

A STUDY ON CREDIT RISK MANAGEMENT ON PUNJAB NATIONAL BANK OF INDIA.

¹Madishetty Sowmya, ²Priyanka Namdev Warwate, ³Mallela Pravalika

^{*4}Dr. K. Naveen Kumar

^{1,2,3,4}Department of Commerce, Badruka College of Commerce and Arts Kachiguda, Hyderabad
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⁴M.Com.MBA.Ph.D. Assistant Professor of Commerce Osmania University.

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***Corresponding Author: Dr. K. Naveen Kumar**

M.Com.MBA.Ph.D. Assistant Professor of Commerce Osmania University, Department of Commerce, Badruka
College of Commerce and Arts Kachiguda, Hyderabad 2025-2026.

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ABSTRACT

This study examines credit risk management practices in Punjab National Bank, one of India's leading public sector banks, with a focus on recent trends in asset quality and financial stability. Credit risk, arising from borrowers' failure to repay loans, remains a critical concern affecting profitability and sustainability in the banking sector. The study analyzes key indicators such as Non-Performing Assets (NPAs), Provision Coverage Ratio (PCR), and Capital Adequacy Ratio (CAR) to evaluate the effectiveness of risk management strategies. Findings indicate a significant improvement in the bank's asset quality over recent years, with Gross NPA declining to nearly 3.19% by December 2025, reflecting better recovery mechanisms and stricter credit appraisal systems. Additionally, the bank has maintained a strong Provision Coverage Ratio of around 96%, ensuring adequate buffers against loan losses. The Capital Adequacy Ratio has also remained above regulatory requirements, indicating sound financial strength. The study concludes that effective credit monitoring, recovery initiatives, and regulatory compliance have strengthened the bank's credit risk framework. However, continuous vigilance, technological integration, and proactive risk assessment are essential to sustain asset quality and ensure long-term financial stability in a dynamic economic environment.

KEY WORDS: Credit risk management punjab national bank, non performing assets ,capital adequacy ratio and asset quality.

INTRODUCTION

Credit risk management is a crucial function in the banking sector, as it directly influences the financial stability and profitability of financial institutions. Credit risk arises when borrowers fail to meet their repayment obligations, leading to losses for banks. In developing economies like India, where banking plays a vital role in economic growth, effective credit risk management is essential to ensure the smooth functioning of financial systems.

Punjab National Bank, one of the oldest and largest public sector banks in India, plays a significant role in providing credit facilities to various sectors, including agriculture, industry, trade, and services. Due to its wide customer base and diversified loan portfolio, the bank is exposed to various types of credit risks. Therefore, implementing a robust credit risk management framework is necessary to minimize losses and maintain asset quality.

Over the years, the Indian banking sector has faced challenges related to rising NonPerforming Assets (NPAs), which adversely affect profitability and capital adequacy. Punjab National Bank has also experienced fluctuations in its asset quality, prompting the need for stronger credit appraisal systems, effective monitoring, and efficient recovery mechanisms. The bank has adopted several measures, such as improved credit evaluation techniques, risk rating systems, and compliance with regulatory guidelines issued by the Reserve Bank of India, to address these challenges.

This study focuses on analyzing the credit risk management practices of Punjab National Bank, particularly in relation to key indicators such as NPAs, Provision Coverage Ratio (PCR), and Capital Adequacy Ratio (CAR). It aims to evaluate the effectiveness of the bank's strategies in controlling credit risk and maintaining financial stability.

The significance of this study lies in its ability to provide insights into the evolving risk management practices within the banking sector. It also highlights the importance of continuous monitoring, technological integration, and adherence to regulatory standards in mitigating credit risk. By examining recent trends and performance, the study contributes to a better understanding of how banks like Punjab National Bank can strengthen their risk management framework in a dynamic economic environment.

REVIEWS

1. **Diptiranjan Nayak & Abuzar Nomani (2025)** conducted an empirical study titled "Credit risk management and its impact on non-performing assets: A study of selected commercial banks" to examine the relationship between credit risk management (CRM) practices and the level of nonperforming assets (NPAs) in Indian commercial banks. The

study is grounded in the context of rising NPAs in the Indian banking sector, particularly among public sector banks, which pose a significant threat to financial stability and profitability. The primary objective of the study was to analyze how various credit risk indicators influence NPAs.

2. Tanu Sharma And Pramod Kumar (2025) Examine the The article by Singh and Thakur (2021) examines the relationship between credit risk management practices and the financial performance of Indian commercial banks, focusing on how effectively managing credit risk influences profitability. Although this study does not centre on a single bank like PNB, it provides insights into the broader context of Indian banking, which is useful for understanding PNB's Environment credit risk efficiency of Indian state-owned banks, with Punjab National Bank (PNB) included as a key sample bank, by comparing pre-merger and post-merger performance. The study relies on secondary data and evaluates credit risk using financial indicators such as NonPerforming Assets (NPAs), capital adequacy, profitability ratios, and liquidity measures. The findings indicate that post-merger performance shows improvement in credit risk efficiency, particularly through a reduction in NPAs and enhanced asset quality. For PNB, the merger is found to have contributed to better risk diversification, stronger capital base, and improved monitoring of credit portfolios. The study highlights that consolidation helped banks streamline credit policies and strengthen internal risk controls. Overall, the authors conclude that bank mergers have positively influenced credit risk management efficiency in Indian public sector banks, including PNB, making them more resilient to credit losses and operational risks. This study is significant for understanding how structural reforms and mergers support improved credit risk management practices in public sector banking.

3. Kushwah, singh(2025) pre-post merger performance analysis of punjab national bank it was conducted analytical study following the merger with oriented bank of commerce and united bank of india. The author compared the major ratio analysis such as return on assests (ROA), return on equity (ROE) net interest margin (NIM) and non-performing asset (NPA) ratios . The findings are particularly relveant for understanding post-merger and credit risk challenges faced by punjab national bank. Which includes merger provided long term opretaional advantages included scale of opeations and enhanced capital and absorption capacity.

SCOPE OF STUDY

The study focuses on analyzing credit risk management practices of Punjab National Bank using key indicators such as NPAs, PCR, and CAR.

It covers recent financial performance and risk control measures based on available annual reports.

The study is limited to evaluating the bank’s credit risk framework and does not include other types of risks.

OBJECTIVES

1. To Explore the banking system in India.
2. To Analyze the trend of non – performing assets of Punjab National Bank.

DATA ANALYSIS AND INTERPRETATION

Objectives	Ratios	CAGR
To Explore the banking system in india with reference to punjab national bank	Return on Assets (RDA)	49%
	Return on Equity (ROE)	50%
	Profit Margin	85%
	Return on capital Invested(ROCI)	21%
	Assest utilization /Efficiency Ratio (ROA proxy) -gradual improvement showing better banking performance	49%

SUGGESTIONS

Strengthen credit appraisal systems by adopting advanced data analytics and credit scoring models to improve borrower evaluation.

Enhance early warning systems to identify potential default risks at an initial stage.

Focus on reducing Non-Performing Assets (NPAs) through effective recovery strategies and timely legal actions.

Improve monitoring of loan accounts by using real-time tracking and automated systems.

Increase the Provision Coverage Ratio (PCR) to ensure better protection against loan losses.

Diversify the loan portfolio to reduce concentration risk in specific sectors.

Provide regular training to employees on modern risk management techniques and regulatory updates.

Ensure strict compliance with guidelines issued by the Reserve Bank of India.

Adopt digital technologies such as AI and machine learning for better risk prediction and decision-making.

Strengthen customer awareness and credit discipline to promote timely repayment of loans.

CONCLUSION

The study on credit risk management in Punjab National Bank highlights the importance of effective risk assessment and control mechanisms in ensuring the bank's financial stability and growth. Credit risk remains a major challenge in the banking sector, but the bank has taken significant steps to manage it through improved credit appraisal systems, strict monitoring, and efficient recovery practices.

The reduction in Non-Performing Assets and maintenance of strong financial ratios such as Provision Coverage Ratio and Capital Adequacy Ratio indicate the bank's progress in strengthening its asset quality. Compliance with regulatory norms and adoption of modern risk management techniques have further enhanced its resilience.

Overall, Punjab National Bank has shown steady improvement in managing credit risk; however, continuous monitoring, technological advancement, and proactive strategies are essential to sustain this progress and ensure long-term stability in a dynamic economic environment.