

Corporate Governance Practices in Commercial Banking Sector; A case of State Bank of India

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Abstract:

Corporate Governance (CG) is the key of corporate excellence. It extends beyond good corporate performance and financial propriety. After experiencing a crucial phase of corporate crises during 1970-1990, including financial scam in developed countries (U.S.A. and U.K., etc.) and as a wake-up response to major scandals and corporate failures, need to tighten surveillance over corporate framework and behaviour was realised. CG has also been under constant scrutiny as an issue that has gained widespread importance in Indian scenario. Its significance was realised after experiencing the Harshad Mehta stock scam in 1992, which led to various initiatives in the form of guidelines, in order to strengthen CG by ensuring transparency and responsible board structure. 'Desirable Code on Corporate Governance' initiated by CII in 1998 was one of the first initiative in this direction. Subsequently, scam in Satyam Software Services Ltd. during 2009 made a dent on prevailing statutory provisions of Companies Act, 1956 and led to fill gaps by strengthening existing Companies Act 1956. The Companies Act, 2013 and SEBI (Listing obligation disclosure requirements) Regulation, 2015, has been introduced to ensure effective governance and respond promptly to the corporate misgovernance and scandals in Indian corporate sector.

Corporate governance is an important aspect of managing the corporate form of the organizations. Of late it has assumed greater significance and researchers, practitioners and policy makers have been exploring ways in which modern corporation should be managed to meet the economic, social and legal needs of different socio-political systems. They have highlighted the issues like shareholder protection, transparency, reporting, related party transactions etc. Means through which they wish to achieve desired objectives are board structure, shareholding patterns, role of gate keepers, CEO remuneration, and external market for corporate control etc. researchers realized that the governance of bank is different as compared to other forms of corporate organizations. This paper attempts to understand this difference of corporate governance at banks and attempts made by different bodies to improve the corporate governance at banks. A special emphasis has been made to understand this issue for Indian banks. While recent high profile corporate governance failures in developed country have brought the subject to media attention. Through this research paper we have discussed about the corporate governance Practices in Commercial Banking Sector and in the last we also have discussed about the need and prerequisites for corporate governance in Indian banking system.

Keywords: Corporate Governance, Board Structure, Companies Act, 2013, Indian Banking Sector, Corporate Governance Issues, Basel Committee, Cadbury Committee, Non-Performing Assets NPA.

Introduction:

The growth of corporate sector and the dynamic economic development has introduced the concept of corporate governance (CG). CG is an essential part of day-to-day business life. Many developed countries have already been emphasizing on CG for the last few decades, while in India, Corporates have initiated the CG after 1990, especially when the Government of India introduced the major economic reforms and efficient governance structure required to compete with other market players and also to reduce risk component. CG is being seen as an integral part of the company to achieve its corporate goals and to protect it from failure. The concept of CG is linked with the internal (company management, board structure) and external (shareholders and various other stakeholders) entities of the company. It helps in ensuring efficient internal controls, good management structure, appropriate performance measures and effective succession plans.

Over the decades the term 'Corporate governance' has become one of the most common terms in development literature, business management, law, finance and economics. As Farrar (1998) noted, corporate governance is a fashionable concept but like most fashionable ideas it is remarkably imprecise as it covers a large number of distant economic, legal, philosophical, social and political phenomenon. According to the Organisation for Economic Co-operation and Development (OECD) (1999) "Corporate governance is a set of relationships between a company's board, its shareholders and other stakeholders. It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives, and monitoring performances are determined". This emphasizes the importance of CG not just for the company growth but also to maintain high

quality relation between various role-playing bodies of the company.

Corporate governance (CG), as the name signals, is an integral and indispensable constituent of the 'corporate' form of organization. Therefore, before attempting to understand corporate governance and corporate governance of banks, it is necessary to understand a corporate structure. One can understand the complex magnitude, scale, scope and difficulty for arriving at an all-encompassing definition of corporate governance, because of several contending views in the field of corporate governance, wherein some tend to be narrow and some much broader. Corporate governance therefore, reflects an interdisciplinary understanding and practice to safeguard the interests of shareholders, employees, customers, suppliers and community.

CG has also been under constant scrutiny as an issue that has gained widespread importance in Indian scenario. Its significance was realised after experiencing the Harshad Mehta stock scam during 1992. Which led to various initiatives in the form of guidelines, in order to strengthen CG by ensuring transparency and responsible Board structure. The need for corporate governance, which emerged as a response to corporate failures and widespread dissatisfaction with the way many corporate functions, has become one of the wide and deep discussions across the globe recently. It primarily hinges on complete transparency, integrity and accountability of the management. There is also an Increasingly greater focus on investor protection and public interest. Corporate governance is concerned with the values, vision and visibility. It is about the value orientation of the organization, ethical norms for its performance, the direction of development and social accomplishment of the organization and the visibility of its performance and practices.

Review Of Literature:

There have been several studies on corporate governance pertaining to the Indian market. Some of the recently completed important studies have been reviewed below.

As major creditors to the corporation and in some countries as major equity holders, banks play a role in influencing the corporate governance of firms as well (Caprio et al., 2003). Chirinko, van Ees, Garrestsen, and Sterken (1999) argued that in a situation of large creditor ship where firms rely on credit from financial institutions, bank is able to play governance role by monitoring the firm activities, demand audits, and impose penalty payments. As such, sound governance of a bank increases the likelihood that bank will exert sound governance over the firms they fund. Corporate governance mechanisms in the banking industry are largely explained by the nature of the industry itself. First, there is a conflict between claimant and shareholders of a banking firm. Crespi, Garcia- Cestona, and Salas (2003) argued that there is a conflict between the shareholders' and depositors' interest. Shareholders are disposed to take high-risk projects that maximize the shareholders wealth at the expense of the value of the deposits. Such activity will not give benefits to the depositors even if the high-risks activity succeeds. In fact, they will suffer some portion of losses should the bank fail due to excessive risk-taking. In such situation, the regulation is needed to protect the depositors' interest. Macey and O'Hara (2003) argued that a broader view of corporate governance should be adopted in the case of banking institutions that include depositors as well as shareholders. Second, banks are operated with greater opaqueness since opaqueness is one of the special attributes of banks that require different treatment of its corporate governance (Levine, 2003).

Dwivedi and Jain (2005) investigated the relationship between CG and firm performance. Governance parameters include board size, directors' shareholding, institutional and foreign shareholding, while the fragmentation in shareholding is captured by public shareholding. A simultaneous equation regression model for Tobin's Q, as a measure of firm performance, is attempted using these variables, while controlling for industry effects and other non-governance variables. The data corresponds to a panel of 340 large, listed Indian firms for the period 1997-2001 spread across 24 industry groups. Study concluded that foreign shareholding is contributing positively toward the shareholder value. The association of Indian institutional shareholders with firms' market performance was statistically insignificant. Directors' shareholding is found to have a significant negative impact on firm value. Abdullah (2006) examined the relationship among directors' remuneration, firm performance and CG in the Malaysian firms and the study showed that directors remuneration was not associated with the profitability, while the board independence and the extent of non-executive interests negatively influence the directors remuneration and also strong negative relationship was found between the return on assets and the directors remuneration.

The structural changes in the banking industry in the form of development of latest technologies, main industry consolidation, globalization, and deregulation have got the banking industry at a strategic junction. Hence, banks face a more competitive and volatile global environment than so called stereotype situation of management. The banking sector may be closely monitored by the public due to its nature of transactions and some bad precedents in the past. This sector is very sensitive as a small mistake can easily attract negative publicity. It is a part of corporate governance with most of its management

obligations enclosed in regulatory regulations. In the light of the above statement governance issues in banks, more particularly in Public Sector Banks (PSBs), assume immense significance, but unfortunately these are less discussed and deliberated upon.

Sridhar and Murugan (2015) analyzed the impact of CG on financial performance of firm in an Indian context by selecting top 25 companies from major sectors including IT, Pharma, Manufacturing and Automobile. The research analysis revealed that best CG practices ensure moderate performance to best performance in most of the companies. Vishwakarma and Alok (2015) focused through a study to ascertain the effect of CG aspects on the performance of selected IT companies in India along with their year wise performance during 2010 - 2014. They referred various independent variables including size of board of directors, number of female boards, proportion of independent directors, number of board meeting, chief executive officer duality and board committees. Finding of analysis shows that the sizes of board of directors, independent directors The concept of efficiency can be viewed from the flow of funds in the form of debt or equity to the corporations producing goods and services in the most-efficient manner with the highest rate of return. The banking institutions have in fact been positively contributing to companies' performance (Eldomiaty and Choi, 2003). In a developing economy such as India, the growth of efficient corporate governance principles in banks has been partly held back due to weak legal protection, poor disclosure prerequisites and overriding owners (Arun and Turner, 2002a). Moreover, the private banking sector is purposely opting to ignore certain corporate governance ethics as it has vested interest of some parties (Banaji and Mody, 2001).

Objectives Of the Study:

The objective of this present paper is to know the new paradigm of the corporate governance practices all over the business, to point the indices of good governance, to examine the conjectural inputs of governance in banking sector and New out looks on governance, control and highlight the various issues and challenges in Indian banking sector. To study crucial attributes of CG in Indian banking sector. To critically examine the development of CG practices in Indian banking sector.

Indian Commercial Banking Sector:

The Indian banking has around 200 years of history and has undergone many transformations since independence. As Banking system occupies an important place in a nation's economy, a banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. Earlier, banking was virtually a monopoly of the public sector banks with complete protection from the state from the exigencies. But, Liberalization, Privatization and Globalization and the rapid information technology with virtual banking are currently changing the Indian Banking fundamentally. By the process of reforms in the Indian banking system has undergone a paradigm shift to more liberal and free market forces. Now the banks, more particularly the public sector ones, in midst of global competition. The sudden shift in the banking environment has bereaved the banks of all their comforts and many of them are finding it extremely difficult to cope with the challenges of changed environment. Globally, while banking operations have been undergoing drastic metamorphosis, financial stability has come to occupy the centre-stage as one of the primary policy concerns facing central banks worldwide.

Banking System in India is dominated by nationalized banks. Prior to nationalization, banks in India with the sole exception of state bank of India were in private hands with community and trade orientation. Nationalization of 14 banks in the year 1969 and another set of 6 banks in the year 1980 reduced the importance of private sector banks and public sector banks started playing a major role in extending the horizon of banking services to the nook and corner of the country. Private Banks have been playing a crucial role in the enhancing customer-oriented products with no choice left with the public sector bank except to innovate and compete in the process.

Historical And Regulatory Evolution:

The most influential guidance on corporate governance comes from the Cadbury report. In May 1991 a committee on the “Financial Aspects of Corporate Governance” (the Cadbury Committee) was set up by the Financial Reporting Council, the London Stock Exchange and the accountancy profession, under the chairmanship of Sir Adrian Cadbury. The overall objective of the Cadbury Committee was to improve standards of corporate governance by setting out clearly the respective responsibilities of directors and boards of directors to shareholders, management, regulators, auditors, and other stakeholders.

Early Reform Committees:

Narasimham Committee (1998): Promoted professionalization and autonomy in public sector banks; separation of governance from political influence motivated board reform and recommended bank consolidation and asset reconstruction strategies

Autonomous Oversight:

Banks Board Bureau (BBB)/Financial Services Institutions Bureau (FSIB): Established in 2016 (replaced in 2022), tasked with

recommending appointments of top leadership and promoting governance reforms in PSBs

Companies Legislation & Listing Norms:

Companies Act (2013) & Amendment (2017): Enhanced definitions of related parties, streamlined penalties, and allowed more flexibility in executive compensation decisions
SEBI's Clause 49 (now LODR): Mandates independent directors, audit committees, CEO/CFO accountability, and robust disclosures.
SEBI (Listing obligation and disclosure requirements) Regulations 2015.

Management control is that critical aspect for maximizing company effectiveness, as it helps to obtain results in line with expectations through centralized coordination, hierarchical development of targets and assigning targets to basic internal organization units, controlling consistency between targets and results, interpreting any differences between targets and results, and finally, preparing appropriate reports. Indeed, management control must recast itself as corporate governance tries to fully acquire all those variables needed for company success. At the same time, governance must know how to exploit effective management control process opportunities that are part of the global internal control systems (internal control in a strict sense, internal auditing and management control) and that react in a tight relationship to cost/benefit logic.

Need For Corporate Governance In Banks:

Underlying need of corporate governance dates back to the emergence of companies. Adam Smith was the first to highlight the need of corporate governance. The separation of ownership and control in large companies with fragmented ownership, poses governance problems. Investors in public companies face the challenge of ensuring efficient utilization of their funds by managers for creation of wealth.

Corporate Governance has evolved due to this separation between ownership and management with a view to solve governance problems in joint stock companies.

Banks and development financial institutions in India, particularly DFIs, have an important role in the governance of companies where they have their nominee directors. The role of these nominee directors is to protect the interest of the institution and also as a member of the Board be responsible as any other director. However, in certain instances where irregularities have been detected, the role of nominee directors has attracted attention. However, it is felt in general that these nominee directors have a duty to act in the larger public interest. The focus on corporate governance is particularly acute in financial services and most of all, in the banking sector. The banking sector is already highly sensitized to public scrutiny and has learned to its cost the risk of attracting adverse publicity through failings in governance and stakeholder relationships. Banking is clearly a very special sub-set of corporate governance with much of its management obligations enshrined in law or regulatory codes. Governance is also a curiously two-sided issue for banks since their funding and, often, ownership of other companies makes them a significant stakeholder in their own right. Governance in banks is a considerably more complex issue than in other sectors. Banks will attempt to comply with the same codes of board governance as other companies.

The extent and scope of corporate governance is vast and spans multiple disciplines. Due to such pluralism of corporate governance, its definition varies among scholars and researchers according to the perspective that they view the subject with. Corporate governance can be generally defined as the system by which companies are directed and controlled. One of the

earliest Definition of Corporate Governance is given by Cadbury Committee.

Reserve Bank of India and Corporate Governance in The Commercial Banking Sector In India:

In India, the Reserve Bank of India (—RBI) is the gatekeeper of Corporate Governance. RBI is the central bank of India which regulates all the major issues related to currency, foreign exchange reserves etc. In short, RBI is the bank responsible for securing the monetary stability in India.

The preamble of the Reserve Bank of India Act, 1934 says, —An Act to constitute a Reserve Bank of India. Whereas it is expedient to constitute a Reserve Bank for India to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; And whereas in the present dis-organization of the monetary systems of the world it is not possible to determine what will be suitable as a permanent basis for the Indian monetary system; But whereas it is expedient to make temporary provision on the basis of the existing monetary system, and to leave the question of the monetary standard best suited to India to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures.

RBI in India plays leading role in formulating and implementing corporate governance. The corporate governance mechanism as followed by Reserve Bank of India is based on three categories for governing the banks. They are:

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

There is no one who could deny the fact banks are pivotal to the economic stability of any economy. In case a bank crashes then it does not crash alone, it also takes away the lifelong investment and savings of its entire account holders too. This is not the only reason due to which corporate governance in the banking sector is needed. Corporate Governance is also needed for the bank to keep a check on money laundering, financing immoral and criminal acts and transaction of money to the terrorists. In recent years, standard-setting bodies such as the Basel Committee for Banking Supervision (BCBS), Financial Stability Board (FSB) and European Banking Authority (EBA) have taken significant efforts to address the weak corporate governance practices of banks. Some of the key standards and guidelines can be found on the links below:

- Corporate Governance Principles for Banks (BCBS, 2015),
- External Audits of Banks (BCBS, 2014),
- The Internal Audit Function in Banks (BCBS, 2013),
- Compliance and the Compliance Function in Banks (BCBS, 2005),
- Principles for an Effective Risk Appetite Framework (FSB, 2013),
- Guidance on Supervisory Interaction with Financial Institutions on Risk Culture: A Framework for Assessing Risk Culture (FSB, 2014)
- Principles for Sound Compensation Practices (FSB/FSF, 2009),
- Guidelines on Internal Governance under Directive 2013/36/EU (EBA, 2017),
- Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU (EBA and ESMA 2017),

- Guidelines on sound remuneration policies (EBA, 2015)

Issues Of Corporate Governance In Banking Sector:

The significance of Corporate Governance is to make sure the deliverables as promised to the stake holders of the business and commitment of the management of the organisation. It is evident through its transparency and value system they adopt over a period of time in maximising its value addition to the business. It ensures all the stakeholders in a bonding process, which is economic, and at the same time social. Corporate governance initiative for banks becomes imperative for the following issues:

The linkages of the in financial institution and its stake holders for consistent source of funding and payment to all types of transactions.

The transition of private sector banks into government through nationalization process has led to the consolidation of banking sector in India. But the financial inclusion of foreign banks and other private financial institutions. The Resurgence of banks in the capital markets and followed by the rapid changes in the ownership of banks necessitate changes in the reporting and governance standards poses a challenge in corporate governance practices.

Consumer protection weakens: Institutions like the Banking Codes and Standards Board (BCSBI) have been dissolved. Implementation lag: Despite regulations, board activities—especially in PSBs—often remain management-driven, diluting oversight effectiveness.

The influence of monetary sectors on Banks is highly leveraged entities and their success/failures would have impact on the monetary sectors of the economy.

The expectations on the emerging corporate governance guidelines for banks would

play vital role in fulfilling broader expectation of the society. The control of RBI over the functioning of the banks for its governance and control would continue the central monetary regulator in the economy though more independence and would be given in the Prime Lending Rate (PLR), operational areas and diversification opportunities available to the individual banks.

Finally, the potential negative externalities of bank failures are very damaging for the economy and for society, as was demonstrated vividly by the global financial crisis. In this respect, it is now acknowledged that corporate governance of banks should be addressed with specific recommendations, focusing on —internal governance, strategic and oversight responsibilities of the board and risk management rather than on protection of minority shareholders. Realizing this need Basel Committee on Banking Supervision provided thirteen Principles for Corporate Governance in Banks in 2015. These principles are comprehensive and provide good guidance for corporate governance in banks.

A Case Study Of State Bank Of India And Interpretation:

The Importance of NPA in Evaluating Corporate Governance in Banks Non-Performing Assets (NPAs) are a critical indicator of a bank's asset quality and financial health. When loans or advances stop generating income for a bank—typically due to non-repayment beyond a specified period—they are classified as NPAs. High levels of NPAs can reflect not only poor credit risk management but also deeper issues within the bank's governance framework. In summary, NPAs are more than just a financial metric—they are a reflection of the bank's governance culture. Evaluating NPAs provides key insights into how responsibly a bank is being

managed and whether its governance structures are robust enough to protect against systemic and operational risks.

The smooth functioning of the banking sector ensures a good and a healthy economy. Indian banking sector have been facing the problem of NPA since a long time. It is detrimental to the prospects of a better future, as the vicious circle of bad loans will always grip the banks and will keep it from proper functioning. Bearing this in mind, RBI along with different banks has brought forward various measures to deal with and tackle the problem of NPA. Hence, NPAs have shown a constant decline since the last few years. This has also positively impacted the profitability of the banks. From the year 2014, according to RBI guidelines, Classification of special mention accounts was introduced for early identification of accounts that are potential to become NPA.

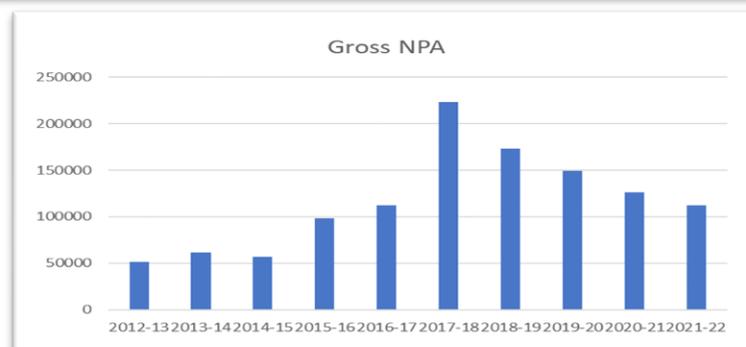
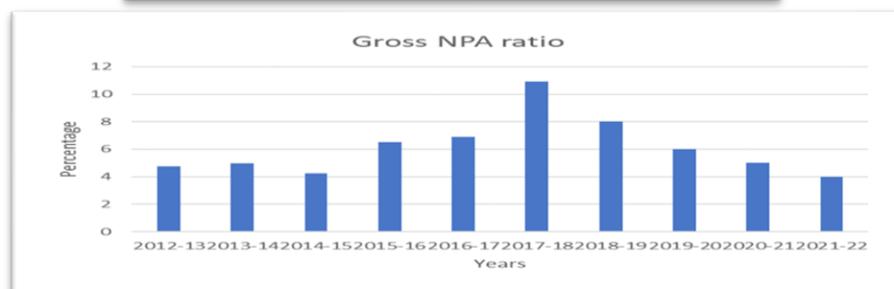
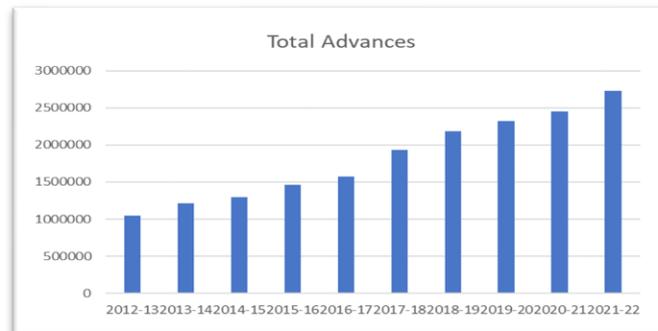
Table: 1
Years, Total Advances, Gross NPA, Gross NPA
Ratio of State Bank of India

FINANCIAL YEARS	Total Advances (Crores)	Gross NPA (Crores)	Gross NPA Ratio
2012-13	1045617	51189	4.75
2013-14	1209829	61605	4.95
2014-15	1300026	56725	4.25
2015-16	1463700	98173	6.5
2016-17	1571078	112343	6.9
2017-18	1934880	223427.46	10.91
2018-19	2185877	172753.6	8
2019-20	2325290	149091.85	6
2020-21	2449497.79	126389	5
2021-22	2733966.59	112023	4

Source: sbi.co.in

Here. In this chart, an upward trend of Advances has been noticed. Every year, advances are increasing, on an average of the maximum being in the year 2022 and the minimum being in

the year 2012. Increasing Advances is a sign of an increase in economic activities.



Gross NPA is maximum in the year 2017-18. It is increasing from the year 2014-15 till 2017-18 but from the year 2018-19 is showing a downward trend and is at the lowest in the year 2022. Decreasing NPA is a sign of good management of stressed assets.

Trend Analysis of Net NPAs Ratio of SBI Bank from 2020-21 to 2024-25

Table 2: Trend Analysis of Net NPAs Ratio

Year	Net NPAs Ratio	Trend (%)
2020-21	1.5	100
2021-22	1.02	68
2022-23	0.67	44.67
2023-24	0.57	38
2024-25	0.47	31.33

(Source: Compiled from the Annual Reports of SBI Bank)

The primary observations from the table indicate that the most significant decline occurred between 2020-21 and 2021-22, with a 32% reduction, likely attributable to post-pandemic recovery measures and aggressive resolution of non-performing assets (NPAs). A continued strong performance was observed from 2021-22 to 2022-23, with an additional 23.33% reduction. A moderate decline is noted for 2023-24 and 2024-25, with consistent annual reductions of 6.67%, suggesting an approach towards optimal NPA levels where further reductions may become challenging. Over five years, the cumulative reduction in the Net NPAs Ratio is evident, with a decline from 1.5% to 0.47% in absolute terms (a decrease of 1.03 percentage points) and a 68.67% reduction in relative terms from the base year. The Net NPAs ratio has demonstrated a steady decline from 1.5% in 2020-21 to 0.47% in 2024-25, reflecting improved credit risk management, enhanced recovery mechanisms, potential write-offs of bad loans, and strengthened regulatory oversight. However, challenges remain for the banking sector, including the sustainability of the pace of reduction, potential impacts of economic fluctuations, and the need for innovative recovery mechanisms.

Challenge Of Corporate Governance In Indian Banks:

The challenges of corporate governance in Indian banks are as given bellow:

1. **Product innovation:** Rapid changes in technology are leading to the introduction of hitherto unimaginable product and process innovation. Complex and versatile financial derivatives such as swaps. Options, caps collars etc. have thrown tough challenge to the bankers and supervisors. They often lack the technical expertise and have sophistication to properly comprehend the

typical character of the instruments, let alone assessing the underlying risks.

2. **Market integration:** Liberalization has necessitated of the instruments of barriers between money, capital and forex market paving the way for closer market integration. Fusion of different market segments to the other imposing additional strain on the regulations.
3. **Globalizations:** With globalization no country can claim to be immune from cross boarder developments. For example, the south East Asian currency crisis had its repercussions in the Indian forex market too. The aftermath of September 11, 2001 events in the US continues to haunt the global economic outlook including India. Another aspect of globalization is that a significant proportion of a global bank's business is carried on outside to broader of the home country. This makes them vulnerable to committee in that direction problems of standardization of the supervisory responsibilities and harmonization of the national accounting standards still persist.
4. **Technology:** Of all the issue the industries face in the year ahead a stand far from the rest, how to deal with technology. Technology has become the key driver of banking business and it's redefined its boundaries. At the same time widespread use of computer and Internet technology has increased the risk of technology related frauds and malpractice. Current trend of transition from distributed to core banking will pose additional challenge.

Recommendations And Recent Developments:

RBI continues advocating for governance reforms and stronger cybersecurity across banks. A recent fine imposed on a cooperative bank for lending violations underscores ongoing

compliance challenges. Floating discussions on easing foreign ownership limits may influence governance dynamics in the banking sector. RBI is also exploring governance frameworks surrounding AI integration in financial institutions.

- *Empower Boards:* Support independent chairpersons, robust induction, and continuous education for independent directors.
- *Strengthen Governance in PSBs:* Align PSB governance structures more closely with private sector models and grant RBI stronger oversight capacity.
- *Enhance Risk Oversight:* Broaden Audit and Risk Committees' powers and ensure better NPA and internal audit responsiveness.
- *Boost Disclosure & Transparency:* Adopt more comprehensive governance reporting (e.g., risk exposure, related-party dealings, remuneration disclosures).
- *Embed Ethical Conduct:* Formalize whistleblower mechanisms, address mis-selling, and reinforce customer-centric codes.
- *Leverage Technology Mindfully:* Tailor AI governance frameworks with risk audits, ethical principles, and audit trails in mind.

This paper suggests that bank regulation should seek to balance the interests of shareholders with creditors, depositors, and other stakeholder interests in order to achieve the overall objective of financial stability. Following are the major issues to be addressed for greater transparency and effective function of corporate governance in banking sector.

Conclusion:

The special nature of banking institutions necessitates a broad view of corporate governance where regulation of banking activities is required to protect depositors. Corporate governance in the banking sector is not just a formality but a dire

need of society. In almost every country in the world, there is a watchdog like RBI which monitors all the transactions and activities undertaken by the banks and regulate the business of the bank by making them submit regular reports related to the business undertaken by them. It would be too extreme to describe financial regulation as a substitute for corporate governance practices—it would be more accurate to describe its role as reducing the collective action problem by ensuring that the broader standards and objectives of financial regulation are adhered to for the good of the broader economy and for most of the various stakeholder interests.

The excellence in terms of customer satisfaction, in terms of return, in terms of product and service, in terms of return, in terms of product and service, in terms of returns to promoters and in terms of social responsibilities towards society and people cannot be achieved without practicing good corporate governance. Corporate governance in India's commercial banking has matured through committee recommendations, regulatory actions, and empirical validations. However, challenges—especially in enforcement, board autonomy, and PSB oversight—remain. By strengthening independent governance, digital integrity, and accountability, Indian banks can better support financial stability and stakeholder trust.

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