APPLICATION OF CREDIT RISK RATING SYSTEM FOR CORPORATE LOANS: A COMPARATIVE STUDY OF PUNJAB NATIONAL BANK, LUDHIANA CIRCLE AND STATE BANK OF INDIA, LUDHIANA CIRCLE

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ABSTRACT
Credit rating estimates the credit worthiness of an individual, corporation, or even a country. It is an evaluation made by credit bureaus of a borrower’s overall credit history. The present study aims at understanding the application of credit risk rating system for corporate loans at the selected banks and comparing its application on the basis of survey instrument. The study reports that the ability of a credit-risk rating model to predict defaults solely rests on the ability of the bank’s management to obtain necessary data and information from all business units. The banks need to regularly update the information and data concerning the borrowing business units and make changes in the credit-risk ratings. Developing a credit-risk rating system is a continuous process.

KEY WORDS: Credit rating estimates, credit risk rating system for corporate loans.