ROLE OF INTERNAL CONTROL SYSTEM IN CREDIT RISK IDENTIFICATION PROCESS OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS

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ABSTRACT
The present study analyzed the role of internal control system in credit risk identification process of selected public and private sector banks in India namely State Bank of India, Syndicate Bank, Punjab National Bank, Union Bank of India, Bank of Baroda, Andhra Bank, Oriental Bank of Commerce, IDBI, ICICI Bank, Axis Bank Limited and HDFC in the area of Haryana and Delhi (including NCR). The primary data is collected with the help of pre-tested structured questionnaire and analysed with the help of various statistical techniques such as frequency, percentage, mean and standard deviation. To validate the results, t-statistic and ANOVA technique has been used. The bank-wise ANOVA results in public sector banks show that there is a significant difference among the bankers’ viewpoint with regard to governance structures for identifying the credit risk, capability of an internal control system in dealing swiftly with credit risk arising from changes in the environment, responsibility of the internal auditors to review and verify the risk identification system, guidelines and reporting of risk and formalized credit appraisal process for clearly spelling out roles and responsibilities of staff. On the other hand, there is also a significant difference among the viewpoint of respondents of private sector banks towards the governance structures for identifying the credit risk and responsibility of the internal auditors to review and verify the risk identification system. The results of t-test shows that the respondents viewpoint among public and private banks is not found significantly different towards the capability of an internal control system in dealing swiftly with credit risk arising from changes in the environment, responsibility of the internal auditors to review and verify the risk identification system, guidelines and reporting of risk and formalized credit appraisal process for clearly spelling out roles and responsibilities of staff.

KEY WORDS: Identification Process, Governance Structure, Internal Control Policy.

REFERENCES