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The Effects of Corporate Governance on Banks' Performance (Evidence from of Indian Banks)

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Abstract
The aim of this study was an investigation of the effect of corporate governance on banks' performance evidence from Indian Banks. This study tested a hypothesis according to the three levels of a model with three groups including the overall, public, and private sectors. This hypothesis focused on the relationship between different variables of the three levels in the new model of bank performance. But, based on the literature review and the basic model, the authors of the present study divided the three main hypotheses into 9 sub hypotheses. The results indicated that the relationship between corporate governance index and dimensions supported the general hypothesis, but at the level of components, all variables did not affect the dependent variable (performance) so that some variables in this level were deleted from the regression equation table. All variables in this study had a positive impact on banks' performance and the Beta column indicated the coefficient of their impact on banks' performance in three groups.

Keywords: Corporate Governance, Bank Performance, Indian Banks.
JEL Classification: G34, P17, G21

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1. Introduction

Across the world, corporate governance principles have increasingly attracted academics, economists, and politicians as a fundamental principle that improves bank performance (Salim, Arjomandi, & Seufert, 2016; Ravisankar, 1999; Reddy, 2005). Banks, as business firms, undoubtedly have significant differences with other non-financial firms, which make it possible to exclude from the sample of companies among other companies in other economic sectors (Handa, 2018). For many years, banks have an important role in the economic development of all countries. Today's banks have become more important not only in terms of economic growth but also in terms of their impact on financial stability. Although there has been a lot of debate over corporate governance in India recently, this issue has not yet been addressed for Indian banks. The issue of corporate governance in banks and financial institutions is of particular importance for various reasons. First, banks have an important role in financing the economies of the world and are the main engines of financial development. Second, banks' position in financial markets in developing countries is very important. Banks in India and many emerging economies are the most important source of financing for companies. Third, banks are financial intermediaries through which individuals and firms' savings are collected and used to invest in the country. Fourth, India has recently turned its banking business into a free market in various ways such as privatization, reducing government role, and reforming economic regulations. As a result, bank managers enjoy greater autonomy and freedom. These reforms have led them to use the best and most efficient management methods to attract investors.

Corporate governance is essential due to the separation of ownership and control in publicly-held companies. In corporations, shareholders (principals) delegate decision-making rights to managers (agents), expecting agents to act in the best interest of the principals. However, the 'agency problem' arises when the agents do not make their decision to the best interest of the principal or the agents are engaged in self-interest at the expense of shareholders' interest (Abdullah & Valentine, 2009; Jensen & Meckling, 1976; Goyal & Joshi, 2012; Levesque & McDougall, 1996).

Corporate governance has attracted considerable attention over the past decades and is defined as "the structures and processes among the board of directors, shareholders, top management and other stakeholders, and involves the roles of the steward process and exercising strategic leadership, and the objectives of assuring accountability and improving performance" (Ho, 2005, p. 212).

As defined in some corporate laws and in other rules, the corporation's affairs should be managed under the supervision of the board. It is however ridiculous to actually allow the board to run the day to day business of a company as some or many board members could be outsiders. The board, however, has the overall duty of harmonizing the interest of the firm and its shareholders and making sure that managers are held accountable to capital providers for the use of assets (Irani, Raha, & Prabhu, 2005).

The rapid development of the concept of corporate governance and its structures shows its importance for business organizations and economies as well as governments. This is important to ensure accountability and corporate performance improvement (Ho, 2005). Good corporate governance improves economic efficiency and growth as well as enhances investor confidence (OECD, 2004). It also increases access to external financing by firms, rises operational performance, and lowers the cost of capital (Claessens, 2003; Coombes & Watson, 2000; Liang, Chen, & Chen, 2014).

As stated in some commercial laws and in other rules, all company affairs should be supervised by the board of directors. However, it is not reasonable to allow the board of each company to carry out all the daily business activities of a company. Because some or a large number of board members may be alien to shareholders (Jones, Hesterly, & Borgatti, 1997; Saxena & Monika, 2010).

In fact, the board of directors of each company has general responsibility for the coordination of the interests of the company and the shareholders. It also ensures that managers have adequate

responsiveness to capital providers and shareholders (Gelade & Ivery, 2003; Irani et al., 2005).

Hence, the aim of this study was an investigation of the effect of corporate governance on banks performance evidence from Indian Banks.

2. Literature Review

Das (2012), in his work 'Corporate Governance in India: An Evaluation' pointed out that using a theme is essential. The book critically examined the governance system prevailing in the Indian corporate sector in light of the notable international practices with a view to suggesting ways and means for its improvement to serve the needs of the stakeholders within the regulatory framework in a best possible manner.

Fanta, Kemal, and Waka (2013) examined the corporate governance mechanisms and their impact on the performance of commercial banks in the absence of organized stock exchange. The study assessed the relationship between selected internal and external corporate governance mechanisms and bank performance as measured by ROE and ROA. The study used a structured review of documents, and commercial banks' financial data were collected covering the period from 2005 to 2011. The findings indicated that board size and existence of an audit committee in the board had a statistically significant negative effect on bank performance, whereas bank size had a statistically significant positive effect on bank performance. Similarly, capital adequacy ratio, as a measure of external corporate governance mechanism, had a statistically significant positive effect on bank performance. In addition, absence of organized stock exchange, high government intervention, lack of corporate governance awareness, absence of national standards of corporate governance, as well as accounting and auditing and weak legal framework to protect minority shareholder rights are the major factors with adverse impact on corporate governance and bank performance in Ethiopia.

Suresh and Paul's (2014) study of 'management of banking and financial services' was divided into six parts. Part I provided an overview of the environment in the banking and financial services sector. Part II described the banking structure, dealing extensively with analyzing banks' financial statements, sources, and uses of bank funds, with comprehensive coverage of the leading function. Part III detailed risk management in banks, credit risk, market risk, capital adequacy, and risk measurement techniques. Part IV introduced international banking, while part V dealt with some contemporary issues in bank management such as high-tech banking, cash management, and consolidation of the financial sector through mergers and acquisitions. Part VI and the appendices contained useful pedagogical tools, case-studies, and multiple-choice questions. This book was also special in that each chapter had sections on basic concepts and the application of these concepts in banking practice.

Love and Rachinsky (2015) provided evidence for a statistical relationship between corporate governance and operational performance in 157 Russian and Ukraine banks. These findings were obtained using data that were collected by the International Finance Corporation in 2003-2006. They showed meaningful relationships between corporate governance indicators and operational performance. But, they concluded that regardless of the position of the corporate governance variable in scientific discussions, this variable, in the best case, had a second-rate effect on the operating performance of banks in Russia and Ukraine.

Chazi, Khallaf, and Zantout, (2018) examined the question of: what are the characteristics of the corporate governance mechanism of Islamic financial institutions? And how do corporate governance characteristics affect the performance and risk of bank behavior? To answer these questions, the data were gathered from 2007 to 2009, the years of the 2008 global financial crisis, and an example of Islamic and non-Islamic banks in the Gulf region (GCC) was provided. The results of their research showed that the return on assets and operating assets in total assets of Islamic banks was more than 1 and 2.5 percent, respectively, compared to non-Islamic

banks in the GCC region. Islamic banks also have more risky financial management. The return on assets in Islamic banks was considerably higher. This variable was inversely related to the size of the board and internal managers. Their results suggested that non-Islamic financial institutions can use some of the Islamic banking features in their operational models.

Handa (2018) attempted to examine the role of board structures in the financial performance of the selected banks over a time span of 2008-2015 in India where banking and governance both have hogged the limelight sadly for not very pleasant reasons. Analyzing a small sample of 70 firm entries through panel regression, the study establishes Chairman CEO duality, average remuneration of directors, board committees, and female directors as significant influencers of bank performance. Certain limitations of the study though challenge the generalization of results but it forms a good basis for further research. The author also examined the role of the board of director's structure in the financial performance of sample banks over the period 2008-2015 in India. An analysis of a small sample of information about 70 banks was done through the data panel regression. In this study, the dual nature of the role of chairman of the board was determined by the average remuneration of directors, the number of members of the board committees, and the number of female executives as influential factors governing banking performance.

3. Methodology

Within the framework of the above objectives, the following hypothesis was verified during the course of analyses:

There is a relationship between the corporate governance index, its dimensions, and components of dimensions and banks' performance.

This hypothesis was also tested in the three groups (i.e. overall, public, and private sectors) and at three levels of the designed model. Therefore, nine hypotheses were tested in this regard.

The study period included 13 fiscal years between 2000 and 2018. The financial year-end (i.e. March 31, 2001) is considered as reporting on CG practices and performance.

The purposive (deliberate or judgmental) sampling technique was used for deciding the sample for the study. As mentioned before, the sample consisted of two banks in the private sector (ICICI and HDFC banks) and two banks in the public sector (CANARA and STATE BANK OF INDIA) which are popular in the Indian banking system.

Canara Bank is one of the largest public sector banks owned by the Government of India. It is headquartered in Bengaluru. It was established at Mangalore in 1906 by Ammembal Subba Rao Pai. It is one of the oldest public sector banks in the country. The government nationalized the bank in 1969 (Wikipedia, 2020). In other words, widely known for customer centricity, Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town was established in Karnataka. The Bank has gone through the various phases of its growth trajectory over a hundred years of its existence. Growth of Canara Bank was phenomenal, especially after nationalization in the year 1969, attaining the status of a national level player in terms of geographical reach and clientele segments. The 1980s was characterized by business diversification for the Bank. In June 2006, this bank completed a century of operation in the Indian banking industry. The eventful journey of the Bank has been characterized by several memorable milestones. Today, Canara Bank occupies a premier position in the comity of Indian banks. Canara Bank has several firsts to its credit (Canara Bank, 2018).

Also, The State Bank of India is an Indian multinational, public sector banking and financial services statutory body. It is a government corporation statutory body headquartered in Mumbai, Maharashtra. SBI is ranked 236th in the Fortune Global 500 list of the world's biggest corporations of 2019 (Wikipedia, 2016).

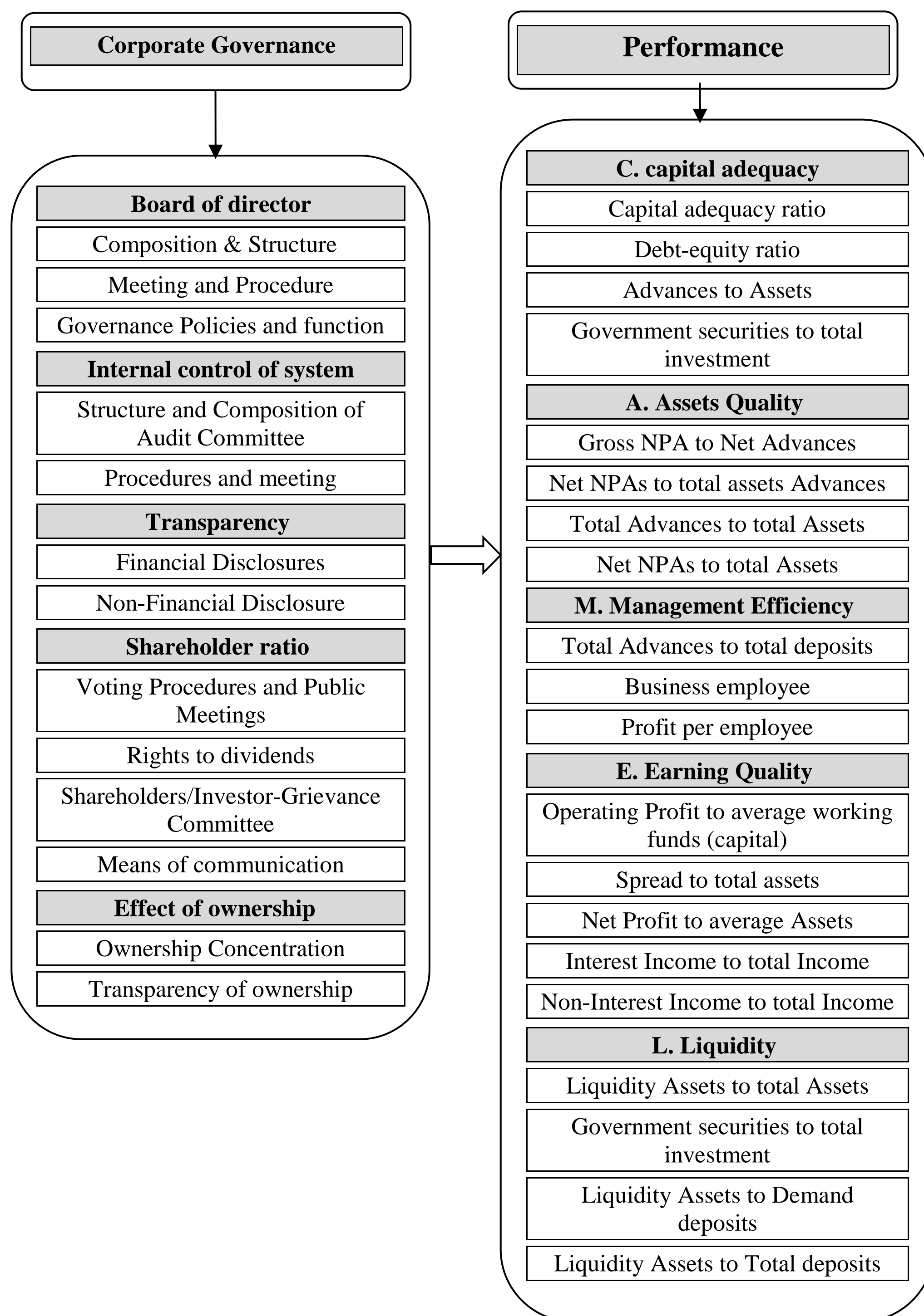

Figure 1: Research Model

Source: Compiled by Authors

3.1. Empirical Model

According to the review of the literature and related provisions that have been discussed in previous chapters, the research designs model is shown below. In this model, the researchers illustrated the dimensions and components of corporate governance and the relation between corporate governance and performance. Indices' titles for components are not shown because of space limitation, therefore all indices are defined separately in a related table.

Corporate Governance: CG means a set of practices that safeguards the interest of the set of stakeholders, in particular, shareholders. Here CG is divided into five main dimensions, (1. Board of Director, 2. Internal Control System, 3. Transparency, 4. Shareholders' Rights, 5. Effects of Ownership) components and indices that we show in the below figure for obtaining a unique CG index. We also used the scoring system '0 or 1' according to available data.

Performance: CAMEL is basically a ratio-based model for evaluating the performance of banks. Various ratios forming this model are available as described in Figure 1. The relationships between corporate governance and bank performance will be examined through the below model:

The Securities and Exchange Board of India regulations relating to CG viz., Clause 49 of the Listing Agreement are applicable to listed companies. Clause 49 contains mandatory and non-mandatory CG norms. Listed companies fulfilling certain criteria are to adhere to mandatory CG norms while adherence to non-mandatory CG norms is voluntary. The researcher believes in the unit index that derives from the aggregation of mandatory and non-mandatory CG norms. Therefore, first, we used AHP and TOPSIS techniques to prioritize dimensions, components, and indices of corporate governance. Finally, we obtained the CG index for examining the hypotheses and the relationship between CG and performance in banks.

3.2. Data Collection

To obtain the Corporate Governance Index (CGI), it was decided to utilize primary as well as secondary data. Primary data were collected with the help of a questionnaire that was mailed to 25 experts who had knowledge and experience in economy, accounting, financial management, etc. in universities and banks in India. The researcher used the questionnaire just for determining the priority of dimensions, components, and indices of corporate governance. Prior to finalizing the questionnaire, a pilot survey had been carried out and it involved five experts. The main source of data used for the study was secondary data derived from the published annual reports of selected banks and disclosure on websites of the banks. Some portion was allocated to primary data which were collected through annual reports of the selected banks and the use of databases including Prowess, Report Junction, Indian Banks' Association, Reserve Bank of India, Capitaline, and Banker. The response to the endeavor to generate primary data was inadequate. Therefore, the work proceeded on the basis of secondary data. The data and information used from annual reports for the study were for the thirteen financial years (i.e. 2000-1, 2011-13).

4. Empirical Results

Hypothesis: There is a relationship between the corporate governance index, its dimensions, and components of dimensions and banks' performance. This hypothesis was tested in three levels (corporate governance index, its dimensions, and components) on public, private, and cumulative (or overall) sectors. Thus, it was divided into 9 subsidiary hypotheses.

4.1. *Corporate Governance Index*

H_0 There is no relationship between the corporate governance index and banks' performance.

H_1: There is a relationship between the corporate governance index and banks' performance.

In Table 1, the adjusted R^2 measures the proportion of the total variation in performance about its mean explained by the regression of performance (CAMEL) on the corporate governance Index. In both sectors (overall), our regression explains 25.8 % of the variation of performance (CAMEL). Adjusted R^2 in public and private sectors is 20.2% and 31.3%, respectively, that represents a moderate relationship.

Table 1. The Regression of the Corporate Governance Index (Coefficients)

Model				Unstandardized Coefficients		Standardized Coefficients	t	Sig
	R^2	Adj R^2	Variable of model	B	Std. Error	Beta		
Overall	0.284	0.258	(Constant)	0.911	0.442		2.063	44
			Corporate Governance index	.3 93	0.054	0.452	3.58	0.001
Public	0.241	0.202	(Constant)	1.936	0.65		2.976	0.007
			Corporate Governance index	0.349	0.083	0.119	4.586	0.0363
Private	0.352	0.313	(Constant)	3.549	0.773		4.592	0
			Corporate Governance index	0.303	0.09	0.229	3.15	0.0261

Source: Authors

Finally, Table 1 helps us determine whether performance and corporate governance are significantly related, and how the direction and strength of their relationship are. The first important thing to note is that the sign of the coefficient of the corporate governance index is positive. It confirms our assumption (performance of the bank increases as the corporate governance index increases) and our visual analysis of the scatter plot for group 1 (Overall) illustrated in Fig. 2.

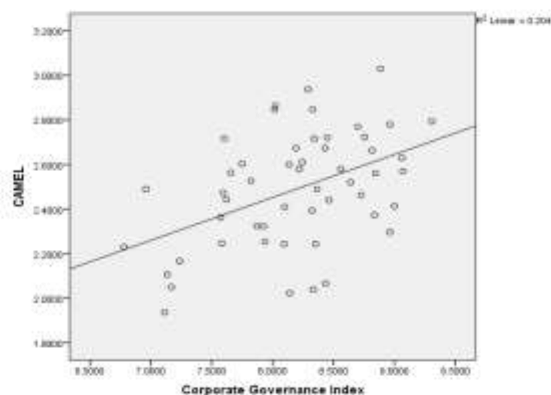

Figure 2. Scatter Plot for Group 1
Source: Authors

Furthermore, the probability reported in the right implies that the slope *a* is statistically significant. It means that when corporate governance increases by one unit (i.e. 1%) in group 1 (Overall), performance in both sectors increases, on average, by 0.911 unit. In sum, R^2 is high, probabilities are low, and then the alternative hypothesis is acceptable.

4.2. Dimensions

H_0: There is no relationship between the dimensions of corporate governance and banks' performance.

H_1: There is a relationship between the dimensions of corporate governance and banks' performance.

In this hypothesis, we tested the effects of five independent variables on banks' performance in three groups.

A multiple regression takes what we've just done and adds several more variables to the mix. It is the right tool whenever we think that the dependent variable is explained by more than one independent variable. In our empirical work, we reasonably assume that performance (CAMEL) =Y is explained by the Board of Director (X_1), Internal Control System (X_2), Transparency (X_3), Shareholders' Rights (X_4), and Effects of Ownership (X_5).

After testing the normality and independency of the variables, we test the following equation in three groups:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + e$$

Where Y is the dependent variable, a is the constant, X_1, X_2, X_3, X_4, and X_5 are the independent variables. Their respective coefficients are b_1, b_2, b_3, b_4, b_5, and e reflects all other factors that are not in the model.

The R^2 and Adjusted R^2 is greater than the one obtained in the former section in the three groups. Therefore, the extra information brought by the new variables is greater than the penalty of adding variables (assuming that we did not encounter the issue of multicollinearity). In Table 2, F-statistic and the probability are shown as "Sig." (below 0.05), then we conclude that the F-statistic is large enough so that we cannot reject the hypothesis that the explanatory variables (dimensions of corporate governance) help explain variation in performance in three groups.

Table 2. The Regression of Dimensions of Corporate Governance (Coefficients)

Model	Adj R2	R2	Independent Variable	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
Overal	0.517	0.494	(Constant)	0.944	0.508	-	3.858	0
			1- Board of Director	0.664	0.149	0.357	2.428	0.001
			2- Internal Control System	0.765	0.138	0.375	3.473	0.003
			3- Transparency	0.727	0.271	0.431	2.681	0.01
			4- Shareholders' Rights	0.693	0.493	0.227	2.189	0.001
			5- Effects of Ownership	0.668	0.514	0.281	3.3	0
Public	0.685	0.623	(Constant)	1.498	0.811	-	2.847	0.008
			1- Board of Director	0.885	0.279	0.373	3.304	0.004
			2- Internal Control System	0.468	0.176	0.227	4.955	0.035
			3- Transparency	0.58	0.457	0.323	3.268	0.021
			4- Shareholders' Rights	0.458	0.638	0.361	2.717	0.021
			5- Effects of Ownership	0.663	0.608	0.432	5.598	0.007
Private	0.872	0.812	(Constant)	0.945	1.001	-	3.939	0.001
			1- Board of Director	0.532	0.156	0.348	3.205	0.04
			2- Internal Control System	0.282	0.234	0.257	4.033	0.031
			3- Transparency	0.673	0.336	0.45	3.516	0.012
			4- Shareholders' Rights	0.885	0.65	0.325	2.361	0.001
			5- Effects of Ownership	0.398	0.85	0.335	4.405	0.045

Source: Authors

Table 3. The Regression of Components of Dimensions on Corporate Governance Index (Coefficients)

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
Overall	(Constant)	2.874	0.203		14.19	0.000
	1-1- Composition & Structure	0.375	0.131	0.244	3.573	0.005
	1-2- Meeting and Procedure	0.085	0.191	0.167	0.442	0.661
	1-3- Governance Policies and function	0.046	0.135	128	0.34	0.736
	2-1- Structure and Composition of Audit Committee	0.503	0.069	0.271	2.764	0.004
	2-2- Procedures and meeting	0.451	0.086	0.281	3.017	0.008
	3-1- Financial Disclosures	1.105	0.094	0.375	4.118	0.027
	3-2- Non Financial Disclosure	1.092	0.229	0.306	2.402	0.009
	4-1- Voting Procedures and Public Meetings	-0.025	0.233	-0.08	-0.107	0.915
	4-2- Rights to dividends	0.214	0.114	0.807	2.88	0.048
	4-3- Shareholders/Investor-Grievance Committee	-0.121	0.227	-0.238	-0.535	0.596
	4-4- Means of communication	1.447	0.18	0.638	2.476	0.018
	5-1- Ownership Concentration	0.695	0.067	0.24	3.005	0.005
	5-2- Transparency of ownership	1.017	0.059	0.156	0.296	0.769
Private	(Constant)	3.229	0.684		4.722	0.000
	1-1- Composition & Structure	2.396	0.299	0.388	2.327	0.009
	1-2- Meeting and Procedure	0.079	0.688	0.263	0.115	0.91
	1-3- Governance Policies and function	0.229	0.632	0.937	0.363	0.723
	2-1- Structure and Composition of Audit Committee	0.826	0.323	0.238	3.081	0.036
	2-2- Procedures and meeting	1.245	0.297	. 486	-0.824	0.426
	3-1- Financial Disclosures	2.094	0.468	0.411	0.201	0.004
	3-2- Non Financial Disclosure	0.508	1.385	0.373	4.367	0.02
	4-1- Voting Procedures and Public Meetings	0.253	1.061	1.394	0.238	0.816
	4-2- Rights to dividends	-0.063	0.406	-0.414	-0.156	0.879
	4-3- Shareholders/Investor-Grievance Committee	1.381	1.99	0.293	2.191	0.000
	4-4-Means of communication	0.836	0.919	0.229	3.04	0.009
	5-1-Ownership Concentration	1.109	0.315	0.237	5.346	0.01
	5-2-Transparency of ownership	0.404	0.462	6.2	0.874	0.723

Public	(Constant)	2.663	1.095		2.432	0.032
	1-1- Composition & Structure	0.312	0.319	0.207	3.352	0.031
	1-2- Meeting and Procedure	0.156	0.305	-0.136	-0.511	0.619
	1-3- Governance Policies and function	0.274	0.202	0.433	3.354	0.001
	2-1- Structure and Composition of Audit Committee	-0.078	0.083	-0.297	-0.935	0.368
	2-2- Procedures and meeting	1.267	0.145	0.649	4.84	0.009
	3-1- Financial Disclosures	0.817	0.133	0.277	3.88	0
	3-2- Non Financial Disclosure	0.042	0.259	0.052	0.164	0.872
	4-1- Voting Procedures and Public Meetings	-0.128	0.301	-0.141	-0.424	0.679
	4-2- Rights to dividends	0.173	0.13	0.38	1.324	0.21
	4-3- Shareholders/Investor-Grievance Committee	0.01	0.298	0.011	0.035	0.973
	4-4- Means of communication	1.141	0.232	0.204	5.608	0.005
	5-1- Ownership Concentration	0.182	0.082	0.737	2.223	0.046
	5-2- Transparency of ownership	1.047	0.066	0.211	3.708	0.043

Source: Authors

4.3.Components of Dimensions

H$_0$: There is no relationship between components of dimensions on corporate governance and banks' performance.

H$_1$: There is a relationship between components of dimensions on corporate governance and banks' performance.

With components of corporate governance, the regression equation is:

$$Y = a + b_{11} X_{11} + b_{12} X_{12} + b_{13} X_{13} + b_{21} X_{21} + b_{22} X_{22} + b_{31} X_{31} + b_{32} X_{32} + b_{41} X_{41} + b_{42} X_{42} + b_{43} X_{43} + b_{44} X_{44} + b_{51} X_{51} + b_{52} X_{52} + e$$

Table 3 gives beta coefficients so that we can construct the regression equation. Notice that the betas change, depending on which predictors are included in the model. Due to the Sig column that indicates significance above 0.05 for some variables, therefore, they have been removed and the regression equation is constructed as follows:

(**Overall**) $Y = 2.874 + .375\ X11 + .503\ X21 + .451\ X22 + 1.105\ X31 + 1.092\ X32 + .214\ X42 + 1.44\ X44 + .20\ X51$

(**Public**) $Y = 2.663 + .312\ X11 + .274\ X13 + 1.267\ X22 + .817\ X31 + 1.14\ X44 + .182\ X51 + 1.047X52$

(**Private**) $Y = 3.229 + 2.396\ X11 + .826\ X21 + 2.094\ X31 + .508\ X32 + 1.381\ X43 + .836\ X44 + 1.109\ X51$

Table 4. The Summary of the Tested Hypothesis

Hypothesis	Test(s) Applied	Levels of Model	Groups	Result	
1- According to the designed model, private banks have a higher rank than public banks in corporate governance index, its dimensions and components of dimensions.	1-Levene's Test for Equality of Variances 2- t test for equality of means	Corporate Governance Index	Overall Public Private Overall	Supports the H1 (alternative hypothesis), so H0 (Null hypothesis) rejected	
		Dimensions	Public		
		Components of Dimensions	Overall Public Private Overall		
2- There is a relationship between corporate governance index, its dimensions, components of dimensions, and banks' performance.	Regression	Corporate Governance Index	Public	Supports the H1 (alternative hypothesis), so H0 (Null hypothesis) rejected	priorities are respectively C3,C2,C1,C5,C4
			Private		priorities are respectively C5,C1,C4,C3,C2
			Overall		priorities are respectively C3,C1,C5,C4,C2
	Multiple Regression	Dimensions	Public Private	Some components do not have effect on bank performance, then H1 is rejected	priorities are respectively C42,C44,C31,C32,C22,C21,C11,C51
		Components of Dimensions	Overall		priorities are respectively C51,C22,C13,C31,C52,C11,C44
					priorities are respectively C31,C11,C32,C43,C21,C51,C44

Source: Authors

Table 5. The Priority of Components

Overall			Private			Public		
Priority	**Beta**	**Components**	**Priority**	**Beta**	**Components**	**Priority**	**Beta**	**Components**
1	0.807	C42- Rights to dividends	1	0.411	C31- Financial Disclosures	1	0.737	C51- 1Ownership Concentration
2	0.638	C44- Means of communication	2	0.388	C11- Composition & Structure	2	0.649	C22- Procedures and meeting
3	0.375	C31- Financial Disclosures	3	0.373	C32- Non Financial Disclosure	3	0.433	C13- Governance Policies and function
4	0.306	3-2- Non Financial Disclosure	4	0.293	C43- Shareholders/Investor-Grievance Committee	4	0.277	C31-Financial Disclosures
5	0.281	C22- Procedures and meeting	5	0.238	C21- Structure and Composition of Audit Committee	5	0.211	C52- Transparency of ownership
6	0.271	C21- Structure and Composition of Audit Committee	6	0.237	C51- Ownership Concentration	6	0.207	C11- Composition & Structure
7	0.244	C11- Composition & Structure	7	0.229	C44- Means of communication	7	0.204	C44- Means of communication
8	0.24	C51- Ownership Concentration	-	-	-	-	-	-

Source: Authors

As stated in this research, the researcher concentrated on four banks. Two banks from the private sector were ICICI and HDFC banks, and the two public sector banks were State Bank of India and Canara bank. The review of these four banks is given below. Hence, the regression model of this research was the estimation in the two sections of the public and private sectors.

5. Conclusion

The concept of corporate governance has been increasingly demanding and has moved center stage in the wake of corporate failures and widespread dissatisfaction with the way many corporates function, thus becoming a widely discussed topic across the globe recently. In this regard, it can be said that since the late 1990s, the Indian Parliament, as well as Indian companies, have been working hard to strengthen India's sovereignty. The current Corporate Governance regime in India straddles both voluntary and mandatory requirements like Voluntary Guidelines by the Ministry of Corporate Affairs. In addition, for listed companies, the vast majority of Clause 49 of the listing agreements requirements are mandatory and voluntary. According to the current research, we could not divide corporate governance mechanisms into mandatory and voluntary, because all of them are important in banks. In addition, we should consider all variables that affect corporate governance in the banking system. In this regard, the researcher provides a comprehensive model and introduces some techniques to homogenize the scales and define them into an index that can measure corporate governance in Indian banks. In this study, the researcher has examined the new model in four banks. Supervisory institutions like Reserve Bank of India, Securities and Exchange Board of India, and etc. can use it for evaluating corporate governance status in banks and other companies. In other words, a comprehensive framework is provided to obtain the quantity index for measuring the level of corporate governance in Indian banks.

This study tests one hypothesis according to the three levels of the model and dividing it into three groups including the overall, public, and private sectors. This Hypothesis focuses on the relationship between different variables of three levels in the new model and bank performance. This hypothesis according to the levels of the model and three groups (overall, public, and private sectors), was divided into 9 hypotheses.

The results indicated that the relationship between corporate governance index and

dimensions supported the hypothesis, but the level of components all variables did not affect the dependent variable (performance) so that some variables in this level were deleted from the regression equation (Table 4). In Table 5 showed the priority of independent variables in the level of components in three groups. All variables in this table have a positive impact on bank performance that the Beta column indicates the coefficient of their impact on performance in three groups.

Recommendations

This paper provided a framework for the assessment of the corporate governance of banks in India. The objective of this study was to determine the relevant and most critical factors responsible for evaluating the effectiveness of the corporate governance of banks in India. Hence, this section presented some of the important empirical recommendations as below:

1. Strengthening the supervisory role of the state as the guardian of the public interest involved, rather than direct intervention in the managerial and economic systems, including banks. The regulator should be careful about the compliance level, in particular regarding the certification of financial statements by the company's CEO or chief financial officer.
2. Instead of focusing on mandatory and voluntary factors, the researcher suggests employing the designed model based on quantitative measures rather than subjective criteria.
3. As regards one of the main mechanisms in corporate governance is the Pre-Oriented Control System, therefore the corporate governance system should be designed on the basis of high importance for the implementation of internal control.
4. According to the designed model, the researcher recommends supervisory institutions and regulators to convert all provisions from voluntary to mandatory by a factor of importance for each dimension, components, and indicators that the researcher introduced in the new model tailored to each industry including banks.

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