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Corporate Governance in Indian Banking Sector: Issues and Concerns

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Abstract:

The thrust for greater transparency towards stakeholders of the business has led to the emergence of the concept of Corporate Governance, which was a response to corporate failures and widespread dissatisfaction with the way many corporate function, has become one of the wide and deep discussions across the business sectors as a global phenomenon. The founding principles of corporate governance lays emphasis primarily hinges on complete transparency, integrity and accountability of the management. There is also an increasingly greater demand on investor interests and public orientation. The issue of corporate governance has come up mainly in the wake up economic reforms characterized by liberalization and deregulation. Corporate governance has at its backbone a set of transparent relationships between an institution's management its board, shareholders and other stakeholders. The corporate governance philosophy of banks is the pursuit of sound business ethics and strong professionalism that aligns the interests of all stakeholders and the society. This paper discusses the corporate governance of banking institutions in developing economies. This is an important issue given the essential role that banks play in the financial systems of developing economies and the widespread banking reforms that these economies have implemented. Based on a theoretical discussion of the corporate governance of banks, we suggest that banking reforms can only be fully implemented once a prudential regulatory system is in place.

Keywords: Corporate Governance, India Banking Sector, Corporate Governance Mechanism in Banks.

Introduction:

Corporate governance has only recently emerged as a discipline in its own right, although the strands of political economy it embraces stretch back through centuries. – **World Bank Group**.

The above mentioned definition makes it clear that corporate governance is an age old concept. As corporations operate and compete in virtually all parts of the world, there has always been a need to develop some governing law and the purpose of that law has been to integrate the legislatively imposed standards with the realities of the market place, so that overall goals would be promoted. Corporate governance has at its backbone a set of transparent relationships between an institution's management, its board, shareholders and other stakeholders. It therefore needs to take into account a number of aspects such as, enhancement of shareholder value, protection of shareholders rights, composition and role of board of directors, integrity of accounting practices and disclosure norms and internal control system.

Good corporate governance is becoming one of the major factors for the economic success of companies. Good corporate governance practices also reduce the perceived risks of investing in companies. This help to raise the

investment profile of the country as a whole. The principles of accountability, probity, fairness and transparency have never been important for the Indian economy. Corporate India is a crucial part of the Indian economy and is therefore, expected to lead the way in adopting these principles which lead to good governance. Good governance always has been an important element in human interactions and in an increasingly uncertain global climate has now become imperative. Business and economy are closely aligned to the fortunes and well being of people which makes corporate government a subject of great importance.

Objectives:

The objectives of the study are:

- To cite theoretical consideration of corporate governance and its growth in India.
- To analyze the corporate governance practices in Indian Banking sectors.

Methodology:

This article is conceptual in nature. First, the concepts of corporate governance like evolution of corporate governance in Indian scenario, role and importance of corporate governance in banking sector has been discussed. The second part analyses the practice of corporate governance, the issues and concerns in Indian Banking sector. This study is based on secondary data collected from different library sources.

Literature Review:

In the past few years Corporate Governance has been the topic of interest for many researcher & scholars. This may be because of financial crisis and scams all over the world. Much research has been carried out by many authors/scholars & researcher worldwide.

"Corporate Governance: Some Theory and Implication (2003)", This article attempts to provide a theoretical framework for the corporate governance debate and to derive some implications which may be useful as a guide to policy & writer argued that corporate governance issues arise wherever contracts are incomplete and agency problem exist & in many cases a market economy can achieve efficient Corporate Governance by itself. An article published in German Law Journal on **"Positive Corporate Governance and its implication for executive compensation (2005)",** Author's view, if we embrace positive corporate governance in which the positive strength and virtues of company executive are emphasized, we can move towards an environment in which heavy regulation is replaced by positive corporate norms inside the corporation. The article highlighted that the link between pay and performance is at best questionable. One working paper was developed on **"Corporate Governance, Risk management and Bank performance: does type of ownership matter? (2007)",** This research provides a conceptual model called triangle gap model (TGM) The purpose of the paper is to investigates the relationship among corporate governance, risk management & bank performance in Indonesian banking sector and they find that relationship between foreign-owned banks home better implemented good corporate governance than have joint venture owned banks state owned banks & private owned banks. A research paper got published on **"Corporate Governance and Bank performance (2010)",** which finds that Corporate Governance did not have any impact ROA, ROE & Investment return & their show that bank performance does not conform to Corporate Governance and negligibly affected. In 2008 Standard & Poor's published its

substantially modified methodology of corporate governance ratings under the name of GAMMA - Governance, Accountability, Management Metrics and Analysis **[Standard & Poor‘s, 2008]**. The approach shifts its focus away from an abstract appraisal of governance in the given bank against the background of 'best practice' onwards an analysis of specific risks taken by investor. GAMMA‘s main components are: influence by shareholders; shareholders' rights; transparency, audit and risk management system; and Board of Directors effectiveness, the process of strategizing, and compensation system. In India, **Das and Ghosh (2004)** tried to establish a linkage between CEO compensation and bank performance and concluded that CEOs of poorly performing banks are likely to face higher turnover than the CEOs of well-performing banks. As there is a dearth of impact studies of CG policy implementation on financial performance of banks, more particularly in Indian context, this study is an attempt to fill the gap.

Corporate Governance in India Scenario:

In the Indian context, the need for corporate governance has been highlighted because of the frequently occurring scams since 1991 due to emergence of the concept of liberalization. The scams such as Harshad Mehta Scam, Ketan Parekh Scam, UTI Scam, Vanishing Company Scam, Bhansali Scam and so on. In order to reduce the number the scams in the Indian corporate world, there is a need to induct global standards. From the beginning of 1980s, situations have changed in India. Wide range changes have taken place in both the law and regulations in the field of corporate law and the capital market. As a result of several scams in India a need has arisen to bring reforms, in response to that, reforms begun in India in 1991. The most important event in the field of investor protection in India was the establishment of Securities and Exchange Board of India (SEBI) in 1992. Corporate governance is a multi-faceted subject.

Signs of change however, rapidly emerged with the 1991 reforms through economic liberalization that led to a new era in Indian corporate governance. The year 1992 witnessed the establishment of the Securities and Exchange Board of India, (SEBI), the Indian securities market regulator. In 1998, a National Task Force constituted by the Confederation of Indian Industry (CII) recommended a Code for 'Desirable Corporate Governance' which was voluntarily adopted by few companies. However, there are some existing proposals to reform some of the corporate governance provisions after the amendment took place relating to independent directors under the Company (Amendment) Act, 2008. The pending Companies Bill, 2012, already passed in India's lower house of parliament in December of 2012, the Companies Bill is expected to become law by the end of 2013.

In India the motivating factors behind the corporate governance drive are those,

- The internationalization of Indian Capital Markets , and
- Cross-listing by Indian Companies.

Corporate governance in India is evident from the various legal and regulatory frameworks and Committees set relating to corporate functioning comprising of the following:

- Companies Act, 1956,
- Monopolies and Restrictive Trade Practices Act, 1969,
- Foreign Exchange Management Act, 2000,
- Securities and Exchange Board of India Act, 1992,

- CII Code of desirable corporate governance (1998),
- UTI code of governance (1999),

There are so many committees who worked in the field of corporate governance like, Kumar Mangalam Birla Committee', the 'Report of the Committee on Corporate Affairs and Governance' by 'Naresh Chandra Committee', the 'Report of the SEBI committee on Corporate Governance' by 'Narayan Murti Committee' commented on corporate governance. They described the concept of corporate governance instead of defining and giving the meaning of it.

Overview of Indian Banking Sector:

The banking industry is one of the most regulated industries in India. Since the opening up of the economy in 1991 the banking industry has experienced a gradual phased deregulation. A number of reforms have been initiated in this sector ranging from interest rate liberalization to restructuring of the public sector banks to increased competition and hence efficiency. Today, the public sector banks which earlier provided plain services are competing with a large number of private banks and foreign banks which utilize different innovative approaches and services.

As per the RBI report the number of scheduled commercial banks functioning in India as on March 31st 2012 was 169, of which 82 were regional rural banks. There are 101261 banks offices spread across the country, of which 36% are located in rural areas, 26% in semi urban areas, 20% in urban areas and the rest 19% in the metropolitan areas. The major bank groups (as defined by RBI) functioning during the reference period of the report are State Bank of India and its associate banks, Nationalized Banks and the IDBI ltd., Old Private Sector Banks, New Private Sector Banks and Foreign Banks.

Growth of banking system in India:

Banking system is the strategic building block of the economy. The challenge and complexity of implementing corporate governance can be well understood only if we can appreciate the size of the banking system. We need to appreciate that the Indian banking system has made commendable progress in extending its geographical spread and functional reach. The spread of the banking system has been a major factor in promoting financial intermediation in the economy. The divergent growth of the banking system has also been responsible for boosting domestic savings and in expanding credit reach. Banks are basically engaged in mobilizing resources for the purpose of lending to foster growth and development. The magnitude of growth of banking system can be indicated as follows:

Expansion of Banking Since Nationalization Year	1969	1991	2007	2012
1. No. of Commercial Banks (incl. RRBs and LABs)	73	272	182	173
2. No. of Bank Offices	8,262	60,570	74,563	1,01,261
2(a) Out of 2, no. of Rural and semi-urban bank offices	5,172	46,550	47,179	62,061
3. Population per office	64,000	14,000	15,000	13,000

4. Per capita Deposit of Scheduled Commercial Banks (SCBs)	Rs. 88	Rs. 2,368	Rs. 23,382	Rs. 51,106
5. Per capita Credit of SCBs	Rs. 68	Rs. 1,434	Rs. 1,7541	Rs. 39,909

Sources: Reserve Bank of India

- Since nationalization of 14 major commercial banks in 1969, followed by nationalization of another 6 banks in 1980, Indian banking system has expanded rapidly.
- The number of banks now stands at 173 up from 73 in 1969. RBI is also now set to license more of private sector banks shortly opening up scope for further enlargement of the size of banking system.
- The number of bank offices increased from about 8,000 in 1969 to over 100,000 by 2012.
- The average population per branch office has sharply declined from 64,000 in 1969 to 13,000 today.
- Both per capita deposit and per capita credit have expanded about 600 times. Even accounting for inflation, this is significant expansion.

The total deposits of Scheduled Commercial Banks have reached Rs. 71 Trillion while the advances have touched Rs.54 Trillion. The Credit Deposit Ratio works out to 76.37 in June 2013. Administering such huge banking system with large branch network of over 1, 00,000 needs well calibrated governance, checks and balances at all levels so that implementation of corporate governance is made possible.

Evolution of Corporate Governance in Banking Sector:

The corporate governance practice is important for banks in India because majority of the banks are in public sector, where they are not only competing with one another but with other players in the banking system. Further, with restrictive support available from the government for further capitalization of banks, many banks may have to go for public issues, leading to transformation of ownership. The banks form an integral part of the economy of the country and any failure in a bank might have a direct bearing on the financial health of the country.

As prelude to institutionalize Corporate Governance in banks, an Advisory Group on Corporate Governance was formed under the chairmanship of Dr. R. H. Patil. Following its recommendations in March 2001 another Consultative group was constituted in November 2001 under the Chairmanship of Dr. A. S. Ganguly, with a view to strengthen the internal supervisory role of the Boards in banks in India. This move was further reinforced by certain observations of the Advisory group on Banking Supervision under the Chairmanship of Shri M. S. Verma which submitted its report in January 2003. Keeping all these recommendations in view and the cross country experience, the Reserve Bank initiated several measures to strengthen the corporate governance in the

Indian Banking Sector. The noteworthy minimum benchmarks noted by the Group relate to the following.

- Strategies and techniques basic to sound corporate governance
- Organizational structure to ensure oversight by board of directors and individuals not involved in day to day running of business
- Ensuring that the direct lines of supervision of different business areas are different
- Ensuring independent risk management and audit functions
- Ensuring an environment supportive of sound corporate governance
- Role of supervisors

The importance of corporate governance issues in public sector banks is important due to two principal reasons:

- Firstly, they constitute a huge share of business in the banking industry in India
- Secondly, it is highly unlikely that they are going to be phased out in due course.

Though the general principle of corporate governance is valid for the public sector entities, but they simply cannot imitate the private sector banks in this respect. Things start getting worse, when uncertainties looms involving ownership issues, and the public ownership being treated as a transitional phenomenon. Further, expectation of change in ownership (dilution of Government Stake) can result in the change of institutional structure of significance difference. When Government is the owner, it is accountable to the political institutions, which in turn may not have pure economic motives in mind. A mixed ownership structure can bring the different objectives of shareholding on a common platform and help in reconciling them. Issues relating to the separation of ownership and management in both private and public sectors banks needs to be addressed, in contrast to the traditional Corporate Governance issues stemming from the outside financial, in developing countries and especially in India, things are a bit different. Here, the grueling question is not how the outside financiers (shareholders) exert management control, but also as to how they can (including minority shareholders) exercise control over the big inside shareholders.

The most important development in the field of corporate governance and investor protection in India has been the establishment of the securities and Exchange Board of India (SEBI) in 1992 and its gradual empowerment since then. The Basel committee in the year 1999 had brought out certain important principles on corporate governance for banking organizations which more or less have been adopted in India. Today the banks are governed by the Banking Regulation Act, 1949; Reserve Bank of India Act, 1934; Foreign Exchange Management Act, 1999; Payment and Settlement Systems Act, 2007; other relevant Statutes and the Directives, Prudential regulations and other Guidelines/ Instructions issued by RBI and other regulators from time to time, including the regulations of SEBI regarding public issues and other guidelines applicable to listed banking though there is scope for enhancing effective implementation.

Need for Corporate Governance in Banking System:

Banks are critical components of the economy while providing finance for commercial enterprises, basic financial services to a broad segment of the population and access to payment

systems. Banks in India are facing increasing competition, within and outside India, both in terms of markets for its products and for sources of fund.

The importance of banks to national economies is underscored by the fact that banking is, almost universally, a regulated industry and that banks have access to government safety nets. In order to meet the statutory need of having 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 netter returns. Good corporate governance is therefore an important factor in a competitive environment. Investors, customers, employees and vendors have all become more discerning and are demanding greater transparency and fairness in all dealings. To attract and retain the commitment of investors, customers, employees, Banks should ensure that they match the global benchmark in Corporate Governance Practices.

Banks are also important catalysts for economic reforms, including corporate governance practices. Because of the systemic function of banks, the incorporation of corporate governance practices in the assessment of credit risks pertaining to lending process will encourage the corporate sector in turn to improve their internal corporate governance practices, importance of implementing modern corporate governance standards is conditioned by the global tendency to consolidation in the banking sector and a need in further capitalization. It is of crucial importance therefore that have strong corporate governance practices.

The second important driver of a good corporate governance stems from their funding patterns. Banks, by their basic definition are highly leveraged financial institutions, with the equity capital of the shareholders being reduced to a miniscule proportion of loan capital in the form of borrowing and deposits of deposits from customers of the bank. As a result of this, the stakeholders in banks, (mainly the depositors and lenders) have a rightful claim of accountability from the banks and their boards.

The third important element in the Corporate Governance structure relates to the control function. It is imperative to discuss the same in brief. Control functions in banks deal with internal frauds as well as external frauds. The former relates to situations where the banks own personnel indulge in corrupt and unethical practices, while the latter deals with situations where the customers of the bank try to seek for malpractices. The incidents of the external frauds are so devastating that special attention is being mandated both for their prevention as well as their post scenario analysis.

Finally, failing to comply with stipulated norms can be one of the challenging issues of Corporate Governance framework. With Banks being under intense watch of the central bank as well as other regulatory bodies, it is a common observation, that most failures (crashes) in banks have occurred due to compliance failure situations. With a lot of reports and norms, being introduced (The Basel II norms being the latest of them), failure to adhere to the regulatory norms have never reduced.

BASEL II Recommendation: The Basel Committee on Banking Supervision is a committee, of banking supervisory authorities, established by the Central Bank Governors of the G10 developed countries in 1975. The

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Committee in 1988 introduced the Concept of Capital Adequacy framework, known as Basel Capital Accord, with a minimum capital adequacy of 8 percent. It also issued a consultative document titled "The New Basel Capital Accord" in April 2003, to replace the 1988 Accord, which re-enforces the need for capital adequacy requirements under the current conventions. This accord is commonly known as Basel II and is currently under finalization. Basel II is based on three pillars:

- Pillar 1 – Minimum Capital Requirements
- Pillar 2 – Supervisory Review Process
- Pillar 3 – Market Discipline

Broad Canvass of Corporate Governance guidelines for Banks:

Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. Poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to their potential impact on any applicable deposit insurance systems and the possibility of broader macroeconomic implications, such as contagion risk and impact on payment systems. In addition, poor corporate governance can lead markets to lose confidence in the ability of a bank to properly manage its assets and liabilities, including deposits, which could in turn trigger a bank run or liquidity crisis. Indeed, in addition to their responsibilities to shareholders, banks also have a responsibility to their depositors.

The OECD principles define corporate governance as involving "a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring. The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy."

From a banking industry perspective, corporate governance involves the manner in which the business and affairs of banks are governed by their boards of directors and senior management, which affects how they function:

- Set corporate objectives;
- Operate the bank's business on a day-to-day basis;
- Meet the obligation of accountability to their shareholders and take into account the interests of other recognized stakeholders;
- Align corporate activities and behavior with the expectation that banks will operate in a safe and sound manner, and in compliance with applicable laws and regulations; and
- Protect the interests of depositors.

Gate-keepers of Corporate Governance:-

The corporate governance mechanism everywhere depends on the general legal, contractual and enforcement process in any jurisdiction, rather than being left to the process of self-regulations and individual commitments.

Corporate Governance and enforcement mechanism are closely linked as they form integrated framework of linkages to protect the interest of all stakeholders.

Stock-exchange and capital market regulations function as powerful agents for instilling good governance, especially in a country like India where capital market are going through process of transformation. A contribution of good regulations and efficient gate-keeping would lead to the development of strong capital markets. Gate-keepers are individual institutions or agencies that are interposed between investors and managers/owners, in order to play a role of a watchdog to help reducing the agency cost. Institutions like Reserve Bank of India (RBI): , Stock Exchange Board of India (SEBI): , and individual like Comptroller Audit General (CAG): and others in their capacity as auditors and analysts can act as gate-keepers.

Reserve Bank of India (RBI) and Corporate Governance in Banks:

RBI plays leading role in formulating and implementing corporate governance. RBI performs the corporate governance function under the guidance of the Board of the Financial Supervision (BFS). The primary objective of BFS is to undertake consolidated supervision of the financial sector compromising commercial banks, financial institutions and non-banking financial companies. It was constituted in November 1994 as a Committee of the Central Board of Directors of RBI. BSF inspects and monitors banks by using the 'CAMEL' (Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Systems and Controls) Approach. Through the Audit Sub-Committee BFS also aims to upgrade the quality to the statutory audit and functions in banks and financial institutions.

The corporate governance mechanism as followed by Reserve Bank of India:

RBI followed three categories to govern the corporate sectors. They are

(i) Disclosure and transparency ,
(ii) Off-site surveillance,
(iii) Prompt Corrective Action.

Disclosure and transparency constitute the main pillars of the corporate governance framework. They supply an adequate form of information to the stakeholders and lead to informed decisions. **Off-site surveillance** mechanism monitors the movement of assets and its impact on capital adequacy and overall efficiency and adequacy in managerial practices in banks. RBI promotes self-regulation and market discipline among the banking sector participants and has issued prudential norms for income recognition, asset classification and capital adequacy. RBI brings out the periodic data on 'Peer Group Comparison'. **Prompt Corrective Supervision (PCS)** is a supervisory mechanism implemented as a part of Electronic Banking Supervision. It is based on pre-determined rule based structure of early intervention where the benchmark ratios for three parameters - Capital Adequacy Ratio, Non-performing Asset Ratio, and Return on Assets, are determined. Any breach of these points is considered as warning and RBI initiates appropriate measures to overcome that.

SEBI Guidelines on corporate Governance in Banks:

The Securities and Exchange Board of India (SEBI) had constituted a Committee on Corporate Governance and circulated the recommendations to all stock exchanges for implementation by listed entities as part of the listing agreement vide SEBI's circular

SMDRP/Policy/CIR-10/2000 dated February 21, 2000. However it had at that time exempted body corporate such as public and private sector banks, financial institutions, insurance companies and those incorporated under separate statute. SEBI has now suggested to RBI to consider issuing appropriate guidelines to banks and financial institutions so as to ensure that all listed companies would have uniform standards of corporate governance. As requested by SEBI, it has now been proposed that the SEBI Committee's guidelines may be taken up for adoption by those commercial banks listed in stock exchanges so that they can harmonize their existing corporate governance requirements with the requirements of SEBI, wherever considered appropriate.

On a review by RBI of the existing corporate governance requirements in banks, it is observed that many of the recommendations in regard to the following stand implemented in banks and may not require further action towards implementation in respect of these guidelines for the present.

1. Optimum combination of executive and non-executive directors in the Board
2. Pecuniary relationship or transactions of the non-executive directors vis-à-vis the bank
3. Independent Audit Committees, their constitution, chairmanship, power, roles, responsibilities, conduct of business, etc
4. Remuneration of Directors (in case of private sector banks)
5. Periodicity /number of board meetings
6. Disclosure by management to the board about the conflict of interest
7. Information to shareholders regarding appointment/re-appointment of directors, Display of quarterly results/presentation to analysts on the web- site
8. Maintenance of office by non-executive Chairman.
9. Reviewing with the management by the Audit Committee of the board the annual Financial statements before submission to the Board, focusing primarily on:
    - Any changes in accounting policies and practices,
    - Major accounting entries based on exercise of judgment by management,
    - Qualifications in draft audit report,
    - Significant adjustments arising out of audit, compliance with accounting standards,
    - Compliance with stock exchange and legal requirements concerning financial statements, and
    - The going concern assumption.

The Audit Committee of the board may look into the reasons for default in payment to depositors, debenture holders, shareholders (non-payment of dividends) and creditors, wherever there are any cases of defaults in payment. SEBI Committee's recommendations on other additional functions to be entrusted to the Audit Committee may be complied with by the listed banks as per listing agreement.

Important commandments for ensuring corporate governance in banks are:

- Banks shall realize that the times are changing
- Banks shall establish an Effective, Capable and Reliable Board of Directors
- Banks shall establish a Corporate Code of Ethics for themselves

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- Banks shall consider establishing an office of the Chairman of the Board
- Banks shall have an effective and Operating Audit Committee, Compensation Committee and Nominating/ Corporate Governance Committee
- Banks shall consider Effective Board Compensation
- Banks shall disclose the information
- Banks shall recognize that duty is to establish Corporate Governance Procedures that will serve to enhance shareholder value

Recent Scenario

- Recent steps taken by Banks in India for Corporate Governance are:
- Introduction of non executive members on the Board
- Constitution of various Committees like Management Committee, Audit Committee, Investor's Grievances Committee, ALM Committee etc.
- Gradual implementation of prudential norms as prescribed by RBI
- Introduction of Citizens Charter in Banks
- Implementation of "Know Your customer" (KYC) concept.

Conclusion:

Banks and financial sector being a highly service oriented sector, making corporate governance effective is a great challenge. More so, when the driving force of commercial banks is to grab the opportunity, trading profits with only focus on profitability. The levers of systemic control have to be not only progressively tightened but they are also to be scrutinized from the point of deliverables. Moreover the recent global financial crisis leading to the demise of several reputed global investment banks exposes the fissure in the effectiveness of corporate governance model.

Banking sector is the key for monetary conditions in a country. Due to the special nature of the activities carried on by the banks, they face a lot of problems as far as the area of corporate governance is concerned. In the Indian scenario, due to the peculiar nature of bank holdings there are a lot of embedded conflicts. The guidance paper issued by the Basel Committee is of paramount significance in enforcing corporate governance standards in various countries across the world.

Corporate Governance is now identified and acknowledged as a powerful tool to generate trust and confidence in an institution. The trend in the world of targeting governance practices in the banking sector to be at the cutting edge of prevailing practices worldwide is a significant step in the right direction and should continue to be so in the future as well.

Finally this study concluded that, the corporate governance practices in the banking and financial sector in India should improve for best investment policies, appropriate internal control systems, better credit risk management, better customer service and adequate automation in order to achieve excellence, transparency and maximization of stakeholder' value and wealth.

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