

ABSTRACT

Credit risk is referred to the chance or certainty related to loss or default risk on any debt which can be from the borrower side who failed to make due payment on time. The credit risk is the sort of risk to which the commercial banks need to give higher importance due to its importance with respect to profitability. Therefore, credit risk management becomes an important area of focus for banks to survive and achieve ~~more profitability. It is also important to understand that some of the most significant~~ financial crises that world has faced have been due to the ineffective management of the credit risk. According to the Statistics for the Banking System in Pakistan (SBP, 2018), the credit risk for banking is on the rise which poses serious threat to financial health of the banks in Pakistan. The main objective of this bank is to find out that how the profitability can be influenced by the credit risk of the commercial banks operating in Pakistan. For this purpose the study used secondary research method and collected data from the websites developed by these commercial banks for official purpose. There are 22 operational banks in Pakistan. In order to ensure accuracy, a sample size of 10 banks has been selected. Based on the market capitalization, 10 banks which have greatest market capitalization of all the commercial banks are selected. Risk management factors were Non Performing loan ratio and Capital Adequacy Ratio whereas ROE and ROA which are selected as the indicators of the banks' profitability. The study found that capital adequacy ratio, nonperforming loans, all significantly affect and determine the profitability of large commercial banks in Pakistan.