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https://de.slideshare.net/Dharmikpatel7992/corporate-goverance

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WELINGKAR INSTITUTE OF MANAGEMENT DEVELOPMENT & RESEARCH

GENERAL MANAGEMENT PROJECT

ON

CORPORATE GOVERNANCE IN THE BANKING SECTOR

BY

BAHETI RUTIKA SHYAMSUNDER

MMS 2018 – 20 (FINANCE SPECIALISATION)

ROLL NO: 57

PROJECT FACULTY GUIDE

PROF. BIJOY BHATTACHARYYA

PROJECT COMPLETION CERTIFICATE

This is to certify that this project titled: **Corporate Governance in the Banking sector** is successfully done by Mr. / **Ms. Rutika Baheti** during the fourth semester in partial fulfillment of the Master's Degree in Management Studies recognized by the University of Mumbai through **S.P. Mandali's Prin. L. N. Welingkar Institute of Management Development & Research, Matunga, Mumbai.**

This project in general is done under my guidance.

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Signature of Faculty Guide

Name: **Prof. Bijoy Bhattacharyya**

Date: ________________________

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1) INTRODUCTION

Banking is the vital part of a country. It is essential for the credit flow and for preserving the economy's financial balances. Since the nationalization process in India, banks emerged as economic development tool along with social justice. The sector started to give priority to social banking. The liberalization policy, introduced in 1991, created a competitive environment among banks. The introduction of new banks from the private sector made existing banks more conscious of the efficiency.

Banking then became complex and it was understood to give more importance to qualitative standards like risk management and internal controls, board composition and functionand transparency to remain in competition. The entry of new banks in the private sector, the free access to the capital market for public sector banks and a series of scams forced banks to pay more attention towards corporate governance.

In India, it was only in 1998, when insufficient and inefficient management was established as one of the main bank performance related problems. In 2000 the Banking Supervision Advisory Group recommended that all banks adopt a certain minimum level of corporate governance.A Corporate Governance Advisory Group was established in 2001 which accelerated the reforms to make these institutions boards more professional and truly autonomous.

According to the OECD, the corporate governance framework defines the allocation of rights and obligations among different stakeholders in the company, such as the board, managers, shareholders and other stakeholders. Corporate governance is solely the responsibility of the board of directors and not simply written laws or regulations or ethics codes. Ethics and accountability are Corporate Governance cardinals.

Corporate governance is a key element in increasing investor trust, fostering competition, and eventually improving economic development. It is the collection of procedures, practices, regulations, laws, and structures that influence the way a business is managed, operated, or regulated.

The Security Exchange Board has defined the number of mandatory and non-compulsory requirements for companies to decide on corporate governance under clause 49 of the listing agreement. This provision is an important and comprehensive addition to the Listing Agreement, which was implemented in 2000 in all listed firms with the goal of enhancing corporate governance, following the recommendations of the Committee headed by Kumar Mangalam Birla on CG legalized in 1999 by SEBI.

These criteria apply to the Board, its committees, meetings of the Board / Committee, accountability and transparency etc. In addition, Clause 49 requires that all the entities listed file a comprehensive report on the corporate governance disclosure practices they have followed.

This report discusses about corporate governance in banks and its importance. Also the study shows corporate governance issue faced by YES bank and the measures taken by Reserve Bank of India.

1.1) OBJECTIVES OF STUDY

1. To study about corporate governance in Public Banks and Private Banks in India.
2. To identify the function of corporate governance in the Indian Banking sector.
3. To study YES bank corporate governance issues.

1.2) RESEARCH DESIGN

This report is based on secondary sources about corporate governance. The data has been collected through various journals, newspapers, research papers, books and websites.

2) LITERATURE REVIEW

“Role of Corporate Governance in Indian Banking Sector”, Puneet Kaur, 2017 [1]. This paper covers corporate governance as an internal mechanism in banks, its need in the banking sector, best practices of corporate banking incorporated in India, the evolution of corporate governance in the world and steps taken by different banks to enforce them and recent developments in the banking sector in this region.

“Corporate Governance in Indian Banking Sector”, Dr Rana Zehra Masood, 2013 [2].This paper discuss about corporate governance in banking sector and how bank stick to corporate governance principles. It further discusses about the function of corporate governance in banking sector. As a result, both public and private sector banks stick to compulsory corporate governance standards, bringing greater transparency and reducing incentives for fraud and malpractice.

“Corporate Governance in Banking Sector: A Case study of State Bank of India”, Dr. Srinivasa Rao Chilumuri, 2013 [3].This paper discusses the practice of corporate governance in the State Bank of India. This research paper is divided into two sections, for evaluation purposes. The study was analyzed with the analysis of secondary data and focused on different elements of the corporate governance standard assessed at the State Bank of India.

3) CORPORATE GOVERNANCE

“Governance means the processes by which decisions are implemented. Good governance is one which is responsive, equitable and inclusive, accountable, transparent, effective and efficient, and participatory”.

When we look at the society in which we live, we would see that if there were no laws governing people’s behavior, providing the rights and restrictions then society could break down and lead to chaos and anarchy. Because there would be no rules, there would be no infringements and fines too. Because of these reasons, there is a need for governance in community as a whole, which is exercised mainly by government and for these reasons there are watchdogs that also control the governance of companies and financial institutions.

The corporate governance term originated in the late 1980’s after many businesses failed in the UK because of inefficient of functional power. This led to the establishment of “Cadbury Committee” by the London Stock Exchange in 1991 on corporate governance.

3.1) KEY CONSTITUENTS OF CORPORATE GOVERNANCE

Corporate governance leads to business productivity, allowing them to compete sustainable way. Corporate governance plays a major role in preserving the organization’s reputation and controlling the company’s risk. This is a vital mechanism that directs, tracks, and regulates the activities of the organization. The three important parts of corporate governance are:

1) Board of Directors
2) Shareholders and
3) The Management.

The **Board of Directors** performs an important role in the corporate governance system. The Board is accountable to shareholders and directs the management and controls it. It drives the company, sets its strategic priorities and financial targets, and monitors its execution, maintains appropriate internal controls, and regularly reports to all stakeholders in a consistent manner on the company’s operations and progress.

The responsibility of the **shareholders** is to keep the board accountable for the proper management of the company by enabling the board to provide them regularly with the required information in a legal manner regarding the company's activities and progress.

The role of the **management** is to undertake the management of the organization in terms of the direction given by the board, to set up adequate control systems and to ensure their activity and to provide the board with information in a timely and transparent manner to allow the board to track the management’s accountability to it.

3.2) EVOLUTION OF CORPORATE GOVERNANCE

Several major corporate governance reforms have been under way in India since the mid-1990s. First was in 1998 by the Confederation of Indian Industry which established the first voluntary corporate governance code. Second was the SEBI, which has now been incorporated in clause 49 of the listing agreement. Third was the Naresh Chandra Committee (2002). Fourth was again by SEBI- the Narayana Murthy Committeein 2002 only. Based on some of the committee’s recommendation, SEBI amended Clause 49 of the listing agreement in 2003.Subsequently, in December 2003, SEBI removed the revised Clause 49 and now the original Clause 49 is in effect.

Those are shown as follows:

1. The CII Code:

CII set up a committee to investigate corporate governance concerns more than a year before the outbreak of the Asian crisis and propose a voluntary code of best practices. The committee was driven by the belief that good corporate governance was necessary for Indian firms to access domestic and global capital at competitive rates. The first draft of the code was implemented in 1997 and in April 1998 the final document (Desirable Corporate Governance: A Manual) was published publicly.

The code was voluntary, includes comprehensive guidelines and focuses on the companies listed. All listed companies will include data of share prices on high and low monthly averages in a stock exchange where the company is listed; more information on business divisions, up to 10 percent of turnover, business assessment, sales revenue shares, market outlook and future prospects. Major Indian stock exchanges will insist slowly on a certificate of compliance with corporate governance, signed by the CEO and the CFO. When any organization goes to more than one credit rating agency, then it must report the rating of all the agencies that have done such an exercise in the prospectus and issue the report. This must be given in a tabular format showing where the organization is in relation to the higher and lower rankings.

2. Clause 49 and Kumar Mangalam Birla board report:

Although the CII code was well received and adopted by some progressive companies, it was felt that a standardized code would be relevant, rather than a voluntary code under Indian conditions. Consequently, SEBI launched the second largest corporate governance program in the country.

It set up a committee under Kumar Mangalam Birla in early 1999 to support and raise standards of good corporate governance. The SEBI had adopted and approved core recommendations from this committee in early 2000, and these were incorporated into Clause 49 of the Listing Agreement. The committee established as shareholders, board of directors and management are the three main constituents of corporate governance. In addition, the committee defined three major issues for all shareholders namely transparency, accountability and welfare equality.

3. Naresh Chandra Committee Report:

The Naresh Chandra board was established in 2002 to examine various corporate governance issuesby the Department of Company Affairs. It made recommendations in two aspects of Corporate Governance- financial, non-financial disclosures, board oversight of management and independent auditing.

4. Narayana Murthy Committee Report:

In India, the fourth initiative was from the Narayana Murthy board. The committee was established by SEBI, chaired by Mr Narayana Murthy, to study Clause 49 and recommend steps to improve standards of corporate governance. Some of the key recommendations of the committee were related to auditreports, audit committees, party transactions, independent directors, risk management, codes of conduct, directorships and director compensation and financial statements.

5. Confederation of Indian Industry Taskforce:

Experience teaches us that even the highest practices can’t prevent large corporate wrongdoing from occurring. That has been true in the United States-Enron, WorldCom, Tyco and more recently, massive mis-selling of collateralized debt obligations in the United Kingdom, Italy, France, Japan and many other OECD countries. Another indication of a huge fraud is the Satyam scandal which has shaken India since 16 December 2008.

6. Corporate Governance voluntary guidelines 2009:

More recently, the Ministry of Corporate Affairs released a new set of Corporate Governance Voluntary Guidelines 2009, aimed at encouraging companies to follow best practices in the management of boards and committees, appointing external auditors and establishing a whistle blowing mechanism.The guidelines are divided into six parts:

1. Board of Directors
2. Secretarial Audit
3. Audit Committee
4. Auditors
5. Responsibility of Board
6. Whistle Blowing mechanism.

3.3) IMPORTANCE OF CORPORATE GOVERNANCE

Organizations with better governance practices generate larger profits, larger dividend yields and bigger returns on equity. Importantly, in such soft areas as employee engagement, work culture, corporate value system and corporate identity strong corporate governance also exists. The collapse of high-profile corporations like Enron, BCCI etc., a strong example of the harm that bad corporate governance would cause.

We have examples of poor governance in the banking sector as well as fraud in wealth management schemes which remind us that we need to work hard to achieve best practices in all areas of corporate governance.

Key Components of Good Corporate Governance

Good governance is the ultimate measure of personal beliefs and values that form the Board’s organizational beliefs, values and behavior. The Board is responsible for ensuring that its stakeholders value development. Without clarification on the Board’s assigned position & powers, it weakens the accountability mechanism which subsequently threatens the achievement of company’s goals. The key prerequisite for good governance is therefore consistency on the part of defining the rights, duties, positions and accountability of top position holders, including the Board, Chairman and CEO.

Elements of good corporate governance are:

- The setting up of a well-structured audit committee is required to liaise with management, statutory and internal auditors. Essential is to review the suitability of internal control and compliance with relevant policies and procedures, reporting on key issues to the Board.
- Transparency for stakeholders with aim of serving stakeholders at regular intervals through clear and consistent communication processes.
- Comprehensive description of organizational priorities as part of a long-term strategic strategy including an integrated business plan and realistic and measurable performance objectives.

- Another aspect is an efficient whistle blower policy whereby staff may report any alleged fraud, unethical activity or infringement of company code of conduct to the top management. Adequate protection measures should be in place for these employees.
- Emphasis on a balanced management climate that includes an effective ethical structure, clear priorities, correct procedures, clear transparency and accountability policies, sound business planning.
- Risk identification and mitigation is an essential aspect of organizational management and governance and should be taken into account properly as remedial steps. This can be settled well by formulating a system for regular internal and external risk assessments.
- Accountability and independence in the operation of the Board, where the Board can provide effective leadership for all stakeholders in achieving sustainable prosperity, which can be accomplished by independent judgment in achieving the company's objectives.

4) CORPORATE GOVERNANCE IN BANKS

In this age of globalization and liberalization, corporate governance has become very necessary for the banks to succeed and stay in competition. Banks are organizations who manage other people’s money.

In banking, the Corporate Governance conducts banking sector’s matters in such a way that all stakeholders i.e. shareholders, bank clients, regulatory authorities, society at large etc. are given a fair deal. The importance of corporate governance in the banking sector is significantly weighed by the very existence of banking transactions.

According to the Basel Committee Report 1999, banks must demonstrate the exemplary practices of corporate governance in their financial reporting, clarity in the balance sheets and compliance with other requirements set out in section 49 of the rules on corporate governance. Most notably, their annual report should document financial ratios, linked to operating income, asset return, advances, business per employee, NPAs, borrowings, investments and deposits. Similarly, bank audit reports will illustrate such documents that adhere to corporate governance standards.

Consequently, auditors should have the full knowledge of all the features of the new guidelines released by Reserve Bank of India and ensure that the financial statements are presented in a fraud-free manner and should represent the practice of corporate governance. Apart from the importance of the auditor to properly incorporate these criteria in the audit report, appropriate internal control mechanisms should be in place in the operating activities of banks.

4.1) NEED FOR CORPORATE GOVERNANCES IN BANK

There are specific parameters, relating to the essential need for corporate governance in banking. There can be no doubt that the banking sector plays a significant part in handling the funds and their movement. Banks have access to the stock market to maintain the statutory necessity to have a good capital adequacy ratio. By this way they do have open-ended stock market participants as well as major shareholders. Investors assume that a good-governance bank would provide them with a secure place to invest and therefore have better returns. Effective corporate governance is also an important consideration for retaining current investors and bringing in new investors.

Another factor of greater accountability & fairness encourages its investors, clients, workers and vendors to maintain a long-term engagement with the bank. Key corporate governance activities, such as the evaluation of credit risks associated with the lending process, promote the corporate sector.

Another dimension of corporate governance in banking is affected by the fact that boards of directors and senior management oversee the company and affairs of individual banks and any disparity within the successful corporate governance system will result in corporate failure at any time.

From above, the need of corporate governance in banking sector is essentially required in order:

1) To create a competent, accountable and efficient board of directors and its composition
2) To provide an appropriate and operational audit committee, a compensation committee and corporate governance committee;
3) To create corporate governance protocols in order to improve shareholder's value
4) To create a corporate code of ethics
5) To disclose the information in a transparent manner.

Corporate Governance Principles for Banks:

In 1975 Central Bank Governors of the G10 developed nations set up the Basel Committee on Banking Supervision. This is appointed as the supervisory body for the banking sector. BIS (2015) have drawn up guidelines on corporate governance standards for banks to facilitate the adoption of sound corporate governance practices by banks around the world.

There are 13 **principles of corporate governance** [4] for banks. They are:

1) Board's overall responsibilities
2) Board qualifications and composition
3) Board's own structure and practices
4) Senior management
5) Governance of group structures
6) Risk management function
7) Risk identification, monitoring and controlling
8) Risk communication
9) Compliance
10) Internal audit
11) Compensation
12) Disclosure and transparency
13) The role of supervisors

5) RESERVE BANK OF INDIA AND CORPORATE GOVERNANCE IN THE BANKING SECTOR IN INDIA

The Reserve Bank of India is the gatekeeper of Corporate Governance in India. RBI is India’s central bank that controls all the major currency, foreign exchange reserves and so on issues. In short, RBI is the bank in charge of maintaining monetary stability in India.

No one should ignore the fact that the banks are vital to any economy’s economic stability. If a bank fails then it doesn’t crash alone, it also takes away all of its account holders lifetime investment and savings too. This isn’t the only reason why corporate governance is needed in the banking sector. The bank also requires corporate governance to keep a check on money laundering, funding unethical and illegal activities, and money movement to the terrorists. The new act of RBI in the Indian economy is demonetization, by means of which it hits people who hoard black money or people who print fake currencies very hard. It's a totally different issue though because this should have been handled in a more professional manner, raising people's problems.

RBI plays a leading role in shaping and enforcing corporate governance in India. Reserve Bank of India's corporate governance system as follows is based on three criteria for regulating the banks. They are- Disclosure and transparency, Off-site surveillance, and Prompt Corrective Action.

1. Disclosure and transparency: The most crucial component in corporate governance is disclosure and transparency. If the banks do not report their transactions to the RBI, they may operate according to their wishes and preferences and can disappear with the people’s long-term investments and savings**.** The RBI by daily reporting provisions of the bank's financial transactions keeps a check on the banks 'operations in India. Any failure to comply with RBI's requirements could result in heavy fines being levied along with the cancellation of the license to operate as a bank.

2. Off-site surveillance: RBI regularly performs an annual on-site review of bank records, but to facilitate RBI banking governance in 1995, the off-site surveillance feature for banks domestic operations was implemented in 1995**.** Off-site surveillance primarily focuses on tracking the financial stability of banks between two on-site inspections, finding banks that display financial distress which may be a source of compliance issues. Off-site monitoring allows RBI to take prompt remedial measures before things get out of control.

3. **Prompt Corrective Action:** RBI has set trigger points based on CRAR, ROA and NPA while fostering corporate governance in banks in India. The banks have to implement structured action plan often called compulsory action plan based on trigger points set by RBI. RBI also has discretionary action plans in addition to the compulsory action plan.

6) CORPORATE GOVERNANCE IN PUBLIC SECTOR BANKS

Given the powerful wave of liberalization, privatization and globalization and the entry of private and international banks into the market, a large chunk of Indian banking sectors remains under the control of public sector banks. The Basel Committee emphasized the need for banks to set plans and to be accountable for and execute them.

Corporate governance in PSBs is significant, not only because PSBs control the banking industry, but also because, while they may be changed, they are unlikely to leave the banking sector. PSBs cannot be expected to blindly emulate the governance of private corporate banks while general principles are equally true. Complications occur where there is a human decency of ownership confusion and a transitional trend is regarded as public ownership. The expectation or risk of ownership change often has some effect on governance, as anticipated transition is not merely owner but owner's very existence.

Mixed ownership where government controls interest is an institutional framework that raises issues of substantial difference between one group of owners looking for business return and another looking for something greater and special to justify ownership. Furthermore, the standards, the credibility risks and the implied authority, even if not exercised, regarding the part-ownership of government in the management of these PSBs should be acknowledged.

In short, the issue of corporate governance in PSBs is significant and complex as well. From the perspective of the banking industry, the principles of corporate governance provide the directors and top-level executives with guidelines for regulating banks business. These guidelines relate to how banks set corporate targets, conduct their routine operations, and take stakeholder interests into account to ensure that corporate operations are in line with public expectations that banks should operate in an ethical and legal manner, thus protecting their depositors' interests (Basel Committee, 1999). All these specific governance concerns apply to other businesses as well, but they take on greater importance for banks because they deal directly with public deposits.

7) CORPORATE GOVERNANCE IN PRIVATE SECTOR BANKS

Private sector banks entered niche areas, listed their scripts and were powered on the market, making them more clear in their service. They are also more growth-oriented and tech savvy.

Rising corporate governance issues are emerging at Indian private banks and all lenders are at risk of increasing default rates while asset quality has improved, the Reserve Bank of India said.

In recent years, Indian banks have moved to the retail sector in response to a rise in soured corporate lending.

The Reserve Bank of India said, in the last few years, private sector banks have taken up the space vacated by risk-averse public banks; however, fault lines are becoming visible of private banks in the corporate governance.

Private sector banks must comply with the norm of good banking practices, such as:

- Maintaining a reasonable and clear relationship between the customer and the bank
- Implementing a robust risk management framework and adequate disclosure
- Proactively management of grievances from consumers and changing grievance resolution scheme
- Development of systems and processes to establish conformity with banking statutes.

8) <u>YES BANK CRISIS</u>

Brief History

YES Bank Ltd operates three units: YES Capital, YES Asset management Services and YES Bank.Rana Kapoor and Ashok Kapoor founded YES Bank in 2004. It was once the fifth largest private lender in the country by market capitalization.

YES Bank emerged with a public issue in June 2005 and its shares were listed on the stock exchanges. It was ranked number 1 bank in the 2008 annual survey of Business Today-KPMG Best Banks. YES bank became the first Indian bank to collect credit under the A / B loan facility of IFC.

On September 2014, YES Bank revealed it had received a ranking upgrade for its various long-term debt programs from credit rating firm ICRA and CARE. YES Bank made its entry into the 30-share S&P BSE Sensex on 18 December 2017.

What led to a crisis at Bank?

On March 31, 2014 the bank's loan book was Rs 55,633crore, and its deposits were Rs 74,192crore. Since then, the Rs 2.25 trillion loan books has risen to almost four times as much as it did on September 30th, 2019. The growth in deposits failed to keep pace.

The asset quality of the bank also declined, and it came under the review of regulator RBI. YES Bank has a major exposure to many distressed borrowers like the Reliance group headed by Anil Ambani, IL&FS and DHFL.

The turning point came when Uttam Prakash Agarwal, one of the bank's independent directors, resigned from the board in January 2020, citing governance issues.

Here are several reasons of crisis at the YES bank:

1. NPAs: YES Bank got into trouble following the asset quality reviews conducted by the central bank in 2017 and 2018, resulting in a dramatic rise in its impaired loan ratio and major delays in governance that led to a complete management change. The bank then failed to resolve its capitalization problems. Around April and September 2019 YES Bank experienced a drastic doubling to Rs 17,134crore in its gross NPAs.

2. NBFC crisis: The shadow-banking space crisis in India started with the unraveling of Infrastructure Leasing & Financial Services, and then added to Dewan Housing Finance Limited. As of September 2019, YES Bank had a combined exposure to IL&FS and DHFL of 11.5 per cent. In April 2019, the bank listed about Rs 10,000crore of its exposures as possible non-performing loans over the next 12 months, reflecting 4.1% of its total loans under the watch list.

3. Excessive withdrawals: The financial state of YES Bank has harmed many depositors from holding funds in the bank for a longer period. The bank had a continuous deposit withdrawal which dragged down its balance sheet. The bank had Rs 2.09 trillion deposit book in late September 2019.

4. Governance issue: YES Bank faced many issues relating to governance that contributed to its decline. Independent director Uttam Prakash Agarwal left on January 10, citing declining corporate governance standards and lack of enforcement at the lender. The bank under reported NPAs to the tune of Rs 3,277crore in 2018-19, prompting RBI to appoint R Gandhi, one of its former deputy governors, to the bank's board. In January 2019, Rana Kapoor, who started YES Bank from scratch, was asked to step down as Chief Executive.

Action taken by RBI against YES Bank

1) RBI took over the Yes Bank management
2) A moratorium has been imposed on the lender by the central
3) RBI revealed a draft 'Reconstruction Scheme' involving SBI raising capital to buy a 49% stake in the restructured private lender.

Moratorium imposed on YES Bank

While proposing a moratorium, the banking regulator cited a steady decline in the financial condition of YES Bank, mainly because of the lender's inability to raise sufficient capital to make provisions for future non-performing assets. This failure led in downgrades by credit rating agencies, which in turn made it much more difficult to raise funds. Apart from this, there were significant corporate governance lapses at the bank.

What next for YES Bank-

The RBI has a draft restructuring plan for YES Bank that aims to protect the depositors' funds. The workers will still have the same terms of employment, including remuneration, for at least one year. However, the new board will be allowed to take a call in the case of key managerial staff.

According to the plan, the SBI, which has been authorized by the board to invest in YES Bank, will pick up a stake of up to 49 percent at a price not less than Rs 10 for each share with a face value of Rs 2.

9) WHAT NEEDS TO BE DONE?

Corporate governance is aimed at reducing capital costs, encouraging more efficient resource utilization and praising ease of business doing, thereby underpinning growth. The accountability regime has to align with that goal.

Although the government's efforts in this region deserve applause, it might be useful to pause, reflect, go back to the drawing board and start from the basics. Some insights are briefly indicated below.

1) A director's expected qualities need a restructure. The directors must possess three basic qualities for the corporate governance system to function: courage, integrity and diplomacy. For years, integrity as a strong director virtue has been thoroughly addressed at length. That needs to be improved further. This requires bravery and we also need to look at "courage" as one of the main attributes. Research shows that directors cannot find the confidence to stand up and ask questions. Most do, but only as a checkbox to establish a record that they were wise in case of a later review of the decision. It's time to add courage as the central virtue required from a director, with the note that the faint-hearted don't need to apply. Diplomacy is important, too. No matter how smart and brave a director may be, if he cannot communicate the director won't be successful.

2) The importance of a director's judgment needs to be emphasized. This is the antithesis to, or even the solution to, "box ticking" or the formulaic compliance with expectations that has obscured the debate regarding corporate governance. A director should be able to decide if necessary when to stake his credibility on the issue and resign. Judgment, bravery and conviction, particularly when negotiating complex and uncertain territories, are vital.

3) In corporate governance, decision makers such as auditors, legal and financial consultants, accountants and underwriters, among others, play a significant role. Past scandals have raised persistent concerns about the degree to which decision makers perform their expected functions. Too often they were viewed as incompetent and even complicit in corporate misconduct. Greater professionalism is required and they must be kept responsible for their acts as corporate advisors.

4) Facilitating contact between shareholders and the board is important. A contact person needs to be provided with whom the shareholders can address any issue. There is also an investment relations officer in several countries, who reports to the board directly.

5) Survey the role of culture and societal problems in corporate governance.

6) India has paved the way for mediation in conflicts relating to company law. Compared with litigation mediation is cost-effective and timely. The use of mediation in disputes which require creative remedies should be encouraged.

A closer look at the issues with the support not only of lawyers and corporate governance specialists, but also of philosophers, psychologists and social scientists will support to complete the unfinished agenda of implementation of corporate governance.

10) CONCLUSION

Over the past two decades, improving efficiency of corporate governance has been a concern for Indian policy makers. Although scandals raised issues of corporate governance concerns and public outrage forced the government to protect the public interest and regain investor trust, the ongoing impetus for corporate governance was economic development, the need to remain competitive, the foreign flow of capital and the development of the global financial sector. Laws were strengthened and legislation deepened to prevent more corporate misdeeds. It can be noted that knowledge of the value of good practice in corporate governance is now relatively common.

Yet corporate wrongdoings keep stalking the country and making headlines every couple of months. This only reinforces the view held by many analysts that strong legislation and strict regulation does not provide a complete solution to corporate governance problems. There are several reasons why Corporate Governance compliance remains an unfinished agenda in the region. India has implemented international best practices but its implementation has remained troublesome, outside of its normal context. Extreme measures have been introduced in many respects, such as the limit on the number of divestments of subsidiaries. Such drastic measures clash with the ease of doing business and lead to dissatisfaction in the corporate environment. Regulatory rivalry has divided corporate law enforcement. Criminal penalties have a strong deterrent effect but are subject to court system procedural delays due to the high burden of proof that is required. There are many other reasons also.

The overall aim of good corporate governance is to establish opportunities for the board and management to achieve objectives which are in the company's interests and its shareholders under an appropriate oversight framework.

The unique nature of banks and financial institutions necessitates a broad understanding of corporate governance where it is appropriate to control banking activities to protect depositors. Corporate governance in the banking industry is not merely a formality but a vital necessity for society. In nearly every country in the world, there is a regulator like RBI that tracks all the banks' transactions and activities and controls the bank's business by constantly reporting on the activity they are doing.

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