

Bank Specific Traits and Board Governance: An Investigation of Indian Banks

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Abstract

The purpose of the study is to examine the board structure-related corporate governance practices and then compare those practices to various bank-specific characteristics. The intent is to determine whether there is any difference in board structure across distinct bank-specific characteristics. The study has used parametric test i.e. independent sample t test and ANOVA test to analysis the difference in board structure with respect to bank specific characteristics that include ownership and bank age, bank size, asset quality, ROA and loan to deposit ratio on 40 commercial banks over the sample period of 2001–2019. The study findings indicated significant difference in governance practices based on bank-specific characteristics. Except for bank age, all bank-specific factors induce a significant difference in board size. In addition, all bank-specific factors cause a significant difference in other directorships except total assets. All other corporate governance factors such as board independence, gender diversity, board meetings, board committees and director diligence differ significantly on the basis of all bank specific characteristics. Overall, the authors' findings add fresh and significant insights to the banking literature. The findings also have ramifications for investors and academic researchers, emphasising areas that require significant attention in corporate governance with regard to bank-specific issues.

Keywords: Corporate Governance, Bank Specific Characteristic, Board Structure, ROA, Public Sector Banks, and Private Sector Banks

Introduction

Banks play an important role as financial intermediaries in service-based economies and are required for economic operations. They are a major force in the financial system and a key driver of economic growth. A country's economic development is determined by the strength of its financial system. Thus, for the sake of sound financial health and the overall expansion of the economy, it is believed that the stability and viability of the banking system are of utmost importance. However, bank failures have the potential to destabilise countries' economic and political structures. Contrary to this, the profitability of the banking industry benefits the economies by enabling them to absorb negative and external financial shocks (Athanasoglou et al., 2005). As a result, knowing what elements drive the profitability of the banking sector is of utmost importance. Evaluating the factors influencing bank performance is one of the most essential research considerations in various prior research studies, such as Palaniappan (2017); Derbali (2021); Kantharia and Biradar (2022). These studies categorise these characteristics into three groups: bank-specific, macroeconomic and corporate governance. Bank-specific factors in banking systems are those that are internal and can be modified by management. In the financial sector, these elements refer to a bank's financial strength and include liquidity, capital, asset quality, earnings and efficiency. The macro-factors that are associated with the external environment are recognised to have an impact on the bank's performance and corporate governance aspects, including rules,

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procedures, legislation, accountability and transparency in decision-making to balance the interests of owners and stakeholders in all organisation. From the point of view of financial disclosure, corporate governance consists of a board of directors headed by a chief executive officer (CEO) along with several board-level committees to address various challenges facing the organisation. During this current scenario, the non-financial sector is not the only sector in the Indian economy that is looking for improved corporate governance, but banks are also on this path of research. Even the Basel Committee on Banking and Supervision (BCBS) stated that inadequate corporate governance systems are a major cause of banking distress, resulting in financial collapse (BCBS, 2015). In addition, the Reserve Bank of India also strives to meet international standards and standards of excellence for corporate governance in the Indian banking system. Effective governance is essential for every bank, whether controlled by the state or privately. Bad governance in banks produces more problems than in non-bank firms and the consequences of their failures are far worse. As a result, every banking organisation must have efficient corporate governance systems in place.

Consequently, a number of prior research studies have acknowledged the significance of corporate governance in banks and have looked at how it affects bank performance in conjunction with bank-specific characteristics (Mayur & Saravanan, 2016; Gafoor et al., 2018; Sarkar & Sarkar, 2018). Furthermore, several studies in the literature, such as those by Masood and Ashraf (2012) and Kantharia and Biradar (2022), have assessed the influence of macroeconomic and bank-specific factors on performance while evaluating the determinants of performance. Studies examining the elements that influence bank performance have played an essential role in the economic and financial literature, so shedding new light on this path of research has also become necessary. In this regard, the current study evaluated the governance practices of Indian banks as corporate governance plays an important role in enhancing the performance of banks. After that these governance practices have been evaluated in light of the bank-specific factors. This study is novel, as currently no study has existed that examined in detail the corporate governance practices (board structure) of public and private sector banks as well as evaluated these governance practices in terms of bank-specific characteristics. This raises our

interest in this study, as the present study will enable us to understand how governance structures change, if at all, across different dimensions, and to better understand the governance preparation. The empirical results of this study demonstrate that bank-specific characteristics have a noticeable impact on the governance practices adopted by banking firms. Results show considerable statistically significant differences in governance practices of Indian banks on the basis of ownership. Further with respect to other bank specific attributes, results demonstrate that smaller, younger, less profitable and low asset quality firms all appear to be more concerned about governance, but larger, mature firms do not appear to be as strict or rigid in their governance practices.

This study contributes to existing research on governance practices in Indian banks in a variety of ways. First, as far as we are aware, no study in the available literature has examined in detail governance practices of Indian banks in light of bank-specific characteristics. The majority of earlier studies on governance in developing nations like India have focused on how it enhanced bank performance.

Secondly, it provides a comprehensive examination regarding sample size and time span. The investigation spans 19 years (2001-2019) and includes 40 Indian commercial banks. Thirdly, the study introduces a new measure of board structure based on attendance at board meetings, which has hardly been utilised in any research studies in the Indian banking context previously. Finally, by emphasising on board as the ultimate element of the governance system, the research is expected to generate suggestions for improving board functioning, which might go far toward improving board function and performance in Indian banks. Thus, our research will help emerging nations and those with financial linkages to India understand the differences in governance practices based on bank-specific characteristics.

The next section of the current study is divided as follows: Section 2 relates to the aspects of both empirical and theoretical literature reviews dealing with governance and bank specific characteristics and the study's proposed hypotheses. Section 3 describes the data collection, research methodology and explains the variables used in the investigation. The fourth section discusses the empirical results of the study; Section 5 discusses the conclusion followed by the suggestion for further studies.

Literature Review and Hypothesis Development

Board Size

Board is the only body with the ability to manage corporations. This body also has significant impact on how well corporate governance is carried out (Balasubramaniam & Pradhan, 2005). It has been acknowledged as a remedy to the various agency issues. The board is also thought to be the most effective internal watchdog of the top management. Additionally, as demonstrated by theory and evidence, bank directors have in-depth understanding of the complexities of the banking firms. As a result, they are better able to supervise and counsel managers and prevent any potential conflicts of interest between the bank and the regulator by managing their relationships with the latter (De Andres & Vallelado, 2008). On the other hand, Adams and Mehran (2012) contend that adding directors only adds to the complexity of the board, negating any potential benefits, communication is slower and may cause more disputes when there are more directors. Furthermore, a study by Sharma and Dey (2022) discovered no connection between board size and Indian banks' performance.

Board Independence

The effectiveness of a board of directors as a monitoring mechanism depends on its independence from management (Beasley, 1996). According to several earlier studies, IDs are stronger managers' watchdogs or efficient monitors, as they have no financial stake in the company and no emotional ties to management; they place a high priority on preserving their individual reputations in the directorship market (Fama & Jensen, 1983). They are more qualified to objectively question management (Abbott et al., 2004). Higher IDs participation on the board, according to Bedard and Johnstone (2004), results in more careful supervision of the monitoring process. These directors allow the board to make decisions that are impartial and neutral. However, the presence of IDs may reduce the quality of decision-making as they lack the comprehensive inside knowledge necessary for an advising position (Adams & Ferreira, 2007). Board independence becomes more essential when considered

in the context of the banking industry's complexity and its higher advisory obligations.

Gender Diversity

The BCBS updated its corporate governance principles in response to the mistakes and oversights that led to the financial crisis. One of the areas that the revised set of principles emphasised is the competency and composition of the board. In order to ensure that directors make unbiased and independent decisions, these principles point to the necessity of promoting diversity in boardrooms (Basel Committee on Banking Supervision, 2010: par. 38). Gender diversity, as shown by the proportion of women directors on the board, is another board component that is researched. The use of multiple theoretical stances can support board gender diversity. According to agency theory, the board is responsible for supervising management actions to minimise agency issues (Finegold et al., 2007). Female directors provide another dimension to the oversight process, as it is thought that having directors with a variety of backgrounds will make monitoring more effective (Low et al., 2015; Mukerjee et al., 2023). In addition, according to resource dependency theory, having female directors on boards tends to improve the human and social capital of the board, as well as foster stronger relationships and a better understanding of female consumer markets (Carter et al., 2003). Thus, drawing justification for their membership on the board from theories of agency and resource dependency, the involvement of women directors is anticipated to improve monitoring efficacy and company value.

Board Committees

Boards of directors have a fiduciary responsibility to behave in the best interests of the shareholders (Fama & Jensen, 1983). In reality, the board delegates the majority of duties to committees (Adams & Mehran, 2003; Guo & Masulis, 2015). Important board decisions begun through these committees and various research studies also indicate that giving authority to board committees over certain tasks improves governance of firms (Adams & Mehran, 2003). Board committees are regarded as one of the important internal corporate governance systems,

as these committees were created to help the board effectively carry out its duties and to get input and advice from the committee's experts. Board's monitoring role can be improved by creating board committees that enable the directors' obligations to be "rigorously discharged" (Cadbury, 1992). Thus, board committees have been listed as a key characteristic of banks' boards.

The formation of specific committees for listed entities has been mandated by the Companies Act of 2013 and SEBI (LODR, 2015). The following committees are mandatorily required by the Act and the SEBI (LODR) Regulations: audit committee, nomination and remuneration committee, stakeholder relationship committee, risk management committee and corporate social responsibility committee.

Board Meetings

Board of directors is responsible for supervising and advising the management as an internal control mechanism, and this monitoring and oversight is carried out largely through board meetings (Gafoor et al., 2018). It is basically a formal gathering of board members to discuss and handle pertinent topics relating to their former experiences, current situations and future-looking issues as these are related to the company's existence (Eluyela et al., 2018). Directors benefit from board meetings as they receive information and updates on all developments in a company. Earlier research studies such as De Andres and Vallelado (2008) and Liang et al. (2013) have categorised the boards on the basis of number of board meetings as proactive and reactive boards. The good sign of frequent board meetings is a proactive board, which may better control management and have a favourable effect on performance. However, the reactive board is a warning indicator for numerous board meetings and weak performance. Thus, board activity held in terms of the number of board meetings acts as a crucial forum for efficient opinion harmonisation with a view to accomplishing the general aims of the company. As per Clause 49, Section 285 of the Indian Companies Act, board meeting must take place at least four times in a year and the maximum gap between two meetings should not be more than 120 days.

Other Directorships

Director busyness, as determined through board members other directorships, provides insight into the operational activities of the board. Numerous studies, such as (Carpenter & Westphal, 2001; Ferris et al., 2003) have supported the contention put forth by Fama and Jensen (1983) that other directorships serve as a sign of a director's qualities. Directors with other directorships can offer benefits that boost the firm's worth as they give their wide networks and ability to access resources, suppliers and consumers to the organisation (Pfeffer, 1972). In contrast, this research study by Fich and Shivdasani (2004) advocated that the busyness hypothesis is that a high number of appointments may cause directors to become overcommitted, which would impair their ability to effectively oversee company management on behalf of shareholders and have a negative impact on firm value. Cooper and Uzun (2012) point out that having several directorships increases bank risk. Additionally, as directors overbook themselves, they have less time for their tasks on each board and their fiduciary duties are compromised. The same evidence has been provided by various research studies in the case of the banking sector, where the literature is split between the reputational hypothesis and the opposing busyness hypothesis related to other directorships. Thus, literature provides mixed evidence on other directorships of board members, both from the point of view of busyness and the reputation hypothesis.

Director Diligence

The board behaviour is determined by the variable "board meeting attendance", which has been utilised in corporate governance studies as a measure for assessing the effectiveness of boardrooms in exercising monitoring (Lin et al., 2014). In other words, it serves as a platform for board members to carry out their oversight responsibilities by using data relevant to the company; a board of directors is legally empowered to approve and oversee managerial projects, assess the effectiveness of top managers and reward or penalise their performance (Fama & Jensen, 1983). Inside directors (company executives) offer useful insight into a company's operations, whilst outside directors may offer advisory services in assessing the

decision made by the top executives. In addition, bank directors place a strong emphasis on the necessity for directors to gather information in order to fulfil their obligations of care and loyalty. A crucial method by which directors are expected to gather information and take part in decision-making is by attending board meetings, which allows them to escape personal culpability (Adams & Ferreira, 2012). However, the efficient use of meeting time is another point made by Conger et al. (1998) as a measure of a board's effectiveness. The attendance rates for both inside and outside directors, however, tend to decline when board meetings are more frequent (Gray & Nowland, 2013). Additionally, it has been noted that agency problems can also arise when directors fail to efficiently carry out their duties by missing board meetings (Lin et al., 2014). So, attending board meetings is one of the fundamental responsibilities of directors, especially for outside directors, as they serve as the primary forum for information gathering, decision-making and management oversight (Adams & Ferreira, 2008). Otherwise, it might be challenging to accurately and directly quantify the work effort of directors in empirical investigations. So, simple a technique to gauge their behaviour and work effort is by examining directors' attendance at board meetings, named as director diligence (Chou et al., 2010).

Furthermore, prior studies show that bank-specific factors such as ownership, bank age, bank size, ROA, asset quality and loan to deposit ratio affect bank financial performance (Masood & Ashraf, 2012; Garcia & Trindade, 2018; Awo & Akotey, 2019; Palaniappan, 2017; Gupta & Sharma, 2022; Chanie et al., 2024) while evaluating factors affecting financial performance of banks and most corporate governance research studies also indicate that bank-specific factors significantly impact bank performance (Molla et al., 2021; Sharma & Dey, 2022; Jatana, 2022; Athar et al., 2023), so they employ them as control variables. on the basis of this, the current study aims to evaluate whether bank-specific features make a difference in the governance practices of Indian banks. For this, the study constructed the hypothesis, which is as follows:

Hypothesis

Ha: There is a significant difference in the mean values of governance practices across various bank-specific characteristics.

Data and Methodology

The present study first intends to examine the corporate governance practices of Indian commercial banks and after that, evaluate corporate governance practices with respect to bank specific characteristics covering board structures (board composition & board functioning). As foreign banks and RRBs differ significantly from Indian banks in many ways so, the present study has not included them in sample. Also, they differ from Indian banks in terms of ownership, governance, executive compensation, etc. So, in order to conduct research, the present study covered only PSBs and PVSBS. Thus, this investigation is based on the 40 Indian banks, including 20 PSBs and 20 PVSBS, from 2001 to 2019. The period spanning from 2001-2019 selected for empirical analysis is quite important. Furthermore, it will be the counterpart of all research studies that cover a sample after 2019 because the time period includes massive transformations in Indian banks, such as the pre-crisis stage, the crisis stage, the post-crisis stage, the implementation of the Companies Act 2013, the consolidation of six banks into the SBI and an enormous increase in banking frauds during this time frame, i.e., PNB. The annual reports of these chosen banks have been used to gather the data regarding board structure variables. Data of board structure variables has been manually collected from the annual reports of banks and annual reports have been downloaded from the respective websites of banks and the "Prowess" database, created by the Centre for Monitoring Indian Economy (CMIE), which is a collection of all scanned annual reports of the listed Indian banks. CMIE Prowess data source is reliable and widely used financial software in India for research purpose and data regarding bank specific characteristic has been accessed from the ACE Equity Data base. Data has also been verified with annual financial accounts to ensure their accuracy.

The acquired data has been analysed in terms of corporate governance factors that are intended to be captured through board structure variables. These measurements have been compared with respect to the bank-specific characteristics which have been incorporated in the present study. The analysis of the study has been divided into two parts. The first part of the analysis discusses the complete profile of specific corporate governance variables with respect to different banks over the years and in the second part

of the analysis, the identified corporate governance variables are studied in comparison to different bank specific variables. The idea is to find out whether there is any difference of specific corporate governance variables across various bank specific characteristics. The variables identified are ownership and bank specific variables. For ownership it is a clear case, as the sample is restricted to PSBs and PVSBS, which meant that ownership has two categories. So, the study has been conducted by using independent sample t test. With respect to other variable which are continuous or metric variable for homogeneity every variable is divided in to four categories on the basis of their quartiles. This categorisation is done for being statistically correct as all variable are categorised in a uniform way so, that there is no scope of any variation in data. Seeing the four categories the ANOVA using F test has applied to understand or check the differences across different categories.

Further an overview of the key variables in the study to illustrate the corporate governance system in the Indian banking firm is presented in Table 1.

Table 1: Operational Overview of Indicators Used

<i>Variables</i>	<i>Description of Variables</i>
Board Composition Variables	
• Board Size	Number of directors on the bank's board.
• Independent Director	Proportion of board with independent directors.
• Gender Diversity	Proportion of female board members.
Board Functioning Variables	
• Board Committees	Total number of committees that exist on the board.
• Board Meetings	Frequency of board meetings that take place in a fiscal year.
• Other Directorships	Average number of other directorships that the directors of bank hold.
• Director Diligence	A director's diligence is determined by dividing the number of board meetings they really attended by the number of board meetings they were actually required to attend while serving as a director for firm throughout the year.
Bank Specific Characteristic Variables	
• Bank Size	Measured by book value of total assets.

<i>Variables</i>	<i>Description of Variables</i>
• Bank Age	Length of time of a firm since its establishment.
• Return on Asset	Profit after tax as a percentage of total assets.
• Non-Performing Loan Ratio	Gross non-performing assets as percentage of total loans and advances.
• Loan to Deposit	Percentage of loan & advances to total deposit.
• Bank Ownership	Dummy variable 0 for PSBs. Dummy variable 1 for PVSBS.

Source: Author Definitions (Based on the prior research studies).

Overall profile of sample is clear from descriptive statistics which follows in the next section.

Empirical Result

Analysis of Corporate Governance Practices and Comparison of Governance Practices across Bank Specific Characteristics

The governance practices of banking firms relating to board classification and board functioning, which are expected to show various differences, have been analysed one by one in one part of this section. Another part of this section, for each governance variable, an effort is made to look into the variations across different bank specific characteristics.

As discussed, the first part of the analysis provides a detailed view of the average relating to corporate governance practices of 40 listed banks, 20 PSBs and 20 PVSBS over the period from 2001 to 2019. Table 2 provides a comprehensive overview of the sampled banks in terms of their board structure.

Board Size

Table 2 first shows the average board size of all the sampled banks. As per legal requirements, the minimum number of directors, which was set at three by the Companies Act of 2013, has been increased to six by the SEBI (LODR) (Amendment) Regulations, 2018. The results shown makes it abundantly clear that the average board size that each sampled bank maintains complies with regulatory requirements.

The analysis of Table 2 illustrates that average board size in most PSBs is higher than in PVSBS. The normal range of average board size in all banks is 8–14. Whereas the average board size in all PSBs ranges between 9 and 14, in comparison, to the board size in PVSBS, which ranges from 8 to 14. These findings are in line with a study by Adams and Mehran (2003) which states that board size are often larger in banking boards than those of non-financial enterprises because of the complexities of operations of the company, regulatory requirements and financial intricacies. Further results of the table reveals that when comparing the average board size of the two largest banks (on the basis of asset size) SBI Bank has a larger board size of 14 as compared to HDFC Bank's 11. Additionally, it is determined from the table that SBI Bank has the largest average board size of 14 among the sampled PSBs and in the PVSBS, ICICI Bank has the largest average board size of 14. The two banks with the lowest average number of directors on the board of public and privately owned banks are United Bank of India 9 and Dhan Lakshmi Bank 9. The justification offered by various research studies Jackling and Johl (2009) and Salim et al. (2016) for the effectiveness of larger boards in banks is that large boards increase bank efficiency by providing insights into the decision-making and oversight processes. The presence of more directors on a board benefits the monitoring and advisory roles and enhances bank governance and returns.

Board Independence

Table 2 shows the average of the second measure of board structure, i.e., the percentage of IDs on the boards of PSBs and PVSBS over a period from 2001 to 2019.

It is revealed from the table that every sampled bank maintains an average percentage of IDs that is consistent with the Section 149(4) of the Companies Act (2013) requirement that every listed public company have at least 33% of their board members as IDs. Further, as per regulatory requirements regarding IDs, it is specified in revised Clause 49 of the listing agreement that the independence of directors also depends upon the chairman status. If there is a non-executive chairman, the board should have at least one-third IDs and if there is an executive chairman's, the board should have at least fifty percent IDs. On investigation it has been observed that in PSBs most of the chairman holding the title of CEO are executive director and in contrast to this majority of PVSBS have separated the two roles and their chairman are non-executive director. In this regard it is evident from the table that the majority of public sector banks do not fulfil this regulatory requirement, as the percentage of IDs is less than 50% except Bank of Baroda or State Bank of India. It is observed from the Table that BOB is the leading bank among the chosen 20 PSBs in terms of board independence with 51% IDs on its board. In the category of PVSBS, Karnataka Bank has the highest percentage of IDs on their board i.e., 84% respectively. Further by evaluating data of each individual bank the average percentage of IDs in majority of PVSBS is greater compared to PSBs? The most likely explanation of this is that PVSBS have complete discretion over selecting the CEO, chairman and board composition in contrast to this GOI appoints the majority of outside director in state-owned banks, So PSBs have much less freedom in selecting their outside directors, as a result their percentage of IDs is low.

Table 2: Average Bank-Wise Details of Board Structure from FY 2001 to FY2019

Bank Name	Board Size	Board Independence	Female Director	Board Committees	Board Meetings	Other Directorships	Director Diligence
State Bank of India	13.5	50.5	9.00	8.3	11	5.3	14.3
Bank of Baroda	11.2	51.4	8.4	10.3	16.15	2.4	12.9
Indian Overseas Bank	11	50.8	7.2	12.9	13.57	0.7	12.7
Union Bank of India	11.5	49.9	5.8	11.8	14.73	1.3	13.26
United Bank of India	9.11	43.	10.5	8.1	11	0.3	10.72
UCO Bank	9.68	42.0	5.	10.6	13.15	0.33	11.18
Syndicate Bank	10.8	42.4	6.9	10.7	12.27	0.8	12.70
Canara Bank	10.9	41.8	10.7	5.8	13.70	1.9	13.67
Punjab National Bank	11	38.9	5.6	15	15.36	1.20	13.37

<i>Bank Name</i>	<i>Board Size</i>	<i>Board Independence</i>	<i>Female Director</i>	<i>Board Committees</i>	<i>Board Meetings</i>	<i>Other Directorships</i>	<i>Director Diligence</i>
Punjab & Sind Bank	10.2	49.2	6.3	10	9.81	0.6	11.85
Bank of India	11.6	43.9	8.7	8.3	13.63	1.8	13.08
Bank of Maharashtra	9.84	42.1	7.2	15.9	13.31	1.3	11.87
Corporation Bank	11	46.6	5.0	15.2	14.57	1.3	13.23
Central Bank of India	10.3	40.7	5.7	10.3	14.05	1.2	13.10
Indian Bank	9.63	39.6	6.7	11	13.84	0.20	12.08
Andhra Bank	10.3	43.5	5.5	14	13.42	0.8	12.3
Oriental Bank of Commerce	11	47.0	8.1	14	13.63	1.26	12.79
Allahabad Bank	11.3	45.2	8.6	11	13.67	1.14	13.23
Dena Bank	10.6	47.7	6	14.8	14.55	1.5	12.48
Vijaya Bank	10.3	45.5	9.	11.7	12.67	-	12.08
HDFC Bank	10.5	55.6	12.	9.5	7.36	3.7	10.07
Axis Bank	12.5	57.6	12.1	9	8.05	4.72	12.7
IndusInd Bank	9.2	71.5	10.2	10	8.78	4.02	8.8
Yes Bank	8.8	61.7	8.7	9.2	5.46	2.9	8.16
City Union Bank	10.4	83	2.6	7.6	14.36	1.2	10.9
Development Credit Bank	12	73	6.2	9.5	7.57	4.7	10.10
South Indian Bank	9.7	82.0	2.7	9.5	14	0.5	9.9
Bandhan Bank	12.3	73.8	12	8	10.75	2	11.30
IDFC Bank	8	59.2	15.9	8.25	7.4	4.1	10.23
Karur Vysya Bank	10.05	54.6	2.4	8.6	24.78	0.4	10.6
Kotak Mahindra Bank	9.7	53.5	3.0	8.118	8.117	4.5	8.45
Lakshmi Vilas Bank	10.63	51.8	2.7	9.526	19.31	1.3	10.9
Karnataka Bank	10.4	83.5	3.8	9.8	14.27	0.78	10.4
IDBI Bank	9.4	56.5	7.7	8.7	11.36	3.7	8.9
Dhan Lakshmi Bank	8.6	75.0	7.9	9.7	12.84	1.5	9.0
Federal Bank	9	78.1	6	8.8	13.47	1.8	9.0
Jammu & Kashmir Bank	10.42	63.1	1.4	9.9	12.21	3.1	10.7
Ratnakar Bank	10.6	76.0	3	9.9	8.31	3.7	9.9
ICICI Bank	14.1	64.6	14.5	9.4	8.89	6.3	13.08
Catholic Syrian Bank	12	67.7	4.20	10.5	16.57	1.8	11.91

Author compilation from annual reports of *banks*

Gender Diversity

Table 2 reveals the average percentage of FDs on the boards of PSBs and PVSBS over the period of 2001 to 2019. The low percentage of FDs on boards draws attention to the gender disparities on boards that exist across all industries and regrettably, are consistent with the asymmetric data in developed and developing nations. With effect from October 2014, the Securities and Exchanges Board of India (SEBI) have mandated that Indian listed companies have not less than one female director in accordance with Section 149 (1) of Rule 3 of

the Indian Companies Act, 2013. Table 2 disclosed that number of women directors' appointed to banks has gone up during the course of the 19 years, but that percentage is much lower in the initial years and in certain banks, there isn't even a single female director.

While evaluating the percentage of FDs of all the years of sampled banks, it has been depicted that Corporation Bank had no female directors from 2001 to 2010 except for the year 2004 and that Bank of India and the Central Bank of India have not appointed women directors for five consecutive financial years from 2001 to 2005. Punjab

National Bank has not appointed women directors for eight consecutive financial years from 2001 to 2008. After 2014, most of the PSBs have one or two female directors in order to comply with regulatory requirements and some of the PSBs, even after 2014, have no female director in their upcoming year i.e., UCO Bank, Syndicate Bank, Central Bank of India and Oriental Bank of India. Further, it is to be noted that in PVSBS, HDFC Bank and ICICI Bank have complied with the mandatory requirements of a female director during the whole period of 19 years from 2001 to 2019. However, between the years 2000–2001 and 2013–2014, the requirement of female directors has not been maintained by the City Union Bank, South Indian Bank, Kotak Mahindra Bank, Karur Vysya Bank, Lakshmi Vilas Bank and Jammu Kashmir Bank. Only in the last five years have women been nominated to director positions in the aforementioned banks. The figure shows that the appallingly low average percentage of FDs in banks serves as justification for the regulatory restrictions put in place in India for listed firms. However, the Indian corporate environment is increasingly changing in favour of gender diversity on the board of firms, following global standards where Norway, France, Germany and Spain have mandated at least 40% of board members to be women. While there were 19 banks with no female directors in 2010, there number has been reduced to eight banks in year 2019. This demonstrates the banking authorities' trust in the inclusion of women on the board. The results of various research studies also show that gender diversity raises the performance of banks. In addition, it is suggested that firms should ensure that there is a proper balance of male and female directors rather than simply ensuring that there is at least one woman on the board (Carter et al., 2010; Gordini & Rancati, 2017).

Board Committee

Table 2 shows the average total number of committees of PSBs and PVSBS over the period from 2001 to 2019. It is recorded that every sampled bank included in the study, both public and private, has appointed the requisite committee as required by law. Banks have a strong propensity to have many board committees specialised in different fields simply due to the number and complexity of banking transactions, besides the mandatory number of five. Further, it is noted that the number of board committees, on an average, in majority of PSBs are higher

than that of PVSBS. This may be due to differences in the organisational and governing structures as well as the different environments of these two categories of banks. It is further observed that Bank of Maharashtra is the leading bank among the chosen 20 PSBs in terms of having the highest average of number of board committees (16) and in the category of PVSBS. CSB Bank has the highest average of number of committees on their board (11) respectively.

Board Meetings

Table 2 reveals the average frequency of board meetings of PSBs and PVSBS over the period of 2001 to 2019. As per law, at least four meetings should be held throughout the fiscal year. It is clear from the table that every bank included in the study, both PSBs and PVSBS, has conducted the required minimum number of board meetings every year. Further, it has been stated that the maximum number of board meetings on average convened in PSBs is by BOB (16) and in PVSBS; it is by Karur Vysya Bank (25) which is far more than the statutory limit of four, indicating the necessity for coordination and decision-making in the era of complex banking operations. The lowest number of board meetings on average among PSBs has been conducted by Punjab & Sind Bank (10) and in PVSBS by Axis Bank (5).

Other Directorships

Table 2 shows the average other directorships of banks' directors of sampled banks over a period from 2001 to 2019. It has been observed that the number of other directorships of directors, on average, in the majority of banks is higher for PVSBS in comparison to PSBs. This can be because of the existence of considerable differences among PSBs and PVSBS with respect to the structure and operational freedom of the board's members. As the Government of India (GOI) has significant control over how these boards operate, these boards are less empowered than PVSBS boards. Additionally, when evaluating other directorships that directors have in each bank, SBI Bank has the upper edge among the selected 20 PSBs with the highest average as (5) followed by Bank of Baroda, having an average of other directorships of (2). In the category of PVSBS average number of other directorships held by directors is highest at ICICI Bank (6), followed by AXIS

Bank and DCB Bank as (5). Moreover, the data in Table shows that there are several banks, both in the public and private sectors where the average other directorships is even lower than (1) implying some directors holding no other directorship, i.e., IOB Bank (0.7), United Bank of India (0.3), UCO Bank (0.33), Syndicate Bank (0.8), Punjab & Sind Bank (0.6), Indian Bank (0.2) and Andhra Bank (0.8) are the public sector banks that fall under this category. In the private sector, there are two banks that have other directorships of directors on average below (1) namely South Indian Bank (0.5) and Karnataka Bank (0.8). Further, when the present study evaluates other directorships from the point of view of literature, it has been revealed that many research studies (Fich & Shivdasani, 2006; Bezawada, 2020) measured the variable director busyness or other directorships when directors serve on 3 or more boards. On that basis when evaluating the other directorships of directors, on average, in each bank for the purpose of determining whether the director is busy or not, it is found that in PSBs, SBI Bank is the only bank where all the directors have multiple board appointments or busy directors, as they have other directorships 3 or more than 3 in all the years. In PVSBS, Axis Bank and IDFC Bank are the only banks where directors have board appointments of 3 or more in all the year.

Director Diligence

Table 2 shows the average diligence of directors of sampled banks over a period from 2001 to 2019. It is apparent from the table that the attendance of directors, on average in majority of banks is higher in PSBs in comparison to PVSBS. Further, while analysing data for each bank separately, it is seen that SBI, India's largest bank and Canara Bank stand in first for the category of PSBs with an average director attendance of (14) followed by PNB with a (13), average attendance. In exploring the bank which has the lowest director attendance in the PSBs category, it is noted to be the United Bank of India (10). On average, attendance of directors in PSBs ranges between 10 and 14. However, when it comes to PVSBS, ICICI Bank and Axis Bank have the highest average director attendance of (13) and the lowest average director attendance in PVSBS is of Yes Bank (8). On average, the director attendance of PVSBS ranges in between 8 and 13. Overall, it can be said that directors in banking firms are more likely to attend board meetings or experience fewer attendance issues, demonstrating their commitment to their roles

and the demand of complex banking operations.

After a detailed view of governance practices relating to board structures, their relationship to bank specific characteristics has been checked.

Board Size

To test the research hypothesis about the significant differences in PSBs and PVSBS with regard to board size this study uses an independent sample t-test. The results are presented in Table 3 for this following alternate hypothesis that has been framed.

Ha₁: There is a significant difference in the mean values of board size between public and private sector banks.

Results indicate that between the two sub-samples, which are divided on the basis of ownership as PSBs and PVSBS, there is a significant difference in the mean of board size at the 5% level of significance. It is also observed that the PSBs have a slightly bigger board size (11) as compared to PVSBS (10). As State-owned banks are subject to additional regulatory controls by the GOI under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970; the Bank Nationalisation Act, 1980; and the State Bank of India Act, 1955. These additional regulatory controls are in addition to the regulatory controls exercised by the RBI. GOI appoints a significant number of directors from various categories (central govt. official directors; RBI director; workmen employee directors; officer employee directors; chartered accountant directors; central govt. nominee directors and elected shareholder directors) in state-owned bank. So PSBs have bigger boards than those of PVSBS.

Further, with a view to examine the difference between board size and other bank specific characteristics, i.e., bank age, bank size, ROA, NPLR and Loan to Deposit ratio, the ANOVA test has been applied. For this following alternate hypothesis has been framed.

Ha₂: There is a significant difference in the means values of board size across various bank-specific characteristics.

Table 3 shows the results of the ANOVA test indicate an insignificant association between board size and bank age at the 5% level of significance. This implies that the age of the bank (whether old or new) does not make any difference in board size. As board size is a statutory legal requirement that all banks must fulfil it, age does not

create any specific difference in an increase or decrease in board size. Further, with respect to bank size, which is computed by total assets, a significant difference is noticed in the mean of board size and that difference is noticed in the last quartiles, which indicates that larger bank have significant chances of having larger board size because large banks require bigger internal monitoring systems to control and manage their operations. Similar results are stated by Kathuria and Dash (1999) that the board's size grew as the firm grew in size. Jackling and Johl (2009), his study also demonstrated a significant positive link between firm size and board size.

After that, an ANOVA test is used to explore the difference between ROA and board size of sampled banks. Results show that board size is significantly different across ROA of banks at the 1 % level of significance. As indicated from Table 3, when profits of banks increase, board size also increases, but when profits of banks are maximum, board size has shown a slight drop in value. Further regarding

variable NPAs which is a crucial factor in determining the long-term financial health of banks, results show that there is significant variation in board size across NPAs of Indian banks.

As depicted in Table 3, when the NPLR of a bank increases, board size increases, but when the NPLR reaches its maximum level, the mean of board size decreases. The possible explanation for this is that when a bank's NPAs rises to their maximum the size of its board decreases because it is difficult to make coordination and communication in a large board, resulting in an adverse situation. For the variable board size, a significant difference is also found across the loan to deposit ratio, indicating that as advances of the bank are increasing, there is also an increase in the size of the banking board. The significant difference in board size across bank specific characteristics leads to acceptance of alternative hypotheses H_{a1} , H_{a2} .

Table 3: Comparison of Board Size across Bank Specific Variables and Test of Significance

Descriptives	Sample	N	Min.	Max.	Mean	Median	Std. Dev.	Parametric Test (t Test/ ANOVA)	
Variables								Test Value	Sig. Value
Type of Bank	Public	377	4	17	10.8	11	2.09	1.91	.056
	Private	347	4	19	10.5	10	2.07		
Bank Age	Q1	172	4	19	10.8	11	2.39	1.67	0.179
	Q2	215	5	17	10.4	10	2.14		
	Q3	314	4	15	10.6	11	1.85		
	Q4	22	7	13	11.1	11	1.41		
Total Assets	Q1	232	4	15	10.4	10	1.88	8.788	.001
	Q2	113	4	13	10.2	10	2.00		
	Q3	77	4	13	10.1	10	1.81		
	Q4	301	6	19	11.1	11	2.21		
RoA (%)	Q1	177	4	15	10	10	2.02	7.20	.001
	Q2	175	4	17	10.7	11	2.15		
	Q3	181	4	19	11	11	2.21		
	Q4	161	7	18	10.6	10	1.87		
Asset Quality	Q1	153	6	17	10.5	10	1.90	4.382	.005
	Q2	201	6	17	10.9	11	1.75		
	Q3	99	5	18	11.1	11	2.35		
	Q4	266	4	19	10.3	10	2.23		
Loan to deposits	Q1	200	4	14	10.2	10	2.08	4.17	.006
	Q2	137	4	16	10.6	11	1.83		
	Q3	107	6	15	10.8	11	1.75		
	Q4	249	5	19	10.9	11	2.31		

Source: Author's calculations.

Thus, it can be inferred from the significant values of numerous variables that bank-specific characteristics do affect governance parameters like board size and serve as an important criterion in selecting board size. Banks do differ w.r.t. this governance parameter and these differences are significant for type of bank, total assets, ROA, NPLs and loan to deposit ratio.

Board Independence

To test the research hypothesis about the significant differences between PSBs and PVSBS with regard to board independence, an analysis was conducted. For this following alternate hypothesis has been framed.

Ha₃: There is a significant difference in the mean values of board independence between public and private sector banks.

Results of the independent sample t-test presented in Table 4 indicates that there is a significant difference in the level of board independence between PSBs and PVSBS (at the one percent level). Comparing the average percentage of IDs in PSBs and PVSBS, PSBs have 45% of IDs, while PVSBS have 67% of IDs. This depicts that PVSBS have experienced noticeably higher levels of board independence than their public sector counterparts. These results backup the claim made in a research study by Sarkar (2018) that board independence is lower in PSBs as the ownership structure in PSBs, is more likely to be concentrated because of their primarily government ownership. As a result, the monitoring requirements of IDs are less stringent than for their counterparts in private banks. Hence, the analysis accepts the alternative hypotheses confirming the difference in mean values of board independence across PSBs and PVSBS.

Further, with a view to examine the difference between board independence and other bank specific characteristics, the ANOVA test has been applied. For this following alternate hypothesis has been put forth:

Ha₄: There is a significant difference in the mean values of board independence across various bank-specific characteristics.

Results in Table 4 show that board independence is significantly different across different age groups imply that the hypothesis is supported. This means that that change in age brings a change in board's independence. As banks mature or older, the level of board independence declines. This may be explained by the view that when businesses age or get older, they become more efficient than those who are less experienced and then there will be less need for IDs management and monitoring. Also, firms are more particular and cautious in their early years of formation than when they mature. The results are in line with the observation by Ang et al. (2000) that older firms are doing better than younger ones. With regard to another bank specific variable, bank size, which is represented by total assets, a significant difference is observed between bank size and the percentage of IDs, which implies that when the level of assets changes, there is a significant change in the level of board independence at the 0.1% level of significance. Mean board independence decreases with an increase in total assets, highlighting that a firm will choose to appoint outside directors in accordance with the cost and value of doing so. When a company becomes well-known or grows in size, they do not need more IDs because their reputation has already been cemented in the marketplace and they command a good position.

Further results of the ANOVA test indicate that board independence varies across ROA of banks and their mean differences are found to be statistically very significant at the 0.01 level of significance. It is observed that board independence is greater among better performing firms suggesting that by adding more outsider directors, the firm has fostered additional guidance, which helps boost the firm's performance and propel the firm to new heights. In addition to this, results also reported a significant difference between asset quality of Indian banks and board independence. Further results revealed a significant difference between board independence and loan to deposit ratio at the 1% level of significance. These results indicate mean board independence declines when a bank's loan to deposit ratio rises, but when banks loans are at their highest, the proportion of IDs climbs, indicating that the bank likely felt the need for the expertise of more IDs on the board as loan disbursements increased.

Table 4: Comparison of Board Independence across Bank Specific Variables and Tests of Significance

Descriptives	Sample	N	Min.	Max.	Mean	Median	Std. Dev.	Parametric Test (t Test/ ANOVA)	
Variables								Test Value	Sig. Value
Type of Bank	Public	377	0	69.2	44.7	46.2	11.2	-22.52	.001
	Private	347	0	100	67.1	68.8	15.4		
Bank Age	Q1	172	0.00	92.3	60.3	60.0	13.0	23.21	.00
	Q2	215	0.00	100	56.2	53.8	19.2		
	Q3	314	0.00	100	53.0	50.0	18.1		
	Q4	22	14.3	50.0	43.5	45.8	8.79		
Total Assets	Q1	232	0.00	100	65.9	69.6	19.9	50.833	.001
	Q2	113	0.00	90.0	55.3	53.8	17.2		
	Q3	77	0.00	80.0	53.0	50.0	13.6		
	Q4	301	12.5	77.8	48.0	50.0	11.4		
RoA (%)	Q1	177	0.00	100	48.5	46.2	17.1	19.65	.001
	Q2	175	0.00	100	53.1	50.0	16.9		
	Q3	181	0.00	92.3	58.6	54.5	16.7		
	Q4	161	14.3	91.7	60.9	58.3	15.6		
Asset Quality	Q1	153	0.00	100	59.0	57.1	15.6	4.559	.004
	Q2	201	25.0	92.3	56.5	53.8	15.1		
	Q3	99	0.00	91.7	54.9	50.0	17.8		
	Q4	266	0	100	52.7	50.0	19.6		
Loan to Deposits Ratio	Q1	200	0.00	100	58.2	53.8	22.4	3.78	.011
	Q2	137	0.00	90.0	53.9	50	15.4		
	Q3	107	16.7	90.0	51.3	50.0	14.4		
	Q4	249	12.5	100	55.1	54.5	14.1		

Source: Author's calculation.

Thus, Alternate Hypothesis Ha_3 & Ha_4 : There is a significant difference in board independence across banks specific characteristics under study that is accepted.

Hence, it is proved that board independence emerges as a vital differentiating factor for the governance structure used by banking firms and produces diverse perspectives across various bank-specific attributes.

Gender Diversity

To test the research hypothesis about the significant differences in PSBs and PVSBS with regard to the proportion of female directors, the following hypothesis has been framed.

Ha_5 : There is a significant difference in the mean values of percentage of female director between public and private sector banks.

Table 5 shows the results of an independent sample t test of the difference between the average percentage of FDs of the PSBs and PVSBS. The average level of FDs in PSBs and PVSBS is 7.34 % for PSBs and 6.34% for PVSBS. It is to be noted that the average percentage of FDs is higher in PSBs than PVSBS and this difference in the mean values of FDs is statistically significant at the 0.5 per cent level of significance. These variations highlight the differences in banks in the public and private sectors in terms of board composition, supporting the idea that ownership offers a viewpoint change that cannot be

ignored in Indian banking operations.

Further with a view to examine the difference between the percentage of female directors and other bank specific characteristics. The following alternative hypothesis has been formulated for this.

Ha₆: There is a significant difference in the means of percentage of female director across various bank-specific characteristic.

Table 5 displays the result of the ANOVA test used to test the stated hypotheses for this study, indicating a significant difference between the percentage of female directors and bank age at the 0.01 level of confidence. This implies that the age of the bank (whether old or new) makes a strong significant difference in the percentage of female directors. Further, it is to be noted the proportion of FDs falls up until a certain point and then rises when the firm's age increases. In comparison to new enterprises, middle-aged businesses have much lower FDs and the mean number of female directors climbs from middle-aged to mature-aged enterprises. This indicates that the proportion of female directors on the boards of mature or old companies is higher.

When it comes to another bank specific variable, bank size computed by total assets, a significant difference is observed between bank size and the percentage of FDs, indicating that when the level of assets changes, there is a significant change in the proportion of female directors at the 1% significance level, which highlights the relevance of the asset base in the board's composition.

It is depicted from the results that the average number of FDs rises when total assets increase, emphasising

the need for stronger monitoring that larger businesses demand, which can be delivered by having a higher percentage of female directors on the board. Further results of the ANOVA test indicate that the proportion of female directors varies with ROA or profitability of the bank but not consistently. Rather, it first declines and then starts rising when profits are at their highest; however these differences are found to be statistically significant. These results imply that when a company's financial performance is strong, it will hire more women directors with dependable educational backgrounds, who will boost performance and propel the firm to new heights.

Results of the ANOVA test reported a significant difference between the asset quality of Indian banks and the proportion of female directors at the 10% level of significance. The proportion of female directors first increases, then decreases and then again increases when the level of non-performing assets grows. The supposed reason for this is that there is an increase in female directors on bank boards because women are usually more conscientious, risk-averse and ethical, all of which contribute to improving the asset quality of banks. This is consistent with studies showing that gender diversity raises the asset quality of banks by Karnatak (2019).

The results of the analysis for differences across categories also reported a significant difference between the percentage of FDs and the loan to deposit ratio at the 1% level of significance. These results indicate the proportion of female directors has been observed to rise with rising bank loan ratios; this implies that banks with growing loans are found to have more females on their boards.

Table 5: Comparison of Female Director across Bank Specific Variables and Tests of Significance

Descriptives Variables	Sample	N	Min.	Max.	Mean	Median	Std. Dev.	Parametric Test(t Test/ ANOVA)	
								Test Value	Sig. Value
Type of Bank	Public	377	0	30.0	7.34	8.33	6.81	1.97	0.049
	Private	347	0	27.3	6.34	7.69	6.89		
Bank Age	Q1	172	0.00	27.3	9.69	10.0	6.86	16.74	.001
	Q2	215	0.00	25.0	5.15	0.00	6.12		
	Q3	314	0.00	30.0	6.33	7.69	6.89		
	Q4	22	0.00	20.0	9.30	9.09	6.42		

Descriptives Variables	Sample	N	Min.	Max.	Mean	Median	Std. Dev.	Parametric Test(t Test/ ANOVA)	
								Test Value	Sig. Value
Total Assets	Q1	232	0.00	27.3	3.93	0.00	5.81	38.875	.001
	Q2	113	0.00	22.2	5.52	7.69	5.97		
	Q3	77	0.00	27.3	6.36	7.69	6.66		
	Q4	301	0.00	30	9.77	9.09	6.85		
RoA (%)	Q1	177	0.00	30.0	9.24	10.0	7.17	13.10	.001
	Q2	175	0.00	28.6	7.06	7.69	7.01		
	Q3	181	0.00	25.0	4.91	0.00	5.88		
	Q4	161	0.00	23.1	6.88	8.33	6.61		
Asset Quality	Q1	153	0	23.1	6.89	8.33	6.21	2.117	.098
	Q2	201	0	28.6	7.23	8.33	7.35		
	Q3	99	0	20.0	5.45	5.88	5.97		
	Q4	266	0	30.0	7.14	8.33	7.13		
Loan to Deposits Ratio	Q1	200	0.00	28.6	4.65	0	6.20	21.28	.001
	Q2	137	0.00	25.0	5.53	7.14	6.20		
	Q3	107	0.00	27.3	8.74	9.09	7.02		
	Q4	249	0.00	30.0	9.02	9.09	6.83		

Source: Author calculation.

Thus, bank age, bank size, ROA, asset quality and loan ratio brings significant changes in the proportion of female directors, indicating that any change in bank specific characteristic has an impact on the composition of the board. Hence Alternative hypotheses Ha5 & Ha6: There is a significant difference in the percentage of female directors across banks specific characteristics under study that is accepted and proved.

Board Committee

To test the significant differences in PSBs and PVSBS with respect to the number of board committees, an analysis was conducted. The following alternate hypothesis has been framed to explore this difference:

Ha₇: There is a significant difference in the mean values of number of board committees between PSBs and PVSBS.

Table 6 reports the results of the independent sample t-test used to compare the means of two independent groups. Results show that the board specific variable, the number of board committee, significantly varies across the two sub-samples which have been classified on the basis of ownership: PSBs and PVSBS. Further, while comparing the average number of board committees in PSBs and PVSBS, it is noted that the average number of board

committees is more in PSBs (11) than PVSBS (9). This difference in the mean values of the number of board committees is statistically significant at the 0.1 per cent level of significance. It implies that, on average, PSBs have a higher number of board committees than banks in the PVSBS.

Further with a view to examine the difference between the number of board committees and bank specific characteristics. The following alternate hypothesis has been developed:

Ha₈: There is a significant difference in the mean values of number of board committees across various bank-specific characteristics.

Table 6 displays the result of the ANOVA test used to test the stated hypotheses. The results indicate a significant difference between the number of board committees and bank age at the 1% level of significance. It has been discovered that the number of board committees increases with the age of the firm. With regard to another bank specific variable, bank size, which is measured by total assets, a strong significant association is observed between bank sizes and the numbers of committees, indicating that when the level of assets changes; there is a significant change in the number of committees. The

number of committees constituted by a board increases with an increasing asset base indicating that bigger firms have more board committees than those firms with a relatively smaller asset base, demonstrating that bigger firms uphold their reputation by appointing more board committees for each particular purpose. As independent decisions taken by each board committee hold the key to financial and sustainable performance, especially in the context of financial entities like banks that are characterised by a plethora of critical decisions or by strict legal mandates. Of course, this comes at a high cost that will fit the deep pockets of larger firms only.

Further results of the ANOVA test indicate that the number of board committees varies across ROA of banks; and it has been discovered that their mean differences are statistically very significant. The mean number of committees decreases with the increase in financial performance of banks (ROA). The probable explanation for this is that board committees, which represent secondary board structures and are established to support

board members, provide expertise and efficient decision-making in exchange for potential monitoring rewards, but the associated administrative and monitoring costs outweigh the benefits promised. With respect to the mean number of board committees, no significant differences exist across NPAs of banks, indicating that growing NPAs does not affect governance structure based on this parameter. The results of the analysis of differences report the significant difference between the number of board committees and the loan to deposit ratio on the 1% level of significance. These results indicate that the number of board committees rises with rising bank loan ratios, but when this ratio is high or at its maximum, the number of board committees tends to decline. This might be because all growing economies are suffering from budgetary limitations, competitive pressures and international compliance, which are eroding its effectiveness. As banking institutions must look at all options for improving performance, even by lowering costs, because they are universally responsible for economic expansion and financial stability.

Table 6: Comparison of Board Committees across Bank Specific Variables and Tests of Significance

<i>Descriptives</i>	<i>Sample</i>	<i>N</i>	<i>Min.</i>	<i>Max.</i>	<i>Mean</i>	<i>Median</i>	<i>Std. Dev.</i>	<i>Parametric Test (T Test/ANOVA)</i>	
<i>Variables</i>								<i>Test Value</i>	<i>Sig. Value</i>
Type of Bank	Public	377	2	26	11.5	11	5.73	6.36	.001
	Private	346	2	16	9.27	10	3.11		
Bank Age	Q1	172	2	21	9.39	9.00	3.22	8.16	.001
	Q2	215	2	24	10.0	10	4.91		
	Q3	314	2	26	11.1	11.0	5.23		
	Q4	22	3	22	12.5	12.0	5.33		
Total Assets	Q1	232	2	15	7.69	8.00	3.29	72.973	.001
	Q2	113	2	15	9.38	10	3.07		
	Q3	77	2	18	9.75	10	3.86		
	Q4	301	4	26	13.1	13	5.11		
RoA (%)	Q1	176	2	26	13.9	14.0	5.67	35.97	.001
	Q2	176	2	21	10.2	11.0	4.39		
	Q3	181	2	20	9.17	9	3.69		
	Q4	161	3	17	9.10	9	3.04		
Asset Quality	Q1	152	2	21	10.4	11	3.23	.417	.741
	Q2	201	3	22	10.6	10	3.41		
	Q3	100	3	24	10.9	11	4.61		
	Q4	266	2	26	10.3	8.50	6.22		
Loan to deposit Ratio	Q1	201	2	17	8.05	8	3.57	40.44	.001
	Q2	137	3	24	11.1	11	4.45		
	Q3	107	4	26	12.4	12	5.34		
	Q4	249	2	26	11.7	11	4.66		

Source: Author calculation.

Thus, bank-specific characteristics become crucial differentiating factors for the board committees constituted by banking firms. Board governance measured by the number of board committees put in place for mature firms is indeed different from that of younger firms. Also, the number of board committees varies across different levels of total assets, financial performance and liquidating position, which remain key factors to be considered when determining the board structure.

Board Meetings

To test the alternate hypothesis as specified about the significant differences in PSBs and PVSBS with regard to the number of boards meetings, the study uses an independent sample t-test:

Ha₉: There is a significant difference in the mean values of frequency of board meetings between public and private sector banks.

Table 7 shows the results of an independent sample t test of the difference between the average number of board meetings of the PSBs and PVSBS. The average number of board meetings conducted by PSBs is 13 and PVSBS is 12. It is to be noted that the average number of board meetings conducted by banks is more in PSBs than PVSBS and this difference in the mean values of board meetings is statistically significant at the 1 per cent level of significance. These differences demonstrate how stated owned banks and privately owned banks operate differently in terms of board functioning, confirming the notion that ownership creates a significant change in operations & governance mechanisms that cannot be ignored in Indian banking operations.

Further, while investigating the alternate hypothesis as specified of the difference between the frequency of board meetings and other bank specific characteristic, an ANOVA test has been applied.

Ha₁₀: There is a significant difference in the mean values of frequency of board meetings across various bank-specific characteristic.

Table 7 displays the outcome of the ANOVA test which is used to test the stated hypotheses for this study, and they indicate a significant difference between the frequency

of board meetings and bank age at the 1% level of significance. This implies that the frequency of board meetings varies considerably across different age brackets of banks. Further, it is to be noted that the number of board meetings increases, when the bank age increases but when bank age is maximum, then the frequency of board meetings decreases. This is because frequency of meetings conducted by mature or older firms is lower, as frequent meetings waste precious time resources and force directors to spend idler time sitting down.

The supposed explanation for this is that the effectiveness of board meetings matters in firms that established their reputation in the market and not merely their frequency. With regard to another bank specific variable, bank size, which is computed by total assets, a significant difference is observed between bank size and the number of board meetings indicating that when the level of asset changes, there is a change in the frequency of meetings at the 5% level of significance, which highlights the importance of the asset base in the level of activity carried out by the board.

It is depicted from the results that the average number of meetings conducted by bigger firms is less in comparison to those with a relatively small asset base, implying that large banks reduced the frequency of meetings because these banks focus more intently on special matters that affect their business operations the most, not on frequent meetings. These results reflect the belief that a firm's bad performance may force boards to meet more frequently in an effort to correct the situation.

Further results of the ANOVA test indicate that the number of board meetings differs across ROA categories and these differences are found to be statistically significant in both tests at the 1% level of significance. These results imply that when a company's financial performance is good, they don't feel the need to conduct more meetings, as too many meetings can cause resources to be allocated to less beneficial endeavours. Frequency of board meetings differs across NPAs categories and these differences are also found to be statistically significant. It is observed that board meeting frequency increases with the increases in NPLR ratio of the bank. The assumed explanation for this is that the board's propensity of frequent meetings reflects closer oversight and higher levels of supervision by top bank executives because the complexity of the banking

industry necessitates the board's active participation and efficient oversight. During meetings board members may take the initiative to discuss and trade ideas on how to oversee and counsel managers, which could ultimately improve asset quality of banks.

The results of variance analysis also reported a difference between the number of board meetings and the loan to

deposit ratio. It exhibits that study findings support the test hypothesis that there is significant variation in the frequency of board meetings across different quartiles of loan to deposit ratios. The average number of board meetings is found to show a decrease with increasing loan ratios of the bank and this is a significant decrease at the 1% level of significance.

Table 7: Comparison of Board Meetings across Bank Specific Variables and Tests of Significance

<i>Descriptives</i>							<i>Std.</i>	<i>Parametric Test (T Test/ ANOVA)</i>	
<i>Variables</i>	<i>Sample</i>	<i>N</i>	<i>Min.</i>	<i>Max.</i>	<i>Mean</i>	<i>Median</i>	<i>Dev.</i>	<i>Test Value</i>	<i>Sig. Value</i>
Type of Bank	Public	362	5	23	13.5	13	2.67	3.89	.001
	Private	342	4	32	12.2	11	5.70		
Bank Age	Q1	167	4	18	8.82	8	3.16	103.64	.001
	Q2	206	7	29	13.5	13.0	3.88		
	Q3	309	4	32	14.5	14	4.16		
	Q4	21	8	20	14.1	14	2.83		
Total Assets	Q1	219	4	32	13.8	13	5.72	5.114	.002
	Q2	108	4	27	12.9	13.0	4.30		
	Q3	75	4	21	12.1	12	3.48		
	Q4	301	4	21	12.3	13	3.43		
RoA (%)	Q1	171	5	27	13.5	13	3.63	5.70	.001
	Q2	167	6	25	13.3	13	3.21		
	Q3	179	4	29	12.5	12	4.43		
	Q4	161	4	29	11.6	11	5.57		
Asset Quality	Q1	152	4	28	10.7	10	4.87	20.328	.007
	Q2	198	5	29	12.4	12.0	3.81		
	Q3	99	6	25	13.7	13	3.95		
	Q4	250	5	32	14.2	14.0	4.29		
Loan to Deposits Ratio	Q1	190	7	29	14.5	14	4.05	30.32	.001
	Q2	133	5	29	13.4	13	4.14		
	Q3	106	6	27	13.4	13	3.70		
	Q4	248	4	27	10.8	10.5	4.21		

Source: Author calculation.

In general, it has been demonstrated that bank specific characteristics do affect board functioning or activity carried out by the board in the case of banking firms, as shown by the significance of values for all the variables which supports the alternate hypothesis Ha9 & Ha10: There is a significant difference in the frequency of board meetings across banks specific characteristics. It highlights the necessity of board meetings as comprehensive board guidance, which is needed by complex industries like banks to perform better.

Other Directorships

To investigate the validity of the following alternate hypothesis regarding significant differences in PSBs and PVSBS with regard to other directorships of directors, the study uses an independent sample t-test.

Ha₁₁: There is a significant difference in the mean values of other directorships of director between public and private sector banks.

The results of the independent sample t-test used to compare the means of two independent groups are shown in Table 8. Results indicate that between the two sub-samples, which are divided on the basis of ownership as PSBs and PVSBS, there is a considerable variation in the number of other directorships held by directors. Further, while comparing the other directorships of directors among banks in the PSBs and PVSBS. It has been observed that the other directorships of directors are higher in PVSBS (3) than in PSBs (1) at the 1% level of significance; this difference in the mean values of other directorships of directors is statistically significant. This suggests that directors in the PVSBS have a greater number of other directorships or multiple appointments than directors in the PSBs. Results of tests are significant at the one percent level of significance.

Further, with a view to examine the validity of alternate hypotheses as specified by differences between other directorships of directors and bank-specific characteristics, an ANOVA test has been applied.

Ha₁₂: There is a significant difference in the mean values of other directorships of directors across various bank-specific characteristic.

Table 8 displays the outcome of the ANOVA test that is applied to evaluate the stated hypotheses. It can be seen from the table that a significant difference exists between other directorships of directors and bank age at the 1% level of confidence. It is clear from the results that other directorships of director's decline as banks get older. Considering other bank specific variables, the mean bank size, which is computed by total assets, the F ratio indicates that the null hypothesis of no difference between bank size and other directorships is not rejected, indicating that whether the bank is large or small doesn't make any difference in governance structure based on these parameters. In addition, results of the study revealed that other directorships of directors vary across ROA of banks and it has been discovered that their mean differences are statistically significant on the basis of the F ratio based on the ANOVA test.

It is noted that the mean number of other directorships increases with the increase in financial performance of banks (ROA). These results are consistent with the results of a study by Ferris et al. (2003) that in profitable firm's directors are more likely to have many directorships than in other firms because directors in successful firms tend to attract more directorships, and more directorships are likewise good for performance. Further, a significant value of both the tests helps to conclude that a significant difference exists between other directorships and NPAs of banks at the 1% level of significance. These results indicate that other directorships of directors decrease with rising non-performing assets of banks. The assumed justification for this is that when directors of banks serve on several boards, they are too busy and exhausted to monitor or provide advice to their firm, especially in locating highly qualified borrowers, leading to higher bad loans. This is in line with the result of the study by Beasley (1996), which claims that the incidence of fraud is positively correlated with the director having multiple directorships. As banks are considered complex and opaque, so they are likely to need additional guidance from their boards, especially in adverse circumstances. Thus, when non-performing assets of banks are increasing, the other directorships of directors are low because banks require directors that adequately or closely monitored the firm. The results of variance analysis also reported a significant difference between other directorship and the loan to deposit ratio. These results indicate that other directorships of directors first increase with rising bank loan ratios; after that, it decreases but when this ratio is high or at its maximum, other directorships of directors tend to increase further.

This may be due to the reason that banks main assets are in the form of long-term loans, whereas bank liability is in the form of deposits, so when loan ratio of banks increases, it shows that their directors are in high demand on the market for corporate directors because they are associated with companies that have good market performance. These results are in line with a prior research study by (Hermalin & Weisbach, 1998). On the other hand, directors of companies with poor market performance are less likely to be recruited to serve on the boards of other companies (Fama & Jensen, 1983).

Table 8: Comparison of Other Directorships across Bank Specific Variables and Tests of Significance

Descriptives Variables	Sample	N	Min.	Max.	Mean	Median	Std. Dev.	Parametric Test (t Test/ ANOVA)	
								Test Value	Sig. Value
Type of Bank	Public	306	0	8.6	1.42	1.09	1.37	-10.10	.001
	Private	302	0	10.3	2.86	2.84	2.07		
Bank Age	Q1	147	0.00	10.3	4.27	4.13	1.68	131.61	.001
	Q2	179	0.00	8.60	1.67	1.00	1.74		
	Q3	262	0.00	6.33	1.33	1.10	1.09		
	Q4	20	0.540	3.00	1.08	0.965	0.566		
Total Assets	Q1	158	0.00	8.60	2.11	1.23	1.97	746	.526
	Q2	90	0.00	6.61	1.90	1.31	1.73		
	Q3	65	0.00	5.90	2.13	2.00	1.56		
	Q4	295	0.00	10.3	2.22	1.63	1.96		
RoA (%)	Q1	149	0.00	6.60	1.51	1.00	1.50	13.05	.001
	Q2	139	0.00	8.60	1.86	1.54	1.56		
	Q3	165	0.00	8.60	2.49	1.81	2.14		
	Q4	155	0.00	10.3	2.60	2.44	2.02		
Asset Quality	Q1	148	0.00	8.29	2.75	2.67	1.94	9.010	.001
	Q2	180	0.00	8.63	2.18	1.67	1.75		
	Q3	91	0.00	10.3	1.77	1.15	1.91		
	Q4	186	0	8.60	1.73	1.08	1.82		
Loan to Deposits Ratio	Q1	147	0.00	6.61	1.17	0.900	1.08	52.18	.001
	Q2	118	0.00	8.60	1.73	1.23	1.70		
	Q3	101	0.00	6.61	1.54	1.08	1.36		
	Q4	242	0.00	10.3	3.16	3.16	2.07		

Source: Author calculation.

Therefore, it can be inferred that other directorships differ significantly across bank specific characteristics, as evidenced by the significant value of all variables, with the exception of total assets, demonstrating bank-specific factors act as an important decision criterion in determining the quality of the board.

Director Diligence

To empirically verify the following alternate hypothesis about the significant differences in public and private sector banks regarding the diligence of directors, the study uses an independent sample t-test.

Ha₁₃: There is a significant difference in the mean values of diligence of directors between public and private sector banks.

The results of the independent sample t-test used to compare the means of two independent groups are shown in Table 9. Results indicate that between the two sub-samples, which are divided on the basis of ownership among public and private sector banks, there is a considerable difference in the attendance of directors. Further, while comparing the attendance of directors among banks in the public and private sectors, it is observed that the director diligence is higher in PSBs (13) than in PVSBS (10) at the 1% level of significance and this difference in the mean values of attendance of directors is statistically significant. This is due to the fact that state-owned banks' boards are substantially larger than those of private banks, as the Government of India's appointed several directors from diverse categories in state owned banks. As a result, PSBs have larger director attendance in comparison to PVSBS.

Further, with a view to examine the alternate hypothesis as specified of the difference between attendance of directors and bank specific characteristic, an ANOVA test has been applied.

Ha₁₄: There is a significant difference in the mean value of diligence of directors across various bank-specific characteristic.

Table 9 displays the results of the ANOVA test is used to test the stated hypotheses. The table shows that there is a significant difference between director attendance and bank age at the 1% level of significance. It is clear from the results that with an increase in firm age, the levels of diligence increase, indicating that when firms get more mature or aged, their director attendance begins to climb because of probably added decision making.

When it comes to other bank-specific variables, mean bank size, which is computed by total assets, the F ratio indicates that null hypothesis of no difference between bank size and director diligence is rejected, indicating that there is considerable difference in director diligence and bank size at the 1% level of significance. Moreover, results shows that directors of larger banks are less inclined to miss board meetings, implying that director attendance is better for large firms. These results are in line with the results of studies by Adam and Ferreira (2008) and Masulis et al. (2012). These results basically support the idea that large banks are more complicated and difficult to monitor. These firms frequently provide board members additional work to do (Mendez & Garca, 2007) and they have a lot of tasks that call for more coordination and attention from the directors. Thus, when the firm is large,

the board of directors may be driven to attend more board meetings as this is necessary to carry out challenging responsibilities.

In addition, the study findings indicated that attendance of directors varies with different levels of ROA of banks and it has been discovered that their mean differences are statistically significant w.r.t. F ratio based on the ANOVA test. It is observed that the mean of directors' attendance increases with the increase in financial performance of banks (ROA), but when profit is at its maximum, the directors' attendance shows a decreasing trend. This is stated by the point that profitable company directors are more likely to have several directorships at other companies because of their various board appointments; these busy directors attend board meetings less frequently as their time and effort are unevenly distributed by serving on many boards.

Further, a significant value of both the tests helps to conclude a significant difference exists between director attendance and NPAs of banks at 1% level of significance. These results show that director attendance increases with the rise in non-performing assets of the bank, but after that it declines when non-performing loans are at their highest levels. The alleged explanation for this is that director attendance is better in struggling organisations with growing NPAs where missing meetings has a higher reputational cost, but when firm non-performing assets are at a higher level, attendance of directors declines. It may be due to the reason that finding solutions to the issue is more important than attending meetings, as it sometimes wastes managerial time and increases financial burden in terms of travelling cost.

Table 9: Comparison of Director Diligence across Bank Specific Variables and Tests of Significance

Descriptives	Sample	N	Min.	Max.	Mean	Median	Std. Dev.	Parametric (t Test/ANOVA)	
Variables								Test Value	Sig. Value
Type of Bank	Public	330	5.76	18.8	12.7	12.7	2.33	14.25	.001
	Private	312	3.81	18.3	10.2	9.96	2.20		
Bank Age	Q1	167	3.81	18.3	10.4	9.99	2.55	20.49	.001
	Q2	185	6.32	18.8	11.5	11.4	2.68		
	Q3	270	5.24	18.4	12.1	12.0	2.35		
	Q4	20	9.10	17.1	13.1	13.2	2.05		
Total Assets	Q1	172	5.24	14.8	9.94	9.84	1.93	50.057	.001
	Q2	96	6.41	16.9	11.5	11.6	2.56		
	Q3	73	4.44	17.4	11.1	11.2	2.42		
	Q4	301	3.81	18.8	12.5	12.6	2.53		

Descriptives	Sample	N	Min.	Max.	Mean	Median	Std. Dev.	Parametric (t Test/ANOVA)	
Variables								Test Value	Sig. Value
RoA (%)	Q1	157	4.44	18.8	11.4	11.2	2.48	7.55	.001
	Q2	157	3.81	17.5	11.9	11.9	2.62		
	Q3	170	6.32	18.4	11.9	11.8	2.79		
	Q4	158	5.80	17.6	10.8	10.5	2.32		
Asset Quality	Q1	149	5.80	18.4	11.0	10.5	2.63	4.937	.002
	Q2	192	3.81	17.6	11.7	11.7	2.51		
	Q3	92	5.24	18.8	12.3	12.5	2.79		
	Q4	206	5.76	18.3	11.4	11.3	2.44		
Loan to Deposits Ratio	Q1	164	5.76	17.8	11.2	11.2	2.29	4.10	.007
	Q2	128	6.32	18.8	11.5	11.2	2.50		
	Q3	105	6.90	17.4	12.2	12.3	2.42		
	Q4	245	3.81	18.4	11.4	11	2.86		

Source: Author calculation.

The findings of the variance analysis also reveal a significant connection between the ratio of loans to deposits and director attendance at the 10% level of significance. These findings show that director diligence initially increased as bank loan ratios rose, but after that, director diligence began to decline.

Thus, director diligence at board meetings is essential to properly carry out their monitoring and advisory duties. As depicted from the results, notable variances have been seen in director diligence across several bank-specific characteristics, such as bank age, bank size, ROA, NPLR and the loan to deposit ratio, which supports the alternate hypothesis Ha13 & Ha14. There is a considerable variation in the diligence of directors across banks specific characteristics. Hence, it can be concluded that while formulating corporate governance policies, policymakers should place a high focus on board meeting attendance, knowledge and active involvement of their directors.

Conclusion

The present research deals with the study of some crucial internal corporate governance practices, i.e., board structures (board composition, board functioning) of the sampled PSBs and PVSBS. During the course of a 19 year period from 2001 to 2019, India underwent a significant number of governance reforms. The primary objective of this research study is to discuss the complete profile of selected corporate governance practices with

regard to various banks over the course of the period, as well as their preparedness, which reflects the level of compliance with the regulatory provision (Revised Clause 49 of the Listing Agreement (2004), the Companies Act 2013 and RBI guidelines) and to test the variability in these identified corporate governance practices in comparison to different bank-specific variables. The idea is to find out whether there is any difference w.r.t the specified corporate governance variable across various bank-specific categories. Results reported that the observations of the sample pertaining to the board structure have reflected compliance, to a large extent, with the requirements stated under various regulatory laws and provisions. The banking firms differ on the basis of governance characteristics and the justification for this variation in governance practices can be explained through differences reflected through the significance of bank-specific variables, i.e., bank ownership, bank size, bank age, ROA, NPLR and LTD ratio. The findings show that these bank-specific characteristics have a noticeable impact on the governance practices adopted by banking firms. Results show a considerable statistically significant difference in governance practices of Indian banks based on ownership, leading to vital inferences which underline that privately owned banks with effective governance structures (more IDs, director, performance based compensation and small board size) can perform well. Contrary to this, the number of failing public sector banks has risen and these institutions growing governance and financial issues necessitate remedial action. Further

with respect to other bank-specific attributes, results demonstrate that smaller, younger, less profitable and low-asset-quality firms all appear to be more concerned about governance, but larger, mature firms do not appear to be as strict or rigid in their governance practices. Their size, asset base, asset quality and financial soundness all translate into demand for them; therefore they do not need to demonstrate their legitimacy through their governance processes.

Suggestion for Further Studies

However, the study has some limitations, which have paved the path for future research studies. First, the study period is confined to 19 years, from 2001 to 2019, after which there has been a major shift in the Indian banking industry that has not been addressed in this study. Vijaya Bank and Dena Bank merged into Bank of Baroda in April 2019 and between 2020 and 2021, other Public Sector Banks (PSBs) merged that reduced the number of PSBs from 20 to 12. The study suggests that future research studies can be conducted on a modified bank structure, creating more trustworthy results in this moving landscape, and in additional future research studies can also compare board structure and the effect of bank-specific characteristics on board structure in years prior to 2019 and years following 2019 to provide a clear picture. Second, while assessing board structure, the study takes into account board size, board independence, gender diversity, board meetings, board committees, other directorships and board diligence. The study suggest that future research studies can also take into account other characteristics of board structure, such as board experience, qualification, remuneration and ownership, all of which have a significant impact on board effectiveness. Despite these limitations, this article still contributes to the literature on governance practices of Indian banks and the role of bank-specific characteristics in governance practices of banks, as it is a critical component in decision-making of banks.

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