

A STUDY OF CORPORATE GOVERNANCE IN SELECT BANKING SECTOR & COMPANIES

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ABSTRACT

Today concept of Corporate Governance needs a new aspect due for globalization and liberalization. Corporate Governance is a strength, a set of visible interactions between an institution's management its board, share holders and stakeholders. The elementary objective of Corporate Governance is to develop the long-term shareholder with protecting the interests of other stake holders maximizing long term shareholder value in a legal and ethical manner, safeguarding justice, courtesy, and dignity in all businesses in and outward with partners, competitors, employees, investors, customers, the government, and the society. The Indian Banking System is among the well performers in the world. In deregulated economic environment and integration of the country at these days, the banking sector in India cannot ignore the importance of corporate governance. The philosophy of corporate governance in banks is the interest of perfect business ethics and strong proficiency, that supports the advantages of all stake holders and the society. The objective of this paper is to value the corporate governance practice in banking sector and how they adhere to the corporate government practices. It more specifies the role and relationship of corporate governance in Indian Banking sector which needs to ensure good corporate governance to achieve excellence, transparency, maximization shareholders value and wealth.

Keywords: SBI & RBI, Public and Private Sectors, Corporate Governance, Banking Sector.

Introduction

Corporate Governance is a wide-ranging and its importance has been broadly reviewed in the two decades which includes development and transition in countries. Corporate Governance is related to various perspectives like accountancy, management, finance, social and environment.

Corporate Governance is to perform business in agreement with owner's or shareholders aspirations, which will be make as much as money as possible, but this framework is based on marked extension that strengthens shareholder capitalism.

The effective of corporate governance is found on legalizations in the states and other codes related to the investment environment and competition levels besides the quality of financial sector also, the internal rules procedures and responsibility distribution affect strongly o corporate governance. Corporate Governance is exclusively for board of directors in a manner that becomes a way of organizational life which is not in written rules and regulations or code of ethics. Ethics and transparency are cardinals of corporate governance.

Environmental Protection in Corporate Governance

The banking sector can play an intermediate role among economic development and environmental protection, for promoting environmentally sustainable and socially responsible investment. In recent year, sustainability business must be achieved especially in tight competition. Environment

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responsibility is the goal of the green actions which have the parallels with the principle of Good Corporate Governance. Basically, Green Banking avoids paper works and rely on online/ electronic transactions for administering. Less paperwork means fewer cutting trees. It includes in creating perception to banking businesspeople regarding ecological and social responsibility, facilitating to do environmentally affable business practice. For these and other reasons, the companies are actively engaged in green programs, many firms are taking active steps to reduce the waste, implement sustainable development measures and improve profitability by go green.

Significance of Corporate Governance in Banking

Banks are a vital factor of the economy while providing financing for commercial enterprises, basic financial services to a broad category of the population and access to payment systems. The prominence of banks to national economies is emphasized by the fact that banking is universally, a regulated sector in which banks can access government security nets. It is a key position that banks have strong corporate governance practices in the assessment of credit risks relating to lending process which will encourage the corporate sector in turn to progress their internal corporate governance standards, conditioned by the global tendency to consolidation in further capitalization.

Good governance is required for India as it must source its scare capital funds from global investors. India is not only place for investors worldwide towards their money and the country needs to be able to catch up with the desire of globalization getting to good governance. In recent years, the subject of corporate management has come to lead the way. The governance of each country and corporate is shaped by various factors like political, economic, social history, legal framework, values and ethics of the practices, managerial practices, business entities banks, corporations and financial institutions across the world are gradually relying on corporate governance is new part of common parlance but its usage has not been very reliable, as the corporate have adapted the concept in their own way, based on their value and ethics corporate governance practices in the financial sector also improve the comfort level of the statutory authorities and regulators.

Scope of the Study

The scope of the study is confined with Governance procedures followed by Indian Public Financial Institutions namely SBI, IDBI, NABARD, PNB, UBI, BOB, KMB, NHB and HDFC and other companies like Reliance Industries Limited, ONGC Limited, TCS Limited, Coal India Limited, ITC Limited, Infosys, Bharathi Airtel Limited, NTPC Limited. The motive for selection of these institutions is that they are self-incorporated organizations, and they have some Corporate Governance standards. The above institutions have been compared based on company philosophy on corporate governance, requirement and number of Directors on Board, various committees formed for efficient Corporate Governance.

Review of Literature

Ala O & Raimi,L (2011) in their study they identified the role of practice in the event of global economic meltdown and opined that effective corporate governance practice will ensure the shareholders that though such meltdown has a ripple effect on all the economies, their interest would be protected as sound regulatory and supervisory mechanism was in place.

Marshall, D.W (2014) dissected a revelation score, measure the straight forwardness level and corporate administration exposures made in yearly report of recorded open restricted organizations and distinguished that corporate administration divulgence must be made at least for open constrained organizations in rising economies.

Gayathri.S (2015) reflected in her investigation that financial division and administrative bodies are submitted towards exposures and force of investors interest for straight forwardness, it would establish the strong framework for viable Governance.

Som L (2016) uncovered in her examination that the administration is delegating its very own chiefs for micromanagement has encouraged colleague private enterprise and open division banks experience the ill effects of over top guideline with too huge an extent of their benefits being utilized to satisfy administration deficiency.

Oman C.P. (2018) has shown that there is a parallel improvement of administration in each open and private division association. In adoption comparable fundamental shrewd organization administration guidelines, the overall population and restricted area created as parallel premise on possess administration models, practices and components that suit each individual association.

Objectives of the Study

The essential objectives of the study are as follows:

- To recognize and compare the corporate governance practices in various Indian public financial institutions.
- To identify the company's philosophy on corporate governance in various financial institutions and draw out the common attributes of philosophy regarding the corporate governance.

Methodology

Secondary data was adopted for the study. The major banks and companies constituted this study. Banks namely SBI, HDFC, IDBI, SIDBI, IFCI, UBI, NABARD and Companies namely Reliance Industries, TCS, Infosys, ONGC, ITC, Bharathi Airtel were selected for this study.

Corporate Governance Practices in Banking**Company's Philosophy on Corporate Governance in Various Financial Institutions**

Company	Corporate Governance Philosophy
SBI	<ul style="list-style-type: none"> • Bank considers that proper corporate governance facilitates effective management and control of business, which allows the bank to maintain high levels of business ethics and to optimize the value for all stakeholders. • Good corporate governance is much more than fulfilling legal requirements. • Good governance facilitates effective governance and control of business, enables the bank to maintain a high standard of business ethics and optimize the value for all its stakeholders. • The objective of Corporate Governance is to protect and enhance shareholders value to protect the interest of all other stakeholders such as customers, employees, and society at large, to ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned, to ensure accountability for performance and customer service and to achieve excellence at all levels and to provide corporate leadership of highest standard for others to emulate. • Company's Governance is related with the establishment clearly documented and transparent management processes for policy development, implementing and review, decision-making, supervision, control, and reporting.
HDFC BANK LIMITED	<ul style="list-style-type: none"> • Corporate Governance is related to understand and respect the trustee's role and responsibility to shareholders and trying hard to meet their expectations. • Corporate Governance is related with shareholders creating value by best board practices, transparent disclosures, and shareholders empowering. • Corporate Governance is a valuable tool for the shareholders protection and growth of their long-term values. • Basic principles such as independence, responsibility, transparency, fair and timely disclosure, integrity, etc. serve as the means for implementing the philosophy of corporate governance in letter and spirit.
NHB	<ul style="list-style-type: none"> • The Board of Directors has been in formed under the provisions of the National Housing Bank Act,1987. Compositional of eleven directors includes four independent directors, two nominated by Reserve Bank of India, three officials from central Government and two officials of State Government. In the Board there are two directors appointed by RBI, 3 Central Govt officials and two State Government Officials.
IDBI	<ul style="list-style-type: none"> • Long term improvement of stake holders' value and providing a transparent atmosphere in business dealings. The Bank policy and practices are not in line with legal requirements but also reflects its commitment to operate in the best interest of its shareholders
ONGC Limited	<ul style="list-style-type: none"> • ONGC believes that Corporate Management is the set of process, customs, policies, rules, rules, and laws by which the companies are directed, controlled, and managed by administration in the best interest of the stakeholders. • It ensures the honesty, openness, accountability, and the integrity of the management. It is a way of life rather than just legal compulsion. • Corporate Government is to comply with ethical norms for effective control and

	<p>distribution of wealth and discharge of social responsibility for the sustainable development of all relevant stakeholders including clients, employees, and society.</p> <ul style="list-style-type: none"> • Corporate Governance is the conformity of law, rules & regulations in the true spirit and the letter. • Corporate Governance gives a clear defined standards were the performance of tasks could be measured.
TCS Limited	<ul style="list-style-type: none"> • Corporate Governance helps to serve the corporate objectives by providing a context in which stakeholders can pursue the objectives of organization in an effective way • Corporate governance implies acceptance from management of inherent rights of investors as the real owners of the organization of their own role as directors on behalf of the shareholders
Coal India Limited	<ul style="list-style-type: none"> • Corporate Governance, in order to ensure values, ethical business conduct, in a transparent manner, the revelations as per laws rules and principles.
ITC Limited	<ul style="list-style-type: none"> • Corporate Governance as the systematic process by which companies are targeted and verified to enhance their wealth -production capacity. • Since large corporations employing vast quantum of societal resources, the governance process should ensure that these resources are utilized in a manner that meets stake holders' aspirations and public expectations. • A meaningful policy on Corporate Governance should empower the executive management of the company. At the same time Governance, must establish a mechanism of control and balance to ensure that the decision-making powers in executive leadership are used with care and responsibility to meet stakeholders' aspirations and societal expectations. • Corporate-governance initiate the key pillars of governance philosophy, namely trusteeship, openness, empowerment & accountability, control, and moral corporate citizenship. ITC believes the practice of each of these creates the right business
Infosys	<ul style="list-style-type: none"> • Corporate Governance is a value-based framework for managing the company affairs in a fair and transparent manner. Corporate governance structure is to maintain accountability in all affairs and employ democratic and transparent process. • Corporate Governance is related to meet a spirit of the law and not just the letter of law. Corporate Governance standards must go beyond the law. • Corporate Governance deals with being clear and maintains a high degree of disclosure levels. • Corporate Governance is communicating externally to honest way that is about how the company runs inwardly. The management is a trustee of shareholders in the capital and not the owner.
Bharti Airtel Limited	<ul style="list-style-type: none"> • Good Corporate Governance practices marked by firm engagement and acceptance of ethical practices through organizations in all its dealing with a wide group of interested parties. • Corporate Governance exceeds the practices, set forth in the laws and is absorbed in the basic business ethics and values that needs to be respected in letter and spirit. • Good Management practices are also essential for a sustainable business model for generating long term value for all its stakeholders. • It is concerned with high level of information to be provided for the spread of corporate, financial, and operational intelligence to all stakeholders
NTPC Limited	<ul style="list-style-type: none"> • Corporate Management is a key element in improving efficiency and growth as well as improving investors' trust. • As good corporate citizens, the company should be made a commitment to sound company practices based on sensible, openness, fairness, competence, and accountability for building confidence of its different stakeholders in it thereby paving the way for long term success.

	<ul style="list-style-type: none"> • Corporate Governance can be accomplished through combining best legal and managerial practices, ethics, wealth creation management and foresight. • Corporate Governance is initiative-taking the integration of public interest in its business priorities and societal outreach.
SIDBI	<ul style="list-style-type: none"> • The bank has been the following the tenets of corporate fairness openness, and responsibility.
IFCI	<ul style="list-style-type: none"> • Corporate Governance was based on the principle of fairness, equity, transparency, accountability, and the spread of information. It believes in maintaining highest standards of Corporate Governance as a part of its legacy and constitution.
UBI	<ul style="list-style-type: none"> • UBI Corporate Governance stands for responsible and value creating management and control of the bank. It believes in high standard of ethical values, openness, and efficient approach to achieve in all fields of activities.
NABARD	<ul style="list-style-type: none"> • The board is governed by NABARD. There is a clear branching about mode of Board of Directors appointed, but does not mention about number of dependents and the independent directors. There are total of 12 Directors in the board of them are executive directors.

Findings & Suggestions

From the above-mentioned beliefs of top companies in India, the following common attributes of Corporate Governance can be identified.

- Every Financial institution and companies under study has revealed its corporate management policies and banks have disclosed the total number of board of meetings held during fiscal year.
- SBI & KMB is the leading Bank in holding Board meeting (10 Board Meetings)
- PNB and HDFC have conducted more than one Board meeting who are member of more than ten committees and chairperson of more than five committees.
- After due study from the CG report and Directors report, it is seen that IFCI, BOI and UBI also maintains the due governing norms Multiple Board Seats.
- SIDBI, NHB and NABARD do not disclose any information about multiple board seats. It is concluded that HDFC is the only financial institutions under study which reveal further positive aspects of good governance.

Suggestions

- Good management practices arise from the culture and mindset of the organization and the people managing the organization.
- Corporate Governance is a value-based framework to manage the company affairs in a fair and transparent manner. It ensures accountability, transparency, and fairness in all its transactions and meets the expectations of all shareholders. Various aspects should be properly and timely communicated to various stakeholders.
- Corporate Governance is obedience to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders including customers, employees, and society at large.
- Corporate Governance is the set of process, customs, policies, rules, regulations and laws by which companies are managed in the best interest of the stakeholders.
- Corporate Governance is related to satisfy the spirit of law and not just the letter of law. Corporate Governance standards should go beyond the law.
- Corporate Governance is to communicate externally in a truthful manner, about how the company is run internally. The reporting procedure should be accurate, timely, fair and transparent.
- Corporate Governance establishes checks and balances in delighted decision making to appropriate levels of management. It means that corporate governance should be an integral part of the decision-making process.
- Corporate Governance can be achieved by combining best legal and management practices, ethics, wealth creation management and foresight.
- Corporate Governance is a significant tool for shareholders protection and maximization of their long-term values.

Conclusion

The Corporate Governance practice in the financial sector also progresses the comfort level of the statutory authorities and regulators. The companies involve proper corporate governance framework to hold them liable for the issues that are similarly critical to the society at large. In the years to come, the Indian Financial system will grow not only in size but also in complexity as the forces of competition gain further momentum and financial markets acquire greater depth. The real success of our financial sector reforms will however depend primarily on the organizational effectiveness of the banks, including co-operative banks, for which initiatives will have to come from the banks themselves. It is added needing taking care of each country's special legal environment and cultural values. It is observed that HDFC & PNB are in the keen competition in maintaining best practices regarding CG practices. The positive aspects of HDFC CG practices includes Board Corporate Governance philosophy, requisite, and enough board members with large representation of independent directors, and disclosure, and disclosure of information relating to profile of existing directors. With elements of good corporate governance sound investment policy, appropriate internal control systems, better credit risk management, focus on newly emerging business areas like micro finance, commitment to better customer service, adequate automation and proactive policies on house keeping issues, co-operative banks will be able to grapple with these challenges and convert them into opportunities.

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