CONCLUSION AND SUGGESTIONS

“Corporate governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders”.

Institute of Companies Secretaries of India

6.1 CONCLUSION

Banking sector plays a significant role in India to transform economy towards self sufficiency hence the corporate governance of the banking sector is significantly important. There is a need for the development of new policy framework on corporate governance as well as the proper implementation of existing laws, regulations and guidelines with the equal participation of all relevant stakeholders. Corporate governance has become a topic of increasing interest among the policy makers since it looks at the relationship between the board of directors, shareholders and management.

The first chapter is an introduction about the thesis subject highlighting the research design and various definitions of the corporate governance enabling to understand the role of governance in the bank.

The second chapter gives a clear review of literature framework. It helps to find the research gap in the area of research. Based on the literature review there are research gaps related to the present study as not many studies are in accordance with public sector banks though these banks are found to dominate the major part of the financial system of our.

The third chapter gives conceptual framework related to the present study. Based on the conceptual framework there are no uniform models available to be followed by the organisation and Banks in particular. No doubt it is an upcoming concept in
various countries and hence studies have been conducted but in India a need to add it in the present literature will be helpful to explore opportunities in the global markets.

Governance in the banking sector is of immense importance and strict adherence to the changing norms will make the bank competent to meet the challenges ahead. With good governance bank ensures that it will maintain the long term value of the shareholders by maintaining its integrity, reputation and thus performance. The compliance of corporate governance ensures growth and stability reducing perceived risks and builds confidence thus promoting good stakeholder’s relationship. The evaluation of CG with the help of disclosure level provides ratings for the stakeholders and the regulators in turn helps in healthy functioning of capital market. Banks need to strengthen the disclosure norms.

Along with the compliance shareholders opinion in determining corporate governance standards is also helpful. Hence the evaluation of the corporate governance in banks is necessary to check the frauds and scams and protecting the interest of the stakeholders becomes an essential element. CG is now recognized as a paradigm for improving competitiveness, enhancing efficiency and improving shareholders confidence.

The research finding shows that the corporate governance has a significantly positive impact on the bank performance. It also indicated that the non executive director’s proportion has also major impact on the bank performance. Board meeting enhances the corporate governance disclosure level but the board committee does not have major impact on the corporate governance disclosure level.

Practice of good governance is important for the better performance of the banks as can be seen from the analysis of shareholder’s perspectives which shows that high disclosure and stronger enforcement is required for better governance in the bank.

From the bank’s policy makers perspectives corporate governance has the potential to enhance the efficiency of the bank. In the nationalised banks government has the dominance of controlling shareholding which dampens the spirit of the minority shareholders. Though there is an increase in the voting rights from one percent to ten
percent for the nationalised banks their right to participate in corporate decision making through the exercise of voting power is far from reality. Nevertheless shareholders cannot be compelled to exercise their voting rights but the shareholders need to take up the mantle of influencing corporate governance in the banks which they have invested.

The greater empirical research on the impact of the shareholders voting rights on banks is needed thus there is a need to enhance the power of minority shareholders who are compelled to act in the shadow of controlling shareholders which helps in overall enhancement of corporate governance norms in the listed banks in which they have invested and thus increase the governance standards.

It can be inferred that though SEBI keeps issuing guidelines to improve the corporate governance norms in India, the onus to follow the same lies with the individual banks in order to compete in the global market. The study concludes that there is a substantial scope for improvement in the corporate governance disclosures in all the banks.
6.2 SUGGESTIONS

The study provides a useful framework for banks to improve and implement good corporate governance structure and processes. The system of corporate governance needs a change too with increasing competition, changes in business environment and speeding up of technology and communication. There is need to raise the standard of the corporate governance and make the nationalised banks attractive for investments. There are suggestions made for individual banks, shareholder’s bank’s supervisors or regulators.

Following suggestions are made in relation to the present study.

**Banks**

- Corporate governance disclosure of the nationalised banks is good but in relation to the mandatory disclosures banks need to adhere to the compliance since it leads to violation of the SEBI guidelines leading to stringent measures by the regulatory body. Bank should ideally give reason for non compliance.
- Though the non mandatory and other corporate governance requirement disclosures are desirable but for effective and better governance it is necessary that the banks comply the requirements.
- Disclosure in relation to conducting postal ballot, nomination committee and independent director needs to be enhanced. Banks without nomination committee need to constitute since it helps in appointment of skilful and efficient directors.
- CSR initiatives in banks are commendable however the disclosure levels of Syndicate Bank and Vijaya Bank need to increase since it plays major role in increasing its goodwill and reputation. Banks are engaging themselves in various CSR activities which is indirectly contributing to their increased market performance Rural development is taken as a major initiatives by the Nationalised banks, apart from education, employment and women empowerment. Banks need to have proper disclosure and clear CSR strategy for its better performance.
– Board committees are useful for better performance of the banks activities. Canara bank needs to add up more number of committees according to the requirement to enhance effective performance.

– Board Committees should comprise of members with appropriate talent for its tasks assigned and who have diverse skills, knowledge and experience. The competence or expertise of the Directors should become the principal criterion for committee memberships.

– Banks should initiate more seminars and workshops in order to highlight the relevance of corporate governance.

– Bank’s disclosure policy should be shared and approved by the shareholders in AGM.

– Since board meeting is showing positive correlation with that of corporate governance disclosure level banks should make the meeting even more effective for the betterment of the performance.

– Bank’s annual general meetings with specific venue and timings make it expensive and inconvenient for many shareholders to attend. It should not be just a formality of holding the meetings but should be of productive purpose. Hence the shareholders who are not able to attend the AGM should avail of the postal ballot to cast their vote. However since the procedure is not properly highlighted it is required that banks provide details of the postal ballot in their annual report.

– Grievance of shareholders needs to be redressed. Their feedback, suggestions need to be given due consideration. Hence it is advisable to have a help desk to shareholder’s which can provide handbook to shareholder’s which highlights their rights and responsibilities since they are one the major stakeholder’s of the bank.

– Corporate governance should not be practiced just because of regulations but to ensure the betterment and good performance to match to the level of various stakeholders whom they are responsible.
Shareholders:

- Shareholders must play active role as the market participant and they should communicate with the bank in which they invest especially with regard to the disclosure practices.

- Shareholders have suggested heavy penalty, increase in the imprisonment and delisting of banks share as the way to avoid unethical practices in banks.

- Shareholders should have good communication with the banks to ensure that they meet mandatory disclosure requirements and voluntary best practices. They should receive sufficient information to judge the performance of the banks. The shareholders participation in the management helps in optimum utilization of resources and at the same time helps to improve the administrative structure and the process.

- Minority shareholders are allowed to vote through the postal ballot system, but rarely exercise their right as they may not be able to take a view on the subject. Shareholders should exercise the option of postal ballot system.

- The shareholders are dispersed all over the country and they hardly communicate with each other. Even if they attend meetings they do not have a unified voice which affects their voting rights and say in the management. It is high time they would use it as an efficient tool to improve corporate governance. Electronic voting by the shareholders and shareholders getting united to have a common platform to raise their voice or setting up of the organization to deal with the issue may help in this regard.
Bank Regulator:

Regulators (SEBI, RBI, and Government) should increase the cost of non compliance to encourage better compliance.

- The analysis of the study reveals that there is no uniformity in the disclosure practices among the chosen banks. Hence in the study it is recommended to policymakers to develop a comprehensive policy which will have uniformity in corporate governance practice across all the banks. Banks should ensure that they adhere to the uniform and best corporate governance practice. There is need to increase the clarity of disclosure regulations.
- Banks policy makers should be careful in seeing items of corporate governance that are not complied by the banks.
- It is necessary that the bank supervisors provide guidance to banks on corporate governance, making it clear that they will not only evaluate the corporate governance policies and procedures, but also evaluate banks’ implementation of these policies and procedures. It is necessary that the criteria for assessing the corporate governance of banks needs to be announced publicly and also recognize the improvements that have been made.
- There is a need for periodic checks which will send a message that regulator will take the disclosure seriously.
- The bank supervisors need to evaluate the expertise and integrity of the existing and proposed board of directors and also evaluate whether the bank has in place effective mechanism through which the board would execute its responsibilities.
- There are separate Acts such as Bank nationalisation Act, Banking regulation Act RBI act and Companies Act which needs to be consolidated to be one single act for corporate governance. The relevant provisions of the Bank Nationalization Act which does not provide for voting and approving the accounts by shareholders should be amended. There is urgent need to revisit the provisions of the applicable Laws to make them relevant & contemporary. Despite of multiplicity of the regulatory body there is a need for uniform code of governance to be developed for better compliance which should be applicable to all the listed banks.
- Stronger enforcement should be top priority for the bank’s policymakers for effective governance.
It is necessary for the regulator to see that shareholders rights to be informed on decisions concerning fundamental corporate changes is taken care of by the banks and Shareholders are provided with adequate information on the agenda items of the shareholders’ meeting.

Thus the present study has the implications for better governance in the banks. It gives a framework for the banks for better governance for educational and research institutions to raise the concern on the issues and encourage public discussions, for regulatory bodies to strengthen the rules and laws and improvise on the existing system and to shareholders to monitor the bank performance.

6.3 SCOPE FOR FURTHER RESEARCH

- The research not only contributes to the academic knowledge field by answering some of the academic gaps but also to the professional fields which help the bank policy makers and regulators to take up the compliance of corporate governance as of serious concern.
- There is further scope by expanding the size of the sample and also coverage of the issues to explore the areas of improvements in terms of evaluating other stakeholder’s such as Board of directors, employees, regulators, customers and depositors.
- The study can also be undertaken by comparing the corporate governance in banks in other countries too.