CHAPTER 2

LITERATURE REVIEW

2.0 INTRODUCTION

The researcher reviewed the similar research undertaken by various researcher across the globe in the areas of corporate governance, management in banking sector. The researcher studied the governance practices followed, its level, role of federal, apex bank, regulators, govt. of respective countries to protect the interest of stakeholders, depositors. Success and failure of governance practices and its consequences on the financial markets, banking sector and economies of developed and underdeveloped nations.

1. Alexander N Kostyuk  Fumiko Takeda Kaoru Hosono  [2010]
In this book the authors have paid attention to the corp. govn practices the banks to exploit to overcome the financial crisis. The book has described the corp. govn. practices of banks from 22 countries of the world with broad explanation on concept of corp. govn. model of corp. govn. applied, the prevailing banking law and regulations, board composition, and structure, anti crisis corp. govn. in banks.

2. Alan Bollard [2003]
In this address governor has presented central bank perspective on number of corp. govn. issues such as its role in financial sector, economy and its importance for economic growth and financial stability. Key elements of sound corp. govn. and its role in Reserve banks approach to banking supervisors. New Zeland has financial distress in the late 1980 and early 1990.
Author has highlighted few absolute ‘right’ and ‘wrong’ in the field of corp. govn. and few basic principles which attaches considerable importance in banking sector.
It is mandatory for banks in New Zeland to publish comprehensive financial and risk related disclosures on a quarterly basis including information on a bank and banking groups with lot of responsibility on directors for signing the financial statements. Accountability is fixed in case of
false or misleading statements with legal penalties. Reserve bank has maintained high level of
governance in the New Zealand banking sector.

3. Africa leadership forum [1992]
The seminar was to promote an across the board vertical and horizontal interaction amongst the
participants bankers on the unethical practices and professional misconducts in the industry.
Banking industry as a domineering economic and social institution hence the code of
professional conduct and standard of ethics should be high.

Seminar addressed the issue of nature and forms of professional misconduct in Nigerian banks
on the part of senior, middle and junior management staff. It is mainly because of lack of control
by board directors. It is observed that unrealistic govt. directives encourage corrupt practices and
role of auditor to detect fraud, misconduct employing people who were retired, sacked for
unethical professional misconduct or discredited in other banks. Central bank of Nigeria has a
role to play in correcting this situation.

Seminar made several recommendation to strengthen the code of ethical conduct for directors
and management, staff of all banks in Nigeria.

4. Anupam Mitra [2011]
The author made an attempt to give an overview of corp. govn. of UCBs in India. It has touched
the concept of govn. and its importance and tracking of emergence of corp. govn. with cases of
USA, UK and India.

The author has adopted methodology of co-op banking it's working principles and data of
financial performance of UCBs and NPA as of 2009-10 and observed that financial scams in
number of UCBs created the level of discomfort amongst the stakeholders, so to say almost 214
UCBs were under liquidation at the end of march 2005 and therefore functioning of UCBs has
faced adverse criticism in recent past years due to collapse, failure of few UCBs in various states
of country like Maharashtra, Gujarat, Andhra Pradesh.

One of the reasons stated by author is unethical practices adopted by delinquent banks and
therefore such banks are working under directives of RBI. In view of the above RBI has taken
various measures to improve the health of co-op banks and prudential banking norms for
transparent accounting system.
Various factors are responsible for lack of govn. in UCBs. The author has listed out findings of policy initiated by RBI for improvement of governance and issues which are to be addressed for implementing the policy measures.

In conclusion author has stated that in post liberalization period in competitive banking, co-op banks should made free from political interference and adopt good govn. to improve the administration to safeguard the interest of depositors and stake holders

5. Alessandro Cortesi and Patrizia Tettamonzi.[2008]
The author has examined the issue of corp. govn. in the Italian system. The author has suggested about the possibility of finding areas for improvement within the company's internal control system. The research is more restricted to the technical aspect of internal control system from the point of view of Internal, external and statutory auditor.

6. Arvind Gupta [2009]
Author has explained the emergence of governance in the co-operatives, its development and functions and emphasis the strengthen governance by restructuring co-operatives in India like Public sector enterprise.

This study aims at evaluating all major aspects of bank governance including financial safeguards and regulation, the role of market disciplines and banks internal govn. mechanism. Comparative country studies based on survey of individual banks in selected Asian countries, providing practical lessons for better governance of banks in Asian Economies including those whose banking sector is less developed or dominated by state.

8. A W Farooqui [2007]
Study provides an understanding of institutional framework in professionalism of management in co-op. Banks of Delhi state. The author has critically examined no .of issues which are detrimental for policy makers, CEO's supervisory authorities for management of banks.
This paper is based on the comprehensive study on functioning of urban co-op banks in Gujarat state as this state occupies the second position in the development of UCBs in the country. Author has concluded stating that it is essential that co-op banking sector adopts co-op govn. practices on the lines of corp. govn. practices adopted by the corporate sector including commercial banks.
There is need to make co-operative and corporate principles mandatory for co-op banks. The govn. practices followed should be reported with transparency. The management has to demonstrate its accountability and responsibility to the members and other stakeholders, truthful and accurate disclosure in a transparent manner is the essence of corp. govn. which the co-op banking sector should follow voluntarily. This will contribute significantly to enhance the image and credibility of the sector.
The author has suggested steps for strengthening through corp.govn.in co-op banking in India for its more effectiveness.

The book describes corporate scandals together with the effect of globalization which have led to an increasing interest in corp. govn. issue. It has analyzed the aspect of corp. govn. in banking from a global perspective.

11. Basel committee on banking supervision report [2006]
The paper provides guidance on the subject of govn. procedure for risk management and disclosure in banks. It underlines the need of strong corp. govn. for effective banking supervision. It suggests the type of practices that could help to overcome governance problems. It identifies critical elements of corp. govn. process.

12. C.S. Cheema, Monika Aggarwal [2006]
The paper is an attempt to analyze the status of corp. govn. in Indian banking sector with reference to some significant corp. govn. issues in banks in India relating to Chairman, CEO, responsibility of board, accountability to shareholders, stakeholders, election, audit remuneration committee internal control auditor, independence, disclosure and transparency in working.
After liberalization policy in 1991 the competition among banks due to emergence of Pvt. sec. banks is very tough. Qualitative and quantitative achievements of business and importance to social banking etc. has made banking more complex and therefore corp. govn. has emerged as essential for banks to perform and to exist in competition. Financial scams like one in Madhavapura Mercantile co-op bank has necessitated banks to pay more attention to governance.

The author has referred various initiatives and discussed issues related to govn. which are significant such as separation of role of Chairman, CEO division of responsibilities, remuneration of senior management, internal control system, independent audit, rights of stakeholders, disclosures and transparency in reporting to Public etc. and made certain recommendations.


Bangladesh is a developing economy since its independence in 1971, till 1982 the ownership of all financial institutions including banks was carried out by govt. subsequently on de-nationalization private and foreign banks were allowed to operate in the country. However the overall banking operational efficiency continued to be dismal and working of financial institutions, banks was below average, sub standard.

There was lack of sound cop. govn. among banks. The banking reforms commission and B E I reports raises serious concerns and criticized the quality of govn. prevailed in Bangladesh banking sector, majority banks shareholding is sponsored. and small investors are very few. Hence majority banks are controlled by family groups, so advances are concentrated with few groups. CEO are included in bank board and entire bank administrative matter is decided by boards. Boards has political loyalty and they serve politicians as rubber stamps.

Management activities are heavily controlled by owners of the bank. Banks audit function is merely on paper no accountability or compliance of finding of report disclosure to shareholders are in place. Due to low quality and integrity of auditors, window dressing of financial statements depositors money has been hugely misappropriated by the founders of the banks.

Central bank of Bangladesh is very weak in regulatory functions and effective monitoring as central authority. However evidences has proved that quality of regulations of Bangladesh
banking systems stands at a very unsatisfactory level. There is wide spared corruption in banking sector. Governance is almost at no existence level.

The article states about the code of best practices for board of directors, members, internal controller auditors, audit committee and management. Corp. govn. regulates the relationship between members of co-operatives, BOD, and management The code has been worked out in consultation with many experts related with movement in Mauritius.

15.D.Subbarao.[2011]
Author being the present Governor of RBI has focused on the topic of corp. govn. of banks in India and its importance for improving banking productivity. Dr. Rao opined that governance in banks is different from corporate world as, if bank fails the entire financial system and economy faces serious consequences. Author has explained the various action initiated by RBI to improve governance mechanism in Indian banks to pursuit productivity excellence.

16.Eduardus Tandelilin, Kaaro Putu, Mahadwaratha Supriyathna.[2007]
The author provides a new approach by explaining corp.govn. mechanism called triangle gap model consisting of three constructs, corp. govn. risk management and bank performance. The model suggests that implementing good govn. occurs when there are inter relationship amongst the three constructs.

The author has analyzed the overall performance of UCBs in Vellore dist. and concluded that UCBs are on the road of progress and enjoying a predominant position in the banking industry and eighth place in Vellore dist.

18. FULOP Melinda Timea [2011]-
The research paper approaches audit in the corp. govn. through the treatment with the aspects the entities management in the context of the corp. govn, the relationship between the different forms and the internal and external of the audit entities, role of the audit function in the corp.
govn. efficiency by the growth of the users trust in the set of the financial statement comparative studies method was used to study the different approaches in Romania, Germany and OECD in accounting practices, national codes, theory and practices. The author has outlined a conceptual model providing effective corp. govn.

19. Gomati Viswanathan [2008]
The concept of corp. govn. which emerged as a response to corporate failures and widespread dissatisfaction with the way many corporate function has become widely discussion matter. It primarily wings on complete transparency, integrity and accountability of the management investors protection.
After liberalization, privatization and globalization, I.T. infrastructure Indian banking industry has changed rapidly. Monopoly of Indian Public sector banks was thrown out by new Pvt. sector banks and there was stiff competition for quality service offered by various banks to customers and customers satisfaction were the focal point.
Author has described the need for corp.govn.in banks, prerequisite of good govn., recommendation of various committees, role of board of directors, management, Basel committee recommendations, steps required for transparency in working. It concluded with statement excellence in performance cannot be achieved without practicing good corp. govn.

20. Geeta Sharma DR. Ganesh Kawadia. [2009]
The authors are of opinion that on analyzing the failure of corp.govn. and management and conventional framework for management is not comfortable. Good govn. is critical to efficient functioning of our banking entity. The study is towards improving pure technical efficiency of UCBs and based on DEA model.

Through this paper author has examined corp. govn. of the banking industry in general, how banks are different from business organization and analyzed the Indian banking industry with respect to corp. govn. frame work.
Lot of Pvt. sector banks and multinational banks have entered into market and competing with our age old Pub. sector banks. Govt. has reduced its ownership holding in Pub. sector banks.
Banks are going for Public issue, Foreign investment is encouraged by govt. Co-op banks, NBFC, micro financing institutions are serving the needs of rural areas. Introduction of Basel norms and their relation to corp. govn etc. are responsible for greater corp.govn.in Indian banks. Author has described the phases evolutions of corp.govn. of banks in India.

22. Hamid Mehran, Alan Morrisn, Joel Shapiro [2011]
The paper explains the difference between governance of banks and non financial firms and has looked into four areas of governance, executive compensation, board, risk management and market discipline and its solution.

23. Ilduara Busta [2008]
The aim of the paper is to explain in particular characteristics of the corp. govn. of banks and its role for good bank performance. Finding are based on (1) why are banks different (2) what is different about the corp. govn. of banks ( 3) what works for banks. This paper tries to make clear the important role of good govn. for the success of the corporation , banks as well as it investigated the different governance issues and practices of broking firms. It has concluded that corp. govn. of banks is fundamentally different than in other industries. Overall it seems that both the presence of govn. problems in banks and this is reflected in different governance structure observed. However the most of the work reviewed deals with US and Japanese banks.

24. Inessa love and Andrei Rachinsky [2009]
The paper represents evidence on the relationship between ownership, corp. govn. and operating performance in banks using sample survey of banks in Ukraine and Russia. It has established relationship between two and observed that in both countries banks are more concentrated ownership and have lower ranking on corp. govn.

25. Joffy George Chalakkal and K Sasikumar [2010]
In view of the importance of banking system for financial stability sound corp.govn.is very much relevant at the individual bank level. but is also a critical ingredient at the system level. Effective risk management system determines the ability to survive economic shocks. Break down in corp.
govn. reflects many times in risk management failure.
The paper is an attempt to look into some important aspect poor management conflict of interest
internal audit and system etc.

The author studied the total failure of corp. govn. and accounting scandals and corporate frauds;
falsification of working report by multinational US based company Enron. The author deals with
the total failure of governance and supervision and fraud taken place in Enron by violating
accounting norms and US prosecution and punishment process after the fraud has been
investigated.

The author has examined the corp.govn. problems of US and UK and the problems in the Indian
corporate sector. Author has explained the role of regulator and the capital market. and suggests
that Indian capital structure should approach the Anglo American pattern of complete separation
of management and ownership.
The issue of governance has emerged greater importance in India recently because of financial
scams in corporate sector Pvt. banking sector, wherein small investor lost heavily in the financial
scams.
Author has concluded that key to better corp. govn. in India lies in a more efficient and vibrant
capital market and regulators can facilitate the process by various measures.

The study has revealed that poor govn. is responsible for collapse and failure of many banks in
Nigeria, audit control, compliance, directors role, are not up to the acceptable standard practices.
However volume of business of banking sector has greatly contributed the GDP of Nigeria and
improved the economy.
29. J. D. S. Negi and A. B. Thapliyal [2005]  
The author has discussed salient features of corp. govn. and recommendations of various committees on corp. govn. which include Cadbury committee [1991], Kumarmangalam committee [May 1999] Basel committee [sept 1999].

30. Jonathan R. Macey and Maureen O'Hara [2003]  
The study argues that in respect of commercial banks corp. govn. problems are specific for managers, investors, depositors, and regulators. The author supports the general principle that fiduciary which should be owed exclusively to stakeholders including creditors. The author calls on bank directors to take personal liability in case they fail to take solvency risk into account while making decision.

31. Keru Alexander [2004]  
The author has suggested that in order to achieve the overall objective of financial stability the bank should be regulated keeping in view the interest of stakeholders, creditors. The structural changes in the financial stability necessitate stronger regulatory framework of financial regulation especially in corp. govn. of banks.

32. Keru Alexander [2004].  
This paper suggests that bank regulation should seek to balance the interest of shareholders with creditors, depositors, and other stakeholders interest in order to achieve overall objective of financial stability. UK financial policy recognizes the importance of the same whereas US banking regulation adopts a more prescriptive approach.

33. Khalid Ahmed M Hanif Muhammad N. [2005]  
The author provides the comparative study of developments in corp. govn. of the banking sector in Pakistan, India, and Bangladesh. The author also provides an overview of the banking sector restructuring and highlighting important features of the codes of corp. govn. established by central banks in the sample countries and concluded with presentation of comparison of the major differences in these measures across countries and comment on the pace of these developments.
34. Laixiang Sun and Damian Tobin [2008]
This paper focuses on firm specific action that aim to distinguish the firm from its peers. It reports the disparity in credit rating between Chinese companies listed domestically and those listed on international stock exchanges. It examines the case of Bank of China Hong Kong [BOCHK] with reference to working of parent company. Bank of China's intervention, Hong Kong laws and HKSE'S regulations and bad governance habits punished by markets.

35. Mridushu Swarup [2011]
The author broadly explains about the corp. govn in the Indian banks and the embedded conflicts. It states that issue of governance is complicated due to Public ownership and political influence of govt. The author has suggested various best practices for ensuing govn. in banks to the interest of stakeholders.

36. Mukul G Ashar [2007]
The author finds that if UCBs requires to play relevant and significant development role in India, they will require to follow uniform quality of govn. and regulation as well as professionalism and modernization as the main stream commercial banks. The governance and regulatory structure needs to be brought in conformity with India's current and prospective economic structure and relevant laws modernized. This requires a total shift of pattern in the role of UCBs.

37. Neelam Suneja and Usha Arora [2005]
The author states that reforms have been implemented without making any attempt to change systems of governance. Good govn. should achieve goals and deliver results while working with various checks and balances and implementation of policies. Corp. govn. is highly evolved in U.S. Europe, Australia, Spain and Japan. In India it is not a voluntary virtue, it is either mandated by law. or crystallized through a crisis. It is a beginning in India. Separation of ownership and management has been found to be an effective way of improving performance achieved through ‘Governance Body’.
The author has described role of governing bodies in U.K. U.S.A., European countries, Japan and India. There is no unique structure of corp.govn.in the developed world. The failure of Borings bank in 1995 is mainly due to inadequacies in govn. The three elements (1) Internal
govn. of banks. (2) Official oversight (3) Market discipline compete with and reinforce each other with good govn. will strengthen these forces.

38. NBER Working papers 5554-[1996]
The author has tried to convey structure of governance and described several broad approaches to governance and legal protection of investors and concentration of ownership as complementary approaches to govern legal protection of investor rights is one essential element of corp. govn.
The survey has described some evidence in this area from banks in USA, Germany, and Japan and concluded that political dynamics and economic forces moves towards greater efficiency of governance.
This paper surveys research on corp. govn. with special attention to the importance of legal protection and of ownership concentration in corp. govn. system around the world.

39. Olivier Boned- [2008]
The rediscovery of a specific form of a corp. govn. by co-op banks has occurred in stages. EACB [2004] reviewed the notion of values.EACB [2005] corporate social responsibility in order to produce a report on corp. govn. [EACB 2006].
The author has concluded with the statement if co-operative principles were simply, clearly reaffirmed, this would enable co-op banks to reposition themselves as another breed of European entrepreneurs. Annual reports are best tool for detailing and promoting corp. govn. with it’s strong specific features. Corp. govn. needs to be explained, developed and promoted.

40. Pushkar Gupta [2008]
The research paper by the author produced some important results. Corp. govn. is utmost very essential for banks to remain and face challenges and perform in competitive era of economic globalization and liberalization The favourable results depends upon the awareness on the part of the bank about their responsibilities. Objective of researcher is to study and analyze the actual effectiveness of corp. govn. in Indian banking sector for transparency and economic development of the country.
It is found that governance is at preliminary stage as compared with developed countries of the world. Though Pvt. Sector banks are more serious than Pub. sector banks in implementation of principles of governance transparency in working and disclosure of policy in public sector banks is more than Pvt sector. Implementation of governance in Pub. sector bank is difficult due to Share holding pattern of govt. support. Risk management committee prevails in banking sector. Though Pub and Pvt. sector banks are governed by same statutory act, degree of applicability of corp. govn, A principle differs from each other. It is suggested for separation of role of CEO and chairman with division of responsibilities.

Author has suggested recommendations of BIS,SEBI,OECD with a statement that corp.govn. is the only royal road to the portal of corporate success and there is no shortcuts to achieve the same.

41. Peter O Mulbert [2009]
The author has discussed the particularities of banks corp. govn. with reference to banking regulation, deposit insurance, principle agent framework and supervisor role for financial stability of banks taking into account Basel committee guidelines. The article concludes with reflections on some tentative lessons from the crisis for banks. Good govn. in banks is a vital concern to banks themselves and banking regulators. OECD has taken leading role followed by Basel committee guidelines banking supervision. Author has discussed this issue against the backdrop of financial crisis of listed banks in past decade. The author has emphasized the need for good govn. for monitoring and controlling banks to deal with problems. From this perspective banking regulator and banks good govn. Interact as the driving force of vicious circle that produces even more regulation.

42. Peter O Mulbert [2000]
Poor corp.govn.is acknowledged as an important cause of recent financial crisis since 1997. After the Asian financial crisis world wide it is publicly emphasized that good corp.govn.is of vital concern for the organization and to adopt firm specific governance codes. The Basel committee on banking supervision has published two editions of guidelines entitled’ enhancing corp. govn. ‘for banking organization which reflects the regulators supervisors perception.
The article concludes with some tentative reflections on the lesson from banks corp. govn. and how it makes the bank different from the corp. govn. of generic firms which are not subject to any regulation supervision, prudential regulation deposit insurance etc.

43. Paolo Santella [2001]
The author has examined role of the Italian credit union due to adoption of liberal policy by govt in Italian banking sector. Italian banks are rigorously pushing wider dimensions only by way of acquisitions and mergers. This process has resulted into suitable modification in their corp. govn. model towards a non for profit model. Since the 1993 Italian banking act prohibits the prevalence of such banks.

44. Peer View Workshop Report DFID [2007]
The report studies and deliberates co-operative of Ghana, Kenya, Nigeria, New Zeland, Senegal, UK, US, and India. Latin America, Europe and various co-op forums representing these countries and overall view that crisis in co-operatives movement by poor governance framework. The report deals compliance of co-operative principles and values. Co-operative governance code and co-operative model for developing countries.

45. Ranjana Kumar [2009]
Ranjana Kumar Ex Chairperson, MD [CMD] of Indian bank took the charge when the bank was in doll drum and the survival of the bank was doubted by the captains of the industry. The book describes her success story, her action plan to revamp the bank from zero to top performer. The book underlines the importance of good governance practices in bank and proved that Indian bank has successfully implemented it and became the top performer.

46. Ross Levine [2005]
The author examines and states that weak govn. in banks reverberates throughout the economy with negative ramifications for economic development. If bank efficiently mobilize the deposit and deploy the funds it lowers the cost of capital to firms, boosts capital formation and stimulates economic growth.
The author reviews the major governance concepts for corporation in general and discusses two special attributes of banks that make them special in practice, greater opaqueness than other industries and greater government regulation. This weaken many traditional govn. mechanisms. Author also reviews emerging evidence on which govt. policies enhance the govn. of banks and draws tentative policy lessons.

In conclusion he suggest that it is important to strengthen the ability and incentives of private investors to exert govn. over banks rather than to relay excessively on regulators. The paper is the part of effort to improve the understanding of corp. govn. in developing countries.

47. Rifaat Ahmed Addel Karim, Simon Archer [2007]
The author has discussed various reasons attributed to increased attention received to corp. govn. in recent times. He has stated key elements of sound corp. govn. in banks and portrays a risk management partnership in corp. govn. of banks. Under which role of bank regulator and supervisor in the process of risk management as facilitators, shariah board to protect the interest and rights of all stake holders.

According to principals of shariah responsibility of board of directors, executive management. The audit committee and internal auditor, banks compliance with internal control system, accounting practices and information system.

The Islamic financial services board proposed standard on corp. govn. for investment accountholder as stake holders (IAH). The author has described the corp. govn. model prevailing in Islamic banking and financial institutions by which level of transparency, quality of information disclosure in markets market discipline in gulf countries has enhanced.

48. Rafael La Porta-Florenicio-de silanes Andrei Shleifer-[2002]
The research article has documented large differences among countries in ownership concentration in Public firms. individual policies, access of firms to external finance. However law protecting there are different and also the effectiveness of their enforcement across countries. Author examined the possible origins of these difference summaries their consequences and assess potential strategies of corp. govn. reform.
Author argued that legal approach is a more fruitful way to understand corp. govn. and it's reforms than conventional distinction between bank centered and market centered financial systems.

49. Richard Anderson and Associates [2005]
This report is a picture of corp. govn. in the UK, USA and France in banking sector being severally challenged in an extreme financial crisis that has been house hold banking names run into trouble.
The paper has concluded that corp. govn. alone is not cause of the financial crisis but it could have prevented some of the worst aspects of crisis had effective govn. would have operative throughout the period of time.
The main finding of paper is that balance between risk taking and risk avoidance is no longer functioning. The focus of this paper is financial services sector in general and banks in particular. It proposes innovative new mechanisms that can enable bank board to discharge their corp. govn. responsibilities with due diligence. Recommendations suggested in the paper would reinforce the overall system of corp. govn. provide reassurance to external stakeholders, customers, taxpayers, and society as a whole.

50. Shamshad Akhtar [2008]
The Governor of the State Bank of Pakistan has examined the govn. reforms adopted by Pakistani banking sector under the control and supervision of apex bank. It has resulted into providing impetus to economic growth of Pakistan and protected the banking sector in crisis of political instability. This has also been acknowledged by world bank report of 2007 and ranked 19th amongst worldwide.

51. SangWoo-nam [2006]
This paper addresses corp. govn. issue with reference to ownership structure, Internal governance mechanism, right of shareholders, role and effectiveness of Board of Directors and governance problems of state owned commercial banks.
52. Sang Woo-nam and Chee Soonlum [2006]
The East Asian financial crisis has greatly affected the Thai banking sector affecting 15 domestic banks and merger amalgamation and acquisition took place. This has changed the ownership and control structure of Thai banks. Market discipline was ineffective in Thailand and depositors are not sensitive to bank risk.
The 1997 East Asian Crisis brought weakness in corp. govn. in both financial and corporate sector. In case of Malaysia the post financial crisis the practice of corp. govn. has improved.
All the banks have adopted strict measures to enhance board structures and composition. Korean banks have developed established not only in terms of soundness and profitability but also in terms of internal governance and market discipline.
This research paper studies in details the issue of govn. practices in post crisis Asia period 1998-2003.

53. S. Bhaskaran [2005]
The author has examined various changes which are taken place in banking sector in India. since the start of new economic reforms in the country. The impact of implementation of Basel I, Interest rate deregulation, innovation in lending practices of banks, deposit mobilization, innovative strategies of marketing are discussed. It covers post liberalization period of after 1990 when the banking industry in India underwent total change.

54. Sanjay.Bhayana [2007]
The author has examined governance practices in India and opined that corp. govn. against the backdrop of globalization has become a delicate and onerous take for survival as well as seizing opportunities. Better govn. would facilitate easier access to capital from domestic market. Govn. is necessity to protect the interest of shareholder's value.

55. T. Paranjothi-K.Ravichandran.[2009]
The author deals with various approaches of management i.e. classical, behavioral [neo classical] system approach and professionalism of management. It states that due to lack of professional approach co-op structure faces the crisis of identity and struggles a lot for it's survival and growth.
India is not an exception. Co-op banking sector is not able to cope up with recent banking reforms and there is a need to bring professional approach, training and development. The author makes a point that this approach will certainly bring change in the pattern of functioning of co-operative replacing traditional system of management by modern system of management. The author has proposed the methodology with reference to objective of study, however paper remains to be unfinished in respect of it's finding and conclusion.

The paper discusses the corp. govn. of banking institution in developing economies. Paper has argued that in developed economies protection of depositors provided by a system of prudential regulation but in developing economies there is a lack of such protection due to untrained regulators.

Author has suggested various measures for developing economies as corp. govn. has severally affected by political consideration divestiture of government ownership and privatization of banks and increased competition. From the entrance of foreign banks may improve the corp. govn. of developing economy banks.

57. Tarak Shah.[2006]
Author has examined success of one of the leading urban co-op bank of Saurashtra region of Gujarat. The bank which has sustained its growth even after effects of episode of Madhavapura Mercantile co-op bank in Gujarat state the author found that excellent corp. govn. is one of the four pillars of this bank. Bank has maintained '0' NPA position since 2000, by transparency, trust and service to the society.

58. Usha Throat [2006]
The author Dy. Governor of RBI has traced the evolution of UCBs their unique structure strengths and weakness and RBI approach to strengthen the co-op sector. The author has examined corp. govn. issue in UCBs and discussed the international best practices for credit union, internal, external and individual, governance and role of board of directors and policy initiatives taken by RBI.
59. Vibha Mahajan [2007]
Author has discussed issues of govn. in financial sector and stated that India has taken timely initiative to cover the ground to make all banking institutions safe, sound, and efficient. In the last few years this subject has come to the fore due to some fundamental reasons. Therefore number of committees were formed other parts of the countries including India.
The author has discussed critical elements of sound corp. govn. practices, Basel committee norms such as risk management committee, audit committee, compensation committee, nomination committee, with concluding statement that corp. govn. must be based on a genuine principles, business ethics and values respect It is a defined system by which corporations are directed and controlled.

60.V.Mariappan.[2009]
The author deals with co-op banking structure in India and various committee recommendations of RBI, Govt. of India, State Govt. in respect of removal the weakness and wrongs in the sector. The author states that Board of Management [BOM] of co-operative is weak and lack professional approach in their functions, decision. Due to lack of banking knowledge the committees are not following regulatory policies, norms, directives. Poor governance with vested interest proved costly for many co-op banks. The role of members, union, employees is also important to protect the interest of UCBs.
However the findings of the author related to the topic and conclusion for road map requires still specific approach.

61.V.V.Ghanekar [2004]
In the book author has discussed about the progress, shortcomings, new challenges, and ways to meet the challenges of co-operative movement.

62.Victor Smart.[2002]
The paper is based on the survey conducted by E.I.U. to test the attitude of senior executive’s worldwide on corp. govn. The paper deals with statistical information collected from the senior executives on the topic of corp. govn. and has come to certain conclusion stating that over 46%
agreed that governance is top priority. The analysis of the research work by the author is extremely useful reference to multinational corporate.

63. Vidya Pitre [2003]
Against the backdrop of a review of performance of UCBs the author discusses the issue raised on account of fallout of the Madhavapura Mercantile co-op bank episode in Gujarat. It also discusses the agenda for reforms of the sector from the regulators point of view deciding the future of weak banks entities improving governance and sort out the issues of dual control on the sector.

64. Wim Fonteyne. [2007]
Author explains the continuing success of European co-op banks through evolving comparative advantages. Author concludes that some form of independent external oversight of corp. govn. is warranted and that co-op need mechanism enabling them to better manage their capital. It also point out that co-operative is build around an intergenerational endowment without final owners which creates particular governance challenges.

65. Y.V. Reddy [2005]
Author being the Ex Governor of RBI has made general observations on the subject and devoted the rest on RBI initiated and thoughts in regards to govn. in banks. RBI has initiated the issue in Oct.2001 during the mid review of monetary policy. Various groups were appointed and their recommendations were accepted.
However in respect of UCBs author opined that due to dual control i.e. by state registrar and RBI. governance matter becomes difficult. Depositors interest is not protected as majority stakeholders are borrowers. Author has explained the action initiated by RBI to ensure compliance of governance with international standard and best practices in banking sector.

It states along with effective marketing discipline, strong prudential regulation and supervision conforming exactly with the truth, reliable financial reporting system, accounting disclosures Implementation of effective laws, deposit protection system good corporate governance is also
one of the main factors for the growth of country’s financial stability system.
It defines governance in more broad outlook stating that it is a sum of processes, structure and
information used for directing and overseeing the management of an organization.

It defines corp.goVN.as the relationship of the organization with it’s stakeholders or in broader
sense relationship of the organization with the society as a whole.

68. Arun T.G. Turner J.D.[2003]
Corporate goVN. of banks in developing economies paper contented that corp.goVN.is the
mechanism approach through which stakeholders are assured that management will act for the
interest of the stakeholders. It also requires government intervention for proper bank
management.

69. Shleifer A. Vishnu R.[1997]
They observed broader approach with the angle of managing methods of finance by managers
for disposing the capital to gain proportionate income on the investment by stakeholders. It
applies more to banking institutions as there is a contractual relationship between depositors and
shareholders. It also suggested that banking organization should be regulated to protect the
interest of depositors as well as overall financial system.

70. Marcey J.R.O’Hara M [2003]
The author defines corp. goVN. the manner in which system, procedures and processes and
practices of a bank are managed by allowing positive relationship and the exercise of power in
the management of assets and resources with an aim of advancing shareholders value and
shareholders satisfaction together with improved accountability resources use and transparent
administration.

71. The Basel committee on banking supervision.[1999]
The perspective of corp. goVN. for banking industry implies the ways, manner in which the
business affairs of the banking enterprises are governed by their board of directors, senior
management with the set objectives, day to day operations, protect interest of depositors,
, stakeholders, proper alignment of all the business activities in safe and sound manner with due
compliance of applicable regulatory laws.

72. King R.G. Levine R [1993]
The importance of gorp.govn.is emphasized for banking in developing economies as banks are in
dominant position in economic development, growth and financial system of the country. It is
main source of finance for the trade commerce industry. It is the main source mobilizing saving
from economy providing channels of payments. Due to privatization disinvestment process,
liberal regulation bank management have more freedom for doing the banking business.

73. Hettes [2002]
The author states correct corp. govn makes the work simplified for banking supervision. He
stressed the need of an appropriate level of responsibility control and competence level in each
bank Governance contributes cooperation between bank management and supervision authority.

74. Crespi et al [2002]
Corp.govn. of banks refers to various methods by which bank management prevail on
implementation of value maximizing policies with the proper integration of product competition,
labour, control, disciplinary interference by stakeholders board of directors.

75. Donald Brash [2001]
While addressing conference, governor of Reserve bank of New Zealand. advocated that corp.
govn. is an important way to promote financial stability. It effect to improve ability of the bank
to identify, monitor and control internal risk. Poor risk management is one of the factor for
failure of bank resulting failure of internal governance,
Though supervision by external authority mitigates internal risk position it is not a substitute for
sound corporate governance practices within the bank. It is a very crucial element for
achievement.
76. David Carse [2000]
Deputy chief executive officer of Hongkong monetary authority observed that corp. govn. is not only important for bank but it is equally applicable to all companies. Rapid changes due to globalization deregulation, and technological advancement have results into increase of risk in banking systems.
Depositors are the main source of funds for banks failure of bank affects not only to its creditor, stakeholders but have a systemic impact on the stability of banking sector Therefore management should ensure that bank business are properly managed.

77. Standard & Poor [2008] GAMMA
It is a modified methodology of corp. govn. rating under the mode GAMMA. Governance, accountability, management metrics and analysis. This approach is more focused towards specific risks analysis taken by investor as against merely governance of best practices. Main factors of GAMMA stakeholders, their rights, transparency audit board of directors effectiveness, risk management system, strategy process and compensation methods.
Standard Poor regularly publish surveys of transparency and disclosure of banks in Russia covering the degree of disclosure of information, various financial parameter ownership structure, corp. govn. mechanism and score the governance quality.

78. International Financial Corporation [2007]
This survey examines the capacity of the supervisory authority board and management to understand the hidden truth practices, commitment to good corp. govn. transparency disclosure, internal control and risk management and stakeholders rights. The survey does not award individual rating to banks by comparing them against a common scale.

79. Morket al [2005]
The author analyzed the literature that examined the connection between rules of various countries affecting corp. govn. and firm behavior and strength of securities markets.

80. Klapper & Love [2004]
The author analyzed connection between the measures of firm level governance and value of
shares on a cross country basis.

81. Choi and Hasan [2005]
The author examined the effect of ownership and governance on the performance of organization and observed that foreign ownership has positive effect with the bank about return of investment and negative effect with the risk of bank. Similarly outside board of directors does not have a significant influence on the performance however presence of a foreign director on the board influence the return and risk of the bank.

82. Bernard S Black [2006]
The study is based on the governance practices followed in Russian firms and its impact on valuation of organization and other developing markets. It is observed that there is a strong correlation between governance and market value subject to measurement of governance.

83. Staryuk [2008]
The research is based on relationship corp. govn. with the valuation of stock markets particularly blue chip companies in Russia however in the study banks are not covered.

84. Bokov & Vernikov [2008]
The study explains the comparative differences in the valuation of Russian banks in relation with the quality of governance prevailing. It is observed that investors believe in concentration of ownership power in few hands and management stability but neglecting quality of board of directors and transparency of working of banks.

85. Adams & Mehran [2002]
The report states that there is a conflict of interest between the stakeholders and depositors as stakeholders value high return on their shareholdings with high risk projects whereas depositors would like to protect their savings with low risk though deposits are insured. Though the banks are regulated internal governance avoids crisis of confidence for smooth functioning of banks.
86. Prowse [1997]
Good governance practices are more related to internal mechanisms, i.e., control supervision by board of directors under the regulatory framework. The paper states that implementation of governance mechanisms when banks’ financial programs are not up to the expectation level of stakeholders thereby making changes in management teams including board of directors.

87. El-Kharouf [2000]
The study related with the corp. gov. strategy and the future of Arab banking industry indicate that governance is a purposely search for a plan of action which will encourage and develop competition amongst the corporate for multiple advantages.

88. Basel committee on banking supervision [1999]
BCBS study revels that various corp. gov. structure exist in various countries. As no uniform system is followed globally there is no correct answer to resolve the structural issues of governance. Ultimately sound governance practiced irrespective of the composition, framework of the banking organization. The Basel committee has suggested four important forms of oversight. To be a part of organization structure of any bank in order to ensure appropriate checks and balances.


[2] Non-interference in day to day affairs of the bank.


The general principle of sound corp. gov. are also beneficial to govt. owned public sector banks.
89. Khatoon [2002]
The author stated that good govn. concept for bank implies total quality management. It includes six performance areas i.e. capital adequacy, assets quality management, earnings, liquidity, and risk sensitivity. Rating of the organization depends on governance which is measured on a degree of adherence to these parameters.

90. Tsui & Gul [2000]
Corp. govn. mechanism are structured to monitor management and improve transparency in working of the organization.

91. Agrawal & Knoeber [1996]
Corp. govn. is broadly classified as internal and external factors. It is a mechanism through which the business of the organization is conducted by protecting the interest of all stakeholders.

92. Rajesh Chakrubarti [2005]
The study has brought to the notice that in India monopolistic stakeholders are exploiting minority stakeholders. In Anglo-Saxon situation managers of the company are exploiting stakeholders. In India capital market is governed by shareholders where as the regulator ensures corp. govn. but without enforcing the corporate governance forcefully as it implicate at grass root level management.

93. Sarkar J Sarkar S [2000]
The study is related to role of the shareholders, promoters holding to enhance the value of the company. It is observed that institutional investors are not much active in governance. The study provides that foreign equity ownership enhances the value of the company. The analysis is based on developed country studies with a view that large group of shareholders influence the corporate governance.

94. Mohanty P [2003]
The study reveals that creditworthiness of corporate having good corp. govn. practices makes easy for such corporate raising of loans from public, financial markets as against the corporate
having poor governance practices. Similarly investment in such companies by investors. This has helped to improve the all round financial performance as well as value of shares, securities of such corporate.

95. The advisory group of corporate governance report [2001]
The report observed that depositors are the main stakeholders in banks therefore their interest should be first protected by following sound governance practices and conducting business without harming interest.

96. G. Padmanabhan [2012]
G. Padmanabhan executive director of R.B.I during address stated that I.T governance is also the part of overall corp. govn. If the level of attention required to secure each asset is in proportion to its value and critically then certainly I.T management would qualify to receive top most and special attention as part of the overall corp. govn.process. I.T.goVN.as a subset of corp. govn. also requires to be driven from the board level.
The core of I.T. goVN.is to create I.T. strategic planning process and thus ensuring alignment of I.T. design and its control with business goals. I.T. govn. should not be confused with I.T. control operations. I.T. govn. is a strategy initiative I.T. implementation operations and control mechanism are the means to end.

97. Y V. Reddy [2002]
The paper presented by Dr. Y. V. Reddy on Public sector banks and the governance challenges-The Indian experience. examines the Indian experience in attaining the challenges of corp.goVN.in public sector banks or government owned banks as they are constituted in some countries. After reviewing the historical context of the Indian experience and the governance references which are in practice.
The paper focuses on tentative issues and lessons that are emerging and offers some sample thoughts leading to provoke analysis and discussion on promoting corp.goVN.in public sector banks.
RBI released the discussion paper on banking sector in India the way forward in which RBI has suggested conversion of UCBs into commercial banks, local area banks small banks. Setting up of stronger UCBs with good net worth and strong corporate governance would facilitate extending banking services in the regions characterized by poor banking outreach.

RBI released blueprint for sweeping reforms in which RBI has recommended the centre reduce its holding in public sector banks. This it says essential for robust corp. govn. practices considering these lenders deteriorating asset quality and rating downgrades RBI has suggested

1.Splitting of chairman and managing director post.

2.RBI and govt. to dissociate from selection of top management.

3.RBI and govt. should withdraw from the board of public sector banks.

4. Chartered Accountant directors should not be part of loan sanctioning management committee. led to conflict of interest.

5.Chief executive officers should be appointed for a period of five years.