

Guest Lecture by Mr R.M.Pattanaik, Ex GM, Indian Overseas Bank

on July 28, 2014 for the course Commercial Bank Management

Taught by Prof. D N Panigrahi

Mr. RM Pattnaik, Ex GM of Indian overseas Bank (IOB) has visited IMT Nagpur on 28th July to address the second year students who are pursuing a course on commercial bank management (CBM) taught by Prof. D.N Panigrahi. He has a vast experience of about 35 years in bank management which includes 8 years specifically in risk management @ the head office of IOB..

Mark Zuckerberg once said “**The biggest risk is not taking any risk... In a world that is changing really quickly, the only strategy that is guaranteed to fail is not taking risks.**”

With this thought in mind, the second year students of IMT Nagpur attended a knowledgeable session on Risk Management in Banks by Mr. RM Pattanaik. The session was mainly based on in depth analysis of risk management in banks. He began the session with introduction of risk, how banks managed risk in olden days, how banks used to manage risk with special risk management team, process of risk management, types of risk faced by the

bank, monitoring/control risk and indepth analysis of Asset liability management in banks.



With the introduction of deregulation, liberalisation, globalisation and advancements in technology and communication changed risk profile of banks greatly. Banks earn their return in two ways – one by extending customer service and two by managing risks. The job of a bank to manage risks. Risk

can come through any way, every customer in bank is tied up with the risk and we can't avoid this risk. For banks to sustain and grow in a competitive business world, risk has to be understood and banks should be able to make a trade off between risk and return. Risk has to be continuously and actively monitored.

Risk management is a five step process in banking industry.

It involves:

- Identification of Risk
- Measurement or evaluation of Risk
- Monitoring and control of Risk
- Mitigation of risk

- Maintenance of Capital adequacy

Mr. Pattanik gave the student managers a holistic overview regarding the different types of risks faced by banks, mainly credit risk/default risk, concentration risk, country risk, settlement risk, market risk, reputation risk and strategic risk. These risks arise from factors like interest rate fluctuations, changes in market variables, inadequate or failed internal processes, people, system, endeavour to achieve growth rate in market share that doesn't commensurate with internal capabilities, setting more ambitious goals. Risk management team has a huge responsibility of monitoring and controlling these risks.

He also discussed about asset liability management where a special team called "Asset liability Committee (ALCO)" exists in every bank. It is an ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities in an attempt to achieve financial objectives of balancing risk, return and liquidity. Its main objective is to maximise Net interest margin (NIM). Their scope and objectives range to but not limited to effective balance sheet management, profit planning and growth projection, cash flow projection, spread management, gap management, etc.

The session was very informative and the students enjoyed learning the concepts from such an eminent industry expert. It was a session where there was a perfect blend of teaching experience and industry insight. The learnings from the session formed the base for risk management in banks. And, as all good things come to an end, an informative session ended on a high note and the student managers received some great insights from an expert in this field.

Hoping for his return to our institute with the introduction of his new elective of risk management in banks.