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Research Paper

Upholding Financial Stability: Exploring Corporate Governance Compliance in Banking

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Abstract
The banking system is essential for a country's growth and development, well-managed banking industry is a prerequisite for the upward trajectory of a country, and good corporate governance is necessary for safeguarding the institution's financial stability. Corporate governance's primary objectives are to maximize long-term shareholder value in a morally and legally responsible manner, safeguard the interests of other stakeholders while expanding shareholder value, and ensure fairness, respect, and dignity in all business dealings with clients, partners, investors, competitors, the government, and the general public both inside and outside the bank. This paper explores corporate governance compliance in banks, its necessity in the banking sector, the history of corporate governance in India and around the world, the best practices of corporate banking established in India, the steps taken by various banks to put these principles into practice, as well as recent developments in this area in the banking sector.
Keywords: *Indian Banking Sector, Corporate Governance, Board Gender Diversity, ESG, Basel Norms*

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I. Introduction

The term "Corporate governance" means the system of rules, practices, and processes by which a company is directed and controlled, is first time used in 1970 in the United States, and within 25 years it had become the subject of debate worldwide by academics, regulators, executives, and investors. Nowadays corporate governance is subject to paramount importance and gain utmost popularity at the global level and not only in developed countries it has received broader attention in developing nations, it gains immense popularity because recent scandals have proved that present "state-of-the-art" governance is indeed inadequate(Thi et al., 2012) . It is indisputable that corporate governance is a necessary component for ensuring the accomplishment of corporate objectives. Every sector embraces it to secure its successful survival, and in the current article, we are primarily focused on corporate governance in the Indian banking sector. One of the world's economies with the fastest pace of growth is India, which has a sound financial system, that is mainly dominated by the banking industry and an effective management system not only fosters public confidence in the institutions but also raises their credibility. The combination of good governance and effective regulatory standards makes the Indian banking system more resilient, As a result, the 2008 global financial crisis had a minimal effect on the Indian banking system and, consequently, had little impact on our financial system. The banking system is a vital component of any economy and requires upgraded corporate governance because, in contrast to other businesses, any governance issues in the bank can disrupt the entire financial system and jeopardize the general stability of the economy

1.1 Evolution of Corporate Governance in India

The emergence of corporate governance has been viewed as a solution for the problems associated with the separation of ownership and management in organizations. The Cadbury Committee's head, Sir Adrian Cadbury, defined corporate governance., "as holding the balance between economic and social goals and also between individual and communal goals"

Prior to independence, Indian organizations and corporations were mostly governed by British law and regulations. Corporate governance is beginning to gain momentum in India. When the New Economic Policy was put into place and the economy was opened up in 1991, businesses had numerous of opportunities to discover novel skills and come up with innovative approaches for managing their businesses. In response to recent events in the world and the interest sparked by the Cadbury Committee Report, the **Securities and Exchange Board of India** (SEBI), the **Associated Chambers of Commerce and Industry** (ASSOCHAM), and the **Confederation**

of Indian Industry (CII) established committees to suggest corporate governance initiatives. One of the first institutionalized initiatives in India, the CII introduced specific initiatives that focused on corporate governance in **1998**. The purpose of this initiative was to create and advance a code of corporate governance that Indian corporations, whether they operate in the public or private sectors, banks or financial institutions, or any other type of corporate entity, would embrace and adhere to.

In order to raise the standards and strengthen corporate governance, SEBI established a committee led by **Kumar Mangalam Birla**, whose report's recommendations resulted in the inclusion of **clause 49** in listing agreements in 2000. In 2002, the **Naresh Chandra Committee** was appointed to review and make recommendations concerning changes to the law pertaining to the relationships between auditors and clients and the function of independent directors.

In the year 2002, Sebi analyzed the statistics regarding the compliance of Clause 49 by listing companies and discovered that there were some loopholes associated with it. In order to make it more effective, Sebi established committee chaired by **N.R. Narayan Murthy** to review the compliance of the corporate governance code by listing companies.

With the intent of creating a more compact, integrated law that could address the changes occurring in the national and global scenario, the Indian government established an expert committee, headed by **Dr. J.J. Irani** on Company Law, with the mission of assisting the government on the suggested revisions to the Companies Act, 1956. Radical changes to Indian corporate governance were brought about by the Companies Act of 2013. It proposed an extensive revamp of corporate governance standards and aspired to have a significant impact on the way businesses operate throughout.

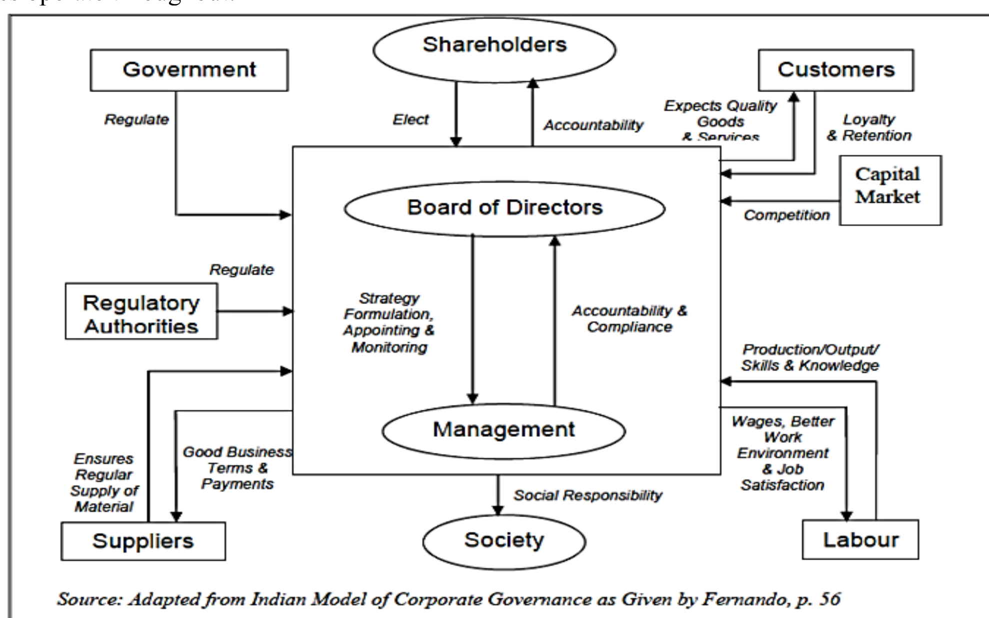

Figure I.1 *Indian Model of Corporate Governance*

II. LITERATURE REVIEW

(Kulkarni, 2023)[8] The relationship between board size, board meetings, CSR expenditures, and the financial performance of the banks was briefly explored in this paper. The study considered four banks, two of which are public sector banks (State Bank of India and Punjab National Bank) and two private sector banks (AXIS Bank and HDFC Bank). The findings indicate that there is no significant correlation between board size, board meetings, corporate social responsibility expenditure, and financial performance.

(Samantaray & Panda, 2008) Based on their annual report for the fiscal year 2006–2007, two top banks' CG practices are studied in-depth in this paper in an effort to draw comparisons. The State Bank of India (SBI) and The HDFC Bank Ltd. were the banks under investigation; the former is a significant public sector bank while the latter is a prominent private bank. A comprehensive examination of the CG practice of SBI and HDFC Bank Ltd. indicates that the CG practice of both banks are relatively excellent, while the practice of each bank in a few areas are more satisfactory than the counterpart. At the same time, there is considerable room and potential for progress for both players in numerous areas of disclosure.

(Zehra Masood, 2013) The article focuses on corporate governance in the banking industry and how it complies with best practices. The regulators may strengthen corporate governance by establishing prudential norms, and the RBI has already taken a number of actions in recent years to increase the value of good corporate governance. Although complying to prudential rules is the lowest level of compliance, banks still have a lot of

work to do in order to meet higher criteria for good governance. Corporate governance is successful when regulatory standards are minimized and voluntary rules are adopted.

(Das & Ghosh, n.d.) The research investigated Indian banking systems in India to study corporate governance in developing countries. CEOs of underperforming institutions in a sample of 27 public sector banks in India are more prone to experience high turnover than CEOs of successful ones. CEO turnover is most closely associated with performance metrics based on return on assets, but the relationship is lower for publicly traded companies.

(Pandya, 2011) The purpose of this study is to determine if corporate governance frameworks, in particular the board structure and CEO duality, have any impact on the performance of a sample of Indian banks. This study used statistical methods to investigate the impact of CEO duality and the number of independent directors on company performance as determined by the return on assets (ROA) and return on equity (ROE) utilizing samples of public and private banks operating in India. The findings indicate that there is no correlation between corporate governance systems and bank financial performance.

(Kaur, n.d.) Banks in the public and private sectors have consistently maintained the ideal ratio of independent, non-executive, and executive directors and Both banks meet the minimal requirement of having a minimum of four board meetings each fiscal year with a maximum number of executive, non-executive, and independent directors in attendance. With regard to the transparency of the committee's membership, the frequency of board meetings, the interaction with external auditors about financial reports and accounts, and other obligations, both public sector and private sector banks are satisfying these standards. In their annual reports and corporate governance reports, banks from both sectors have made information on shareholder rights, assessments of non-executive directors, and implemented whistleblower policies available.

(Zulfikar et al., 2020) The results of this study showed that a board of commissioners' size has a favorable impact; the bigger the board, the more compliant a bank is with good corporate governance procedures. In addition, it is simpler to monitor and regulate the company's management when there are more commissioners. Furthermore, independent commissioners have more authority to oversee a business, and because of their increased independence, their oversight role is more effective. Since an audit committee is responsible for supporting the board of commissioners in monitoring a corporation, its size has a beneficial impact on the degree of corporate governance compliance.

(Jude, n.d.-a) Finding the optimal strategies for long-term wealth optimization without placing excessive burdens on their parties or society at large is the task of corporate governance. The bank's board of directors protects the interests of investors and other stakeholders by maintaining fairness, accountability, and openness in all of the company's key financial and business operations. Directorial boards must stay engaged, dedicated, and focused in performing their duties in order to avoid the post-consolidation blues.

(Arun & Turner, 2004) The article has claimed that, in order to safeguard depositors, a comprehensive understanding of corporate governance is necessary due to the distinctive structure of banking organizations. A system of prudential regulation typically protects depositors in deregulated environments in developed economies, but this protection is undermined in developing economies by the absence of supervisors with the necessary training, inadequate disclosure requirements, the high cost of raising bank capital, and the existence of distributional cartels.

(Srinivasa, Chilumuri, & Com, n.d.)The investigation found that the SBI is carrying out all corporate governance requirements in accordance with the RBI/GOI directives. The largest commercial bank in the nation, State Bank of India, is deemed to have done well in all areas, including profits, assets, deposits, branches, staff, and customer services. The study discovered that the SBI routinely held several board meetings to offer effective leadership, discuss practical issues, and assess the bank's performance. It comes to light that the SBI set up transparent management processes and comprehensive documentation for policy creation, implementation, decision-making, monitoring, and reporting.

(Ajanthan, Balaputhiran, & Nimalathashan, 2013)0All corporate governance factors, with the exception of BD (board diversity) and BMF (board meeting frequency), are positively correlated with ROE in state banks as well as private banks, according to the comparative study, which is significant at the 5% level. Similarly, aside from BMF, other factors in state banks show a negative connection with ROA. Other than the variable BD, Private Banks also exhibit a similar relationship. The performance of public and private banks is moderately impacted by corporate governance.

III. Research Methodology

The current research study is descriptive in nature and is based on secondary data sources. In order to conduct a systematic review of the literature, researchers examined a broad range of research articles that have been published in journals and policy documents that are pertinent to corporate governance. Secondary data is gathered for the purpose of the current research study from a variety of financial websites, governmental reports, NITI Ayog surveys, newspapers, magazines, etc.

IV. Objectives of the Study

- To examine Corporate Governance compliance in Banking Industry.
- To review the recent developments in corporate governance practices.
- Identify the key challenges and issues faced by Indian banks in implementing effective corporate governance practices

V. Corporate Governance Compliance in Banking Industry

(Committee on Banking Supervision, 2015a) Effective corporate governance is essential to the economy's overall health as well as the well-being of the banking industry. By transferring money from savers and depositors to activities that support business and promote economic growth, banks play a significant role in the economy. Governance issues at banks that have a big impact on the financial system can spread issues throughout the banking industry and the economy as a whole.

(Zulfikar et al., 2020) Corporate governance policies and procedures must be followed in order to maintain the public's trust in modern business management structures supported by capital and money markets. Due to inadequate supervision, banks have experienced financial crises and scandals as a result of corporate governance violations.

5.1 Role of the Reserve Bank of India in Strengthening Corporate Governance in the Bank

(Padhi, Vagrecha, & Professor, 2018) The RBI has played a crucial part in defining, implementing, and promoting corporate governance standards for India's banking industry.Initially, the RBI's responsibilities included controlling currency issuance, managing foreign exchange reserves, funding five-year plans, and developing specialized institutions to encourage saving and meet the requirements of key sectors. the country's central bank and banking sector regulator. After the phase of liberalization, it also began concentrating on facilitating the effective operation of the capital and money markets, regulating interest rates, and giving banks the appropriate operational foundation for establishing different transparency and disclosure standards. The CAMELS approach (capital adequacy, asset quality, management, earnings, liquidity, and systems & control) is used by the Board of Financial Supervision (BFS) to review and supervise banks, and also guides RBI in performing essential duties. As part of its supervision and regulatory responsibilities, the RBI has authority over matters such as bank licensing, asset liquidity, branch development, and procedures of merger and liquidation, among others, enabling it to take the lead in developing and implementing efficient corporate governance mechanism for the banking sector's institutions.

In order to maintain and regulate good corporate governance, RBI adheres to three key principles: quick disclosure and transparency standards, off-site surveillance, and timely suitable remedial action are presented in Figure V.**1**.

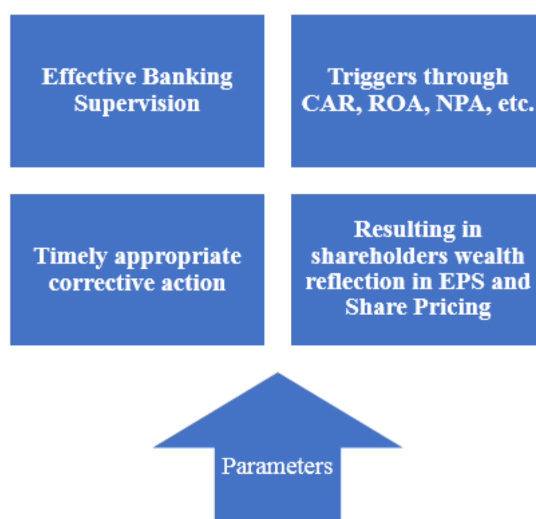

Figure V.1 *Parameters of Good Corporate Governance by RBI*

5.2 IMPORTANT COMMITTEES OF THE BOARD

The majority of the regulations are based on SEBI regulations, the New Companies Act of 2013, RBI standards, or Ministry of Corporate Affairs norms. Below are some of the key guidelines:

5.2.1 **Board Composition:** Listed banks, NBFCs, and other financial intermediaries are all governed by SEBI. It is recommended in effective corporate governance to have more independent or nonexecutive directors than executive directors. According to SEBI (LODR) Regulations 2015, At least one woman, a majority of non-executive directors (i.e., one half or more), and an optimal mix of executive and non-executive directors should all be present on a board. If the chairman of the board is a non-executive director, at least a third of the board must be independent. If the Chairman is not a normal Non-Executive Director, the board of directors must remain include at least fifty percent (50%) Independent Directors. Nevertheless, in scenarios where the regular Non-Executive Chairperson is a Promoter of the Listed Entity or is Associated to Any Promoter or Person Occupying Management Positions at the Level of the Board of Directors or at One Level Below the Board of Directors, the Board of Directors of the Listed Entity shall consist of at least 50% Independent Directors (Padhi et al., 2018).

5.2.2 **Audit Committee:** According to Section 177 of the New Companies Act 2013, each listed company must set up an audit committee with a minimum of three directors and a majority of independent directors. It signifies that the company's financial statements are accurate, complete, and reliable. Each year, the committee must convene at least four times.

5.2.3 **The Remuneration and Nomination Committee:** More than two non-executive directors should make up the committee, and at least half of them should be independent directors. The company's chairman, whether executive or non-executive, maybe a member of the committee, but they cannot become its chairman. The Remuneration Committee's primary responsibility is to determine who is competent to serve as a director based on the predetermined criteria and can be assigned to high management.

5.2.4 **Risk Management Committee:** This crucial committee assists the Board in carrying out its responsibilities for corporate governance supervision with respect to the identification, evaluation, and management of strategic, operational, and external risks.

5.2.5 Stakeholders Relationship Committee: The Stakeholders Relationship Committee, formerly referred to as the Shareholders'/ Investors' Grievance and Administrative Committee, is extremely important when it comes to approving, transferring, and transmitting shares, among other things. It also looks into the concerns and queries of the shareholders.

5.3 BASEL COMMITTEE RECOMMENDS PRINCIPLES OF CORPORATE GOVERNANCE FOR BANKS:

The Central Bank Governors of the G10 industrialized nations established the Basel Committee on Banking Supervision in 1975. It has been given the authority to act as a banking regulatory body. It has introduced the Basel Capital Accord and the New Basel Capital Accord since its creation in 2003. In an effort to encourage banks all around the globe to implement good corporate governance procedures, BIS (2015) has published recommendations on corporate governance principles for banks(Padhi et al., 2018). Figure V**.2** included 13 principles for bank corporate governance. The size, complexity, structure, economic importance, risk profile, and business model of the bank and the group (if any) to which it belongs should all be taken into consideration while implementing these principles(Committee on Banking Supervision, 2015a).

***Figure V.2** Principles for Bank's Corporate Governance*

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5.4 Basel Norms I

Basel I is the name given to a series of discussions that central bankers from all around the world participated in. In 1988, the BCBS in Basel, Switzerland, released a list of minimum capital standards for banks. The Basel Accord from 1988 comprises this matter. Basel I's main strength was simplicity, however, it received criticism for oversimplifying risk categories. Bankers stated that a wide range of 100% risk-weighted loan types with extremely varying risk characteristics were grouped together.

5.5 Basel norms II and III

Basel II is supported by three pillars: market discipline (MD), supervisory review process (SRP), and minimum capital requirements (MCR). Credit risk, operational risk, and market risk are the three concerns that are described in pillar one. Basel II is focused on determining and quantifying the credit risk, market risk, and operational risk that banks need to control.

The Basel III Accord, the third of the Accords, was created in response to the shortcomings in financial regulation that the recent financial crisis highlighted. The BCBS members agreed to a worldwide regulatory norm on banks' capital adequacy, stress testing, and market liquidity risk in 2010-11. The RBI released the final Basel III implementation instructions on May 2, 2013, with a deadline of March 31, 2018.

5.6 CORPORATE GOVERNANCE IN PUBLIC SECTOR BANKS:

The government owns a significant portion of the public banks, and this ownership may be justified by the need to address the serious informational challenges posed by the evolution of financial systems, promote development, or advance established interests. These institutions have been gradually becoming "corporative" over the past several years, and as a result, corporate governance concerns in banks will become more important in the years to come. Given the significance of the banking sector and how corporate governance benefits the Indian banking industry in terms of increasing transparency and the expansion of the banking industry as a whole(*INTERNATIONAL JOURNAL FOR INNOVATIVE RESEARCH IN MULTIDISCIPLINARY FIELD Corporate Governance Practices in Public and Private Sector Banks INTRODUCTION*, n.d.).

The Basel Committee has emphasized the need for banks to develop plans and take responsibility for both implementing and carrying them out. Public sector banks' existing legal and organizational structures do not follow the rules of good corporate governance. Red tape, inefficient bureaucracy, and a demotivated workplace atmosphere are further fuel for the fire. Healthy banking policies won't be able to change the "social responsibility" that banks have been forced to shoulder thus far, which forces them to follow the political party's line of thought of the highest importance. Corporate governance in PSBs is a significant and intricate topic. When seen through the perspective of the banking industry, corporate governance features provide directors and senior management with guidelines for regulating the activities of banks.. These regulations govern how banks set corporate objectives, execute day-to-day operations, and take stakeholder interests into account while making sure that corporate operations are consistent with public expectations that banks would conduct their business morally and lawfully and protect the interests of their depositors. (Basel Committee, 1999).

5.7 Corporate Governance in Private Sector Banks:

Although they are pushed by the market and have specialized in certain fields, private sector banks have increased the transparency of their operations.

Furthermore, they have been more tech-aware, growth-oriented, and NPA-free. Private sector banks are required to follow by good banking standards which include:

- Making sure a sufficient and transparent information flow between the customer and the bank.

Bringing into effect an effective risk management system and effectively communicating it.

- Proactive customer issue management and preparation for grievance settlement.
- Establishing procedures and mechanisms to make sure compliance with banking law.

5.8 Board Gender Diversity in Public and Private Banks

As we know that India is the first country to implement at least one women director on the Board in listed companies. India improving in this area slowly. And developed countries like France, UK, and others are also setting minimum percentages in Board participation of women. In Table 1 we can see the total number of Director and percentage of women in total Board of Director.

Public Banks	**Total No. of BOD**	**Male**	**Female**	**Representation of Women in BOD (%)**
SBI	12	11	1	8.33
BOB	11	9	2	18.19
PNB	12	10	2	16.67
Canara Bank	12	10	2	16.67
Union Bank of India	11	9	2	18.19
Indian Bank	10	8	2	20
Bank of India	11	10	1	9.09
Central Bank of India	8	7	1	12.5
Indian Overseas Bank	9	6	3	33.33
UCO Bank	8	8	0	0
Private Banks				
HDFC	12	9	3	25
ICICI	11	10	1	9.09
Axis Bank	14	12	2	14.28
Kotak Mahindra bank	12	10	2	16.67
IndusInd Bank	10	8	2	20
Yes Bank	13	10	3	23.07
Federal Bank	10	8	2	20
RBL Bank	13	11	2	15.38
J&K Bank	9	8	1	11.11
South Indian Bank	9	8	1	11.11

Table 1:Board Gender Diversity in Public and Private Banks 2022-23

To find out the present state of board gender diversity, I looked at the top 10 public and private banks by their Total Assets. Data has been collected from their Annual Reports. The chart reveals that most of them meet the basic standards, however one public bank has no female directors. Nearly equal numbers of women serve as directors in public and private banks.

VI. To review the recent developments in corporate governance practices

In the words of **Lynn S. Paine** "The new environment is characterized by an increasingly complex set of pressures and demands from various stakeholder groups, heightened expectations for societal engagement and corporate citizenship, and radical uncertainty about the future." India has been establishing necessary measures in the pertinent legislation and norms to gradually bring about significant corporate governance shifts that comply with international developments. The business environment and the manner in which organizations operated have evolved significantly as a result of the past two years' events. Our knowledge of issues with public health has expanded as a result of the COVID-19 pandemic, the global environmental situation has intensified to the point where immediate action is necessary. Corporate governance practices dramatically shift as a result of all these changes. As the consequence of the COVID 19 epidemic, there have been significant changes made to the management and governance of the corporation. Hybrid and virtual boards and shareholders' meetings constitute the only way to increase shareholder engagement and uphold social distance standards. In recent years, sustainability and governance are inextricably linked, and businesses are adopting the **triple bottom line** of sustainability, which puts **People**, the **Planet**, and **Profit** first while emphasizing on social, environmental, and economic factors.

6.1 Environmental, Social, and Governance (ESG) and Triple Bottom Line Approach:

Businesses that adopt sustainable business practices and the Triple Bottom Line commit to monitoring not just their financial success but also their social and environmental impacts. The triple bottom line provides tools to assist businesses and organizations set goals, monitoring progress, making improvements, and eventually transitioning to more sustainable business models. The evidence growing those businesses with promising environmental, social, and governance (ESG) metrics typically produce superior financial returns, which in turn will attract additional investors. Sustainable business practices will also drive better revenue. To comply with ESG guidelines, a company must essentially be transparent about the obligations it has to the environment and to the stakeholders—whether they be employees, clients, or other stakeholders—who make up the ecosystem throughout its operations.

The Indian banking system also inculcates ESG norms in its corporate governance framework, study found that high performance in all three pillars of ESG ratings reduces their non-performing loans. (Liu et al. 2023) The banking regulators are developing policies and rules that compel banks and financial institutions to incorporate ESG into their risk management framework. Sustainability has evolved into a commercial and investment driver in addition to being a moral imperative. The Reserve Bank of India (RBI) is a primary force behind the ESG shift in the Indian banking industry. The RBI provided guidelines or recommendations in its report on "Climate Risk and Sustainable Finance" for banks to evaluate and manage their ESG risks and make sure that their plans and operations are in line with ESG principles. The **Figure VI.1** depicts the average ESG score of the financial sector in India for FY 2021 was 43 and HDFC one of the largest private sector banks had the highest composite ESG score in Sector at 54 and Bajaj Finance has the lowest score. State Bank of India, the largest public sector lender manages to score lower than its private counterpart. The lack of awareness and comprehension of the relevance of ESG among banks, as well as a lack of incentives and rigorous laws to implement ESG practices, can be attributed to a number of inadequacies in ESG reporting and tracking.

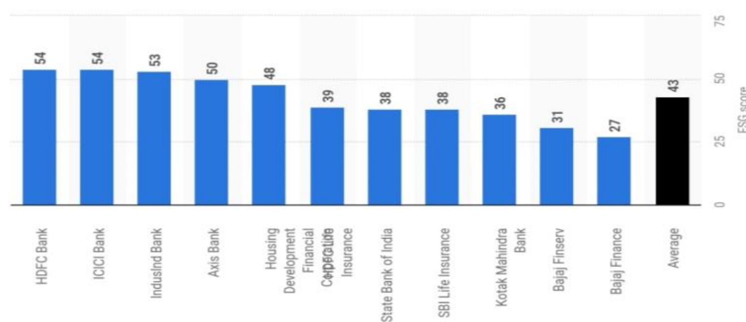

Figure VI.1 *ESG score of the financial sector in India FY 2021*
Source: Statistica

VII. Identify the key challenges and issues faced by Indian banks in implementing effective corporate governance

Since many of the strategies used to fight corruption (such as effective independent judiciaries, capital market rules, and accounting and financial standards) also work to combat corporate governance, they can make it more difficult for corruption to flourish(Jude, n.d.-b). Over the past ten years, banks have been at the center of a number of failures, which has called into question not just the effectiveness of the Reserve Bank of India (RBI), but also the laws and policies governing lenders. Public disputes between the federal government and two former RBI governors who resigned—Dr. Raghuram Rajan in June 2016 and Dr. Urjit Patel, his successor, in December 2018—have further damaged the prestige of the institution. On the other hand, after Shaktikanta Das, a senior civil service officer who has held a variety of jobs and departments, took over from Patel in December 2018, there haven't been many public disputes between the regulator and the central government(Lo & by, n.d.).

Shaktikanta Das, governor of the Reserve Bank of India, expressed worry about banks implementing too aggressive growth tactics and new techniques for "evergreening" loans, which is the process of renewing a credit that is about to fail by giving another loan to the same borrower. In his remarks to the bank board, Das raised concerns about corporate governance and noted that the RBI had become aware of certain instances of hiding the true position of stressed loans during the supervisory process (Vyas, 2023).

7.1 Issues and Challenges:

Indian Banks face Several key challenges and issues when implementing effective corporate governance. Some of these include:

7.1.1 **Board Composition and Independence:** The fundamentals of a strong board should be diversity and independence. However, it might be difficult for Indian banks to guarantee the independence and knowledge of board nominees. The choice of qualified and independent directors may be affected by problems like promoter-dominated boards and the influence of outside interests. That is why it should be ensured that the board should be diverse and independent.

7.1.2 **Related Party:** Transaction**:** In dealing with and observing related party transactions, Indian banks frequently run into difficulties. Conflicts of interest and questions regarding fairness and openness may be brought up by RPTs. Effective corporate governance requires the establishment of effective procedures to identify, monitor, and disclose RPTs.

7.1.3 **Risk Management:** Banks are exposed to a variety of risks due to the complex and dynamic environment in which the banking industry operates. These risks include credit, market, liquidity, and operational risks. Corporate governance must include the implementation of good risk management procedures and a risk-averse culture. A big difficulty is striking a balance between taking risks and reducing them while yet remaining profitable.

7.1.4 **Non-Performing Assets:** Bad loans, often known as NPAs, have been an ongoing concern in Indian banking. By providing responsible lending practices, efficient credit monitoring, and early identification and resolution of stressed assets, strong corporate governance is essential in combating the NPA issue. The key issues are to improve credit evaluation systems and put in place efficient recovery processes.

7.1.5 **Technology and Cybersecurity:** Indian banks are facing difficulties with data privacy and cybersecurity due to the growing use of technology and digital banking. For efficient corporate governance, a strong IT infrastructure, data security, and dealing with cyber risks are essential. The security and integrity of consumer data must always be upheld.

7.1.6 **Employee Governance:** For banks, ensuring good employee governance policies is essential. Effective solutions must be found for problems including ethics, conflicts of interest, and pay structures. Strong corporate governance requires fostering a climate of responsibility, fairness, and professionalism among employees.

7.1.7 **Transparency and Disclosure:** Building stakeholder trust and confidence requires transparent reporting and disclosure procedures. Giving correct and timely disclosures is difficult for Indian banks, especially when it comes to transactions involving related parties, risk exposure, and financial performance. The issues of ensuring openness and raising the calibre of financial reporting persist.

VIII. Conclusion

The value of corporate governance is at risk as a result of the dynamic Indian banking environment, which is marked by financial volatility and the adoption of innovative business strategies. The corporate governance of banks is of utmost importance in light of these changes. Enhancing investor trust, fostering competition, and eventually boosting economic growth all depend on effective corporate governance. Finding the best strategies to maximize wealth creation over the long term without placing excessive expenses on their parties or society at large is the issue of corporate governance.

In my research, we found that both public and private banks in the banking business adhere to the highest standards of corporate governance compliance. It is extremely amazing how the RBI and SEBI contribute to good corporate governance. Almost all banks, whether they are public or private, adhere to SEBI and RBI regulations. In order to ensure efficient corporate governance, RBI and SEBI play a very important role. Almost all banks, whether they are public or private, adhere to SEBI and RBI regulations. Gender diversity on boards is appropriate for both public and private banks. To boost the participation of women directors, they are adhering to regulations. The Basel Norms are a significant step in simplifying and monitoring banking activities, as can be inferred from the study. They offer a built-in ability to withstand financial turbulence and effectively manage risks. We also examine the ESG score of Financial Institutions where the public sector's SBI and the private sector's HDFC performing very well.

There are also a lot of challenges in implementing corporate governance which evolve with time and changes in the business environment. Technological and cyber security, Transparency, employee governance, and NPA are the main challenges that are the barrier to implementing effective corporate governance. Regulators, policymakers, and practitioners who are thinking about adding new necessary norms to enhance corporate governance or investor rights may find this study to be of interest.

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