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The Study of Risk Management in Public and Private Sector Banks

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Abstract

The risk is normally gauged from the probability of an adverse event happening and the expected magnitude of loss in case such an event occurs. The preparedness and the measures to mitigate risk are determined by the combined impact of the probability and magnitude of loss Public and Private Sector Banks.. If there is a high probability of small losses (stock prices, commodity prices) or small probability of large losses (earthquakes, tsunami, etc.), the magnitude of risk may be same but the strategies of risk management may differ. In business enterprises, the management of risk is mainly confined to situations of high probability of small losses Public and Private Sector Banks.. The management of the other kind of risk of small probability of large losses are more strategic in nature such as capital budgeting decisions Public and Private Sector Banks.. We now turn our focus on the management of the risks that emanate from conduct of normal operations of the business.

Key words:- Preparedness, Probability, Magnitude, Risks

Introduction

The Insurance policy is a classic example of managing risk with which we all are familiar. One possible way to avoid the risk is not to undertake an activity at all. There are people who abstain from air travel because they see too great a risk with that mode of transport. Likewise, certain people do not invest in equity market due to the risk associated with stock market and prefer to invest in safer avenues Public and Private Sector Banks.. While certain activities can be avoided purely on the ground of high risk and one can still live without it, not investing in the equity market for instance, it may not be possible to abstain from mandatory activities. One has to find better avenues to manage risk rather than avoidance of the activity altogether Public and Private Sector Banks.

Another way of managing risk is to diffuse the risk across the sources of risk. Many call centres prefer to have multi- location operations to protect themselves against natural disasters. Similarly, investors prefer to have investment in many alternatives to protect themselves against fall in expected return from a single investment, as risk of failure of many investments simultaneously is far less than the risk of failing of a single investment. Likewise, firms do not have a single supplier or a single customer to manage business Public and Private Sector Banks. They prefer to have many suppliers/customers, as it is not possible that all the suppliers would fail to deliver and all the customers would be weaned away by competitors at the same point of time.

Lastly, one can manage the risk by transferring it to another party who is willing to assume risk. Insurance company does not do anything to contain the risk per se, but assumes risk on your behalf. It is the business of the insurance company to assume risk for an income Public and Private Sector Banks. Similarly, there are people who are willing to assume risks of other kind for a consideration. Risk as such does not and cannot vanish but gets transferred from one who wants to avoid it to the one who is willing to accept the risk upon exchange of consideration.

Review of Literature

- **According to Singh Rashi 2019-** Price discovery First the derivatives and its market increase the competitive-ness of the market as it encourages more number of participants with varying objectives of hedging, speculation, and arbitraging. With broadening of the market, the changes in the price of the product are watched by those who trade on the slightest of reasons. Even a minor variation in price prompts action on the part of speculators. Active participation by large number of buyers and sellers ensures fair price. The derivative markets therefore facilitate price discovery of assets due to increased participants, increased volumes, and increased sensitivity of participants to react to smallest of price changes Public and Private Sector Banks.

- **According to Gupta R.K. 2020-** Facilitate transfer of risk Hedgers amongst themselves could eliminate risk if two parties face risk from opposite movement of price. The wheat farmer needing to sell his product faced a risk from the fall in price while the flour mill needing to buy wheat was worried about the rise in price. Since the risk was emanating from opposing directions, the convergence of the two was possible. If both farmer and flourmill wanted to hedge against price rise, the two would not have met. When speculators enter the market, they discharge an important function and help transfer of risk from those wanting to eliminate to those wanting to assume risk.

- **According to Alka Singh 2022-** Leveraging Taking position in derivatives involves only fractional outlay of capital when compared with the position in the underlying asset in the spot market. Assume a speculator is convinced that price of wheat will be 16 per kg in six months and a farmer agrees to sell at ₹15.50 per kg. To take advantage, the speculator will have to the full price of 15.50 per kg now and realize ₹16.00 six months later. Instead, if a mechanism is available by which he can absolve himself of making the full payment, he will be too glad to enter into a contract. Derivatives as products and their markets provide such exit routes by letting him enter into a contract and then permitting him to neutralize the position by booking an opposite contract at a later date. This magnifies the profit manifold with same resource base. This also helps build volumes of trade, further helping the price discovery process.

Objectives of the Study

- The issue of counter-party risk can be solved if the transaction is done on an exchange that serves as public and private sector banks.
- The business on one-to-one basis, they do business on the exchange as public and private sector banks.
- Both buyer and seller become liable to the exchange which in turn meets commitments to both.
- In case of default by one party, the exchange meets the commitment from alternate sources to relate as public and private sector banks.
- To protect itself, the exchange can develop suitable risk containment asures.

Methodology

- In efficient and perfect markets, the forward price and futures price must be identical. However, from cash flow point of view, there are two major differences between public and private sector banks. Forward contracts are not subject to Initial margin requirement, and Marking to the market Public and Private Sector Banks. The cash flows from forward contract and the futures may be different, though the net position at the end may be the same. Both forward and futures prices should yield the same

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profit in the end except for the interest on interim payments.

Data Analysis and Interpretation

There are many techniques available to evaluate capital expenditure proposals. All these techniques may not be useful in evaluation of all kinds of projects. One has to choose an appropriate criterion for acceptance or rejection. The selection may be basedon the simplicity of criteria, data requirement, criticality of decision and effectiveness. It is related public and private sector banks. Both types of bank it is depending on the marketing and Costumer satisfaction.

Do You Know Risk management to relate Public and Private sector banks

Table-1.1

Respondents	Public Sector Banks	Private Sector Banks
Male	65	70
Female	35	30
Total	100	100

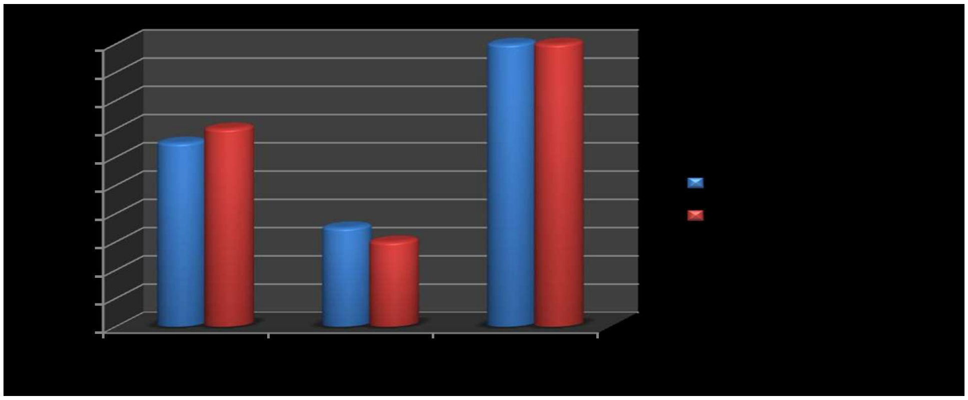

Table 1.1 Has displayed two respondents Male and Female Male has Public sector 65 and Private Sector 70, Female Public Sector 35 and Private Sector 30 show it applied percentage method.

Findings of the Research

- We discussed the mechanism of forward contract as a tool of risk management, speculation, and possible arbitrage in the preceding section.
- We now discuss the futures contracts that are like forwards in their applications but differ substantially in operations. It is related Public and Private Sector Banks.
- Futures are relatively new derivatives. The value of derivative fluctuates with the value of the underlying asset.
- The underlying asset can be a Public and Private Sector Banks.

Conclusion

The Futures contracts came into existence to overcome some of the problems that exist with the forward contract. In a forward contract, there is a very strong inclination for at least one party to default in fulfilling its commitment towards the other party to the contract depending upon the price scenario of the underlying asset. Post contract, the scenario will favour only one of the parties to the contract.

One way of eliminating the counter-party risk is to involve another party to the transaction. The forward contract is executed on a one-to-one basis and the two parties assume the counter-party risk. It can be easily visualized that one default wii lead to chain reaction and the whole market may collapse with one default triggering another. The Public and Private Sector Banks to depend on the derivative market and hedging Public and Private Sector Banks.

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