

RISK MANAGEMENT IN INDIAN BANKING INDUSTRY

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ABSTRACT

Risk is the fundamental element that drives financial behavior. Without risk, the financial system would be vastly simplified. In ideal risk management, a prioritization process is followed whereby the risks with the greatest loss (or impact) and the greatest profitability of occurring are handled first, and risks with lower probability of occurrence and lower loss are handled in descending order. The primary responsibility of understanding the risks run by the Bank and ensuring that the risks are appropriately managed should clearly be vested with the Board of Directors. The Board should set risk limits by assessing the bank's risk and risk bearing capacity.