banking sector but the management of the credit risk is came in to existence after the realization of the credit risk in the banking sector.

The credit risk management is one of the key factor for any banking organization for the management of the risks to the banks from the credit losses or and of the bank defaults.

To minimize the credit risk of the banking organization it is obvious that the management of the organization has to make the follow up policies to make the risk to be get less and to achieve this goal the brief study of the following factors is necessary

Analyzing the documentation for the products launching of the banking sectors from the point of view of profit loss of the product

The exact picture of the products are in the real investment and income ratio of the banking statements which should be studied and analyzed for the

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future planning of the new product launching for the banking organization. The study of the financial documents of the banking organization is very important for minimizing the credit risk of the various products of the bank. The analyzing of the banking organization's investments from the profit/loss ratio should be studied.

The risk management is done by the evaluation of the previous financial documents like the financial reports, trail balance accounts, balance sheets and other such documents are very important in this regard.

The proper working of the organization is controlled by the management of the organization and the management of the organization is responsible for all the ups and downs of the organization. The management manages the cycle of the workforce inside the organization and its management is usually the main concern with the workforce and the proper functioning of the banking organization. The credit risks are also the part which come under the concern of the management of the banking organization as it can cause the proper functioning of the banks be astray from the actual path of working or th malfunctioning of the organization. The management of the organization has to develop the proper credit risk management cycle or system to manage any credit risk that can cause the damages to the organization in the short term and long term.

It is not the every time that the management of the organization becomes able to identify and wipe out the credit risks that are causing the financial threats to the organization completely.

Here we can discuss some points that are the subject to the project management which are useful for overcoming into the context of the business organization in short and long run having all the possibilities taken under the considerations

If we go along planning something we must look in doing something, searching something and creating steps to sort out our planning by having proper planning which we called the proper management if done for credit risk management the banking organizations must be evaluated properly.

The credit risk management is analyzed by the authentic documents/legal documentation of the banks or any organization as it deals with the sensitive issues of any bank or organization

The legal documentation of the bank includes the term papers for different purpose utilized by the bank

for the instance, the bank provide different products or we can say financial products. These legal documents include

Financial statements

Profit loss statements

Quarterly Reports

Equability share Reports

Investment Reports.

Dividends Reports

The data analysis factors are very much important in understanding the credit risk and credit management of any organization in short/long term planning. The credit risk management is done by the different things.

It is done by the customer satisfaction which is done by the review of different factors created by the credit risk.

The utility of the credit risk management is usually the settlement of the causes of failures that can be caused by the credit risks. The credit risk management has a very vast area under its cover.

It involves the factors which are created by the customer's needs and can be overcome by doing the customer satisfaction management.

The credit receiving is often taken to grant which helps to put in plain words the needs of diplomacy. The first point of the credit control which should be kept in mind is to recognize the cost of credit and its various effects on the profit loss of the organization. By analyzing the credit risk we can conclude the banking risk that can be faced by the organization at various levels of credit control process.

Credit risk management is also very useful in analyzing lacks that can occur during the credit control policy of any organization.

The data is utilized that is provided by the concerned banks in this regard. The time series analysis of the five year financial plan is very effective to figure out the exact picture of the present state of the risks that are faced and that can be faced by the organization or a bank.

The structural identification of the banking risk management is done by the review of the various legal documentation of the banks or any financial organizations in the marketplace. The credit risk investigation is done by analyzing the different documentation such as the profit and losses ratio of the bank for the individual products launched by the organization or a bank

The individual investigation is very much necessary as the ignorance in this matter will cause the credit losses on one of the products individually which might not be come under the eye of the banks or the financial organization as the organization as a whole going in profit or achieving its goal at steady speed.

The exploration of the internal structure of the organization is done by the management of the organization at various levels of working in the banking and in the management cycle.

The exploration may reduce the banking credit risk as it allows the complete picture of the organization and needs of the organization can be fulfilled according to the necessities of the financial organization or the bank.

What is the most important is to make the environment of the banking organization so good for the working conditions and for the customers as the believe of the customer on the different products of the organization become firm.

The identification of the sectors from the bank or the financial organization can face the credit risks are very important to spotlight. The different sectors which can cause the credit risks are following

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Different products launched by the organization and its development by not taking the proper handling

The loans given by the banks as the return of the loan must be ensured by the legal documentation to avoid the loan losses

The investments done by the bank in different sectors

The overview of these factors and sectors might be the way to avoid the credit risk to the organization.

The management role in this regard is very much important as the management deal with the major decisions of the organization so to avoid the credit risk management the management has to play his role as a good management.

The management of the organization is responsible for taking the necessary steps to initiate the process which might less the risks of credit that can cause damage to the organization or a bank.

The management of the organization is responsible to answer the following
What we are planning to do in managing the risk management
What is our approach in doing it
When is the right time to do the start
What are the prerequisites of doing
What time period will it require
What will be the cost require to complete it?

The above question will give the brief view of the present credit risks towards the organization and the management of these risks can be done by adopting the proper techniques and methods for it.

The credit risk is taken under the consideration for each and every documentation of the banks/organization.

Financial Reports

There are many ways to understand the banking ability and position. The financial reports are of main concern which are made after analysis of the financial reports by the banks.

Types of Financial Reports.

There are many types of financial reports two of which are of mains converse

1. Yearly Financial Reports.

The yearly financial reports include. The complete profit/loss of the organization financial statements are also included in the report The complete profit/Loss report is created at the end of the fiscal year which covers in the yearly financial report.

2. Quarterly Financial Reports

The quarterly financial reports are done to have a quick view on the performance of the organizations or the bank.

3. Half Quarterly Reports

The half quarterly report is created to have a quick and focused view on some certain products and products appreciation of the bank or any organizations.

The Bank offers loans and launches different products which involves in the credit risk.

The loans are the major concern which are very much involved in the credit risk. The recovery of the loans must be ensured by getting the proper security to avoid any risks caused by the loss due to loan non-recovery.

The credit risk in the market is very much open.

Launching more and more new products the possibility of the more and more credit risk can be faced by the organization or the bank. To avoid such risk the proper risk management should done to avoid the risks in these circumstances.

The review of the whole circumstances gives us the picture of the organization in the short and long term planning of the management.

If we go along planning something we must look in doing something, searching something and creating steps to sort out our planning by having proper planning which we called the proper management if done for credit risk management the banking organizations must be evaluated properly.

By looking at the credit risk we probe into the banking risks, assessments, management and control over the management. The attempt to understand the credit risk unfolds some of the risks in management evaluation and assessment equipments, models and methods.

Credit risk management also analyzes to overcome the lacks in credit lacks during the different credit management implementation techniques.

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Conclusion:

In the end we can say that the credit risks exist right from the beginning of the banking concept and the banking concept is as old as the man from the very early age. The different levels of risks are threatening for the banking organization should be taken in to the account by the management of the organization for the betterment of the financial organization. The identification of the risk is very important as the identification of the sectors is done from where the bank can face the credit risks. The credit risks can be made less by following the proper method and techniques followed by the complete study of the financial documents of the organization. The brief history of the organization in terms of credit losses and the profit should be analyzed to get the clear picture of the present situation. And the proper evaluation will enable the management of the organization to avoid the credit risks.