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Are Emerging Economies Adopting Robust Corporate Governance Practices? Empirical Insights from Indian Banks

Roopali Batra*, Gurkanwal Kaur**

Abstract

Corporate governance is expected to play a pivotal role in shaping the business environment and driving sustainable economic growth in emerging economies like India. By adopting and enforcing robust corporate governance practices (CG practices), emerging economies can overcome challenges and mitigate risks to foster sustainable development. Nevertheless, the question still prevails as to whether emerging economies like India are embracing strong CG practices in actuality? Our research assessed the CG practices of banking industry of an emerging market India using unique Indian CG Scorecard (designed by BSE, IiAS and IFC. A sample of six public and six private Indian banks (with highest market capitalisation) was taken and data was extracted from their Annual reports for time period (2010-2011 to 2019-2020). Independent sample t-test was used to compare practices of public and private banks in India. The results indicated growing adoption of robust CG practices in Indian Banks signifying that CG practices of emerging economies are undoubtedly comparable to those of developed economies. Nevertheless, none of the banks in India exhibited commendable performance across all the different CG categories. Surprisingly, one bank, HDFC bank emerged as the Leader in Corporate Governance among all banks. Interestingly, CG practices of the public and private sector banks in India were not significantly different, though some variations across different CG categories/parameters were witnessed.

The research has strong implications for regulators, banks practitioners and other stakeholders in emerging economies like India to ensure effective framing and efficient implementation of CG regulations for building market confidence, transparency, increased access to global portfolio equity and overall sustainable economic development.

Keywords: Corporate Governance, Indian CG Scorecard, Public Sector Banks, Private Sector Banks, India, Emerging Economies

JEL Classification: G21, G34, O5

Introduction

The financial impropriety of the owners or the managers, lack of transparency and the mystified complex board structures demanded the assimilation of the corporate governance (CG) principles across all nations. Corporate Governance (CG) is concerned with the processes and structures that direct and manage the institution's affairs to improve long-term shareholders' value by enhancing corporate performance and accountability, taking into account the interests of other stakeholders (Jenkinson & Mayer, 1992). In the developing and emerging economies, one of the major concerns is the implementation of appropriate CG policies (Tsamenyi & Uddin, 2008). India is a developing economy envisioning becoming a $4.7 trillion economy by 2025 stimulated by competition and globalisation (*Source: https://timesofindia.indiatimes.com/business/india-business/you-see-it-or-not-india-is-shining-here/articleshow/93087715.cms*). India is providing a propitious environment to attract greater FDIs, leading to the expansion of Indian markets. However, the changing regulatory dynamics and the level of increased engagement and scrutiny by investors have compelled the

* Assistant Professor, Department of Management Studies, I.K. Gujral Punjab Technical University, Kapurthala, Punjab, India. Email: dr.roopalibatra@ptu.ac.in
** Previously Research Scholar in Management, I.K. Gujral Punjab Technical University, Kapurthala, Punjab, India.

Indian companies to go a level up in benchmarking their governance practices.

In India Corporate Governance (CG) regulations came into force initially when the Securities and Exchange Board of India (SEBI) set up the Kumar Mangalam Birla Committee on May 7, 1999. This Committee framed the first formal, comprehensive Code of Corporate Governance, based on the existing state of governance in Indian companies and Indian capital markets, which led to the inclusion of Clause 49 in the Listing Agreement in the year 2000. Later, the companies Act 2013, brought about fundamental changes in the sphere of CG in India. This led to a major overhaul and significant transformation in CG mechanisms in Indian companies. The execution of robust and effective CG practices in companies not only builds an ethical and transparent work environment in any country but also boosts investor confidence, attracts foreign investments and cultivates a wholesome business environment.

In the context of an emerging economy like India with a diverse corporate landscape ranging from family-owned businesses to multinational corporations, CG is crucial to protect investor interest. Banks being a vital component of India's financial system, an effective and well-established banking system is essential for a strong and healthy economy. In emerging economies, banks often dominate the financial sector and are crucial for economic growth by providing credit, fostering investments and enabling savings. A failure in governance within banks can have widespread negative impacts, as they are often the backbone of the financial system. Poorly governed banks increase the risk of systemic crises, which could destabilise the entire economy. Further emerging economies are generally more vulnerable to economic fluctuations, such as currency volatility, inflation and changes in global commodity prices. Effective CG helps ensure that banks manage these risks prudently, maintaining stability even during adverse economic conditions.

However, weak CG practices are believed to be one of the factors contributing to the crisis in this sector. Numerous banking scandals in India, like that of Yes Bank, Punjab National Bank, ICICI Bank and demonstrate the disastrous consequences of inefficient governance systems. This highlighted the crucial need for an effective and robust CG framework focusing on transparency, accountability and ethical practices to promote long-term sustainability and stability in banks, ensuring growth and prosperity of the Indian economy. The mounting banking frauds and scams necessitated the importance of good CG practices (Berger et al, 2016) and impelled the government to pass the CA, CWA and CS (Amendment Act) 2022, to further monitor the functioning of ICSI, ICAI and ICWAI (Source: https://egazette.nic.in/WriteReadData/2022/235187.pdf).

The focus of good CG in banks should be on making the boards effective and strong, protecting the rights of shareholders and customers, improving the bank's control environment, increasing transparency by improving the disclosure of financial and non-financial information. Moreover, as foreign investors from developed countries also prefer to invest in companies and banks following international governance practices, the International Finance Corporation (IFC) and Bombay Stock Exchange (BSE) in India, in collaboration with Institutional Investor Advisory Services India Limited (IiAS), developed a comprehensive scorecard called the Indian CG Scorecard that can be used by all stakeholders, investors and regulators in their decision-making processes.

Against the backdrop of this interesting and striking context, the present research explores and compares the CG practices of public and private banks in an emerging economy, India, using the Indian CG Scorecard. The originality of the present research lies in the employment of the unique Indian CG Scorecard based on widely accepted G20/OECD principles of CG contextualised as per Indian markets. It stands out from other CG methodologies due to its India-specific focus, comprehensive evaluation framework and encouragement of best practices beyond regulatory minimums, making it valuable for investors and companies alike. The Indian CG Scorecard is specifically designed for the Indian market, taking into account both global best practices and the unique characteristics of India's regulatory and corporate landscape. While it draws from international frameworks like the OECD Principles of Corporate Governance, it incorporates specific regulations and guidelines issued by the Securities and Exchange Board of India (SEBI), making it highly relevant to Indian companies and investors. By addressing both local and global governance standards, a holistic approach, investor-centric design and alignment with ESG factors and focusing on transparency, the Indian CG Scorecard is a highly effective tool for improving governance in India.

According to the author's knowledge, this is the first of its kind research in India applying this distinct scorecard for evaluating the CG practices in the Indian banking sector.

Review of Literature

Until the 1980s, the main area of focus of the research on CG had been the agency problem between the shareholders and the managers. In the late 1990s the focus area of the researchers was the conflict between the interests of controlling shareholders and the interests of minority shareholders. It was only after the inclusion of Clause 49 in the Listing Agreement in the year 2000 that the Indian researchers initiated studies on CG practices across companies and banks (Gopinath, 2008; Arun & Turner, 2003; Deb, 2013; Jain & Nangia, 2014). Due to the uniqueness of banking organisations, CG in banks is complex. Gopinath (2008) studied the CG in the Indian banking industry and concluded that CG is a continuous process of evolving best practices in response to market developments. RBI cannot be complacent and should ensure a vibrant CG framework. A recent study by Sandhu (2024) studied the status of disclosure of CG on websites of BSE 500 companies using a score based on a checklist of twenty-five items. Results indicated an average score of 69.64 percent suggesting the effective use of corporate websites by Indian companies for disclosure of CG information.

In recent years there have also been increasing research studies examining the impact of CG on the performance of companies (Chauhan & Pasricha, 2010; Vijay & Sharma, 2012; Mishra & Mohanty, 2014; Arora & Sharma, 2016; Mittal, 2019).

Various studies have been conducted in the field of CG in the Indian banking sector, with quite a few comparing CG disclosure practices in Indian banks. Asthana and Dutt (2013) compared the CG practices of public and private sector banks and highlighted the similar compliance level for mandatory guidelines and the difference in compliance level for non-mandatory guidelines in the two sectors. Multiple research studies observed the practices of private sector banks to be significantly different than those of public sector banks (Brambhatt et al., 2012; Panchasara, 2012; Gupta & Sharma, 2013; Almaqtari et al., 2020). Jain and Nangia, 2014; Gayathri, 2015; Tyagi et al., 2016; Suresh, 2017; Misra & Das, 2019). Interestingly many of these studies, like that by Panchasara (2012); Jain and Nangia (2014); and Gayathri (2015), confirmed that private sector banks have a higher level of CG disclosures in comparison to public sector banks. Private sector banks (PSBs) such as HDFC and ICICI tend to adopt more flexible and innovative governance practices, emphasising independence and transparency (Arya, 2017). The overall accountability mechanisms are more robust in private banks, leading to improved performance outcomes (Bezawada, 2020). In contrast, few argued that public sector banks, despite their bureaucratic challenges, have a more stable governance framework due to government oversight, which can mitigate risks associated with CG failures (Khandelwal et al., 2022).

In contradiction to this, some studies advocated that no significant difference exists in the CG practices of two public and private sector banks (Masood, 2013; Sangmi & Jan 2014; Kanojia & Priya, 2016; Kaur, 2017). Both public sector banks and private sector banks have implemented governance structures that include boards, audit committees and risk management committees, as mandated by the Companies Act, 2013 (Arya, 2017). Further research highlights that despite the differences in ownership structures, both sectors face challenges in transparency and disclosure, indicating a lack of universal benchmarks for effective governance (Gayathri, 2015).

Based on the past research and the Indian CG scorecard, the following hypothesis is proposed.

H_{01}: There is no significant difference in the aggregate CG practices of public sector banks and private sector banks in India.

H_{02}: There is no significant difference in CG category of "Rights and equitable treatment of shareholders" amongst public sector banks and private sector banks in India.

H_{03}: There is no significant difference in CG category of "Role of Stakeholders in CG" amongst public sector banks and private sector banks in India.

H_{04}: There is no significant difference in CG category of "Disclosure and Transparency" amongst public sector banks and private sector banks in India.

H_{05}: There is no significant difference in CG category of "Responsibilities of Board" amongst public sector banks and private sector banks in India.

Research Methodology

This section discusses the sources of data, research methods and the statistical techniques used.

Sources of Data and Research Methods

The study is conducted on a sample of twelve banks in total, six public and six private banks (top banks with the highest market capitalisation as of 31-03-2020) operating in India (Source: https://www.nseindia.com/corporates/content/compliance_info.htm). The analysis was based on secondary data obtained from annual reports (corporate governance reports in particular) of these banks available at the bank's websites. The time period of the study is from 2010-2011 to 2019-2020.

The scorecard used in the study is the Indian CG Scorecard designed by IiAS, IFC Washington and BSE India (available at https://www.iiasadvisory.com/governance-scorecard). The Indian CG Scorecard assesses around 70 parameters via questions based on G20/OECD principles (Principles II, IV, V and VI) of CG grouped into four key categories: Rights and equitable treatment of shareholders, Role of Stakeholders in CG, Disclosures and Transparency and Responsibilities of the board. This comprehensive approach ensures that companies are evaluated not only on regulatory compliance but also on their commitment to best governance practices, long-term sustainability and ethical business operations. The number of questions in each category of the Indian CG framework and the relative importance of these questions in that category decide the weightages assigned to each category, as depicted in Table 1.

Table 1: Category Wise Questions and Weights Assigned in Indian CG Scorecard

Category	*Number of Questions*	*Maximum Attainable Score*	*Category Weight (%)*
Rights and equitable treatment of shareholders	19	38	30
Role of stakeholders	9	18	10
Disclosure and transparency	23	46	30
Responsibilities of the board	19	38	30
Total	70		100

Source: https://www.ifc.org/wps/wcm/connect/8f451d64-3274-4b72-a6fc-75770ce69e5e/CG_Scores_S%26P_BSE_100_Companies_Handbook.pdf?MOD=AJPERES&CVID=mfgA1oU#:~:text=The%20goal%20of%20a%20scorecard,with%20regards%20to%20such%20companies

The weighted scores of the four categories of the scorecard are computed using the formula below:

$$\text{Category Score} = \frac{\text{Aggregate score of all questions under category}}{\text{(Number of applicable questions in the category x 2)}} \text{x Category Weight}$$

The total CG score is later calculated by adding the category scores (weighted) of all the four categories.

Total CG Score = Category Score1 + Category Score2 + Category Score3 + Category Score4

Based on the total CG score (out of 100), companies are ranked as depicted in Table 2.

Table 2: Ranks of Banks on the Basis of CG Scores

Score Range	*70-100*	*60-69*	*50-59*	*<50*
Rank	Leadership	Good	Fair	Basic

Source:https://www.ifc.org/wps/wcm/connect/8f451d64-3274-4b72-a6fc-75770ce69e5e/CG_Scores_S%26P_BSE_100_Companies_Handbook.pdf?MOD=AJPERES&CVID=mfgA1oU#:~:text=The%20goal%20of%20a%20scorecard,with%20regards%20to%20such%20companies.

The total CG score was computed for all ten years separately and later the average CG score for the ten years under study was calculated.

Statistical Techniques and Testing of Hypothesis

The measure of central tendency, mean and mediam have been used to compare the performance of public and private sector banks.

As the data is normally distributed and the number of observations is less than 30, the t-test is clearly the most suitable statistical technique to evaluate if the two groups of banks differ from each other. Hence, an independent two-sample t-test has been employed to determine whether a significant difference exists in the different categories of CG practices and overall CG practices between public and private sector banks.

Results and Discussion

The category-wise weighted scores of the sampled banks are presented in Table 3 and the subsequent ranking of the banks based on the CG score is exhibited in Table 4 below:

The most captivating interpretation from the ranking based on the scorecards is that only one of the sampled banks (HDFC Bank) falls in the 'Leadership' category.

HDFC Bank has consistently exhibited its commitment to robust and sound CG practices, acting as an inspiration for the whole banking industry. The bank has proactively upheld good governance practices and is constantly striving to enhance its standards. With a well-defined governance framework, HDFC Bank prioritises transparency, risk management and stakeholder engagement. The result is in agreement with a past study by Samantaray and Panda (2008), wherein HDFC Bank was found to have effective CG implementation and a better board composition as per Clause 49 as compared to SBI Bank.

All the other banks, whether public or private, fall in the 'Good' category. The only exception is Yes Bank, which falls in the 'Fair' category. Another important interpretation is that these banks have been striving towards a stronger CG structure. It is evident from the scores that over the years there has been great improvement in the disclosure practices of the banks with respect to CG.

Nevertheless, the public sector banks seem to score less than their private counterparts because of the parameters that involve government interference and are not under the direct control of the Board of Directors.

Table 3: Comparative Analysis of CG Scores in Public and Private Sector Banks in India

Sr. No.	*CG Category*	*Year*	*Public Sector Banks*						*Private Sector Banks*					
			SBI	*BoB*	*PNB*	*BOI*	*UBOI*	*CB*	*HDFC*	*KMB*	*ICICI*	*AXIS*	*BB*	*YB*
1	Rights and equitable treatment of shareholders	2010-2011	18.75	20.29	21.18	15.94	14.06	16.88	19.99	19.41	17.5	14.12	-	16.76
		2011-2012	18.75	20.29	21.18	15.94	14.06	16.88	19.99	19.41	17.65	14.12	-	16.76
		2012-2013	18.75	20.29	21.18	15.94	14.06	16.88	19.99	19.41	17.65	15	-	16.76
		2013-2014	18.75	20.29	21.18	16.88	15.94	16.88	19.99	20.29	17.65	15	-	19.41
		2014-2015	18.75	22.06	21.18	18.75	16.88	18.75	21.67	20.29	17.65	16.76	-	19.41
		2015-2016	19.41	22.06	21.18	18.75	16.88	18.75	21.67	19.99	17.65	16.76	14.06	21.18
		2016-2017	19.41	22.06	21.18	18.75	16.88	18.75	21.67	21.18	17.65	17.65	14.06	21.18
		2017-2018	20.62	22.06	21.18	20.63	16.88	20.63	22.5	21.18	17.5	17.65	15	19.9
		2018-2019	20.62	22.06	21.18	20.63	19.69	20.63	22.5	21.18	17.5	17.65	15	20.83
		2019-2020	20.62	23.82	21.18	20.63	19.69	21.18	22.89	22.05	17.5	17.65	19.41	20.83
		AV	19.44	21.53	21.18	18.28	16.5	18.62	21.29	20.44	17.59	16.24	15.51	19.30

Sr. No.	*CG Category*	*Year*	*Public Sector Banks*						*Private Sector Banks*					
			SBI	*BoB*	*PNB*	*BOI*	*UBOI*	*CB*	*HDFC*	*KMB*	*ICICI*	*AXIS*	*BB*	*YB*
2	Role of stakeholders in CG	2010-2011	4.44	3.33	5	3.89	3.89	4.44	6.67	2.78	2.78	4.44	-	3.89
		2011-2012	4.44	3.33	5	3.89	3.89	4.44	6.67	3.33	2.78	4.44	-	3.89
		2012-2013	4.44	3.33	5	4.44	3.89	4.44	6.67	3.33	2.78	5	-	3.89
		2013-2014	5	3.89	5	5	3.89	4.44	6.67	3.89	3.33	5	-	3.89
		2014-2015	5	3.89	5.56	5	5	4.44	6.67	3.89	3.89	6.11	-	3.89
		2015-2016	5	4.44	6.67	5	6.11	4.44	6.67	3.89	3.89	6.11	5	4.44
		2016-2017	5	5.56	6.67	5	6.67	5	6.67	3.89	3.89	6.11	5	5
		2017-2018	5.56	6.67	7.22	5	6.67	5.56	7.78	3.89	4.44	6.11	6.11	5.55
		2018-2019	5.56	6.67	7.22	5	6.67	5.56	7.78	3.89	4.44	5.56	6.11	5.55
		2019-2020	5.56	5.56	6.67	5	6.67	5.56	8.33	3.89	4.44	5.56	6.11	5.55
		AV	5	4.67	6	4.72	5.34	4.83	7.06	3.67	3.67	5.44	5.67	4.55
3	Disclosures and Transparency	2010-2011	19.57	20.22	22.17	17.61	20.22	16.96	21.52	20.87	20.87	22.82	-	15.65
		2011-2012	19.57	20.22	22.17	17.61	20.22	16.96	21.52	20.87	20.87	22.82	-	15.65
		2012-2013	19.57	20.22	22.17	18.26	20.22	16.96	21.52	20.87	20.87	22.82	-	15.65
		2013-2014	19.57	20.22	22.17	18.26	20.22	16.96	21.52	21.52	20.87	22.82	-	17.61
		2014-2015	19.57	21.52	22.17	19.57	20.22	16.96	21.52	21.52	20.87	23.48	-	18.91
		2015-2016	19.57	22.83	22.17	19.57	20.22	16.96	21.52	21.52	20.87	24.78	18.91	18.91
		2016-2017	20.22	22.83	22.83	19.57	21.52	16.96	22.82	21.52	20.87	24.78	19.57	18.91
		2017-2018	20.22	22.83	22.83	19.57	22.17	18.26	23.48	22.17	20.87	24.78	19.57	20.87
		2018-2019	20.22	22.83	22.83	20.87	22.83	18.26	23.48	22.17	20.87	24.78	20.22	20.22
		2019-2020	21.52	22.83	22.83	20.87	22.83	18.26	23.48	22.17	20.87	24.78	20.22	20.22
		AV	19.96	21.66	22.43	19.18	21.07	17.35	22.24	21.52	20.87	23.87	19.7	18.26
4	Responsibilities of the board	2010-2011	24.17	16.67	13.33	17.5	16.67	11.67	20.53	18.95	18.16	19.74	-	16.30
		2011-2012	24.17	16.67	13.33	19.17	16.67	11.67	20.53	18.95	17.37	19.74	-	16.30
		2012-2013	24.17	16.67	15	23.33	16.67	11.67	21.32	18.95	18.16	19.74	-	16.96
		2013-2014	24.17	16.67	19.17	23.33	17.50	11.67	22.89	19.73	18.16	20.53	-	16.96
		2014-2015	24.17	16.67	16.67	23.33	18.33	14.17	22.89	20.52	18.95	20.53	-	16.96
		2015-2016	24.17	16.67	16.67	23.33	18.33	15	22.89	22.10	18.95	20.53	19.99	17.61
		2016-2017	24.99	17.49	16.67	23.33	18.33	16.67	22.89	21.32	18.95	20.53	19.99	18.26
		2017-2018	24.99	17.49	19.99	23.33	19.99	16.67	25.26	21.32	19.74	22.11	21.67	20.22
		2018-2019	24.99	17.49	19.99	23.33	19.99	16.67	25.26	21.32	19.74	22.11	21.67	20.22
		2019-2020	24.99	17.49	19.99	23.33	19.99	17.5	25.26	21.32	19.74	23.68	21.67	20.22
		AV	24.5	17	17.08	22.33	18.25	14.34	22.97	20.45	18.79	20.92	21	18
5	Total CG score	2010-2011	66.93	60.51	61.68	54.94	54.84	49.95	68.71	62.01	59.31	61.12	-	52.6
		2011-2012	66.93	60.51	61.68	56.61	54.84	49.95	68.71	62.56	58.67	61.12	-	52.6
		2012-2013	66.93	60.51	63.35	61.97	54.84	49.95	69.5	62.56	59.46	62.56	-	53.26
		2013-2014	67.49	61.07	67.52	63.47	57.55	49.95	71.07	65.43	60.01	63.35	-	57.87
		2014-2015	67.49	64.14	65.58	66.65	60.43	54.32	72.75	66.22	61.36	66.88	-	59.17
		2015-2016	68.15	66	66.69	66.65	61.54	55.15	72.75	67.5	61.36	68.18	57.96	62.14
		2016-2017	68.15	67.94	67.35	66.65	63.4	57.38	74.75	67.91	61.36	68.18	58.62	63.35
		2017-2018	71.39	69.05	71.22	68.53	65.71	61.12	79.02	68.56	62.55	70.65	62.35	66.54
		2018-2019	71.39	69.05	71.22	69.83	69.18	61.12	79.02	68.56	62.55	70.1	63	66.82
		2019-2020	72.69	69.7	70.67	69.83	69.18	62.5	79.96	69.43	62.55	71.67	67.41	66.82
		AV	68.75	64.85	66.7	64.51	61.15	55.14	73.24	66.07	60.91	66.38	61.87	60.1
		Average CG score Public Sector Banks						63.5	**Average CG score Public Sector Banks**					64.7

Source: Author's calculation based on secondary data.

Note: AV represents column wise average/mean CG score of each bank in each category and aggregate.

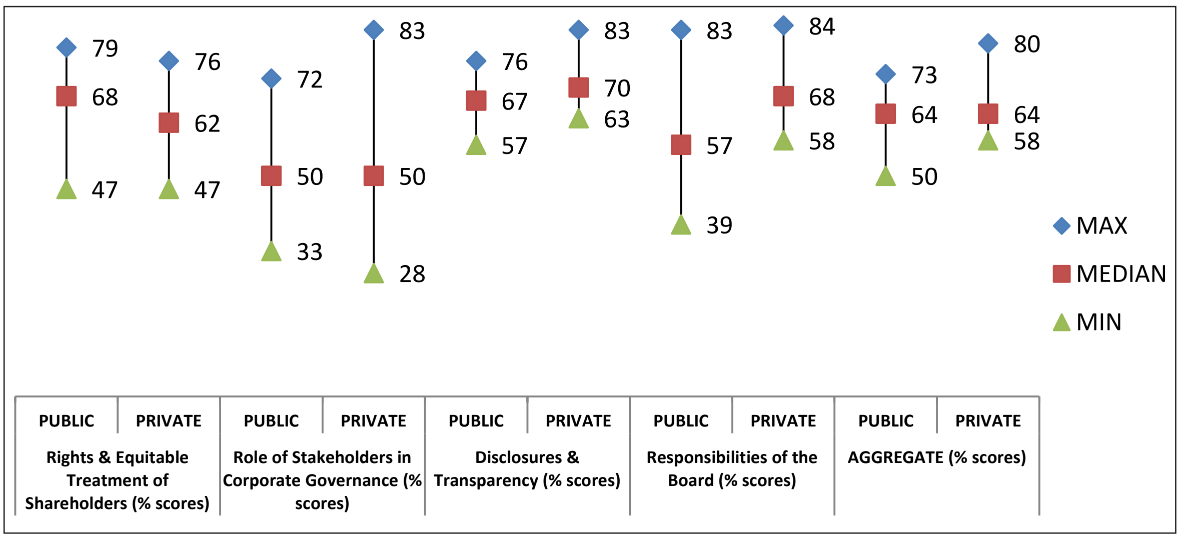
Table 4: Ranking of Banks Based on CG Scores

Public Banks	*Average CG Score*	*Rank*	*Private Banks*	*Average CG Score*	*Rank*
SBI	69	Good	HDFC Bank	73	**Leadership**
Bank of Baroda	65	Good	Kotak Mahindra Bank	66	Good
Punjab National Bank	67	Good	ICICI Bank	61	Good
Bank of India	65	Fair	Axis Bank	66	Good
Union Bank	61	Good	Bandhan Bank	62	Good
Canara Bank	55	Fair	Yes Bank	60	Good

Source: Author's calculation based on CG scorecard of individual banks.

Comparison of CG Practices of Public and Private Sector Banks

The category-wise weighted scores of the sampled banks have been presented in Table 4. Further Table 5 reveals the descriptive statistics of aggregate CG score and CG scores across categories amongst public and private banks. And Fig. 1 also reveals the Median, minimum and maximum CG scores across all categories.



Source: Author's calculation based on secondary data.

Fig. 1: Median, Minimum and Maximum CG Scores Across All Categories (%)

The way public and private sector banks weigh up to each other across all the categories are discussed here on.

Table 5: Descriptive Statistics of Aggregate and Categorical CG Scores Across Public and Private Banks

Corporate Governance Parameters/Categories	*Type of Bank*	*N*	*Mean*	*Std. Deviation*	*Std. Error Mean*
Rights and equitable treatment of shareholders	Public Sector Bank	6	19.26	1.89	0.77156
	Private Sector Bank	6	18.39	2.32	0.94864
Role of stakeholders in CG	Public Sector Bank	6	5.09	0.50	0.20652
	Private Sector Bank	6	5.01	1.31	0.53622
Disclosures and Transparency	Public Sector Bank	6	20.28	1.85	0.75384
	Private Sector Bank	6	21.08	1.96	0.8005

Corporate Governance Parameters/Categories	*Type of Bank*	*N*	*Mean*	*Std. Deviation*	*Std. Error Mean*
Responsibilities of the board	Public Sector Bank	6	18.92	3.78	1.54123
	Private Sector Bank	6	20.36	1.77	0.7206
Aggregate	Public Sector Bank	6	63.67	5.01	2.04396
	Private Sector Bank	6	64.67	4.80	1.96073

Source: Author's calculation based on secondary data.

- *Rights and Equitable Treatment of Shareholders*

This is the first category of the CG scorecard with a set of 19 questions relating to the quality of shareholder meetings, related party transactions, investor grievance policies and conflicts of interest. The analysis of the scorecard reveals that this parameter has the least scores in the case of both public and private sector banks. Nonetheless, public sector banks with a higher mean of 19.26 slightly outperform their private counterparts with a mean of 18.39 (Table 5). The banks need to work on improvising in this category. Furthermore, in public banks, Bank of Baroda (mean score 21.53) and Punjab National Bank (21.18) are the top performers in this category, while in private banks, HDFC Bank (mean score 21.29) rules the category, followed closely by Kotak Mahindra Bank (mean score 20.44). The median also makes it noticeable that public sector banks (79) score higher than private sector banks (76) score in this category.

- *Role of Stakeholders in CG*

This is the second category of the scorecard involving a set of 9 questions emphasising Business responsibility initiatives, supplier management, employee welfare, investor engagement and whistle-blower policy. It's evident from the results that HDFC Bank yet again emerges as the leader with a 7.06 mean score among private banks; however, in contrast, leading private banks ICICI and Kotak Mahindra Bank are the least scorers. Further in public banks, though Punjab National Bank tops with a mean score of 6, others are reasonable scores in the range of 4.5-5.5. The same is advocated by Fig. 1, wherein private sector banks score a higher maximum score and the least minimum score than the public sector banks, but the median is the same (50) for both indicating the higher variability in case of private sector banks as compared to public sector banks. A slight difference in CG performance is witnessed amongst public and private banks, with public banks showing a better mean value of 5.09 than their private counterparts with mean of 5.01 (Table 5).

A thorough probe in this category confirms the need for better disclosures on stakeholders' relationship committees, whistle blower policy and employee welfare, health and safety initiatives across different banks.

- *Disclosures and Transparency*

The third category is Disclosures and Transparency with a set of 23 questions pivoted around ownership structure, financials, company filings, risk management, audit integrity and dividend payouts and policies . An interesting observation about this category is that it is the category with the highest scores. Both public and private sector banks performed well in this category, with Axis Bank being the top performer, followed closely by PNB and HDFC Bank, who are also top performers. Nonetheless, private sector banks (83) have irrefutably been better scorers than public sector banks (76) with higher median value as depicted in Fig. 1. Similarly, private banks have a higher mean value of 21.08 as compared to public banks with a mean of 20.28.

A review of the outcomes indicates that the only areas of concern are better disclosures on risk management mechanisms, internal control procedures and demystifying of the board structures.

- *Responsibilities of the Board*

The fourth and the last category is Responsibilities of the board with a set of 19 questions focusing on board and committee composition, training for directors, board evaluation, director remuneration and succession planning. From the scorecards it is noticeable that furtherance is entailed in the disclosures regarding succession planning and training provided to directors. Fig. 1 makes it explicit that public sector banks have scored less (median 57) as compared to the private sector banks (median 68). Table 5 also indicates that private banks have a higher a mean of 64.67 as compared to public banks with mean of 63.67. HDFC Bank (mean Score 2.97) and Bank of India (mean score 22.33) are the highest scorers in private and public banks, respectively.

Aggregate

The scrutinising of the scorecards makes it noteworthy that if banks of one sector lack in one category, it does not make the banks laggards in all categories. If one sector leads in one category, the other sector leads in another category. The highest scores were noted in terms of disclosure and transparency. The banks have clearly laid out the shareholding pattern and ownership structure, along with details on their board members and top leadership in most cases. Granular details have been provided on corporate social responsibility (CSR) initiatives and most of the companies have disclosed both standalone and consolidated results on a quarterly basis. In addition, all the companies have appointed a woman director on the board and rotated their auditors, wherever the auditor tenure exceeded ten years. In aggregate, both private and public banks have the same median values (64); however, there is a marginal difference in mean value, with private banks (64.67) surpassing their public counterparts (63.67) (Fig. 1).

Fig. 1 shows that private sector banks have been better scorers with HDFC bank performing exceptionally good on CG with highest mean score than public sector because of their convalescent revelation of all the crucial details in their annual reports. Though the difference is not too high, every detail that is useful for stakeholders, especially investors and is cardinal to their investment decision-making is essential.

Testing of Hypothesis

Further, to determine whether there is a significant difference in CG practices of public and private sector banks in India, a t-test has been used. The results of the same are shown in Table 6.

Table 6: Results of Independent Samples t-Test

Corporate Governance Parameters/ Categories		*Levene's Test for Equality of Variances*		*t-Test for Equality of Means*						
		F	*Sig.*	*t*	*df*	*Sig. (2-Tailed)*	*Mean Difference*	*Std. Error Difference*	*95% Confidence Interval of the Difference*	
									Lower	*Upper*
Rights and equitable treatment of shareholders	Equal variances assumed	0.7728	0.3999	0.7060	10	0.4962	0.8633	1.2227	-1.8612	3.5878
	Equal variances not assumed			0.7060	9.60153	0.4969	0.8633	1.2227	-1.8766	3.6032
Role of stakeholders in CG	Equal variances assumed	5.3797	0.0428	0.1450	10	0.8875	0.0833	0.5746	-1.1969	1.3636
	Equal variances not assumed			0.1450	6.4514	0.8891	0.0833	0.5746	-1.2991	1.4658
Disclosures and Transparency	Equal variances assumed	0.0012	0.9719	-0.7290	10	0.4826	0.8016	1.0995	-3.2516	1.6483
	Equal variances not assumed			-0.7290	9.9641	0.4827	0.8016	1.0995	-3.2528	1.6495
Responsibilities of the board	Equal variances assumed	3.7953	0.0799	-0.8454	10	0.4176	1.4383	1.7013	-5.2292	2.3525
	Equal variances not assumed			-0.8454	7.0862	0.4255	1.4383	1.7013	-5.4515	2.5748

Corporate Governance Parameters/ Categories		*Levene's Test for Equality of Variances*		*t-Test for Equality of Means*						
		F	*Sig.*	*t*	*df*	*Sig. (2-Tailed)*	*Mean Difference*	*Std. Error Difference*	*95% Confidence Interval of the Difference*	
									Lower	*Upper*
Aggregate	Equal variances assumed	0.001	0.974	-0.398	10	0.699	-1.1667	2.9335	-7.7029	5.3696
	Equal variances not assumed			-0.398	9.992	0.699	-1.1667	2.9335	-7.7037	5.3703

Source: Author's calculation based on secondary data.

Note: *Significant at 0.05 level of significance.

Levene's Test for Equality of Variances indicates that the variability in the two sectors of banks is the same (as the sig value is 0.974, which is greater than 0.05). Hence, equal variances can be assumed. The sig value for the t-test is 0.699, which is greater than 0.05; hence, it is evident from t-test results that there is no significant difference in the aggregate CG disclosure practices of public sector banks and private sector banks at the 5 percent and 10 percent levels of significance and H_{01} is accepted.

Nonetheless, when the t test is performed to determine the differences across different CG categories/parameters, then some interesting observations emerge. In consistent with the aggregate results, it is observed that there are no significant differences that exist amongst public and private sector banks with regards to CG categories of 'Rights and equitable treatment of shareholders' and 'Disclosures and Transparency' at 5 percent and 10 percent levels of significance, as indicated by the sig values of the t test being 0.399 and 0.97,1 respectively (Table 6). However, for the category of 'Role of Stakeholders in CG', interestingly, though a slight difference exists in mean CG values, with public banks showing marginally better performance with a mean value of 5.09 than their private counterparts with a mean of 5.01 (Table 5), this difference is significant at the 5 percent and 10 percent levels of significance as evident from the sig values of the t test being 0.042, as evident from Table 6.

Similarly, for the category of 'Responsibilities of the Board', results indicate that wherein private banks outperformed with a marginally higher mean of 64.67 than the public banks with a mean of 63.67, the difference is again significant at the 10 percent level of significance, as evident from the sig values of the t test being 0.07 (Table 6). Hence, H_{02} and H_{04} are accepted, while H_{03} and H_{05} are rejected.

Consequently, it is evident that aggregate CG practices adopted by public sector and private sector banks are similar and alike. The results of the present study are in consistent with numerous past studies wherein CG practices were found to be similar across public and private sector banks (Masood, 2013; Sangmi & Jan, 2014; Kanojia & Priya, 2016; Kaur, 2017). A logical reason for this uniformity and reduced differences in CG practices between public and private banks in India can be attributed to the interplay of regulatory frameworks, competitive pressures, stakeholder demands and industry standards. The interaction of these factors creates a cohesive environment in which both public and private banks in India adhere to similar CG practices.

However, some categorical variations are visible, with public banks being better performers in the category of 'Role of stakeholders in CG' and private banks outperforming them in the category of 'Responsibilities of the board '.

Conclusion, Managerial Implications and Recommendations of the Study

It is gratifying to observe the trend of increasing adoption of better CG practices by the banks over the years. By and large Indian banks have been performing quite well on embracing the CG guidelines. Although results advocate that the majority of the banks have fared well with regards to CG disclosure, nonetheless it is surprising to observe that none of the banks scored it across all categories of evaluation. A further striking observation is that there is no significant difference in the CG disclosure practices of public and private sector banks in India. Consequently, the compliance with the CG disclosure guidelines by both the public and private sector banks is statistically kindred with some minor differences in categories of 'Role of stakeholders in CG' and 'Responsibilities of board'.

The changing dynamics of the regulatory framework, the increased involvement of investors and the higher scrutiny by investors is some of the reasons pushing India to higher benchmarks of CG standards. Hence, emerging economies like India are embracing robust CG practices in actuality, analogous to the CG framework of developed nations. The study explicitly substantiates that though both public and private sector banks have been reasonably good in implementing CG norms but there is still scope and need for improvement by implementing not only the mandatory norms but also the non-mandatory requirements.

This information is of great utility to investors and asset managers to help them convert the perceived level of governance into a measurable and tangible benchmark in their investee companies and the employees can use CG information to assess and remain well informed about company affairs. The present study is useful for capital providers to decide which banks to invest money in, as the banks following good CG practices have increased capability to monitor, control and adjust their financial transactions (Johnson & Neave, 1994). It also has pertinent implications for the policy makers and regulatory authorities to make continuing impetus on the CG implementation issue to protect public interest and restore investor confidence, leading to improved CG practices and a more transparent and vigilant system. Further improved CG will boost all flow of capital from global to domestic markets in developing economies. Moreover, a close association between CG and social responsibility has been recognised globally due to rising corporate scandals. There are compelling social implications for organisations to realise the value of good corporate governance to boost investor trust and public confidence at large.

Undeniably the CG structure in emerging economies like India is comparable to those of the developed countries, but the implementation of the norms is crucial for building market confidence, increasing access to global portfolio equity, boosting accountability and transparency and overall sustainable economic development. Banks being the spine of any economy, the stimulating effect of their failure impacts the entire economy, making it imperative for the banks to follow good CG practices for the sound financial health of the economy. In general, none of the banks, whether they are public or private banks in India, are exhibiting impressive performance across all CG categories, with the only exception of one private bank - HDFC Bank showing CG leadership. Hence, this denotes an elbow room for furtherance across the Indian banking sector. Improving governance in Indian banks requires a comprehensive approach. For public banks addressing challenges such as reducing political interference, enhancing board independence and upgrading internal controls are critical. Similarly, to remove the barriers to effective CG in private banks, fostering board independence, maintaining ethical lending practices and strengthening cybersecurity and crisis management frameworks are essential measures. Additionally, stronger regulatory enforcement, improved disclosure standards and shareholder activism can foster a culture of accountability and transparency across the banking sector in India.

Emerging economies like India have made progress through regulatory reforms, enhanced disclosure standards and mandatory CSR. Yet, for India's CG to align fully with global standards, further reforms in enforcement, board training, shareholder rights and transparency are essential. Robust risk management frameworks, sound internal controls and audits, enhanced reporting and stakeholder communication, promotion of digital governance platforms and regular CG assessments and benchmarking are some practical measures which regulatory bodies and banks need to incorporate to strengthen CG governance frameworks in the Indian banking sector. Sustainable change will require consistent collaboration between regulators, companies and investors to build a stronger governance culture. Furthermore, as ESG continues to gain prominence globally, it is essential for emerging economies like India to align their governance systems with ESG practices. Companies that integrate ESG considerations into their governance frameworks are better equipped to manage risks, meet the stakeholders' expectations and create long-term value. An effective CG regulatory system updated as per changing market dynamics and global best practices and its effective enforcement is the key for corporate success and economic growth in emerging economies.

Future Research and the Path Ahead

Future research in CG in banks can focus on comparative studies of CG practices across banks of different emerging economies, emphasising how cultural, legal and regulatory environments shape governance frameworks. Additionally, comparisons can be made with CG practices of banks in developed economies, identifying best practices that could be applicable globally. Furthermore, research to explore how companies can effectively integrate ESG considerations into their governance frameworks and decision-making processes and the challenges associated with this integration can be examined.

Investigation studies on the implications of using artificial intelligence and blockchain technologies in decision-making processes within banks and their impact on CG systems or research on exploring how banks adapt their governance frameworks to enhance risk management practices in times of financial crises can also be conducted across emerging economies. These emerging research areas reflect the evolving nature of CG in the Indian banking sector, driven by technological advancements, regulatory changes and increasing stakeholder demands. Addressing these issues can provide valuable insights for policymakers, regulators and banking institutions, eventually contributing to a more robust and effective governance framework in emerging economies.

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