

Corporate Governance Practices in Public Sector Banks in India – A Critical Analysis

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Abstract: *As demonstrated by “SEBI Clause 49 and plans of Companies Act 2013”, it is understood as a plan of by and large controls in a corporate component, it describes the work, commitments and obligation inside an Association, the useful Corporate Governance practices give expansion in comes back to monetary experts by cutting down cost of capital, by decreasing the peril and the banks expect a basic work in the movement of capital, this is an essential constituent of any economy. On the off chance that there ought to be an event of the monetary part, where the components recognize open stores for fulfilling of explicit arrangements, the relationship is strong with commitments to get the charges in light of everything, so the right organization of banking division is earnest for improvement and progression of the economy. Therefore, the present study has selected eight Banks for critical analysis the corporate governance practices in selected banks as per the “Code of Corporate Governance – Clause-49 Listing Agreement and RBI”.*

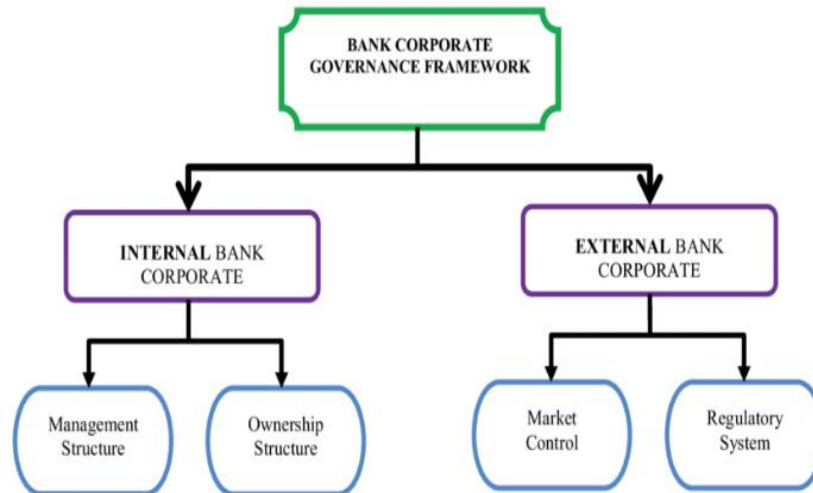
Keywords: Banks, Corporate Governance, Cluse-49 Listing Agreement, and RBI.

I. INTRODUCTION

Good governance is an indispensable tool for surviving in the resilient capital market and is an essential instrument of investor protection. It is the blood that fills the vein of transparent corporate disclosure and high-quality accounting practices. It is the muscle that moves a viable accessible financial reporting structure. The phrase “corporate governance” is a combination of two words – ‘corporate’ which is associated with corporation and ‘governance’ which means ‘control’. Thus, corporate governance means set of rules and regulations, which can exercise control over the corporations. The Corporate Governance structure illuminates the guidelines and systems for pursuing choices on corporate undertakings. It likewise gives the design through which the organization targets are set, as well as the method for achieving and-checking the presentation of those goals. It is utilized to screen whether results are as per plans and to spur the association to be more completely informed to keep up with or change authoritative movement. Corporate administration is the instrument by which people are propelled to adjust their real ways of behaving to the general members.

Corporate Governance in Indian Banking Sector and RBI

A huge piece of Indian Banking region is affected by open division banks disregarding the Globalization, Liberalization and Privatization and path of private and outside banks in the field. The ongoing construction of open division banks isn't lined up with norms of good corporate organization in light of the fact that the administrative issues, red tapes and demotivated work culture add further fuel to the fire. Up to this point banks have been messed with "Social Responsibility" and obliged to the line of hypothesis coordinated by the philosophical gathering in control, the limiting framework of PSB had safeguarded them from the challenge. The Corporate Governance in PSBs is huge, not simply considering the way that PSBs end up directing the monetary business, yet furthermore they are likely not going to exit from banking business anyway they might get changed. To the degree there is open ownership in PSBs, the unique objections of the Government as owner and the puzzling head subject matter expert associations can't be wished away so the PSBs can't be expected to randomly as confidential corporate banks in organization anyway expansive norms are much the same way genuine.



To certain things up, the issue of corporate organization in PSBs is huge and besides complex in the monetary business perspective; the attributes of corporate organization give rules to the bosses and the top organization for supervising the issue of banks. All of the principles are related to the underpinning of banks, corporate focuses and do their activities what's more, disapproving of the energy of accomplices and assurance that the corporate activities are meeting with the open longings that banks will work in a moral and legal manner in this manner getting the energy of its benefactors. This large number of wide issues relating to organization apply to various associations moreover; but 25th, 2004 for watching sound corporate organization principles. Confidential Banks have ideal absolute resources for movement and exact security.

Reserve Bank of India expects a principal work in characterizing and executing corporate organization for the monetary section in the country. The corporate organization in the monetary division framework as sought after by RBI relies upon three orders for supervising the banks these are as under:

- Divulgence and straightforwardness:** If any bank can't uncover their trades to the RBI that might vanish with the durable endeavors and hold assets of the people, the RBI through the need of routine uncovering of financial trades of the bank keeps watch on the activities being endeavored by the banks in India. In the condition of any failure to submit to the necessities set out by RBI might provoke overpowering fines may be constrained close by the clearing out of the grant of the concerned bank under the game plans of "Banking Regulation Act, 1949".
- Off-Site Surveillance:** RBI regularly play out a yearly On-Site Inspection of the records of the banks, off-site reconnaissance work was started in 1995 for close by activities of banks. The fundamental mark of combination of this association is to screen the money related adequacy of banks and RBI plan to take lucky helpful action before things increment out of force.
- Brief Corrective Action:** RBI has set trigger spotlights in view of "Funding to Risk Asset Ratio", "Non-Performing Assets" and "Return on Assets (ROA)". In view of these trigger centers, the banks need to seek after called 'Required Activity Plan'. Close to Mandatory Action Plan, RBI has discretionary action plans too, a part of the exercises is central to restore the monetary adequacy of banks should be mandatorily taken by the bank while various moves will be made at the judiciousness of RBI, depends upon the profile of the bank.

II. REVIEW LITERATURE

Garg (2019), "Company Directors: Duties and Responsibilities" according to analysis, the additional duties & responsibilities required of Directors in particular listed on the stock exchange for better relationship between company and investors & for smooth running of the company. M. N. Venkatachaliah, (2002), it primarily need transparency, full disclosure, fairness to all stake-holders and effective monitoring of the state of corporate affairs. The basic philosophy of corporate governance is to achieve business excellence and enhance shareholder-value, while keeping in view the need to balance the interests of all stakeholders. Vasudha Joshi, (2018), the need of Corporate Governance is required to reduce the corruption which should be regulated for success of a company and investor satisfaction. Tafzeel Ul-Majid

Nazki & G Srikanth, (2018) Following a few other best governance rehearses on the planet, Indian Corporate Governance Clause 49 has developed throughout recent years. Three unique boards had been set up whose suggestions are taken on in same measure. A portion of these suggestions are made required while numerous others are yet to see the radiance of the day. India, turning into a significant FDI objective for the majority worldwide organizations and Indian organizations going worldwide, the requirement for judicious corporate administration rehearses is expanding. Rajesh Chakrabarti, January 17, 2005 India has one of the most incredible corporate administration regulations yet unfortunate execution along with communist arrangements of the perform period has impacted corporate administration Indian corporate scene. Sheets of chiefs have much of the time been quiet observers with the DFI candidate chiefs incapable or reluctant to complete their checking capabilities. David, February 15, 2005, political organizations as a logical variable to globally noticed change in corporate administration and monetary area system structures as well as monetary execution in this way implementation of a country's lawful request are major mainstays of a general public's corporate administration system and monetary area structure which at last contribute fundamentally to financial development. Giridharan, July 1, 2005, the material exposure in "Indian Corporate Governance and the Whistle-Blowing practice in India under condition 49 and Whistle-Blowing practice in US under SOX Act, 2002".

2.1 Objectives of the Study:

The objectives of the study are to evaluate the corporate governance practices in Indian Selected Banks:

- To study the concept of corporate governance in selected Indian Banks.
- To study the corporate governance practices in selected Indian Banks.
- To study the usefulness of corporate governance for investor and customer in selected Indian Banks.

2.2 Hypothesis of the Study:

Ho1. There is no significant Corporate Governance compliance as per Listing Agreement Clause-49 in selected Banks.

Ho2. There is no usefulness of Corporate Governance for investors & customers in selected Banks.

III. RESEARCH METHODOLOGY

In order to assess the structure and processes for Corporate Governance followed by Indian Banks, the researcher has selected eight Public and Private Banks of India. The details are given below.

S. No.	Selected Banks
1.	SBI
2.	PNB
3.	BOB
4.	CBI
5.	HDFC
6.	ICICI
7.	KOTAK MAHINDRA
8.	AXIS

For the collection of primary data, the researcher constructed two different types of questionnaires (one for shareholders only and second for institutional investors and stockbrokers) consisting of items related to requirement of corporate governance in Indian Banks. In this way self-constructed questionnaire was administered to 150 respondents as follows:

S. No.	Respondent	Total
1.	Individual share holder	75
2.	Institutional investors	15
3.	Stockbroker	60
Grand Total		150

IV. DISCUSSION AND FINDINGS

To make the findings of present study more practical and accurate, the researcher has applied appropriate statistical methods such as correlation, regression, and Chi-square etc. the analyses.

Chi-square test (χ^2): The χ^2 test depends on dispersion. Applying the χ^2 test, if the determined worth of χ^2 is not exactly the table worth at a predetermined degree of importance, the invalid speculation is acknowledged, whenever determined vale of χ^2 is more than the table value.

H₀₁. There is no significant corporate governance compliance as per Listing agreement Clause-49 in selected banks.	The value of χ^2 for 2 d.f. at 5% level of significance is 7.81 and calculated value is 15.0. The calculated value of χ^2 is more than the table value. Therefore, the null hypothesis is rejected. Hence, we conclude that there is significance awareness exist regarding corporate governance practices in selected Banks. It shows compliance with Corporate Governance as per Listing agreement Clause-49.
H₀₂. There is no usefulness of Corporate Governance for investors & customers in selected Banks.	The value of χ^2 for 2 d.f. at 5% level of significance is 7.81 and calculated value is 17.0. The calculated value of χ^2 is more than the table value. Therefore, the null hypothesis is rejected. Hence, it concludes that Corporate Governance is useful for investors & customers in Indian Banks.

Correlation Analysis

The value of spearman's rank correlation coefficient also lies between +1 and -1.

Correlation Analysis

S.No.	Components	Rank Correlation Coefficient		
1.	Board of Directors, clause-49 (I)	-.860	-.076	-.498
2.	Audit Committee, clause-49 (II)	-.674	-.365	-.945
3.	Disclosures, clause-49 (IV)	-.975	.410	-.500
4.	Shareholders, clause-49 (IV E)	-.552	.633	-.342
5.	Report on Corporate Governance, clause-49 (VI)	-1	1	-1
6.	Compliance, clause-49 (VII)	-.077	.280	-.636

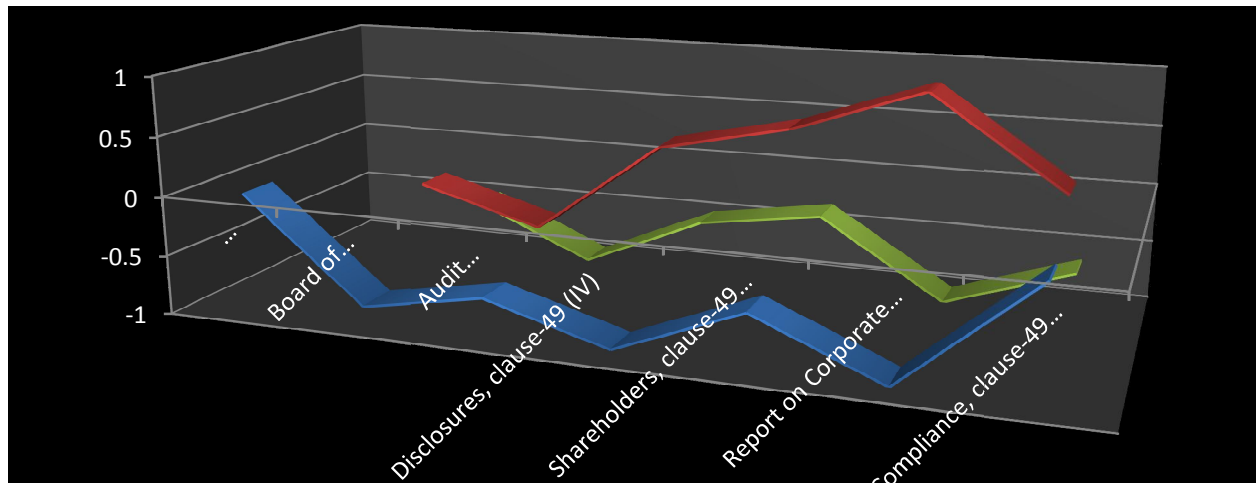


Fig. Correlation Analysis

Regression Analysis

Board of Directors, clause-49 (I)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
A (Constant)	62.000	.000		6.762E8	.000
B	-1.000	.000	-.908	-2.614E8	.000
C	-1.000	.000	-.420	-1.209E8	.000

Dependent Variable

Audit Committee, clause-49 (II)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
A (Constant)	62.000	.000			
B	-1.000	.000	-.455		
C	-1.000	.000	-.779		

Dependent Variable

Disclosures, clause-49 (IV)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
A (Constant)	62.000	.000		3.503E8	.000
B	-1.000	.000	-.751	-9.298E7	.000
C	-1.000	.000	-.439	-5.429E7	.000

Dependent Variable



Shareholders, clause-49 (IV E)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
A (Constant)	55.863	3.884		14.382	.000
B	-1.332	.544	-.731	-2.446	.044
C	-.129	.549	-.070	-.235	.821

Dependent Variable

Report on Corporate Governance, clause-49 (VI)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
A (Constant)	62.000	.000		-	-
B	-1.000	.000	-.768	-	-
C	-1.000	.000	-.245	-	-

Dependent Variable



Compliance, clause-49 (VII)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
A (Constant)	61.944	.686		90.332	.000
B	-1.042	.059	-.700	-17.717	.000
C	-1.108	.089	-.494	-12.519	.000

Dependent Variable

V. CONCLUSION

The recorded Indian Banks comprise the significant pool of capitalization and the significant portion of the Indian economy. It was appropriately thoroughly examined the organizers to present the discipline, guidelines and practices of corporate administration in Indian Banks according to RBI prerequisite. Regardless of the administrative endeavors of SEBI and RBI to teach the corporate administration in Indian Banks, yet the current review is still in the excursion towards the accomplishing quality in administration of organizations. On one track changes occur for tuning of corporate and on the other many tricks are uncovered in spite of numerous guidelines. Great corporate administration according to the posting understanding, RBI would assist with keeping up with the certainty of financial backers in Indian Banks. Consequently, not just simply by complying to the guidelines on corporate administration an organization can add to the riches and strength of the financial backers and society yet additionally by adhering to the standards of morals and self-restraint.

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