

SEMESTER I

COM

BANKING AND FINANCE GROUP

BFG 301

BANKING LAWS AND OPERATIONS - I



ज्ञानयोग्य परीक्षे

Yashwantrao Chavan Maharashtra Open University

BANKING LAWS AND OPERATIONS - I

SPECIAL GROUP : D - BANKING AND FINANCE GROUP

**M. Com (M 17) – Part II
Semester - III**



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UNIT 12

CORPORATE GOVERNANCE IN BANKS

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- 12.0 Introduction
- 12.1 Objectives
- 12.2 Classification of Banks
- 12.3 Regulation of Banks
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- 12.5 Role of the Board of Directors
- 12.6 Audit Committee (AC)
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12.0 Introduction

The economic development of a country in the modern age can be judged from the efficiency of its banking system. They are central to market development and socio-economic growth, regulatory and economic reforms.

Banks have an especially important role in any economy. First and foremost, they accept deposits from the general public and also are liable to them. As these deposits constitute a significant portion of a nation's wealth, they must be managed appropriately.

Banks are different from other corporates in many important respects, and that makes corporate governance of banks not only different but also more critical. By the very nature of their business, banks are highly leveraged. They accept large amounts of public funds as deposits in a fiduciary capacity and further leverage those funds through credit creation. The presence of a large and dispersed base of depositors in the stakeholders group sets banks apart from other corporates. If a corporate fails, the fallout can be restricted to the stakeholders. If a bank fails, the impact can spread rapidly through to other banks with potentially serious consequences for the entire financial system and the macro economy.