

Influential Article Review - Effects Of Crisis Control Techniques On Credit Concerns

Griff Oakley

Jonas Zhang

Angelina Kidd

This paper examines finance. We present insights from a highly influential paper. Here are the highlights from this paper: This study aims to identify risk management strategies undertaken by the commercial banks of Balochistan, Pakistan, to mitigate or eliminate credit risk. The findings of the study are significant as commercial banks will understand the effectiveness of various risk management strategies and may apply them for minimizing credit risk. This explanatory study analyses the opinions of the employees of selected commercial banks about which strategies are useful for mitigating credit risk. Quantitative data was collected from 250 employees of commercial banks to perform multiple regression analyses, which were used for the analysis. The results identified four areas of impact on credit risk management (CRM): corporate governance exerts the greatest impact, followed by diversification, which plays a significant role, hedging and, finally, the bank's Capital Adequacy Ratio. This study highlights these four risk management strategies, which are critical for commercial banks to resolve their credit risk. For our overseas readers, we then present the insights from this paper in Spanish, French, Portuguese, and German.

Keywords: Credit risk, Risk management strategies, Financial risk, Capital adequacy ratio, Hedging, Corporate governance, Diversification

SUMMARY

- The questionnaire was tested to check the reliability through Cronbach's alpha, which shows internal consistency of the instrument; the information revealed that the data are 80% reliable, considering the total of 31 questions asked. The information is essential as this shows that the results and findings of the study are reliable, and they can be generalized to the population.
- The correlation table shows the relationship between the different variables in the research study. The dependent variable, credit risk, was reviewed against the independent variables: corporate governance, hedging, diversification, and capital adequacy ratio. The correlation is essential for further analysis as there should be some relation between the different variables. Data normality was checked through skewness and kurtosis and for all variables; these values were in range 2. Linearity was checked through correlation analysis and all variables were shown to have a significant relationship with each other. Homogeneity was checked through scatter plot, showing that the variance across all variables was the same. No autocorrelation was found as the value for

the Durbin Watson test was 2, showing no correlation among residuals. The value for the variance inflation factor was VIF

- The banks in Balochistan would benefit from adopting sound strategies to improve control over credit risk. CRM strategies such as diversification, hedging, corporate governance, and the capital adequacy ratio have all been cited in extant research as being crucial for the success in this regard; in fact, many problems arising from credit risk can be resolved by implementing some combination of these strategies. Therefore, effective inspection should be employed by the banks to check and safeguard bank resources. Effective trainings and refresher courses should be giving to bank employees in the areas of risk asset management, risk control and credit utilization to ensure proper usage and performance.
- Several banks have failed in the past as they were not able to control their credit risk. Recommendations for banks stemming from this study include the diversification of their products and services, which is critical as it allows the bank to provide customers with many products and services. After diversification, an emphasis on employing corporate governance policies is most important, according to the findings. Hedging and the capital adequacy ratio are also important strategies that can be examined and optimized by banks. Hedging is useful because entering flexible contracts helps reduce risk.

HIGHLY INFLUENTIAL ARTICLE

We used the following article as a basis of our evaluation:

Rehman, Z. U., Muhammad, N., Sarwar, B., & Raz, M. A. (2019). Impact of risk management strategies on the credit risk faced by commercial banks of Balochistan. *Financial Innovation*, 5(1), 1–13.

This is the link to the publisher's website:

<https://jfin-swufe.springeropen.com/articles/10.1186/s40854-019-0159-8>

INTRODUCTION

Credit risk causes economic downturn as banks fail due to default risk from clients, which has had a negative impact on the economic development of many nations around the world (Reinhart & Rogoff, 2008). Credit risk describes the risk of default by a borrower who fails to repay the money borrowed. The term hedging signals the protection of a business's investments by limiting its level of risk, for example, by purchasing an insurance policy. Diversification is the allocation of financial resources in variety of different investments and has also long been understood to minimize such risk. The capital adequacy ratio is a measure of a bank's capital maintained to absorb its outlying risks. Since there is a lot of competition among banks to attract customers, therefore, it has triggered several innovations in banking services (Aruwa & Musa, 2014). Regulators also require banks to improve internal governance practices to ensure transparency and ethical standards to keep the customers satisfied with their products and services. Ambiguity in banks' terms and conditions will make it difficult for customers to select financial products appropriate for their needs, whereas clear terms and conditions allow customers to be more satisfied with the bank's performance (Ho & Yusoff, 2009). Customers expect the financial institutions to have strong policies that can safeguard their interests and protect them. Therefore, poor understanding of effective credit risk and the acceptable risk management strategies by bank managers poses a threat to the commercial banks' advancement and customers' interest.

One critical success factor for financial institutions lies in their realization of the importance of credit risk and devising solid strategies – such as hedging, diversification and managing their capital adequacy ratio – to avoid shortcomings that could lead to operational catastrophe. Credit risks faced by banks have fundamental impact on the performance because, even few large customers default on loans would cause huge problems for it. The objective of the Credit Risk Management (CRM) process is to maximize the cost-

adjusted rate of return of a particular bank by maintaining exposure to credit risk acceptable to its shareholders. Banks must navigate the credit risk associated with the overall portfolio as well as external risks that may be due to macroeconomic factors in the economy. Banks must also compare the credit risk relationships with other risks. Another specific case of credit risk applies to the method of trying to settle banking transactions. Until and unless both parties settle their payments in a timely manner, bank suffers from opportunity loss. Corporate governance may also have large effect on the risk management strategies used by the bank for reducing credit risks. Research suggests that it is imperative that banks engage in prior planning to avoid future problems (Andrews, 1980).

Majority of commercial banks provide several services that could help them mitigate or manage risk. For example, hedging has been used to reduce the level of risk involved in transactions by keeping specific conditions that would allow different parties to exchange goods or services at a flexible date and time (Harrison & Pliska, 1981). The significance of effective risk management strategies has been highlighted by many researchers and practitioners over time to assist banks and other financial institutions. CRM became an obvious necessity for commercial banks, especially after the 2008 global financial crisis, in which it was primarily subprime mortgages that caused a liquidity crisis (Al-Tamimi, 2008). According to Al-Tamimi (2008), ensuring the efficient practice of risk management may not be expensive but the implementation should be done in a timely manner to ensure smooth banking operations.

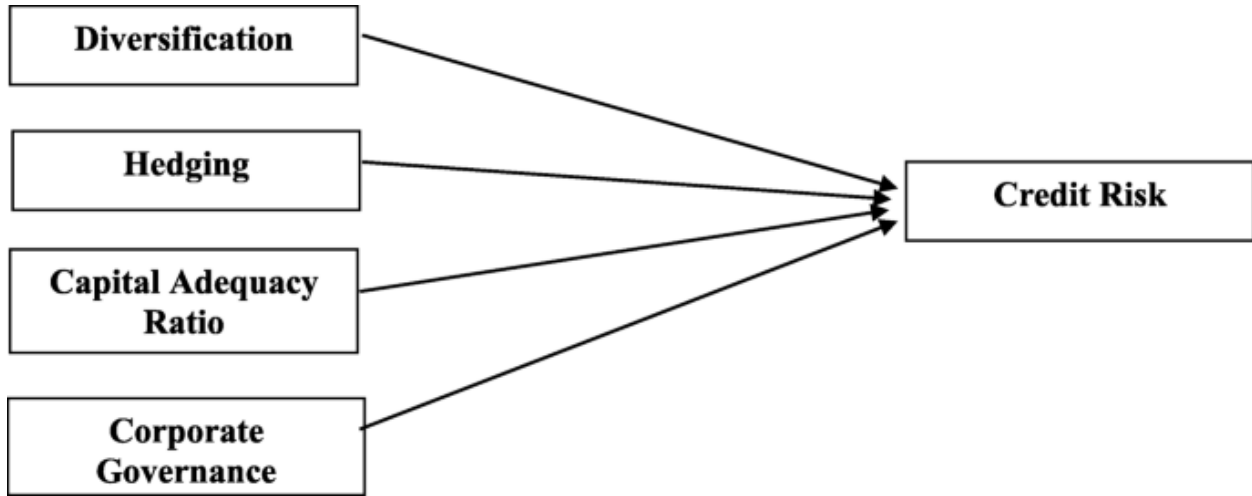
A financial institution, just like a constituent part of any other major economic sector, aims to meet incurred expenses, increase the return on invested capital and maximize the wealth of its shareholders. In their pursuance of these objectives, the financial system has to offer effective risk management strategies to financial institutions like banks against credit risk (Hakim & Neaime, 2005).

CONCLUSION

Several banks have failed in the past as they were not able to control their credit risk. Recommendations for banks stemming from this study include the diversification of their products and services, which is critical as it allows the bank to provide customers with many products and services. After diversification, an emphasis on employing corporate governance policies is most important, according to the findings. Hedging and the capital adequacy ratio are also important strategies that can be examined and optimized by banks. Hedging is useful because entering flexible contracts helps reduce risk. The banks in Balochistan will be able to realize the importance of the capital adequacy ratio as that will allow them to achieve a proper balance between the amounts of capital that should be maintained to manage the needs of the investors. It is recommended that further research on the topic should be conducted so that effective strategies for management of other risks can be identified for banks. The success and further progress of these banks depend on the smooth implementation of risk management strategies and activities, which have been shown to have a significant positive impact on the ability of the banks of Balochistan to control credit risk.

APPENDIX

**FIGURE 1
THEORETICAL FRAMEWORK**



**TABLE 1
RELIABILITY STATISTICS**

Cronbach's Alpha	N of Items
0.805	31

**TABLE 2
CORRELATIONS**

	Credit Risk	Corporate Governance	Hedging	Diversification	Capital Adequacy Ratio
Credit Risk	1				
Corporate Governance	0.469**	1			
Hedging	0.482**	0.587**	1		
Diversification	0.355**	0.078**	0.207**	1	
Capital Adequacy Ratio	0.252**	0.337**	0.167**	0.205**	1

** Correlation is significant at the 0.01 level (2-tailed)

**TABLE 3
MODEL SUMMARY**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.601 ^a	0.361	0.351	0.27789

a. Predictors: (Constant), Capital Adequacy Ratio, Hedging, Diversification & Corporate Governance

b. Dependent Variable: CR

**TABLE 4
ANOVA^a**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	10.699	4	2.675	34.636	0.000 ^b
Residual	18.920	245	0.077		
Total	29.619	249			

a. Dependent Variable: CR

b. Predictors: (Constant), CAR, HDG, DVF, CG

TABLE 5
COEFFICIENTS ^a

	Standardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	1.765	0.237	7.438	.000
Corporate Governance (CG)	0.288	0.052	4.309	0.000
Hedging (HDG)	0.250	0.047	3.872	0.000
Diversification (DVF)	0.263	0.043	4.489	0.000
Capital Adequacy Ratio (CAR)	0.040	0.051	0.660	0.010

a. Dependent Variable: Credit Risk (CR)

REFERENCES

- Abiola I, Olausi AS (2014) The impact of credit risk management on the commercial banks performance in Nigeria. *International Journal of Management and Sustainability* 3(5):295–306
- Al-Tamimi H (2008) Implementing Basel II: an investigation of the UAE banks' Basel II preparations. *J Financ Regul Compliance* 16(2):173–187
- Andrews KR (1980) *The concept of corporate strategy*, Richard D. Irwin. Inc. Homewood. Illinois
- Antonakis J, Bendahan S, Jacquart P, & Lalive R (2014). *Causality and endogeneity: Problems and solutions*. New York: Oxford University Press.
- Aruwa S, Musa AO (2014) Risk components and the financial performance of deposit money banks in Nigeria. *Int J Soc Sci Entrepreneurship* 1(11):514–522
- Berríos MR (2013) The relationship between bank credit risk and profitability and liquidity. *The Int J Bus Finance Res* 7(3):105–118
- Brown, Moles (eds) (2014) *Credit risk management*. Edinburgh, Edinburgh Business School, Heriot-Watt University
- Brown, Wang S (2002) Credit risk: the case of first interstate Bankcorp. *Int Rev Financ Anal* 11(2):229–248
- Campbell A (2007) Bank insolvency and the problem of nonperforming loans. *J Bank Regul* 9(1):25–45
- Chao X, Kou G, Peng Y, Alsaadi FE (2019). Behavior monitoring methods for trade-based money laundering integrating macro and micro prudential regulation: a case from China. *Technol Econ Dev Econ* 25(6): 1081-1096
- Datta DK, Rajagopalan N, Rasheed AMA (1991) Diversification and performance: critical review and future directions*. *J Manag Stud* 28(5):529–558. <https://doi.org/10.1111/j.1467-6486.1991.tb00767.x>
- Dolde W (1993) Use of foreign exchange and interest rate risk management in large firms. *Univ Conn Sch Bus Adm Working Pap*:93–042
- Dupire, B. (1992). *Arbitrage pricing with stochastic volatility*. Société Générale
- Felix (2008) *Bank performance and credit risk management: unpublished masters dissertation in finance*. University of Skovde, Skovde
- Fredrick O (2013) The impact of credit risk management on financial performance of commercial banks in Kenya. *DBA Afr Manage Rev* 3(1)
- Graham JR, Rogers DA (2002) Do firms hedge in response to tax incentives? *J Financ* 57(2):815–839

- Greuning, & Bratanovic. (2009) *Analyzing Banking Risk A Framework for Assessing Corporate Governance and Financial Risk*. Washington D.C.: The World Bank
- Hakim S, Neaime S (2005) Profitability and risk management in banking: a comparative analysis of Egypt and Lebanon Money and Finance in the Middle East: Missed Opportunities or Future Prospects? (Vol. 6, pp. 117-131). Bingley: Emerald Group publishing limited
- Harrison JM, Pliska SR (1981) Martingales and stochastic integrals in the theory of continuous trading. *Stoch Process Appl* 11(3):215–260
- Heffernan S (1996) Современное банковское дело в теории и на практике (Modern Banking in Theory and Practice)
- Hentschel L, Kothari S (1995) Life insurance or lottery: are corporations managing or taking risks with derivatives? Available at SSRN 6351
- Ho CSF, Yusoff NI (2009) A Preliminary Study on Credit Risk Management Strategies of Selected Financial Institution in Malaysia. *Jurnal Pengurusan*(28), pp. 45–65
- Hobson DG (1998) Robust hedging of the lookback option. *Finance and Stochastics* 2(4):329–347.
- Hungerford T (2005) Is financial risk adequately accounted for in social security reform measures? Issue Brief (Public Policy Institute (American Association of Retired Persons))(IB74), 1
- Kargi HS (2011) Credit risk and the performance of Nigerian banks. Zaria, Ahmadu Bello University
- Karoui N, Huang S (1997) A general result of existence and uniqueness of backward stochastic differential equations. In: Pitman Research Notes in Mathematics Series, pp 27–38
- Keats BW (1990) Diversification and business economic performance revisited: issues of measurement and causality. *J Manag* 16(1):61–72
- Kithinji AM (2010) Credit risk management and profitability of commercial banks in Kenya
- Kolapo T, Ayeni R, Oke O (2012) Credit risk management and banks performance. *Aust J Bus Manag Res* 2(2):31–38
- Kou Ergu D, Lin C, Chen Y (2016) Pairwise comparison matrix in multiple criteria decision making. *Technol Econ Dev Econ* 22(5):738–765
- Kou, Chao X, Peng Y, Alsaadi FE, Herrera-Viedma E (2019) Machine learning methods for systemic risk analysis in financial sectors. *Technol Econ Dev Econ*:1–27
- Kou, Lu Y, Peng Y, Shi Y (2012) Evaluation of classification algorithms using MCDM and rank correlation. *Int J Inf Technol Decis Mak* 11(01):197–225
- Kou, Peng Y, Wang G (2014) Evaluation of clustering algorithms for financial risk analysis using MCDM methods. *Inf Sci* 275:1–12
- Levitt J (2004) Transfer of financial risk and alternative financing solutions. *J Health Care Finance* 30(4):21–32
- Li G, Kou G, Peng Y (2016) A group decision making model for integrating heterogeneous information. *IEEE Trans on Syst, Man, and Cybern: Syst* 48(6):982–992
- Owojori AA, Akintoye IR, Adidu FA (2011) The challenge of risk management in Nigerian banks in the post consolidation era. *J.Account Taxation* 3(2):23–31
- Poudel RPS (2012) The impact of credit risk management on financial performance of commercial banks in Nepal. *Int J Arts Commerce* 1(5):9–15
- Reinhart CM, Rogoff KS (2008) Is the 2007 US sub-prime financial crisis so different? An international historical comparison. *Am Econ Rev* 98(2):339–344
- Rumelt RP (1974) Strategy, structure, and economic performance
- Shafiq A, Nasr M (2010) Risk management practices followed by the commercial banks in Pakistan. *Int Rev Bus Res Pap* 6(2):308–325
- Stulz RM (1996) Rethinking risk management. *J Appl Corp Finance* 9(3):8–25
- Van Greuning H, Brajovic Bratanovic S (2009) *Analyzing Banking Risk A Framework for Assessing Corporate Governance and Financial Risk*. The World Bank
- Zhang H, Kou G, Peng Y (2019) Soft consensus cost models for group decision making and economic interpretations. *Eur J Oper Res* 277(3):964–980

TRANSLATED VERSION: SPANISH

Below is a rough translation of the insights presented above. This was done to give a general understanding of the ideas presented in the paper. Please excuse any grammatical mistakes and do not hold the original authors responsible for these mistakes.

VERSION TRADUCIDA: ESPAÑOL

A continuación se muestra una traducción aproximada de las ideas presentadas anteriormente. Esto se hizo para dar una comprensión general de las ideas presentadas en el documento. Por favor, disculpe cualquier error gramatical y no responsabilite a los autores originales de estos errores.

INTRODUCCIÓN

El riesgo crediticio causa una desaceleración económica a medida que los bancos fracasan debido al riesgo de impago de los clientes, lo que ha tenido un impacto negativo en el desarrollo económico de muchas naciones de todo el mundo (Reinhart & Rogoff, 2008). El riesgo de crédito describe el riesgo de incumplimiento por parte de un prestatario que no paga el dinero prestado. El término cobertura indica la protección de las inversiones de una empresa limitando su nivel de riesgo, por ejemplo, mediante la compra de una póliza de seguro. La diversificación es la asignación de recursos financieros en una variedad de inversiones diferentes y también se ha entendido durante mucho tiempo para minimizar dicho riesgo. El coeficiente de suficiencia de capital es una medida del capital de un banco mantenida para absorber sus riesgos de salida. Dado que hay mucha competencia entre los bancos para atraer clientes, por lo tanto, ha desencadenado varias innovaciones en los servicios bancarios (Aruwa & Musa, 2014). Los reguladores también exigen a los bancos que mejoren las prácticas de gobernanza interna para garantizar la transparencia y los estándares éticos para mantener a los clientes satisfechos con sus productos y servicios. La ambigüedad en los términos y condiciones de los bancos dificultará a los clientes seleccionar productos financieros adecuados a sus necesidades, mientras que los términos y condiciones claros permiten a los clientes estar más satisfechos con el desempeño del banco (Ho & Yusoff, 2009). Los clientes esperan que las instituciones financieras tengan políticas sólidas que puedan salvaguardar sus intereses y protegerlos. Por lo tanto, la mala comprensión del riesgo crediticio efectivo y las estrategias aceptables de gestión de riesgos por parte de los administradores de bancos representan una amenaza para el avance de los bancos comerciales y los intereses de los clientes.

Un factor crítico de éxito para las instituciones financieras radica en su comprensión de la importancia del riesgo crediticio y en la elaboración de estrategias sólidas, como la cobertura, la diversificación y la gestión de su ratio de suficiencia de capital, para evitar deficiencias que podrían conducir a una catástrofe operativa. Los riesgos crediticios a los que se enfrentan los bancos tienen un impacto fundamental en el desempeño porque, incluso pocos clientes grandes incumplen con los préstamos, causaría enormes problemas. El objetivo del proceso de Gestión del Riesgo de Crédito (CRM) es maximizar la tasa de retorno ajustada por costos de un banco en particular manteniendo la exposición al riesgo crediticio aceptable para sus accionistas. Los bancos deben navegar por el riesgo crediticio asociado con la cartera global, así como los riesgos externos que pueden deberse a factores macroeconómicos en la economía. Los bancos también deben comparar las relaciones de riesgo crediticio con otros riesgos. Otro caso específico de riesgo crediticio se aplica al método de intentar liquidar transacciones bancarias. Hasta y a menos que ambas partes liquiden sus pagos de manera oportuna, el banco sufre de pérdida de oportunidad. El gobierno corporativo también puede tener un gran efecto en las estrategias de gestión de riesgos utilizadas por el banco para reducir los riesgos crediticios. Las investigaciones sugieren que es imperativo que los bancos participen en una planificación previa para evitar problemas futuros (Andrews, 1980).

La mayoría de los bancos comerciales ofrecen varios servicios que podrían ayudarles a mitigar o gestionar el riesgo. Por ejemplo, la cobertura se ha utilizado para reducir el nivel de riesgo que implican las transacciones manteniendo condiciones específicas que permitirían a diferentes partes intercambiar bienes

o servicios en una fecha y hora flexibles (Harrison & Pliska, 1981). Muchos investigadores y profesionales a lo largo del tiempo han puesto de relieve la importancia de estrategias eficaces de gestión de riesgos para ayudar a los bancos y otras instituciones financieras. CRM se convirtió en una necesidad obvia para los bancos comerciales, especialmente después de la crisis financiera mundial de 2008, en la que fueron principalmente las hipotecas de alto riesgo las que causaron una crisis de liquidez (Al-Tamimi, 2008). Según Al-Tamimi (2008), garantizar la práctica eficiente de la gestión de riesgos puede no ser costoso, pero la aplicación debe hacerse de manera oportuna para garantizar unas operaciones bancarias fluidas.

Una institución financiera, al igual que una parte constitutiva de cualquier otro sector económico importante, tiene como objetivo hacer frente a los gastos incurridos, aumentar el retorno del capital invertido y maximizar la riqueza de sus accionistas. En su cumplimiento de estos objetivos, el sistema financiero tiene que ofrecer estrategias eficaces de gestión de riesgos a instituciones financieras como los bancos contra el riesgo crediticio (Hakim & Neaime, 2005).

CONCLUSIÓN

Varios bancos han fracasado en el pasado, ya que no fueron capaces de controlar su riesgo crediticio. Las recomendaciones para los bancos derivadas de este estudio incluyen la diversificación de sus productos y servicios, lo cual es fundamental, ya que permite al banco proporcionar a los clientes muchos productos y servicios. Después de la diversificación, el énfasis en el empleo de políticas de gobierno corporativo es más importante, según los resultados. La cobertura y el coeficiente de suficiencia de capital son también estrategias importantes que pueden ser examinadas y optimizadas por los bancos. La cobertura es útil porque la introducción de contratos flexibles ayuda a reducir el riesgo. Los bancos de Baluchistán podrán darse cuenta de la importancia del coeficiente de suficiencia de capital, ya que les permitirá lograr un equilibrio adecuado entre los importes de capital que deben mantenerse para gestionar las necesidades de los inversores. Se recomienda que se realicen más investigaciones sobre el tema para que se puedan identificar estrategias eficaces para la gestión de otros riesgos para los bancos. El éxito y el progreso de estos bancos dependen de la aplicación sin problemas de las estrategias y actividades de gestión de riesgos, que han demostrado tener un impacto positivo significativo en la capacidad de los bancos de Baluchistán para controlar el riesgo crediticio.

TRANSLATED VERSION: FRENCH

Below is a rough translation of the insights presented above. This was done to give a general understanding of the ideas presented in the paper. Please excuse any grammatical mistakes and do not hold the original authors responsible for these mistakes.

VERSION TRADUITE: FRANÇAIS

Voici une traduction approximative des idées présentées ci-dessus. Cela a été fait pour donner une compréhension générale des idées présentées dans le document. Veuillez excuser toutes les erreurs grammaticales et ne pas tenir les auteurs originaux responsables de ces erreurs.

INTRODUCTION

Le risque de crédit entraîne un ralentissement économique à mesure que les banques font faillite en raison du risque de défaut des clients, ce qui a eu un impact négatif sur le développement économique de nombreux pays à travers le monde (Reinhart et Rogoff, 2008). Le risque de crédit décrit le risque de défaut de paiement d'un emprunteur qui ne rembourse pas l'argent emprunté. Le terme couverture signale la

protection des placements d'une entreprise en limitant son niveau de risque, par exemple en achetant une police d'assurance. La diversification est l'allocation des ressources financières dans divers investissements et a également longtemps été comprise pour minimiser ce risque. Le ratio d'adéquation du capital est une mesure du capital d'une banque maintenu pour absorber ses risques de sortie. Comme il y a beaucoup de concurrence entre les banques pour attirer des clients, elle a donc déclenché plusieurs innovations dans les services bancaires (Aruwa et Musa, 2014). Les organismes de réglementation exigent également des banques qu'elles améliorent leurs pratiques de gouvernance interne afin d'assurer la transparence et les normes éthiques afin de tenir les clients satisfaits de leurs produits et services. L'ambiguïté des modalités des banques rendra difficile pour les clients de choisir des produits financiers adaptés à leurs besoins, alors que des conditions claires permettent aux clients d'être plus satisfaits de la performance de la banque (Ho & Yusoff, 2009). Les clients s'attendent à ce que les institutions financières aient des politiques solides qui peuvent protéger leurs intérêts et les protéger. Par conséquent, une mauvaise compréhension du risque de crédit efficace et des stratégies acceptables de gestion des risques par les gestionnaires de banques constitue une menace pour l'avancement des banques commerciales et l'intérêt des clients.

L'un des facteurs de succès essentiels pour les institutions financières réside dans leur prise de conscience de l'importance du risque de crédit et dans l'élaboration de stratégies solides – telles que la couverture, la diversification et la gestion de leur ratio d'adéquation du capital – afin d'éviter des lacunes qui pourraient conduire à une catastrophe opérationnelle. Les risques de crédit auxquels sont confrontées les banques ont un impact fondamental sur la performance parce que, même peu de grands clients défaut sur les prêts causerait d'énormes problèmes pour elle. L'objectif du processus de gestion du risque de crédit (CRM) est de maximiser le taux de rendement ajusté en fonction des coûts d'une banque particulière en maintenant l'exposition au risque de crédit acceptable pour ses actionnaires. Les banques doivent naviguer dans le risque de crédit associé à l'ensemble du portefeuille ainsi que sur les risques externes qui peuvent être dus à des facteurs macroéconomiques dans l'économie. Les banques doivent également comparer les relations de risque de crédit avec d'autres risques. Un autre cas spécifique de risque de crédit s'applique à la méthode d'essai pour régler les transactions bancaires. Jusqu'à ce que les deux parties règlent leurs paiements en temps opportun, la banque souffre d'une perte d'opportunité. La gouvernance d'entreprise peut également avoir un effet important sur les stratégies de gestion des risques utilisées par la banque pour réduire les risques de crédit. La recherche suggère qu'il est impératif que les banques s'engagent dans une planification préalable pour éviter de futurs problèmes (Andrews, 1980).

La majorité des banques commerciales fournissent plusieurs services qui pourraient les aider à atténuer ou à gérer les risques. Par exemple, la couverture a été utilisée pour réduire le niveau de risque des transactions en maintenant des conditions précises qui permettraient à différentes parties d'échanger des biens ou des services à une date et à une heure flexibles (Harrison et Pliska, 1981). L'importance de stratégies efficaces de gestion des risques a été soulignée par de nombreux chercheurs et praticiens au fil du temps pour aider les banques et autres institutions financières. Le CRM est devenu une nécessité évidente pour les banques commerciales, surtout après la crise financière mondiale de 2008, au cours de laquelle ce sont surtout les prêts hypothécaires à risque qui ont provoqué une crise de liquidité (Al-Tamimi, 2008). Selon Al-Tamimi (2008), il n'est peut-être pas coûteux d'assurer la pratique efficace de la gestion des risques, mais la mise en œuvre devrait être effectuée en temps opportun pour assurer le bon déroulement des opérations bancaires.

Une institution financière, tout comme une partie constitutive de tout autre grand secteur économique, vise à faire face aux dépenses engagées, à accroître le rendement du capital investi et à maximiser la richesse de ses actionnaires. Dans la mesure où ils s'en sont pris à ces objectifs, le système financier doit offrir des stratégies efficaces de gestion des risques aux institutions financières comme les banques contre le risque de crédit (Hakim et Neaime, 2005).

CONCLUSION

Plusieurs banques ont fait faillite dans le passé parce qu'elles n'étaient pas en mesure de contrôler leur risque de crédit. Les recommandations pour les banques découlant de cette étude comprennent la

diversification de leurs produits et services, ce qui est essentiel car elle permet à la banque de fournir à ses clients de nombreux produits et services. Après la diversification, l'accent mis sur l'utilisation des politiques de gouvernance d'entreprise est le plus important, selon les résultats. La couverture et le ratio d'adéquation des fonds propres sont également des stratégies importantes qui peuvent être examinées et optimisées par les banques. La couverture est utile parce que la conclusion de contrats flexibles contribue à réduire les risques. Les banques du Baloutchistan seront en mesure de prendre conscience de l'importance du ratio d'adéquation des fonds propres, car cela leur permettra d'atteindre un juste équilibre entre les montants de capital qui devraient être maintenus pour gérer les besoins des investisseurs. Il est recommandé de mener d'autres recherches sur le sujet afin d'identifier des stratégies efficaces de gestion d'autres risques pour les banques. Le succès et les progrès de ces banques dépendent de la mise en œuvre en douceur des stratégies et des activités de gestion des risques, qui ont eu un impact positif significatif sur la capacité des banques du Baloutchistan à contrôler le risque de crédit.

TRANSLATED VERSION: GERMAN

Below is a rough translation of the insights presented above. This was done to give a general understanding of the ideas presented in the paper. Please excuse any grammatical mistakes and do not hold the original authors responsible for these mistakes.

ÜBERSETZTE VERSION: DEUTSCH

Hier ist eine ungefähre Übersetzung der oben vorgestellten Ideen. Dies wurde getan, um ein allgemeines Verständnis der in dem Dokument vorgestellten Ideen zu vermitteln. Bitte entschuldigen Sie alle grammatikalischen Fehler und machen Sie die ursprünglichen Autoren nicht für diese Fehler verantwortlich.

EINLEITUNG

Das Kreditrisiko verursacht einen wirtschaftlichen Abschwung, da Banken aufgrund des Ausfallrisikos von Kunden scheitern, was sich negativ auf die wirtschaftliche Entwicklung vieler Nationen auf der ganzen Welt ausgewirkt hat (Reinhart & Rogoff, 2008). Das Kreditrisiko beschreibt das Ausfallrisiko eines Kreditnehmers, der das geliehene Geld nicht zurückzahlt. Der Begriff Absicherung signalisiert den Schutz der Investitionen eines Unternehmens, indem er sein Risikoniveau begrenzt, beispielsweise durch den Kauf einer Versicherungspolice. Diversifikation ist die Zuweisung von Finanzmitteln in verschiedenen Anlagen und wurde auch seit langem verstanden, um ein solches Risiko zu minimieren. Die Eigenkapitalquote ist ein Maß für das Kapital einer Bank, das gehalten wird, um ihre Randrisiken zu absorbieren. Da es einen großen Wettbewerb unter den Banken gibt, um Kunden zu gewinnen, hat es daher mehrere Innovationen im Bankdienstleistungen ausgelöst (Aruwa & Musa, 2014). Die Regulierungsbehörden verlangen von den Banken auch, die internen Governance-Praktiken zu verbessern, um Transparenz und ethische Standards zu gewährleisten, um die Kunden mit ihren Produkten und Dienstleistungen zufrieden zu stellen. Die Mehrdeutigkeit der Geschäftsbedingungen der Banken wird es den Kunden erschweren, Finanzprodukte auszuwählen, die ihren Bedürfnissen entsprechen, während klare Geschäftsbedingungen es den Kunden ermöglichen, mit der Leistung der Bank zufriedener zu sein (Ho & Yusoff, 2009). Die Kunden erwarten von den Finanzinstituten eine starke Politik, die ihre Interessen schützen und schützen kann. Daher stellt ein schlechtes Verständnis des effektiven Kreditrisikos und der akzeptablen Risikomanagementstrategien von Bankmanagern eine Bedrohung für den Vormarsch der Geschäftsbanken und das Interesse der Kunden dar.

Ein entscheidender Erfolgsfaktor für Finanzinstitute liegt in der Erkenntnis, wie wichtig Kreditrisiken sind, und in der Entwicklung solider Strategien – wie Absicherung, Diversifizierung und Verwaltung ihrer Kapitaladäquanzquote –, um Mängel zu vermeiden, die zu einer operativen Katastrophe führen könnten. Kreditrisiken, denen Banken ausgesetzt sind, haben grundlegende Auswirkungen auf die Performance, da

selbst wenige Großkunden, die mit Krediten auskommen, enorme Probleme verursachen würden. Ziel des Credit Risk Management (CRM)-Prozesses ist es, die kostenbereinigte Rendite einer bestimmten Bank zu maximieren, indem das Kreditrisiko für ihre Aktionäre akzeptabel bleibt. Die Banken müssen das kreditbasierte Risiko des Gesamtportfolios sowie externe Risiken, die auf makroökonomische Faktoren in der Wirtschaft zurückzuführen sein können, steuern. Banken müssen auch die Kreditrisikobeziehungen mit anderen Risiken vergleichen. Ein weiterer spezifischer Fall von Kreditrisiko gilt für die Methode, Bankgeschäfte abzuwickeln. Solange beide Parteien ihre Zahlungen nicht rechtzeitig begleichen, leidet die Bank unter dem Verlust von Chancen. Die Corporate Governance kann auch große Auswirkungen auf die Risikomanagementstrategien haben, die von der Bank zur Verringerung von Kreditrisiken eingesetzt werden. Untersuchungen deuten darauf hin, dass es zwingend notwendig ist, dass Banken sich an einer vorherigen Planung beteiligen, um zukünftige Probleme zu vermeiden (Andrews, 1980).

Die Mehrheit der Geschäftsbanken bietet mehrere Dienstleistungen an, die ihnen helfen könnten, Risiken zu mindern oder zu managen. Beispielsweise wurde die Absicherung eingesetzt, um das Risiko, das mit Transaktionen verbunden ist, zu verringern, indem bestimmte Bedingungen eingehalten wurden, die es verschiedenen Parteien ermöglichen würden, Waren oder Dienstleistungen zu einem flexiblen Zeitpunkt auszutauschen (Harrison & Pliska, 1981). Die Bedeutung wirksamer Risikomanagementstrategien wurde von vielen Forschern und Praktikern im Laufe der Zeit hervorgehoben, um Banken und anderen Finanzinstituten zu helfen. CRM wurde zu einer offensichtlichen Notwendigkeit für Geschäftsbanken, insbesondere nach der globalen Finanzkrise von 2008, in der es vor allem Subprime-Hypotheken waren, die eine Liquiditätskrise verursachten (Al-Tamimi, 2008). Laut Al-Tamimi (2008) ist die Gewährleistung einer effizienten Praxis des Risikomanagements zwar nicht teuer, aber die Umsetzung sollte zeitnah erfolgen, um einen reibungslosen Bankbetrieb zu gewährleisten.

Ein Finanzinstitut, genau wie ein Bestandteil eines jeden anderen wichtigen Wirtschaftssektors, zielt darauf ab, angefallene Ausgaben zu decken, die Rendite des investierten Kapitals zu erhöhen und das Vermögen seiner Aktionäre zu maximieren. Im Rahmen dieser Ziele muss das Finanzsystem Finanzinstituten wie Banken wirksame Risikomanagementstrategien gegen Kreditrisiken anbieten (Hakim & Neaime, 2005).

SCHLUSSFOLGERUNG

Mehrere Banken sind in der Vergangenheit gescheitert, da sie ihr Kreditrisiko nicht kontrollieren konnten. Zu den Empfehlungen für Banken, die sich aus dieser Studie ergeben, gehört die Diversifizierung ihrer Produkte und Dienstleistungen, was von entscheidender Bedeutung ist, da sie es der Bank ermöglicht, ihren Kunden viele Produkte und Dienstleistungen anzubieten. Nach der Diversifizierung ist den Ergebnissen zufolge die Betonung der Anwendung von Corporate Governance-Strategien am wichtigsten. Absicherung und die Eigenkapitalquote sind ebenfalls wichtige Strategien, die von Banken untersucht und optimiert werden können. Absicherung ist nützlich, da die Auftragsvergabe an flexible Verträge dazu beiträgt, Risiken zu reduzieren. Die Banken in Balochistan werden in der Lage sein, die Bedeutung der Eigenkapitalquote zu erkennen, da sie so ein angemessenes Gleichgewicht zwischen den Kapitalbeträgen erreichen können, die beibehalten werden sollten, um die Bedürfnisse der Investoren zu bewältigen. Es wird empfohlen, weitere Untersuchungen zu diesem Thema durchzuführen, damit wirksame Strategien für das Management anderer Risiken für Banken identifiziert werden können. Der Erfolg und die weiteren Fortschritte dieser Banken hängen von der reibungslosen Umsetzung von Risikomanagementstrategien und -aktivitäten ab, die nachweislich einen erheblichen positiven Einfluss auf die Fähigkeit der Banken von Balochistan haben, das Kreditrisiko zu kontrollieren.

TRANSLATED VERSION: PORTUGUESE

Below is a rough translation of the insights presented above. This was done to give a general understanding of the ideas presented in the paper. Please excuse any grammatical mistakes and do not hold the original authors responsible for these mistakes.

VERSÃO TRADUZIDA: PORTUGUÊS

Aqui está uma tradução aproximada das ideias acima apresentadas. Isto foi feito para dar uma compreensão geral das ideias apresentadas no documento. Por favor, desculpe todos os erros gramaticais e não responsabilize os autores originais responsáveis por estes erros.

INTRODUÇÃO

O risco de crédito causa desaceleração econômica à medida que os bancos falham devido ao risco de inadimplência dos clientes, o que teve um impacto negativo no desenvolvimento econômico de muitas nações ao redor do mundo (Reinhart & Rogoff, 2008). O risco de crédito descreve o risco de inadimplência por parte de um mutuário que não paga o dinheiro emprestado. O termo hedge sinaliza a proteção dos investimentos de uma empresa limitando seu nível de risco, por exemplo, através da compra de uma apólice de seguro. Diversificação é a alocação de recursos financeiros em diversos investimentos e também tem sido há muito compreendida para minimizar esse risco. A razão de adequação de capital é uma medida do capital de um banco mantido para absorver seus riscos de saída. Uma vez que há muita concorrência entre os bancos para atrair clientes, portanto, desencadeou diversas inovações em serviços bancários (Aruwa & Musa, 2014). Os reguladores também exigem que os bancos melhorem as práticas internas de governança para garantir transparência e padrões éticos para manter os clientes satisfeitos com seus produtos e serviços. A ambiguidade nos termos e condições dos bancos dificultará a seleção de produtos financeiros adequados às suas necessidades, enquanto termos e condições claros permitem que os clientes fiquem mais satisfeitos com o desempenho do banco (Ho & Yusoff, 2009). Os clientes esperam que as instituições financeiras tenham políticas fortes que possam proteger seus interesses e protegê-los. Portanto, a má compreensão do risco de crédito efetivo e as estratégias aceitáveis de gestão de riscos por parte dos gestores bancários representa uma ameaça ao avanço dos bancos comerciais e aos juros dos clientes.

Um fator crítico de sucesso para as instituições financeiras reside na realização da importância do risco de crédito e na elaboração de estratégias sólidas – como hedge, diversificação e gestão de sua relação de adequação de capital – para evitar deficiências que possam levar a catástrofes operacionais. Os riscos de crédito enfrentados pelos bancos têm impacto fundamental no desempenho porque, mesmo poucos grandes clientes inadimplentes em empréstimos causariam enormes problemas para ele. O objetivo do processo de Gestão de Risco de Crédito (CRM) é maximizar a taxa de retorno ajustada pelo custo de um determinado banco, mantendo a exposição ao risco de crédito aceitável aos seus acionistas. Os bancos devem navegar pelo risco de crédito associado à carteira global, bem como aos riscos externos que podem ser devido a fatores macroeconômicos na economia. Os bancos também devem comparar as relações de risco de crédito com outros riscos. Outro caso específico de risco de crédito se aplica ao método de tentar liquidar transações bancárias. Até e a menos que ambas as partes resolvam seus pagamentos em tempo hábil, o banco sofre de perda de oportunidade. A governança corporativa também pode ter grande efeito nas estratégias de gestão de riscos utilizadas pelo banco para a redução dos riscos de crédito. Pesquisas sugerem que é imperativo que os bancos se envolvam em planos prévios para evitar problemas futuros (Andrews, 1980).

A maioria dos bancos comerciais fornece vários serviços que podem ajudá-los a mitigar ou gerenciar riscos. Por exemplo, o hedge tem sido usado para reduzir o nível de risco envolvido em transações, mantendo condições específicas que permitiriam que diferentes partes trocassem bens ou serviços em uma data e hora flexíveis (Harrison & Pliska, 1981). A importância de estratégias eficazes de gestão de riscos tem sido destacada por muitos pesquisadores e profissionais ao longo do tempo para auxiliar bancos e outras instituições financeiras. O CRM tornou-se uma necessidade óbvia para os bancos comerciais, especialmente após a crise financeira global de 2008, na qual foram principalmente hipotecas subprime que causaram uma crise de liquidez (Al-Tamimi, 2008). Segundo Al-Tamimi (2008), garantir a prática eficiente de gestão de riscos pode não ser caro, mas a implementação deve ser feita em tempo hábil para garantir operações bancárias suaves.

Uma instituição financeira, assim como uma parte constituinte de qualquer outro grande setor econômico, tem como objetivo atender às despesas incorridas, aumentar o retorno sobre o capital investido e maximizar a riqueza de seus acionistas. Em sua perseguição a esses objetivos, o sistema financeiro tem que oferecer estratégias eficazes de gestão de riscos para instituições financeiras como bancos contra o risco de crédito (Hakim & Neaime, 2005).

CONCLUSÃO

Vários bancos falharam no passado, pois não foram capazes de controlar seu risco de crédito. As recomendações para os bancos decorrentes deste estudo incluem a diversificação de seus produtos e serviços, o que é fundamental, pois permite ao banco fornecer aos clientes muitos produtos e serviços. Após a diversificação, a ênfase na utilização de políticas de governança corporativa é a mais importante, segundo os achados. O hedge e a taxa de adequação de capital também são estratégias importantes que podem ser examinadas e otimizadas pelos bancos. O hedge é útil porque a entrada de contratos flexíveis ajuda a reduzir o risco. Os bancos do Baluchistão poderão perceber a importância da taxa de adequação de capital, pois isso lhes permitirá alcançar um equilíbrio adequado entre os montantes de capital que devem ser mantidos para gerenciar as necessidades dos investidores. Recomenda-se que sejam realizadas novas pesquisas sobre o tema para que estratégias efetivas de gestão de outros riscos possam ser identificadas para os bancos. O sucesso e o progresso desses bancos dependem da implementação suave de estratégias e atividades de gestão de riscos, que têm demonstrado ter um impacto positivo significativo na capacidade dos bancos do Baluchistão de controlar o risco de crédito.