### CHAPTER 9
#### CONCLUSIONS

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9.1: INTRODUCTION

This chapter explains the conclusions of the research study. It also states the complete inferences of the entire study.

9.2: CONCLUSIONS OF THE RESEARCH STUDY

9.2.1: Conclusions based on Survey

1. Written Code of Corporate Governance:
   A written code of Corporate Governance signifies the Bank’s initiative to develop its own corporate governance practices and can be said to be a small step towards better corporate governance standards. However, only 96.3% of the banks have their own written code of corporate governance.

2. External Agency Rating for Corporate Governance:
   An External Agency Rating for Corporate Governance is a third party rating of where the bank stands in terms of corporate governance standards practiced by it. It is beneficial in providing a sense of security to the stakeholders of the bank. However, only 88.89% of the banks have been rated by an external agency for corporate governance.

3. Training and Orientation programs on Corporate Governance:
   Corporate Governance programs are organized for directors on boards of banks to keep them updated on the developments taking place in this area. This is a step towards promoting better corporate governance practices in the banking industry. Orientation programs also help the directors to understand the exact nature of the responsibility that is being given to them and how they should contribute to the growth of the bank. All banks surveyed organize programs for their directors.

4. Effects of the adoption of corporate governance practices:
   The main pillars of good Corporate Governance are Transparency, Accountability, Fairness and Disclosures. However, only 77.7% of the banks felt that adoption of corporate governance practices has resulted in
increased transparency and accountability. Only 74% of the banks felt that adoption of corporate governance practices has increased the responsibility of the board of directors.

5. **Corporate Governance Initiatives by Banks:**

   Even though all banks have a written code of corporate governance, not a single bank in India has formulated its own policies for Corporate Governance. Development of own corporate governance practices by the banks shows substantial initiative of the banks to contribute to the development of the Corporate Governance area. This kind of initiative is totally absent. It also shows that Corporate Governance norms are being followed only due to mandatory requirements.

6. **Written Code of Conduct:**

   All banks have a written code of conduct for their directors, senior management and employees. A written code of conduct is beneficial in making directors, senior management and employees aware of their duties, obligations and rights.

7. **Whistle-Blower Policy:**

   All Banks have a Whistle-Blower Policy in place. However, two banks have not disclosed their policy. A Whistle-Blower Policy is helpful in encouraging and offering protection to anyone who notices any wrongdoing in the organization to report it to the senior management. This will be advantageous in curbing malpractices and frauds in the banking industry.

8. **Transparency and Disclosures:**

   Most of the banks felt that disclosure standards in India are comparatively lower than international standards. Private Sector Banks and nationalised Banks follow comparatively lower standards of transparency and disclosures. Private Banks have better standards of disclosures while nationalised banks follow comparatively lower standards of disclosures in the public domain.
9. **Unclaimed Dividend Policy:**
All banks give periodic reminders to shareholders who have not encashed their dividend. All banks also have a written policy in relation to Unclaimed Dividend. This is expressly mentioned in the Annual Report of all banks. All banks have also appointed an Investor Relation Officer.

10. **Specialized Committees:**
All boards of banks have established various specialized committees to look into and monitor different functions of the bank. This ensures allocation of a specific task to a specially appointed team and helps in fixation of authority and responsibility.

11. **Independent Directors:**
No bank has given the definition on an Independent Director on their websites. However, all banks have a written policy for induction of Independent directors. All banks have also disclosed conditions of appointment for Independent Directors in the Annual Report.

12. **Selection Criteria for the Board of Directors**
No private bank has given the disclosure regarding the Selection criteria of the Board of directors in including Independent directors on their websites. However, 7 nationalised banks have given this disclosure.

13. **Audit Committee Report**
It has been observed that neither nationalised bank nor private bank has published the Audit Committee report. This means that the stakeholders do not have any access to the committee report.

14. **Investor’s Survey Conducted**
No private bank has given any information about any investor survey conducted on their website. However, 6 nationalised banks have given this information.

15. **Remuneration Levels:**
It is observed that even though some feel remuneration levels to be inadequate, lack of adequate remuneration levels does not primarily lead to
talent attrition. Only 22.2% of the banks felt that inadequate levels of remuneration are responsible for not attracting professional qualified talent on boards of banks.

16. **Role of the Independent Director**
It is observed that most of the banks feel that the role of Independent directors, especially in nationalised banks, should be more clearly defined. They felt that independent directors should be given the independence that their position demands.

17. **Employee participation**
Many banks also encouraged employee participation by organizing training programs for employees, holding regular meetings, having welfare schemes for employees and organising Community service programs.

**9.2.2: Conclusions based on Statistical Analysis**

1. **Stage of Corporate Governance in India:**
Since the sample size is less than 30 and the population standard deviation is unknown, A one sample T-test is used. Level of significance is chosen as: $\alpha=0.05$. The value of the calculated Test Statistic (2.27) is more than the Critical Value of the Test Statistic (2.05). Therefore, the Null Hypothesis is rejected and Alternate Hypothesis is accepted. Therefore, more than 70% of the banks feel that corporate governance in Indian banks is not in an infant stage but in a developing stage.

2. **Better Corporate Governance practices lead to better Transparency:**
Statistical Test used was Chi-Square test of Contingency. The Pearson Chi-Square Value (31.244) is significant. (P-Value is 0.0000) at level of significance 0.05. Thus the Null Hypothesis is rejected and Alternate Hypothesis is accepted. This shows that there is a strong association.
between extent of Corporate Governance practiced and degree of Transparency.

3. **Good Corporate Governance practices is a predictor of Investor Relations.**

Statistical Test Used was Simple Regression Analysis. The T-Test that measures significance of the gradient is significant at 5% level of significance. Thus the Null Hypothesis is rejected and the Alternate Hypothesis is accepted. Hence, it can be concluded that Good Corporate Governance is a significant predictor of Investor Relations.

4. **At least one population from amongst the three types of banks, i.e. Nationalised Banks, Private Banks and Foreign Banks, is different**

The Kruskal-Wallis Test was used to compare the three groups. Level of significance was chosen as: $\alpha=0.05$. The Chi-Square (6.354) is significant at 5% level of significance, since Pvalue (0.042) is less than 0.05. A Post-Hoc Test was also done.

The Mann-Whitney Test is used to study if there is any difference in Corporate Governance practiced by Private Banks and Foreign Banks. The Mann-Whitney U (15) is significant at 0.05/2=0.025 level of significance. Pvalue (0.024)< 0.025. Therefore, there is a difference in Corporate Governance practiced by Private Banks and Foreign Banks.

The Mann-Whitney Test is used to study if there is any difference in Corporate Governance practiced by Nationalized Banks and Foreign Banks. The Mann-Whitney U (39) is not significant at 0.05/2=0.025 level of significance. Pvalue (0.661)> 0.025. Therefore, there is no difference in Corporate Governance practiced by Nationalized Banks and Foreign Banks. Therefore, Null Hypothesis is rejected and Alternate Hypothesis is accepted.
The above conclusion is based on Quantitative Data i.e. the Capital Adequacy Ratio. However, the researcher has collected the qualitative data in Chapter 7- Primary Data Analysis Page No 178 where it is observed that According to 7 banks, there is disparity in Indian corporate governance practices as compared to international standards.

9.2.3: Bank-wise Conclusions

1. Based on the Secondary Data Analysis, it can be concluded that the Private Banks have better standards of disclosures as compared to Nationalised Banks
2. The nationalised banks have been ranked as follows:
   1. Oriental Bank of Commerce and Bank of Baroda
   2. Canara Bank
   3. Union Bank of India
   4. Dena Bank and Corporation Bank
   5. Central Bank of India
   6. Vijaya Bank
   7. Bank of Maharashtra
3. The Private Banks have been ranked as follows:
   1. IDBI Bank
   2. ICICI Bank and Development Credit Bank
   3. HDFC Bank, IndusInd Bank, Axis Bank, Kotak Mahindra Bank and Yes Bank
   4. Ratnakar Bank
4. The Foreign Banks included in the sample have made the disclosures regarding the committees functioning in the bank and they have also made disclosures regarding the working of these committees. Many Foreign banks have got distinctive committees such as Financial System Vulnerability Committee, Board Conduct Reputation and Operational
Risk Committee, Brand and Values Committee and the Public Responsibility Committee to look into special functions.

- **Nationalised Banks**
  All Nationalised Banks included in the sample follow Corporate Governance practices. 8 banks had a written code of corporate governance and 7 banks have been rated by an external agency. 6 banks feel that adoption of corporate governance practices has resulted in increased transparency and accountability. 4 banks feel that adoption of corporate governance practices has resulted in increased responsibility of the board of directors. 7 banks feel that adoption of corporate governance practices has resulted in increase in internal control exercised by the bank. According to 1 bank there is disparity in Indian corporate governance practices as compared to international standards. According to 5 banks, Whistle-Blowing in Indian banks should be encouraged. According to 3 banks, the banking sector in India should be encouraged to contribute more to the corporate governance area.

- **Private Banks**
  All Private Banks included in the sample follow Corporate Governance practices. 9 banks had a written code of corporate governance. 8 banks have been rated by an external agency. 7 private banks feel that adoption of corporate governance practices has resulted in increased transparency and accountability. 8 banks feel that adoption of corporate governance practices has resulted in increased responsibility of the board of directors. 9 banks feel that adoption of corporate governance practices has resulted in increase in internal control exercised by the bank. According to 2 banks, there is disparity in Indian corporate governance practices as compared to international standards. According to 5 banks, Whistle-Blowing in Indian
banks should be encouraged even more and according to 3 banks, the banking sector in India should be encouraged to contribute more to the corporate governance area.

- **Foreign Banks**
  
  All Foreign Banks included in the sample follow Corporate Governance practices. 9 banks had a written code of corporate governance. 9 foreign banks have been rated by an external agency. 8 foreign banks feel that adoption of corporate governance practices has resulted in increased transparency and accountability. 8 foreign banks feel that adoption of corporate governance practices has resulted in increased responsibility of the board of directors. 9 banks feel that adoption of corporate governance practices has resulted in increase in internal control exercised by the bank. According to 4 banks, there is disparity in Indian corporate governance practices as compared to international standards. 8 banks are of the opinion that Whistle-Blowing in Indian banks should be encouraged even more and 5 banks feel that the banking sector in India should be encouraged to contribute more to the corporate governance area.

9.3: **CONCLUSION:**

This study shows that corporate governance in Indian banks is not in an infant stage but in a developing stage. There are some banks which follow corporate governance standards in letter rather than in spirit. Lack of initiative in this area is also evident from the fact that not a single bank in India has formulated its own policies for Corporate Governance. Another significant finding of this study is that Indian banks follow comparatively lower standards of transparency and disclosures. However, there still remains room for improvement and growth. The regulatory authorities can do this by creating a climate conducive to innovation and upgradation.
Accounting standards may be developed in order to increase the standard of transparency and disclosures in India. Banks should be encouraged to develop their own models of corporate governance which will also help in raising the bar of transparency and disclosures. This will also result in newer models of corporate governance which will help to keep up with demands of the changing times.