Risk Management Practices in Conventional Banks of Pakistan: A Comparative Study between Old and New Banks

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A B S T R A C T

The purpose of this research report is to find out how much conventional banks of Pakistan carried out risk management practices, moreover the research also compares the risk management practices of four old banks (Muslim Commercial bank, Habib Bank Limited, United Bank Limited and Allied Bank Limited) with four new conventional banks (Bank Al Habib Limited, Askari Bank Limited, Bank Al-Falah Limited and Standard Chartered bank). A standardized questionnaire is used which covers five functions of Risk Management Practices which are understanding risk and risk management (URRM), risk assessment and analysis (RAA), risk identification (RI), risk monitoring (RM), credit risk analysis (CRA). Hypotheses are developed with the support of literature. Correlation matrix is applied to find the relationship between five functions of risk management and risk management practices. Regression is applied to test the hypothesis. This study finds that all five functions of risk management are positively correlated to risk management practices. The research is limited to eight banks of Pakistan. This study also finds that the functions URRM, RM and CRA are significant to risk management practices while RAA and RI are insignificant to risk management practices. The results give a clear picture to policy makers of conventional banks about the risk management practices in which they are lacking and where improvement is required.

Keywords: *Risk Management, Conventional Banks, Risk Management Practices*

1. Introduction

Risk is defined as effect of unreliability on outcomes. This effect may be according to expectations or may be negatively deviated from what is expected. Thus risk means any deviation from the planned path. Every step when take to achieve the objective, deviation or uncertainty may come. This deviation or uncertainty must be control to maximize the objectives. Risk need to be managed in order to gain more opportunities. In ISO 31000 2009, the term risk management is a planned structure that is used to manage risk. This planned structure includes processes of risk management, functions of risk management and models of risk management. Thus, risk is any uncertain thing happened while gaining the objectives where as risk management is a process of identification of that risk, assessment of that risk and making appropriate strategies to handle that risk.

There are two types of risk. Al-Tamimi & Al-Mazrooei (2007) categorized these two types of risk as Systematic and unsystematic risk. To mitigate risk and maximize the opportunities are the core objective in today's organization. Ajmi & Hussain (2012) stated that financial institutes are more vigorously facing risk. They also suggested that Risk Management is continuous process that directly depends upon the changes of external and internal environment of banks. Risk management process needed to update regularly so that these risk can be avoided.

Banking sector in Pakistan is working in a very volatile environment. Pakistan is facing enormous economic and political challenges which are giving banking sector, a very tough time. Energy crises, low productivity, increasing rate of unemployment and inflation rate, low foreign exchange earnings are various economic issues which directly or indirectly affecting the banking sector of Pakistan. Political issues like lack of good governance, International pressures and corruption are also making the Pakistan's environment volatile which also gives new challenges to banks. These economic and political issues are actually building various risks; like risk associated with interest rate, default, credit and risk related to foreign exchange. The banks need to mitigate these risks through risk management practices. Risk management practices are the core practices which are happening in banking sector. Today no bank can work without efficient risk management department.

Risk Management practices are very important for the strategic management of any organization. Top management uses risk management practices in strategic management to achieve their goals. Today banks are working in a very uncertain environment. These uncertainties may deviate them from achieving goals and objectives. Banks without having efficient Risk Management practices face losses. Efficient risk management practices are needed to cope with these uncertainties. To make risk management areas more effective, there is a need of better understanding of new challenges for banks.

This study aims to analyze the understanding of risk management practices which conventional banks are carried out. How much the conventional banks in Pakistan are using risk management practices in handling with different types of risk. To compare old banks with new banks regarding risk management practices. How different functions of risk management process are carried out in banks and to compare among the different functions of risk management process, which function is less efficiently carried out. Risk management practices are the important part of strategic management used by almost every firm because they have to maximize their profit while minimizing the uncertainties and risk. In volatile environment the uncertainties are always there. The main focus of this research is financial institutes mainly banks. The results of this research help the policy makers of banks to understand how much conventional banks of Pakistan are focusing on RMPs. The results also help them to understand which class of banks (old or new) is improving their risk management area. Moreover the results also help them to understand which function of risk management process are the weak and need the improvement. This research help the top management to further makes better policies so that they can cope with new challenges.

2. Literature Review

Shafique et. al., (2013) suggested that different types of risks are associated with business and market and different types of risk management techniques and tools are used to mitigate those risks. For example Arif and Anees (2012) suggested that liquidity risk affects the earning of banks dramatically.Al-Tamimi and Al-Mazrooei (2007) mentioned in their study that here are different kinds of risks like liquidity risk that affects the performance of any bank and hence banking is called business of risk, Khalid and Amjad (2012) analyzed that risk management policy is very important factor enhancing value of shareholders and customers in banking sector. Extraordinary risk management structures of banks help them to manage their risk efficiently and effectively. Risk management includes two stages. In first stage we identify the factors which quantify risk. In second stage we devise methods to measure quantified risks. Ajmi and Hussain (2012) suggested that risk management failure causes several crises in country's economy.

Santomero (1997) proposed four stages of risk management tools. The first stage is that in which standards and reports are made. In second stage limits and policies are implemented. In third stage self investment procedures are formed. While in fourth and final stage incentive contracts and compensation are arranged. Risk management practices are initiated by risk identification and it plays a vital role throughout the process. Without proper risk identification the whole process has no value. Pramod et al (2012) stated that risk identification provides direction to the managers how they can mitigate risk. Barr et al (1994) suggested that accurate and timely identification of risk helps the banks to avoid losses. Tchankova (2002) found that risk covers all activities of organization and every management level take part in proper risk identification plan.

Chandrashekaran and Gopalakrishnan (2008) suggested that risk assessment is the quantitative or qualitative measure of the risk. Risk assessment in term of quantitative measure means the magnitude of risk or the probability of loss. On the other side the risk in qualitative measure means either it is acceptable or not. It is very difficult to calculate this risk because it depends on time in which the risk assessment process occurs. Risk assessment is considered as value of risk and it played a very important role in banking sector. The management assesses the risk of default by viewing the financial statement of the clients before giving loans to them. Rosman (2009) suggested risk assessment is important element in determining risk management practices. Chijoriga (2008) on the other hand suggested that risk assessment is also important in credit scoring because the whole process comprises of isolation between risky and non risky customer.

Chijoriga (2008) suggested that when rating decline in banking sector then the monitoring intensity increased this shows the risk averse behavior of bank's manager Richard et al (2008) suggested that the policies are well documented and monitored. Strategies are made at branch and corporate level while approving is done at head office level.

Fatemi and Faloodi (2006) suggested that credit risk management becomes one of the major activities for management of financial service industry due to over expanding forms of obligations Altman et al (1998) said that the foundation of any risk treatment is based on credit risk analysis process and procedure. If the analysis is inadequate then all the practices to manage the risk will be insufficient. Linbo Fan (2004) found that banks earning of bank is negatively affected by insolvency risk. Nijskens and Wagner (2011) suggested that credit risk is one of the major causes of crises in 2007-09 financial crises. Hussain et al (2013) suggested that credit risk policy is the part of banks capital structure strategy. The financial statement analysis is the greatest contributor in managing credit risk. In bad financial condition the profitability ratios had positive impact; whereas macroeconomic factors had a small impact on financial distress Jimenez and Saurina (2004) suggested that lender used the collateral to check the qualities of borrower.

Holmstrom and Tirole (2000) suggested that risk management practices are widely used in banking sector. First the risk is identified and then different types of techniques are used to mitigate or derivatives are used to hedge the specific risk. Ajmi and Hussain (2012) said that recent crises in US and other countries including Pakistan emerge questions on the effectiveness of risk management procedures. Ojo (2010) said that top management`s risk management strategies are very important to identify and manage risk effectively. Hussain (2012) suggested that risk management practices are implemented by both conventional and Islamic banks of Pakistan. Those banks whose management is keen to identify risks are efficient in all the process of risk management. Khalid and Amjad (2012) found in their research that in Pakistan many banks follow the risk management practices and they respond scientifically to incoming risks.

H_1: There is a positive relationship between understanding risk, risk management and risk management practices.

H_2: Risk assessment analysis has positive impact on risk management practices

H_3: Risk identification has positive impact on risk management practices

H_4: Risk monitoring has positive relationship with risk management practices

H_5: Credit risk analysis has positive relationship with risk management practices

3. Research Methodology

3.1 Impact of Economic Diplomacy on Zambia's Economy

In this research primary data is collected for analysis. Questionnaires are used for this purpose. Responses are taken from the employees of risk management departments of eight banks that are mentioned above.

3.2 Data Collection Instrument

The researcher collects data by using survey through structured questionnaire. The questionnaire consists of questions of each variable including dependent variable. In this research researcher adopted questionnaire from published article of Al-Tamimi and Al-Mazrooei (2007). The researcher adapted this questionnaire with the help of experts relevant to this study. They are the senior managers working in

risk management departments of banks. They have practical knowledge about risk management practices.

The sampling technique which is used in this research is non-restricted sampling. Because in non-restricted sampling elements are chosen directly from population. The researcher distributes thirty questionnaires in each of eight target commercial banks. Total 240 questionnaires float in banks, out of which 214 responses receive, 14 questionnaires reject because of lack of interest. So the result find through remaining 200 questionnaires.

3.3 Variable Measurement

The independent variables like risk understanding and risk assessment analysis have six questions while risk identification, risk monitoring and risk analysis and dependent variable risk management practices have five questions to know the banker's intention towards risk.

3.3 Statistical Techniques

The researcher analyzes the responses collected from questionnaire by using different statistical tools. The SPSS software is used for this purpose.

4. Findings and Results

This part includes results which are inferred with the help of statistical tools and techniques to analyze the established framework in this research. This chapter further includes followings:

Reliability Analysis Descriptive Analysis

Correlation Analysis Assumptions of Regression

Measure of Association (Regression Analysis)

Table 1- Reliability Analysis

Sr no.	Risk measurement aspect	Cronbach`s α
1.	Understanding risk and risk management	0.675
2.	Risk assessment and analysis	0.655
3.	Risk identification	0.730
4.	Risk monitoring	0.688
5.	Credit risk analysis	0.662
6.	Risk management practices	0.645
7	Reliability of all variables	0.894

4.1 Reliability Analysis

Reliability is the consistency of performance of instrument used for measuring. The researcher uses questionnaire to check risk management practices of banks. Reliability is assessed by Cronbach's Alpha. In estimation a coefficient greater than or equal to 0.6 considered reliable. In this case all variables have reliability more than 0.6. Cronbach's Alpha for individual variables is URRM (0.675), RAA (0.655), RI (0.730), RM (0.688) CRA (0.662) & RMP (0.645). And the combined reliability for all the six variables is 0.894.

Table 2- Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
URRM	1.00	2.83	1.6550	.38230	.788	.157
RAA	1.00	3.20	1.7200	.41914	.505	.035
RI	1.00	3.20	1.7540	.42708	1.198	1.691
RM	1.00	2.83	1.8508	.35183	.191	.155
CRA	1.00	3.00	1.6200	.39239	.758	.778
RMP	1.00	2.80	1.7030	.39135	.587	-.159

Table 3- Comparison of Means between Old and New Banks

	Old banks	New banks
URRM	1.5383	1.7550
RAA	1.7480	1.6920
RI	1.7860	1.7220
RM	1.9467	1.7550
CRA	1.5840	1.6560
RMP	1.6340	1.7720

4.2 Descriptive Analysis

Table 2 shows the descriptive analysis of independent and dependent variables of commercial banks. As table shows that Understanding risk and risk management have a maximum of 2.83 and mean of 1.65. There is a variation in responses of various banks. Risk assessment analysis has maximum of 3.2 and mean of 1.72. This infers that various banks have different approaches towards risk assessment analysis. Risk identification implications and risk assessment implications are somewhat same in banks because their maximum and mean values are very close. Risk management practice has mean maximum value of 2.8 and mean of 1.7. There is no much difference in these values as compared to other independent variables, it means all banks are going towards risk management practices. All banks are trying to minimize risks. Skewness & kurtosis tell about normality of data. Its values should lie between +1 and -1. Skewness and kurtosis values of mostly variables are between +1 and -1. It shows that data is normal.

4.3 Comparison of Descriptive Analysis of Old and New Banks

4.3.1 Understanding Risk & Risk Management

Table 3 indicates comparison of descriptive analysis of old and new banks of Pakistan. Mean value of URRM in case of old banks is 1.5 and in case of new banks mean value is 1.8 it is a clear indication that old banks are more sensitive towards understanding risks as compared to new banks.

4.3.2 Risk Assessment Analysis

Table 3 predicts that old banks are somewhat less sensitive towards risk assessment analysis as compared to new banks. Mean value of old banks is little bit greater than old banks.

4.3.3 Risk Identification

Risk identification is measured through risk identifications. Those banks that are more capable to identify risk are in a better position to mitigate risk and implement risk management practices effectively. Table 3 indicates that both old banks and new banks identify risks at equal level but their approaches to identify risk are not much efficient.

4.3.4 Risk Monitoring

Table 3 shows mean value of risk monitoring of both old & new banks. Mean value of old banks is 1.9 and of new banks is 1.75. This indicates that risk is strongly monitored in new banks as compared to old banks.

4.3.5 Credit Risk Analysis

Credit risk analysis is an important factor in risk management practices. Banks are highly sensitive towards this risk. Banks check reputation and credibility of client while delivering loans. Mean value of credit risk analysis of old banks is 1.5 while that of new banks is 1.65 so it indicates that old banks have strict regulations granting credits to clients.

4.3.6 Risk Management Practices

Risk management practices are followed by both old and new banks. Their policies and regulations are different from one another. Old banks have strict regulations towards risk management practices and have strong framework as compared to new banks. As their mean values show that old banks have mean value of 1.6 while new banks have 1.8.

Table 4- Correlation matrix

	URRM	RAA	RI	RM	CRA	RMP
URRM	1					
RAA	.511**	1				
RI	.467**	.571**	1			
RM	.265**	.466**	.581**	1		
CRA	.469**	.395**	.430**	.448**	1	
RMP	.525**	.440**	.447**	.480**	.598**	1

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

Table 5- Comparison of Correlation Matrix between Old and New Banks

	URRM	RAA	RI	RM	CRA	RMP
RMP (old banks)	.561**	.409**	.371**	.358**	.592**	1
RMP(new banks)	.423**	.525**	.556**	.680**	.597**	1

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

5. Correlation Analysis

Correlation Analysis is used to check the magnitude of relationship between Independent variables and Dependent variable. This value lies between +1 and -1. Positive sign with the value depicts that positive relationship exists between independent variables and dependent variable while negative sign shows negative relationship between the independent variables and dependent variable. Value 0 shows that no relationship is present between independent variables and dependent variable. These values also show the strength of relationship between independent variables and dependent variable. If the Pearson correlation value lies between 0.7 to 1, it indicates that strong

relationship exists between independent variables and dependent variable. The values from 0.3 to 0.7 depicts that moderate relationship exists between independent and dependent variables. If correlation values lies between 0.1 to 0.3 it depicts that week relationship exists between independent and dependent variables.

Table 4 shows the correlation matrix. First Independent variable Understanding Risk and Risk Management (URRM) have a Pearson correlation value of 0.525. It means URRM & RMP has a moderate relationship. Two other independent variables Risk Assessment Analysis (RAA) and Risk Identification (RI) have moderate affect on the risk management practices (RMP) having the value is .44 and .471 respectively. Credit risk analysis (CRA) has somewhat strong relationship with risk management practices as compared to all other Independent variables as its correlation value is greater than all other independent variables that is 0.598 but it lies in moderate category.

6. Comparison of Correlation Matrix between Old and New Banks

Table 5 shows the comparison of correlation matrix between old and new banks. Independents variables of Old banks have less affected on dependent variable as compared to new banks, moreover independent variable (URRM) which is moderately affected on risk management practices in old banks is also moderately affected in new banks but in case of old banks its strength is somewhat greater than new banks. Risk monitoring in old banks is weakly affected on Risk Management practices while in a new banks it is moderately affected on dependent variable. Other three variables Risk Assessment analysis, Risk Identification and Credit risk analysis have moderately affected on Risk management but in comparison with new banks, have greater value as compare to old banks. These results show that on the basis of correlation new banks relationship is strong as compared to old banks because their correlation value is high.

7. Assumptions of Regression

There are seven assumptions of regression and when all of these assumptions are fulfilled, estimates are BLUE i-e Best Linear Unbiased Estimates. Unbiased estimates and efficient estimates are those estimates that are systematically more reliable. Biased estimates may predict the estimates to be systematically higher or lower. However it may be noted here that sometimes our estimates are BLUE without fulfilling these assumptions of regression. This is possible when error terms are very small or low.

8. Normality of Data

The first assumption of regression is normality of data. It tells that there is equal dispersion of data across means. It is checked through skewness and kurtosis. The value of skewness and kurtosis should lie between 1 to -1. However skewness is more important than kurtosis. Table 1 of descriptive analysis shows skewness and kurtosis of data. Here the values of skewness statistics of URRM, RAA, RM, CRA and RMP are less than 1. However the value of skewness is slightly greater than 1 in case of RI which is negligible.

8.1 Linear Relationship between Independent and Dependent Variables

There should be linear relationship between all the independent and dependent variables and this is checked through correlation matrix. In Correlation Matrix the relationship of all independent variables with dependent variables should be significant. Table 4 shows the correlation matrix for all the variables. Here the sig 2 tailed in last row is significant which means that there is linear relationship between independent variables i-e URRM, RAA, RM, RI, CRA and dependent variable RMP.

8.2 Absence of Serial and Autocorrelation

There should be no serial or auto correlation present in the data. The data is free from serial or auto correlation when none of the independent variables are correlated with error terms. It is checked through Durbon Watson and this value must lie between 1.5 to 2.5. The Table 7 of model summary shows the values of Durbon Watson. Here the values of Durbon Watson are 2.02. And this depicts that

independent variables are not correlated with error terms. Hence this third assumption of regression is also fulfilled.

8.3 Homoscedasticity

This is fourth assumption of regression. There should be Homoscedasticity present in our data which means that every next unit of independent variable brings an equal level of change in dependent variable as the previous did. In other words change in independent variable is equal to the extent of dependent variable. It is checked through probability plot. The dotted line should lie exactly on actual line. The figure 2 of normal probability shows that dotted lines lie on actual line. Hence this means that there is Homoscedasticity present in our data.

8.4 Absence of Outliers

Absence of outliers mean that there should be clusters in data and no points are away from these clusters in scatter plot or dot matrix. The figure 3 shows the scatter plot of data. The last row in figure shows that there are some points away from clusters which mean that there are outliers present in our data.

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8.4 Normal Distribution of Errors

This is sixth assumption of regression. The errors in our data should be normally distributed and it is checked through histogram. The figure 4 of histogram shows that bars are bell shaped which depicts that errors are normally distributed. There is some deviation of bars from bell shaped which is negligible.

Table 6- Collinearity Statistics

	Tolerance	**VIF**
URRM	.618	1.618
RAA	.569	1.758
RI	.509	1.966
RM	.584	1.713
CRA	.661	1.512

8.5 Multicollinearity

There should be should be no multicollinearity present in our data. In case of multicollinearity two or more independent variables have a combined effect on dependent variable. And therefore individual effect of independent variable on the dependent variable is very hard to determine. Because of multicollinearity an originally significant relation may become an insignificant and our results may be affected because of multicollinearity. multicollinearity is checked through collinearity statistics in which VIF value should be less than 4 and tolerance value should be greater than then 0.25. Table 6 shows the collinearity statistics of data. Here tolerance values are greater than 0.25 and VIF values are less than 4. Hence there is no problem of multicollinearity in data.

Table 7- Model Summary

R	R Square	Adjusted R Square	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
.696[a]	.484	.471	.484	36.405	5	194	.000	2.020

a. Predictors: (Constant), CRA, RM, RAA, RI, URRM

b. Dependent Variable: RMP

Table 8- Coefficients Table

	B	Std. Error	Beta	T	Sig.
(Constant)	.124	.126		.987	.325
URRM	.277	.067	.271	4.125	.000
RAA	.052	.064	.056	.821	.413
RI	.012	.066	.013	.176	.861
RM	.245	.075	.220	3.259	.001
CRA	.344	.063	.345	5.436	.000

a. Dependent Variable: RMP

Table 9- Comparison of Model Summary between Old and New Banks

Options	R	R Square	Adjusted R Square	Std. Error of the Estimate
Old banks	.680[a]	.463	.434	.26285
New banks	.732[a]	.536	.512	.29331

a. Predictors: (Constant), CRA, URRM, RAA, RI, RM

9. Regression Analysis

Regression analysis is used to measure the effect of all independent variables on dependent variable. Value of R predicts how strongly all independent variables effect on dependent variable. Value of R^2 indicates how much variation in five independent variables causes variation in dependent variable i.e RMPs.

9.1 Regression Analysis of all Banks

Table7 of Model Summary indicates the value of R^2 is .484. It means that five independent variables explain 48.4% variation in RMPs. Coefficient table of regression analysis tells the acceptance and rejection of hypothesis.

Understanding Risk & Risk Management

H_1: There is a positive relationship between understanding risk, risk management and risk management practices.

Table 8 shows the result of coefficients. When the results are significant means significant value is less than 0.05 hypotheses is accepted. In this case significant value of URRM is 0.000 so hypothesis is accepted. It means there is positive impact of Understanding risk and risk management on Risk management practices. Those banks that have efficient capability to understand risks in baking sector, have good risk management practices.

Risk Assessment Analysis

H_2: Risk assessment analysis has positive impact on risk management practices.

Coefficient table 8 indicates that significance value of RAA is 0.413 which is greater than 0.05 so results are insignificant. Second hypothesis is not accepted. Commercial banks of Pakistan do not assess the risk efficiently in their risk management practices. This result is very much similar to research conducted by Khalid and Amjad (2012) and by the research of Shafiq and Nasr (2010).

Risk Identification

H_3: Risk identification has positive impact on risk management practices.

Banks that identify risk are more sensitive in risk management practices. These banks can get benefits and play an important role in banks profitability. Table 8 predicts that 3rd hypotheses is not accepted, significant value is 0.861. Most of banks do not have sufficient framework of risk identification. Risk identification tools are used at top level not at branch level. This rejection of hypothesis is supported by Khalid and Amjad (2012) and also by the study of Shafiq and Nasr (2010).

Risk Monitoring

H_4: Risk monitoring has positive relationship with risk management practices.

As table 8 shows that result for RM is significant it means hypothesis is accepted. In most banks regional risk management departments have strict regulation in monitoring risk.

Credit Risk Analysis

H_5 : Credit risk analysis has positive relationship with risk management practices

Banks that are sensitive to credit risk have better approach towards risk management practices. The results for CRA are significant i.e 0.000 as shown in table. It means conventional banks of Pakistan have strong regulations on credit risk.

(RMP= 0.124+0.27*URRM + 0.052* RI + 0.12* RM + 0.245* RAA + 0.344* CR

9.2 Comparison of Old & New Banks through Regression

There is difference between new banks and old banks in risk management practices. Both types of banks use different approaches.

Model Summary of both old & new banks (as shown in table 9) predicts that value of R^2 is different. In case of old banks five independent variables explain 46.3% variation in RMPs while in new banks five independent variables explain 53.6% variation in RMPs.

Regression Equations clear the concept:

$RMP_{(Old\ banks)} = 0.20 + 0.27*URRM + 0.038* RI + 0.24*RM + 0.239*RAA + 0.3*CR$

$RMP_{(New\ banks)} = 0.21 + 0.31*URRM + 0.122* RI + 0.146*RM + 0.37*RAA + 0.3*CR$

New banks of Pakistan are more sensitive towards risk management practices as compared to old banks. Old banks use weak approaches towards RMPs. New banks like SC, BAHL, BAFL etc have strong regulations while applying risk management strategies.

10. Conclusion

This research focuses to study the understanding of risk management practices in the conventional banks of Pakistan. This study also suggests that how much the conventional banks in Pakistan are using the RMPs and techniques effectively in handling with different types of risk. Moreover this study also includes the comparison between old banks and new banks, which are more efficiently carrying risk management practices. This research includes the study of Risk management functions like Understanding of Risk Management,

Risk Identification, Risk Monitoring, Credit Risk Analysis and Risk Assessment Analysis and how much these functions are practicing in commercial banks of Pakistan.

This type of study on risk management practices were also conducted previously but the comparison between old and new banks is new research. Previously the author Al-Tamimi and Al-Mazrooei (2007) shows the study of comparison between foreign banks and Islamic banks. The authors Khalid & Amjad (2012) study the risk management practices in Islamic banks of Pakistan.

Understanding of Risk Management, Risk Identification, Risk Monitoring, Credit Risk Analysis and Risk Assessment Analysis are the functions of Risk Management practices that is carried out in banks of Pakistan. The study shows the banks in Pakistan somewhat understand the risk management practices. Risk assessment analysis is not efficiently carried out in eight conventional banks of Pakistan. The study also shows that banks are not following the risk identification process efficiently. Risk Monitoring and credit analysis; both functions are efficiently carried out in banks.

It is concluded from above study that new banks are more working properly and efficiently on risk management practices. The functions of risk management practices are efficiently carried out in new banks as compared to old banks. This infers that new banks are more aware of risk and their consequences.

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