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# ROLE OF CREDIT AND LIQUIDITY RISKS ON DECISION-MAKING OFINDIAN PRIVATE SECTOR BANKS: AN ANALYTICAL STUDY

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## ABSTRACT

*This research work primarily focusses upon examination of how the credit and liquidity risks influence their decision-making quality, which in turn will impact their financial performances in reference to the banking sector. This study uniquely integrates credit risk, liquidity risk, and decision-making quality into a single empirical framework using Indian private banks' panel data (2015–2024). Credit risks are captured via Non-Performing Assets and Total Loans/Total Assets ratio, liquidity risks are captured via variables like Liquid Assets/Total Assets ratio and Total Assets/Total Deposit ratio, while decision-making quality is measured via Capital Adequacy Ratio and Liquidity Coverage Ratio. The previous ten years' performance (2015-2024) of the selected five private sector banking firms was calculated, making a data panel of 50 observations. Adoption of descriptive statistics, correlation, heteroskedasticity and Granger causality tests was done to test econometric models. The work proved that credit and liquidity risk partially negatively influenced financial performances, which in turn, partially impacted only their credit risk-related decisions. By linking risk indicators with regulatory ratios and applying causality analysis, it offers fresh insights into how risk dynamics shape financial performance and strategic banking decisions. Hence, this literature suggests that regulatory bodies consider their performance metrics before making financial decisions.*

**KEYWORDS:** *Credit Risk, Decision Making, Financial Performance, Liquidity Risk, Panel Regression.*
***JEL Codes:*** *C23, D81, G21, G28, G33.*

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