Role of Corporate Governance in Scheduled Commercial Banks In India

***A.Sri Ramachandra Murty, ** Prof.J.Ravi**

***Ph.D (Part-time), Department of Commerce & Management Studies, Andhra University, Visakhapatnam, A.P. India.**

**** Professor, Department of Commerce & Management Studies, Andhra University, Visakhapatnam, A.P. India.**

ABSTRACT - Corporate governance is perhaps one of the most important differentiators of a business that has impact on the profitability, growth and even sustainability of business. The objectives of the present paper are: to analyze the importance of the historical background of corporate governance; to understand the need of corporate governance practices in banks and to analyze the role of corporate governance in banking sector in India. This paper has concluded that the current corporate governance regime in Indian straddles both voluntary and mandatory requirements. The corporate governance framework also depends on the legal, regulatory, and institutional environment. A Corporate Governance Policy shall serve as an effective instrument for achieving this goal. The success of corporate governance rests on the awareness on the part of the banks of their own responsibilities. In today's dynamic corporate world Commercial Banks in India needs to adopt and strengthen the corporate governance policies not only to boost and enhance pecuniary benefits but as a path to gaining public image, thus recognized by the society in which the bank operates as socially receptive commercial banks which may augment the banks operations and survival. RBI can ask and check the financial reporting transactions of Banks to avoid false recording and reporting of financial transactions. The off-site surveillance performs by the RBI to inspect the records of the Banks on routine basis just to promote governance in banking sector.

Keywords: Corporate Governance, stakeholders, transparency, companies, Reserve Bank of India, Commercial Banks.

I. INTRODUCTION

Corporate Governance in its most simplified iteration refers to the manner in which corporate bodies are managed and operated. Until the latter part of the 1900's the expression good corporate governance was invariably used to describe how well a business was directed and managed from the perspective of its controllers or managers. This was no doubt a truism in the context of privately owned companies in which the operators and shareholders were usually one and the same persons and there was no conflict between the persons managing or controlling the company and the ultimate beneficiaries. However, the same could not be said in respect of publicly owned enterprises in which the managers and controllers are not the sole beneficiaries of the enterprise. In such circumstances situations do arise wherein the objectives of the controllers or managers of the enterprise and the shareholders as a whole regarding the manner in which a company is directed and managed does not necessarily coincide. Corporate governance in the context of a modern corporation has become synonymous with the practices and processes used to direct and manage the affairs of a corporate body with the object of balancing the attainment of corporate objectives with the alignment of corporate behaviour to the expectations of society and accountability to shareholders and other stakeholders.

Corporate governance is perhaps one of the most important differentiators of a business that has impact on the profitability, growth and even sustainability of business. It is a multi-level and multi-tiered process that is distilled from an organization's culture, its policies, values and ethics, especially of the people running the business and the way it deals with various stakeholders. Creating value that is not only profitable to the business but sustainable in the long-term interests of all stakeholders necessarily means that businesses have to run – and be seen to be – with a high degree of ethical conduct and good governance where compliance is not only in letter but also in spirit.

MEANING OF CORPORATE GOVERNANCE

Corporate governance is a process or set of systems and processes to ensure that a company is managed to suit the best interests of all those who are interested in the well-

 DOI : 10.35291/2454-9150.2022.0050 © 2022, IJREAM All Rights Reserved.

being of the company. Governance is an act of function or control and a system by which companies are directed and controlled. It aims at maintaining equilibrium between social change and business. Confederation of Indian Industry's (CII) code of corporate governance deals with laws, procedures, practices and implicit rules that determine a company's ability to face challenges.

Corporate governance refers to an economic, legal and institutional environment that allows companies to diversify, grow, restructure and exit, and to do everything necessary to maximize long-term value. It is a well-recognized phenomenon in the business world of competition and globalization. The concept has been attracting public attention for quite some time. According to international experts, it is interplay between companies and its constituents, shareholders, capital markets, creditors, financial institutions and company law. Good corporate governance is a shared responsibility. It forms part of a broader international effort to promote increased transparency, integrity and the rule of law. It helps assure that corporations not only use their capital efficiently but also take into account the interests of a wide range of constituencies as well as communities within which they operate. It is only part of the larger economic context in which the firms operate, such as macro-economic policies and the degree of competition in product and factor markets. The corporate governance framework also depends on the legal, regulatory, and institutional environment.

II. REVIEW OF LITERATURE

Agarwal S. (2008) this paper looks broadly at the theme of "Corporate Governance in India", it begins with a brief analysis of the historical corporate governance model in India, including the governance structures, the banking and financial systems, ownership and control patterns, industrial policy, and industrial relations. The paper then examined how and why these various aspects of corporate governance have been changing with processes of economic liberalization currently under way. Finally, it analyzes the consequences of changes in the model of corporate governance for the country's development (e.g. increased consumer goods for middle class consumers, increased disclosure by domestic corporations, less support for corporate social programs, etc.).

Prabhash Dalei, Paridhi Tulsyan and Shikhar Maravi (2012), in their paper "Corporate Governance in India : A Legal Analysis", has argued Corporate Governance is essentially all about how corporations are directed, managed, controlled and held accountable to their shareholders. In India, the question of Corporate Governance has come up mainly in the wake of economic liberalization and de-regularization of industry and business. The objective of any corporate governance system is to simultaneously improve corporate performance and accountability as a means of attracting financial and human resources on the best possible terms and of preventing corporate failure. The present paper aimed at reviewing the various developments in Corporate Governance in India. Corporate Governance has gained a lot of importance and momentum the world over. The objective of any corporate governance system is to simultaneously improve corporate performance and accountability as a means of attracting financial and human resources on the best possible terms and of preventing corporate failure. In short Corporate Governance is about promoting corporate fairness, transparency and accountability. This paper has concluded that since the late 1990s, significant efforts have been made by the Indian Parliament, as well as by Indian corporations, to overhaul Indian Corporate Governance. The current Corporate Governance regime in Indian straddles both voluntary and mandatory requirements like Voluntary Guidelines by Ministry of Corporate Affairs. And for listed companies, the vast majority of Clause 49 of the listing agreements requirements is mandatory. The voluntary guidelines on Corporate Governance by Ministry of Corporate Governance is a bench-mark for the Corporate Governance practices in the Indian corporations, and hopefully the corporate world will make the best use of it. Efforts are also being made by the legislature to amend the Companies Act 1956. As a result, amendments relating to Corporate Governance are expected to be brought before Parliament in The Companies Bill 2009. India has one of the best Corporate Governance legal regimes but poor implementation together with socialistic policies of the pre-reform era has affected corporate governance.

Mohi-ud-Din Sangmi and Sumaira Jan (2014) in their paper entitled "Corporate Governance Policies in Indian Commercial Banks: An Empirical Analysis", this paper examines the Corporate Governance Policies of Commercial banks in India which are classified into Public Sector Banks and Private Sector Banks. Private Sector banks are further classified into Old Private Sector Banks and New Private Sector Banks in the study. The Governance Policies have been assessed with the help of five parameters namely, Reasons for the written code of Corporate Governance, Availability of Corporate Governance Policies, Distribution of Related Material to concerned parties, Issues in Code of conduct and other components of Corporate Governance. Moreover, the study empirically tests the difference in the Corporate Governance Policies between the Public Sector banks and Private Sectors banks; and, also between the Old Private Sector Banks and New Private Sector Banks in India. It is concluded that today's dynamic corporate world Commercial Banks in India needs to adopt and strengthen the corporate governance policies not only to boost and enhance pecuniary benefits but as a path to gaining public image, thus recognized by the society in which the bank

 DOI : 10.35291/2454-9150.2022.0050 © 2022, IJREAM All Rights Reserved.

ISSN : 2454-9150 Vol-07, Issue-11, FEB 2022

operates as socially receptive commercial bank(s) which may augment the banks operations and survival.

Rakesh Kumar (2016) in his article entitled "Corporate Governance Practices in Public and Private Sector Banks", the present paper analyzed on the to understand the need of corporate governance practices in banks, to highlight the present situation of corporate governance practices in Public and Private sector banks in India and to highlight the steps taken by banks for the implementation of effective corporate governance mechanism. It is concluded that now the banks, more particularly the public sector ones, feel the real heat of the competition. The interest rate cuts, dwindling margins and more number of players to serve a reduced number of bankable clients have all added to the worries of the banks. The customer has finally come to hold the centre stage and all banking products are tailor-made to suit his tastes and preferences. This sudden change in the banking environment has bereaved the banks of all their comforts and many of them are finding it extremely difficult to cope with the change.

Puneet Kaur (2017) in his paper entitled "Role of Corporate Governance in Indian Banking Sector", this paper analyzed the corporate governance as an internal mechanism in banks, its necessity in the banking sector, the history of corporate governance in the world as well as India, best practices of corporate banking incorporated in India and measures taken by various banks to implement them and the recent developments in this area in the banking sector. It is concluded that both public sector and private sector banks are fulfilling the requirements of Remuneration committee. There is transparency in composition of committee; numbers of meetings, the amount of remuneration/allowances paid to directors are enlisted in bank's annual report.

Pema Lama and Sujoy Kumar Dhar (2018) in their paper entitled "A Study on Corporate Governance Practices followed by Selected PSU and Private Banks of India", the present paper is explanatory and empirical research in nature and an attempt to understand the conceptual framework, to analyze the corporate governance practices on the basis of their free float market capitalization listed in the BANKEX [BSE] as on 31st March 2016 followed by some selected public and private sector banks. It also focuses on interdependence of board size, proportion of executive directors in the board, net profit earned, net non-performing asset accumulated and capital adequacy ratio in Indian banks. It can be concluded from the study that large board size is preferable for good governance in banks. More and more non-executive and independent directors in the board are preferable as the same will help to reduce the NPA of the bank. The purpose of effective corporate governance will be fulfilled only when independent directors will act independently in true sense and utilize their personal and professional integrity as well as professional skepticism to the fullest extent to facilitate decision making process at the board level of the banks.

Venkateswara Rao V. and Pushpa Sri D. (2019) in their research paper entitled "A Comparative Study of Corporate Governance Disclosure by Private And Public Sector Banks In India-A Study" have analyzed the traditional face of Banking is also undergoing a change, from one of mere intermediaries to one of provider of quick efficient consumer-centric services. All the Banks whether public or private have incorporated their vision and philosophy on Corporate Governance disclosures of private and public sector Banks in India. A Disclosure index of 8 broad parameters has been prepared according to the Clause of 49 of the SEBI by using content Analysis. The population for the study is private and public sector banks in India. On the basis of Convenience Sampling method, 3 private sector banks and 3 public sector banks have been taken as samples for study. The private sector banks included in Sample are Axis Bank, HDFC Bank, ICICI. The public sector banks samples are State bank of India, Bank of Baroda, and Central bank of India and z-test statistical tools has been used for this study. This study is concluded that the comparative study of corporate governance disclosure by private and public sector banks in India is very significant and helps to exhibit the actual face of corporate governance in both private and public sector Banks. A disclosure index 8 broad parameters has been prepared according to the clause 49 of the SEBI is used in this study. All the banks have disclosed information regarding the board of directors, their experience and directorship in other companies but Axis, ICICI and Bank of Baroda does not disclose the experience of board of directors.

Devipriya D. and Rajarajenvanjeko (2021) in their article entitled "A Study on The Impact of Corporate Governance on Non-Performing Assets of Selected Public and Private Sector Banks in India", this paper attempted to bring out the impact of the corporate governance disclosure index on Non-Performing Assets (NPA) in the banking sector in India. It revealed that the R2 =0.765 indicating that 76 per cent variance over the dependent variable GNPA percentage and 78 per cent variance over NNPA percentage (R2 =0.785). The result of regression table shows that there is significance between the NNPA percentage and CGI at 5 percent significance level and negative relationship. Hence, there is a scope for further studies with regards to other variables or factors affecting the non-performing asset. In addition to the above results, the private sector bank's with higher corporate governance disclosure index scores shows lesser non-performing asset percentage.

OBJECTIVES OF THE STUDY

The present paper focus on the following objectives:

- To analyze the importance of historical background of thecorporate governance

 DOI : 10.35291/2454-9150.2022.0050 © 2022, IJREAM All Rights Reserved.

ISSN : 2454-9150 Vol-07, Issue-11, FEB 2022

- To understand the need of corporate governance practices in Scheduled CommercialBanks in India.
- To analyze the role of corporate governance in banking sectorin India.

CORPORATE GOVERNANCE IN INDIA: HISTORICAL BACKGROUND

The historical development of Indian corporate laws has been marked by many interesting contrasts. At independence, India inherited one of the world's poorest economies but one which had a factory sector accounting for a tenth of the national product. The country also inherited four functioning stock markets (predating the Tokyo Stock Exchange) with clearly defined rules governing listing, trading and settlements, a well-developed equity culture (if only among the urban rich), and a banking system replete with well-developed lending norms and recovery procedures. In terms of corporate laws and financial system, therefore, India emerged far better endowed than most other colonies. The 1956 Companies Act built on this foundation, as did other laws governing the functioning of joint-stock companies and protecting the investors' rights. Early corporate developments in India were marked by the Managing Agency system. This contributed to the birth of dispersed equity ownership but also gave rise to the practice of management enjoying control rights disproportionately greater than their stock ownership. The turn towards socialism in the decades after independence, marked by the 1951 Industries (Development and Regulation) Act and the 1956 Industrial Policy Resolution, put in place a regime and culture of licensing, protection, and widespread red-tape that bred corruption and stilted the growth of the corporate sector. The situation worsened in subsequent decades and corruption, nepotism, and inefficiency became the hallmarks of the Indian corporate sector. Exorbitant tax rates encouraged creative accounting practices and gave firms incentives to develop complicated emolument structures. In the absence of a stock market capable of raising equity capital efficiently, the three all-India development finance institutions (the Industrial Finance Corporation of India, the Industrial Development Bank of India and the Industrial Credit and Investment Corporation of India), became the main providers of long-term credit to companies together with the state financial corporations. Along with the government-owned mutual fund, the Unit Trust of India, these institutions also held (and still hold) large blocks of shares in the companies to which they lend and invariably have representations on their boards - though they traditionally play very passive roles in the boardroom.

The corporate bankruptcy and reorganization system has also faced serious problems. India's system is driven by the 1985 Sick Industrial Companies Act (SICA), which considers a company "sick" only after its entire net worth has been eroded and it has been referred to the Board for Industrial and Financial Reconstruction (BIFR). As soon as a company is registered with the BIFR, it wins immediate protection from the creditors' claims for at least four years. Between 1987 and 1992, the BIFR took well over two years on average to reach a decision, after which the delay to resolution roughly doubled. Very few companies emerge successfully from the BIFR and even for those that need to be liquidated the legal process takes over 10 years on average, by which time the assets of the company are usually almost worthless. Protection of creditors' rights has therefore existed only on paper in India, and its bankruptcy process has featured among the worst in World Bank surveys on business climate. This may well explain why Indian banks under-lend and invest primarily in government securities. Though financial disclosure norms in India have traditionally been superior to most Asian countries, noncompliance with disclosure norms is rampant and even the failure of auditors' reports to conform to the law attracts nominal fines and little punitive action. The Institute of Chartered Accountants in India almost never takes action against erring auditors. While the Companies Act provides clear instructions for maintaining and updating share registers, in reality minority shareholders have often suffered from irregularities in share transfers and registrations. Sometimes non-voting preferential shares have been used by promoters to channel funds and expropriate minority shareholders. The rights of minority shareholders have also been compromised by management's private deals in the relatively infrequent event of corporate takeovers. Boards of directors have been largely ineffective in India in their monitoring role, and their independence is more often than not highly questionable. For most of the post-Independence era the Indian equity markets were not liquid or sophisticated enough to exert effective control over the companies. Listing requirements of exchanges enforced some transparency, but non-compliance was neither rare nor punished.

ELEMENTS OF GOOD CORPORATE GOVERNANCE

Some of the important elements of good corporate governance are discussed here under:

1. Role and Powers of Board

Good governance is decisively the manifestation of personal beliefs and values which configure the organizational values, beliefs and actions of its Board. The board as a main functionary is primarily responsible to ensure value creation for its stakeholders. The absence of clearly designated role and powers of board weakens accountability mechanism and threatens the achievement of organizational goals. Therefore, the foremost requirement of good governance is the clear identification of powers, roles, responsibilities and accountability of the Board, CEO

DOI : 10.35291/2454-9150.2022.0050
© 2022, IJREAM All Rights Reserved.

and the Chairman of the Board. The role of the Board should be clearly documented in a Board Charter.

2. Legislation

Clear and unambiguous legislation and regulations are fundamental to effective corporate governance. Legislation that requires continuing legal interpretation or is difficult to interpret on a day-to-day basis can be subject to deliberate manipulation or inadvertent misinterpretation.

3. Management environment

Management environment includes setting-up of clear objectives and appropriate ethical framework, establishing due processes, providing for transparency and clear enunciation of responsibility and accountability, implementing sound business planning, encouraging business risk assessment, having right people and right skill for the jobs, establishing clear boundaries for acceptable behaviour, establishing performance evaluation measures and evaluating performance and sufficiently recognizing individual and group contribution.

4. Board Skills

To be able to undertake its functions efficiently and effectively, the board must possess the necessary blend of qualities, skills, knowledge and experience. Each of the directors should make quality contribution. A board should have a mix of the following skills, knowledge and experience:

- Operational or technical expertise, commitment to establish leadership;
- Financial Skills;
- Legal Skills ; and
- Knowledge of Government and regulatory requirement.

5. Board appointments

To ensure that the most competent people are appointed in the board, the board positions should be filled through the process of extensive search. A well-defined and open procedure must be in place for reappointments as well as for appointment of new directors. Appointment mechanism should satisfy all statutory and administrative requirements. High on the priority should be an understanding of skill requirements of the board particularly at the time of making a choice for appointing a new director. All new directors should be provided with a letter of appointment setting out in detail their duties and responsibilities.

6. Board induction and training

Directors must have a broad understanding of the area of operation of the company's business, corporate strategy and challenges being faced by the board. Attendance at continuing education and professional development programmes is essential to ensure that directors remain abreast of all developments, which are or may impact on their corporate governance and other related duties.

7. Board independence

Independent board is essential for sound corporate governance. This goal may be achieved by associating sufficient number of independent directors with the board. Independence of directors would ensure that there are no actual or perceived conflicts of interest. It also ensures that the board is effective in supervising and, where necessary, challenging the activities of management. The board needs to be capable of assessing the performance of managers with an objective perspective. Accordingly, the majority of board members should be independent of both the management team and any commercial dealings with the company.

8. Board meetings

Directors must devote sufficient time and give due attention to meet their obligations. Attending board meetings regularly and preparing thoroughly before entering the boardroom increases the quality of interaction at board meetings. Board meetings are the forums for board decision making. These meetings enable directors to discharge their responsibilities. The effectiveness of board meetings is dependent on carefully planned agendas and providing relevant papers and materials to directors sufficiently prior to board meetings.

9. Code of conduct

It is essential that the organization's explicitly prescribed norms of ethical practices and code of conduct are communicated to all stakeholders and are clearly understood and followed by each member of the organization. Systems should be in place to periodically measure, evaluate and if possible recognize the adherence to code of conduct.

10. Strategy setting

The objectives of the company must be clearly documented in a long-term corporate strategy including an annual business plan together with achievable and measurable performance targets and milestones.

11. Business and community obligations

Though basic activity of a business entity is inherently commercial yet it must also take care of community's obligations. Commercial objectives and community service obligations should be clearly documented after approval by the board. The stakeholders must be informed about the proposed and ongoing initiatives taken to meet the community obligations.

12. Financial and operational reporting

The board requires comprehensive, regular, reliable, timely, correct and relevant information in a form and of a quality

 DOI : 10.35291/2454-9150.2022.0050 © 2022, IJREAM All Rights Reserved.

that is appropriate to discharge its function of monitoring corporate performance. For this purpose, clearly defined performance measures-financial and non-financial should be prescribed which would add to the efficiency and effectiveness of the organization. The reports and information provided by the management must be comprehensive but not so extensive and detailed as to hamper comprehension of the key issues. The reports should be available to board members well in advance to allow informed decision-making. Reporting should include status report about the state of implementation to facilitate the monitoring of the progress of all significant board approved initiatives.

13. Monitoring the Board performance

The board must monitor and evaluate its combined performance and also that of individual directors at periodic intervals, using key performance indicators besides peer review. The board should establish an appropriate mechanism for reporting the results of board's performance evaluation results.

14. Audit Committees

The audit Committee is inter alia responsible for liaison with the management; internal and statutory auditors, reviewing the adequacy of internal control and compliance with significant policies and procedures, reporting to the board on the key issues. The quality of Audit Committee significantly contributes to the governance of the company.

15. Risk Management

Risk is an important element of corporate functioning and governance. There should be a clearly established process of identifying, analyzing and treating risks, which could prevent the company from effectively achieving its objectives. It also involves establishing a link between risk-return and resourcing priorities. Appropriate control procedures in the form of a risk management plan must be put in place to manage risk throughout the organization. The plan should cover activities as diverse as review of operating performance, effective use of information technology, contracting out and outsourcing. The board has the ultimate responsibility for identifying major risks to the organization, setting acceptable levels of risk and ensuring that senior management takes steps to detect, monitor and control these risks. The board must satisfy itself that appropriate risk management systems and procedure are in place to identify and manage risks. For this purpose, the company should subject itself to periodic external and internal risk reviews.

III. NEED OF CORPORATE GOVERNANCE IN BANKS

Corporate Governance has become very important for banks to perform and remain in competition in this era of liberalization and globalization. Banks in a broad sense are institutions whose business is handling other people's money. A Joint stock bank also known as Commercial Bank which is nothing but a company whose business is banking. Protecting the interest of depositors becomes a matter of paramount interest to banks. In banking parlance, the Corporate Governance refers to conducting the affairs of a banking organization in such a manner that gives a fair deal to all the stake holders i.e. shareholders, bank customers, regulatory authority, society at large, employees etc. The significance of corporate governance in banking sector weighs very much due to very nature of banking transactions. Banking is the crucial factor effecting economic development of an economy. It is the life-blood of a country. It is responsible for the flow of credit and for maintaining the financial balances of the economy. In India, since the nationalization process banks emerged as a tool of economic development along with social justice. As per Basel committee Report 1999, Banks have to display the exemplary of corporate governance practices in their financial performance, transparency in the balance sheets and compliance with other norms laid down by section 49 of corporate governance rules. Most importantly, their annual report should disclose accounting ratios, relating to operating profit, return on assets, business per employee, NPAs, maturity profile of loans, advances, investments, borrowings and deposits.

Similarly, the audit reports of bank should highlight those disclosures which are in line with corporate governance rules. Hence, auditors should have the complete know-how about all the features of the latest guidelines given by Reserve Bank of India (RBI) and ensure that the financial statements are made in a fraud free manner and should mirror the implementation of corporate governance. Apart from auditor's seriousness to bring those requirements appropriately in audit report, there should be adequate internal control systems in the operational activities of banks. It is very much essential for banks to devote adequate attention on internal control system so as to maximize their returns on each unit of capital inducted through an effective funds management strategy and mechanism. Banks should concentrate more on to set corporate objectives to run the day-to-day operations of the business and consider the interests of recognized stakeholders i.e., employees, customers, suppliers, supervisors, governments and the community and line up corporate activities and behaviors with the expectation that banks will operate in a safe and sound manner, and in compliance with applicable laws and regulations; and of course protect the interests of depositors, which is supreme. Banks in India are facing increasing competition, within and outside India, both in terms of markets for its products and for sources of fund. It has, therefore become necessary for banks to constantly re-engineer, to provide the products and services to suit the ever-changing requirements, to accelerate the speed with which the transactions are

 DOI : 10.35291/2454-9150.2022.0050 © 2022, IJREAM All Rights Reserved.

completed and to constantly evaluate and provide training to the workforce update the knowledge and impress upon them the necessity to have a professional and competitive approach. In order to meet the statutory need of having a sound Capital Adequacy requirements, banks are accessing the Capital Market at regular intervals. Hence the Banks need to stimulate the interest of investors at all times. Investors believe that a bank with good governance will provide them a safe place for investment and also give better returns. Good Corporate Governance is, therefore, an important factor in a competitive environment.

ROLE OF CORPORATE GOVERNANCE IN BANKING SECTOR

A Healthy economy correlates with the soundness of its Banking sector which requires good corporate governance practices that enhances the accountability of managers that leads to the Bank's performance. Corporate governance is responsible for internal mechanism of Banks. Indian Banking sector cannot ignore the importance of corporate governance in current scenario. The corporate image of a firm is decided by the practices of good corporate governance which build confidence, faith and long term relationship with the customers. Securities Exchange Board of India has described the numbers of mandatory and non-mandatory requirement for the listed companies including Banks for the incorporation of corporate governance. The corporate governance emphasizes the relationship amongst the management of companies, board of directors its shareholders, auditors and stakeholders. Corporate governance is the practice of providing set rules and regulations for the Banks to provide the structure through which the objectives of the company are set. The key consideration of corporate governance includes transparency of corporate structure and operations, the accountability of mangers and the board to shareholders with corporate responsibility. The corporate governance of banking sector always based on transparency which meant to express material information as well as transparency in the decision-making process, accountability pertaining to effective management of the Bank's functions as per the legislative requirements. Independency is also required in banking operation just to avoid influence or pressure of any party and the most important is fairness that brings justice and equality for shareholders rights. Corporate governance determines the authority and responsibility of the board. The most important aspect of corporate governance is to safeguarding the interest of shareholders. Globally, the last twenty years have been observed as drastic changes in the environment of the corporate governance in the Banking sector all over the world. There are numbers of committees who looked up the issues of corporate governance and proposed changes in the corporate governance for improvement such as Cadbury committee, OECD code, combined code of London stock exchange, the blue ribbon committee and Kumar Manglam Birla committee, Kotak committee in India. Indian Banking sector is regulated and monitored by the Reserve Bank of India and also takeover all the matter of corporate governance of Banks. Reserve Bank of India practice corporate governance over the Indian Banking Sector on the basis of main categories includes disclosure and transparency, off-site surveillance and prompt corrective action. Reserve Bank of India may impose heavy penalty and take strict action even cancellation of license of the Banks who do not disclose their transactions to the RBI as disclosure and transparency are the most inherent part of the corporate governance. RBI can ask and check the financial reporting transactions of Banks to avoid false recording and reporting of financial transactions. The off-site surveillance performs by the RBI to inspect the records of the Banks on routine basis just to promote governance in banking sector. The core focus of the off-site surveillance is to monitor financial health of Banks between two on-site inspections and depict which Bank show financial deterioration and need great supervision. Prompt corrective action is another important mechanism of corporate governance which RBI observes.

RBI has set two plans viz., Mandatory plan and Discretionary plan. All Banks are required to follow and restore the financial health of Banks. Good and effective corporate governance in the Banking sector is the need of the society not only just a formality.

IV. CONCLUSION

This study is concluded that the corporate governance framework also depends on the legal, regulatory, and institutional environment. A Corporate Governance Policy shall serve as an effective instrument for achieving this goal. The success of corporate governance rests on the awareness on the part of the banks of their own responsibilities. In today's dynamic corporate world Commercial Banks in India needs to adopt and strengthen the corporate governance policies not only to boost and enhance pecuniary benefits but as a path to gaining public image, thus recognized by the society in which the bank operates as socially receptive commercial banks which may augment the banks operations and survival.RBI can ask and check the financial reporting transactions of Banks to avoid false recording and reporting of financial transactions. The off-site surveillance performs by the RBI to inspect the records of the Banks on routine basis just to promote governance in banking sector.

V. REFERENCES

[1] Agarwal S.(2008), "Corporate Governance: Need for Today", The Chartered Secretary, November, Vol 28, No. 11, Pp-23.

[2] Rajesh, K. Pillania (2011), "Corporate Governance in India: Study of the TOP 100 firms", Journal of Applied Economic Sciences, Vol.5, No.2, February, Pp.87-92.

 DOI : 10.35291/2454-9150.2022.0050 © 2022, IJREAM All Rights Reserved.

[3] Chandrani Chattopadhyay (2011), "Corporate Governance and Public Sector Units in India: A Review", International Conference on Humanities, Society and Culture, IPEDR, Vol.20, Pp.167-172.

[4] Rujitha, T. R. (2012), "Challenges to Corporate Governance: Issues and Concerns", International Journal of Marketing, Financial Services& Management Research, Vol.1 Issue 12, December 2012, Pp.96-101.

[5] Anshul Sharma & Pooja Gupta (2012), "Corporate Governance in India: Evolution and Challenges", EXCEL International Journal of Multidisciplinary Management Studies, Vol.2 Issue 5, May, Pp. 100-119.

[6] Prabhash Dalei, Paridhi Tulsyan and Shikhar Maravi (2012), "Corporate Governance in India: A Legal Analysis", International Conference on Humanities, Economics and Geography (ICHEG'2012), March 17-18, Pp.196-198.

[7] Mohi-ud-Din Sangmi and Sumaira Jan (2014), "Corporate Governance Policies in Indian commercial Banks: An Empirical Analysis", IOSR Journal of Business and Management (IOSR-JBM), Vol.16, Issue 1. Ver. VI, Feb, Pp. 13-23.

[8] Rakesh Kumar (2016), "Corporate Governance Practices in Public and Private Sector Banks", International Journal for Innovative Research in Multidisciplinary, Vol- 2, Issue - 11, November, Pp.338-342.

[9] Puneet Kaur (2017) "Role of Corporate Governance in Indian Banking Sector", International Journal of Management and Commerce Innovations, Vol. 5, Issue 1, April – September, Pp. 565-579.

[10] Pema Lama and Sujoy Kumar Dhar (2018) "A Study on Corporate Governance Practices followed by Selected PSU and Private Banks of India", IUJ Journal of Management, Vol. 6, No. 1, May, Pp.5-10.

[11] Venkateswara Rao V. and Pushpa Sri D. (2019) "A Comparative Study of Corporate Governance Disclosure by Private and Public Sector Banks In India-A Study", ICTACT Journal on Management Studies, Vol.05, Issue.04, November, Pp.1116-1120.

[12] Devipriya D. and Rajarajenvanjeko (2021) "A Study on the Impact of Corporate Governance on Non-Performing Assets of Selected Public and Private Sector Banks in India", International Journal of Creative Research Thoughts (IJCRT), Vol. 9, Issue 3, March, Pp.2887-2895.

 DOI : 10.35291/2454-9150.2022.0050 © 2022, IJREAM All Rights Reserved.