

Corporate Governance Trends and Best Practices among Foreign Banks in India

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Abstract – Banks plays an important role in economic growth for every country. The health of the economy is deeply related to the banking system. When any bank allocate funds proficiently, it automatically reduce the cost of capital, and increase the space of capital formation, also, increase productivity to help in growth of firms. In present era, India cannot ignore the importance of Corporate Governance. In this research paper, the information about corporate governance trends, strategies and best practices among foreign banks in India are given.

Corporate governance is a concept which provides a set of relationships between an institutional management, board of directors, and shareholders. Today, Corporate Governance is identifies as a paradigm for improving competitiveness, enhancing efficiency and improving investors' confidence, gaining trust and accessing capital.

Key Words – Corporate Governance, Foreign Banks, Best Practices

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INTRODUCTION

Corporate governance concept is a very old. In India, people started following corporate governance concept after 1991 i.e. after Globalization. During 1994-1996, many banks started their banking business such as ICICI bank, UTI Bank, Global trust bank, Centurion Bank, HDFC bank, etc. Corporate governance defined by the various peoples, committees and agencies in different ways and methods. Corporate governance face the problems related to board of directors.

Foreign banks can enter in Indian banking sector by two ways i.e. investing in an existing bank entity or setting up a banking presence in India. In 2005, Reserve bank of India (RBI) release statement that "Roadmap for the presence of foreign banks in India". The main purpose of these statements is to increase efficiency and stability of Indian banks. From the year 2005 to 2009, in first phase, the main focus of bank was to consolidation of domestic banking system. In first phase, foreign banks can only establish their presence in India by doing conversation of existing branch of WOS (Wholly owned subsidiary) or establish their own branches. After 2009, second phase focus was to gradual enhancement of foreign banks after experience achieve from first phase.

Corporate governance is set of principles on which a company is governed. The corporate ensure to achieve the goal and work in that manner. It make

corporations accountable for board of directors, shareholders, employees, customers etc. The meaning of governance is "act of managing a corporate entity". Corporate governance plays necessary role to protect the rights of number of shareholders. The Corporate governance is one part of Indian corporate sector.

The corporate has lot of shareholders and corporate governance protect the shareholder democracy. For companies, large corporate investors are becoming a big challenge for management because they are influencing the decision taken by companies. The Society have great expectations from corporate, they expecting that corporates take care of the environment, quality of goods and services, atmosphere, pollution, sustainable development etc.

The Corporate governance has evolved around some key principles, which set for rules and guidelines for the corporate i.e. Transparency, Accountability and Independence. The Corporate Governance Framework in India are based on:

- The Companies Acts 2013
- SEBI (Securities and Exchange Board of India) Guidelines
- Accounting Standards issued by the ICAI (Institute of Chartered Accountants of India)

- Standard Listing Agreement of Stock
- Secretarial Standards Issued by the ICSI

LITERATURE REVIEW

Kiran Agrawal (2011), in his research paper entitled “A Comparative Study of Corporate Governance Practice of Three Legends of Indian Banking Industry SBI, ICICI and HDFC”, he observed that all three bank works are good. The SBI bank comes under public sector while ICICI & HDFC bank comes under private sector. The researcher conclude that in some areas private bank is stronger than public bank sector. All three banks are providing good facilities to their customers.

Dr Rana Zehra Masood (2013), in his research paper entitled “Corporate Governance in Indian Banking Sector”, he observed that in today’s changing era banks are maintaining are taking high risk for country. In competitive business environment, banks are adopting good corporate governance strategies and best practices to survive. A Corporate Governance Policy helping to serve an effective instrument for achieving goal in banking sector.

Prof. Sumedha Tuteja & Dr. C.S. Nagpal (2013), in there research paper entitled “Formulation of Corporate Governance Index for Banks in India”, they observed that to solve number of issues there are board of directors, Audit Committee, Remuneration Committee, Risk Management, Nomination Committee, etc. The corporate governance are following Company Act and Clause 49 of listening agreement before taking decision related to bank.

Mohi-ud-din Sangmi & Sumaira Jan (2014), in there research paper entitled “Corporate Governance Practices in Commercial Banks: Evidence from India”, they observed that Banks are important to developed and maintained financial condition and it helps to increase economic growth of the country. The board of directors are playing important role in corporate governance as they are taking important decisions for banks. The board of directors are link between the shareholders and the manager.

Namita Rajput, Kamna Chopra, & Shelly Oberoi (2014), in there research paper entitled “Efficiency of Foreign Banks Operating in India”, they observed that in 21st century India is a rising country in Technological sector because of this many global banks are entered in India. Foreign banks also created their own centers to provide services at the higher level of the value chain. Foreign banks are using best trends of efficiency through their excellent working style and good customer service to their customers.

Jayashree R Kotnal (2016), in her research paper entitled “Corporate governance in banking sector: A fine-tuning performance” she observed that in India,

the corporate governance practices in the banking and financial sector should have to be improve. To improve bank performance, banks need good investment policies, appropriate internal control system, best credit risk management system, best customer service and adequate automation. In order to achieve better, good, transparency and maximization of stakeholder value and wealth.

Puneet Kaur & J S Saini (2017), in there research paper entitled “Role of Corporate Governance in Indian Banking Sector”, they observed that both public and private bank are following combination of executive, non-executive and independent directors. The corporate governance maintaining the relationship between company management, such as board of directors, shareholders, auditors and different stakeholders.

Shradha H. Budhedeo and Neha P. Pandya (2018), in there research paper entitled “Short Term Liquidity of Foreign Banks in India”, they observed that foreign banks are working in India from long time. To perform good foreign banks are using new & good strategies. Foreign banks offering products and services which suit Indian customers, like customers living and enterprise, they are also providing capital and access to global markets. In India, foreign banks made considerable contribution in banking sector such as bringing capital, new technology, efficiency and best global practices which help in growth of country.

OBJECTIVE

- To study the corporate governance trends and practices used in India
- To study the corporate governance in India.
- To study the best practices adopted by foreign banks in India.
- To study the foreign banks in India.

METHODOLOGY

All the data of research paper is collected from secondary data. In in research paper all top foreign banks in India information are explained. These research paper also explain some facts of banks. The mostly secondary data was collected from previous research papers and reports of different researchers.

Foreign Banks in India:

Top 10 Foreign Banks in India:

1. Citi Bank

2. Standard Chartered Bank

3. HSBC India

4. Deutsche Bank

5. Royal Bank

6. DBS Bank

7. Barclays Bank

8. Bank of America

9. Bank of Bahrain and Kuwait

10. Doha Bank

1. Citi Bank

Citi Bank is American multinational bank and this is one of the oldest bank in India which established in Year 1902 in Kolkata. In India, these foreign bank is one of the best bank. These bank have total 44 branches and 750 ATMs in India. The Citi bank headquarter is in New York City which establish in the year 1812. In India, Citi bank providing services like credit card, Debit card, private banking, investment banking, and advisory service etc.

The Citi bank have effective governance of compensation which includes Board Remuneration Committee, Incentive/Compensation Programs, Control Functions staff, and Effective Alignment of Compensation with Prudent Risk Taking. The Citi Bank current Board comprises 9 members, in which 2 are executive directors, 4 are nonexecutive non-independent directors and 3 are non-executive independent directors. The Eight of the directors are Singapore permanent residents.

2. Standard Chartered Bank

These bank was founded in the year 1969 and considered one of the trusted foreign bank in India. The headquarters of this bank is in London. In India, the bank has almost 102 branches and they employs over 87,000 people. The bank are providing excellent services like credit card service, Private banking service, and wealth management service.

Jose Vinals is the Group Chairman and Bill Winters is the Group Chief Executive of Standard Chartered bank. These Company is a public company and the directors agree that the Company has in place a code of conduct regarding securities transactions. In these company, the Board is made up of the Chairman, four executive directors and ten independent non-executive directors. The Board members have eight scheduled meetings at every year.

3. HSBC India

In India, HSBC bank is one of the oldest bank and they are providing excellent service to their customer. HSBC bank was founded in the year 1865 in Great Britain and it's headquarter is in London. The HSBC bank has over 50 branches and serves over 1 lakh customers in India. These bank are providing services like Foreign exchange, credit cards, retail banking, personal banking, and internet banking. These bank is also known for offering its first ATM in India, at the year 1987.

The main aim of Board members are to promote the Group's long-term success, deliver sustainable value to shareholders, and promote a culture of openness and debate. The name of chairman was Mark E Tucker, name of group chief executive was Noel Quinn and name of group chief finance officer was Ewen Stevenson. The board appointed ten independent non-executive directors and three executive directors. The board members committee are classified as Group Audit committee, Group risk committee, financial system vulnerability committee, Group remuneration committee and Nomination & corporate governance committee.

4. Deutsche Bank

Deutsche Bank is one of the largest bank of allover globe. These bank was founded in year 1980 in Germany. These bank has 18 branches in India and it's headquarter is in Maharashtra state. The services provided by this bank are credit cards, private banking, wealth management etc. These bank are providing universal bank service with three major divisions i.e. Private & Commercial Bank, the Corporate & Investment Bank (CIB), and Asset Management (DWS)

Deutsche Bank is committed which maintain best-in-class corporate governance framework in line with international standards. They are also maintaining legal requirements and established a Group Governance Function. They have implement and monitor a governance framework for Bank globally, and facilitate its cross-unit application. They are assessing the respective implementation and ultimately to act as its guardian.

Internal and Local Management Governance focuses on Strengthening organizational structures and decision-making. Position Governance focuses on Ensuring transparency, consistency of organizational structures and strengthen accountability along with correspondent empowerment. Board, Branch & Committee Governance focuses on Proper set up, functions and documentation of decision-making with emphasis on individual responsibility and accountability. Policy Governance focuses on maintaining an adequate policy landscape to support the Bank's control

framework. Legal Entity Management focuses on changes of the legal entity structure.

5. Royal Bank

The Royal Bank started in India at year 1921. These bank has 10 branches in India. The services provided by this bank are foreign exchange, debt capital market, corporate banking, financial advisory, insurance etc. The Royal bank is one of the trusted bank from all over world and it have total 700+ branches in world.

Royal Bank of Canada's (RBC) corporate secretariat and oversight functions are used to increase flexibility which help to improve the board's oversight of strategy and RBC's corporate governance practices. In 2019, the royal bank get best corporate governance award.

6. DBS Bank

DBS Bank founded in Singapore and this bank started their first branch in India. DBS bank has 12 branches in India and it's headquarter is in Maharashtra. The services provided by these bank are Credit cards, personal banking, NRI banking and home loans etc. These bank was started in India to build relationship between Singapore and India.

DBS bank defines Corporate Governance as framework that promotes transparency, fairness and accountability. DBS Group Holdings considers best corporate governance of a cornerstone which manage organization. Corporate governance is the output of transparent, timely and full financial disclosures which includes board composition, internal governance, decision-making powers, and corporate culture. DBS Bank Group is guided corporate governance practices by the Code of Corporate Governance 2005. The Corporate governance practices works with the Banking corporate governance Regulations 2005.

7. Barclays Bank

The Barclays bank is British multinational bank which have 7 branches in India. These bank founded in the year 1690 in England. These bank started in India at year 1990. These bank are providing NRI service to their customer like Commercial Banking, Loans, Credit Cards, etc. These bank are serving over 4.8 million customers from all over the world.

Barclays bank ensures best governance through the Board of Directors and its Committees. To adopt good practices and greater transparency in their operations, RBI given Directions on Corporate Governance for NBFCs. In order to purchase Directions issued by RBI, the internal Guidance on Corporate Governance consideration or framed by Board of Directors. The Board of Directors and Committees are providing leadership and guidance to the Company's management team.

8. Bank of America

Bank of America was founded in America and first branch was started in India at year 1964 to establish relationship between America and India. Today these bank have 5 branches in India. These bank is good for the international transactions between India and America.

Board of directors of bank of America providing oversight of the company's affairs and constantly working to improve and make company strong corporate governance practices. They are trying to serve and make success for millions of peoples, households, families, and companies. Bank of Americas, Board of Directors are acting on the recommendation of its Corporate Governance, ESG, and Sustainability Committee. The Corporate Governance Committee check the size of the Board members time to time and trying to maintain balance at workplace. The chairman organizing activities and giving guidance to directors for proper work.

9. Bank of Bahrain and Kuwait

These public sector bank was founded in the year 1971 at Bahrain and Kuwait. These bank started in India at year 1986. The aim of this bank is to serve both –Residents as well as Non-Resident Indians. These bank have 3+ branches in India. The services provided by this bank are loans, credit cards, FD etc.

Corporate governance is the concept by which business corporations are managed, and controlled. It is a set of relationships between a company's management team, its board members, its shareholders etc. The corporate governance structure provides distribution of rules and responsibilities such as the Board of directors, Management, shareholders and other shareholders. The Corporate Governance model interconnects the dynamic relation between the three main categories i.e. Shareholders, the Board of directors and the Management. Corporate Governance practices ensure a good and healthy relationship with all the shareholders to achieve core objective of the institution.

10. Doha Bank

These bank are started in India at Year 2014. The first branch of this bank is started in Mumbai. Doha Bank is a Qatar-based bank founded in the year 1978. The services provided by this bank are top-rated, money exchange, Corporate Banking, NRI Banking, Personal Banking, Loans, Trade Services, and Foreign Exchange.

Doha bank following Corporate Governance instructions such as updating and enhancing the Articles of Association by Company, Updating and enhancing policies and procedures' manuals of government, Updating and applying the Chart for

Board of Directors and the Board Committee members. These instructions are also known as best practices adopted by Doha bank.

FINDINGS

- Citi Bank has taken first position as foreign bank in India. The Citi bank is providing higher standard of corporate governance and they are also following full law, rules, protocols and responsibility of government.
- Standard Chartered Bank has taken second position as foreign bank in India. An Effective corporate governance framework contain various components. Also, effective corporate governance also requires full culture and support.
- HSBC India bank has taken third position as foreign bank in India. HSBC bank are working for company's long term success and providing good service to their customers.
- Deutsche Bank has taken fourth position as foreign bank in India. Corporate governance Management Board team are responsible for managing the bank's business.
- Royal Bank has taken fifth position as foreign bank in India. The main aim of corporate governance policies are to support Board of Directors to supervise management board.
- DBS Bank has taken sixth position as foreign bank in India. The bank Governance framework is depends on competent leadership, Effective controls, Strong culture and Accountability to shareholders.
- Barclays Bank has taken seventh position as foreign bank in India. The companies Guide are issued, controlled and monitored by the Board of Directors.
- Bank of America has taken eight position as foreign bank in India. The main purpose of bank is to help people to achieve their goal and fulfill their requirement.
- Bank of Bahrain and Kuwait has taken ninth position as foreign bank in India. The Bank are following the corporate governance principles as issued by the Ministry of Industry.
- Doha Bank has taken tenth position as foreign bank in India. The Board of Directors of the Doha Bank is responsible for preparing the corporate governance report.

CONCLUSION

Corporate governance are leading to various changes which enable our Board to spend much more time focusing on the key strategic, risk and people issues. Any company's long term success comes from support of executive team, non-executive directors, accessible environment and values of corporate governance.

These report reveals that all foreign banks are giving their best performance in India. All banks are differ in size and comes from different foreign areas. Banks are using corporate governance method to take big and small decision for them. Corporate governance and practices are very important in Banks. Therefore, corporate governance have different place and importance in companies. Corporate governance is a way to bring investors and managers in line and create interest in them.

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