

Corporate Governance is the Game-Changer in the Indian Banking Industry-An Investigation

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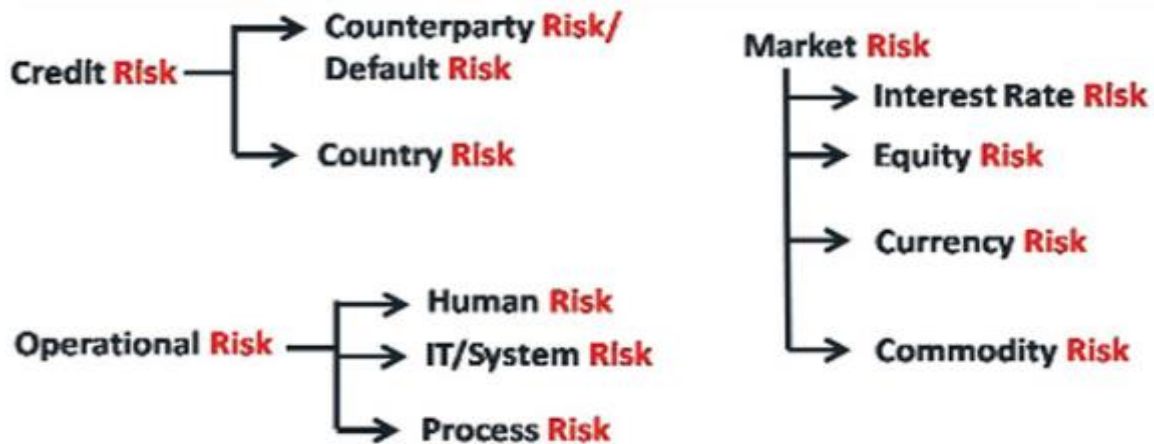
Abstract:

Governance is the word that carries a lot of weightage in all aspects of society. Governance is all about the implementation of rules and regulations without having many deviations. These deviations are not to be accepted because the spirit of implementation will disappear. The government is respected because of its governance and its ability to satisfy the public at large. Governance is the self-imposed rules which need to be recognized at the community level or the society level. When governance fails, it leads to more failure costs and can impair the system at large. Rules and regulations are defined in various sectors and levels of the system. If it is applied to the corporate level, it will be known as corporate governance, and if it is used to Information Technology (IT), it will be called as IT governance. With the third Millennium currently in progress, attention is needed to challenge Leadership and Governance with revolutionary changes in this technology era. Banking leadership of both public and private in India has set milestones in performance as well in high leakages. Problems in the existing system reflect whether the governance execution, is in safety, security in building the confidence of the society. Competition in banking triggered by the Reserve Bank of India (Centralized system) allowing private into this highly regulated industry. It is more imperative to follow these rules and regulations to help people the society at large. In this research paper, the authors are to investigate the correlation between governance and performance in the banking sector by taking a secondary source. Here the focus is on the selected public and private sector banks. In this journey, analysis of the performance of the banks will be undertaken and suggest strategies for the new challenge that needs to address.

Keywords: Corporate Governance, Technology, Leadership, Leakages.

Introduction: Trade and commerce operate for profits their business Dharma and compliance with a few statutory requirements keep them going. Banks are also in Business but they deal with money, that too of public. Recent examples are Yes Bank and PMC Bank and CKP Coop Bank. Hence additional ring-fencing is required and therefore, regulations kick in. As is known, regulations are more stringent than statutes, and violations of the same involve 'name and shame' too amidst heavy fines and no appeal

The Basel Committee on Banking Supervision(BCBS) paper defines Compliance risk as **“the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities”**.



Compliance encompasses all activities of the Bank like Products, Processes, Policies, Services Customers, Operations, Channels, Estate matters, Infrastructure, and Cross border Banking. Every activity of the Bank is having an SOP either internally made and /or externally monitored.



Technology Driven Banking: Now Digital Banking is happening in a big way and have added a new set of risks like Compliance Culture has become more important in the era of digital banking as in the technology-driven banking, a lot of potential danger has become active such as,

- **Confidentiality breach** (Confidential data being stolen)
- **Availability breach** (Systems are intact, but services are unavailable), and
- **Integrity breach** (a corruption of data or systems affecting the integrity of information and processing methods)
- **New challenges** after the arrival of Cryptocurrency, quantum computing, and open banking.

In the field of digital banking, resolving all such errors and challenges at the primary level is the part of the compliance culture

Tech frauds

This is a new phenomenon where the fraudster operates anonymously and from outside. Timely detection is a challenge and recovery possibility is nil. Analysis has revealed the top three technology-related frauds happen through.

- I-Net
- ATM

- E-Banking
- Identity fraud

KYC violations detected by RBI

- KYC violations are regularly happening in Banks as per press reports of RBI levying fine on errant banks
- # In a period of 7 months alone in January to July 2019, RBI detected 70 cases of violations and collected a fine of Rs122.9 crores
- Practically all Banks in India figure in KYC violations.
- Laxity in due diligence of KYC procedures, pave way for frauds later and money laundering

Impinge of Banks in day to day operation: Set of laws that intrude banks are regulators, statutory compliances, agreements to other agencies, and apex bodies.

The architecture of Compliance set up, Broadly, can classify them into seven silos,

- Regulatory Bodies
- Statutory Bodies
- Other Agencies/ Apex Bodies
- Internal rules
- Public
- Business Ethics
- Cultural/Moral mosaic

Regulatory Bodies and their Powers We present below the **Seven Super** monitors/controllers of the Banks

- Reserve Bank of India (RBI)
- Insurance Regulatory & Development Authority of India (IRDAI)
- Securities Exchange Board of India (SEBI)
- Provident Fund Regulatory & Development Authority of India (PFRDA)
- Fixed Income Money Market & Derivatives Association of India (FIMMDA)
- Insolvency & Bankruptcy Board of India (IBBI)
- Ministry of Finance, Government of India (MOF)

Regulation is superior to statutes in the following ways:

- Vested with licensing powers and can cancel/suspend the business activities.
- The Circulars have legal effect.
- Have the power to Audit, Inspect and seek data
- Appoint/remove CMD/MD/CEO/ED/DMD/OSD and Nominee Director in PSU Banks (MOF/RBI)
- Call for ongoing control reports of Business
- Can *who moto* initiate action?
- Levy fines/penalties
- All Policy Directions flow from them and Business Decisions are monitored with Checks and Balances
- One can dwell at length on the monitoring and controlling role of all the regulators but a broad sweep of RBI's regulatory role is central to Banks' compliance portfolio. We will look at the areas of supervision by RBI

Role of RBI as a Regulator

- Main Areas of Regulation are:
- Licensing & Network expansion
- Financial Supervision
- Payment & Settlement system
- Foreign exchange
- Policy rates/Reserve Ratios
- Cross Border Banking
- Prudential norms
- Assets classification
- KYC Policy Implementation
- Data Dissemination
- Corporate Governance

Statutory Compliance

As a legal entity Banks are also subject to the provisions of various laws of the land. All these laws impinge on the functioning of the Banks on a day-to-day basis. A list of laws of the land the Banks will have to reckon with is furnished below:

RBI Act of 1934	BR Act of 1949	FEMA 1999
Indian Stamp Act of 1899	Indian Contract Act of 1872	Transfer of Property Act 1882
Civil procedure Code 1908	Majority Act of 1875	Indian Partnership Act 1932
Sale of Goods Act 1930	Powers of Attorney Act 1882	Payment of Bonus Act 1965
Industrial Disputes Act of 1946	Trade Union Act of 1926	The Essential Services Maintenance Act of 1968
Employees Provident Fund Act 1952	General Law	Payment of Gratuity Act 1972
Income Tax Act of 1961	Insurance Act 1938	Criminal Procedure Code 1973
Indian Trusts Act of 1982	Standards & Weight Measurement Act of 1956	SOX Act 2002
Competition Act of 2002	DICGC Act 1961	Personal laws
Right To Information Act 2005	Bankers Book Evidence Act 1981	FATCA 2010
Credit Information Company Act 2005(CIBIL)	COPRA 1986	NI Act 2015(Amended)
MSMED Act 2006	Information Technology Act of 2000	Insolvency & Bankruptcy Code 2016
Companies Act 2015	PMLA 2002	GST Act 2017
Payment & Settlement Act of 2015	Limited liability Act of 2008	

Causative factors that lead to compliance slippages

There are many contributory factors for poor standards on compliance apart from lack of Integrity as illustrated above. We will endeavor to identify some elements below

- Poor/outdated systems and Procedures
- Aggressive growth style
- Low sensitivity amongst staff
- Suppressing incident reporting
- Poor Audit system and poor choice of Audit personnel
- Ineffective technology
- Poor accountability culture
- Frauds perpetrated from internal and external sources
- Poor communication flow from top to line staff

Fraud as the main element in Compliance slippage An analysis of frauds that happened in 2015-20 indicated the vulnerable areas

- Money Laundering,
- Black money sent abroad,
- Debit/Credit Card frauds,
- Fake Demat accounts,
- Benami accounts,
- Forged Stamp papers,
- KYC Violations.KYC frauds,
- KYC Updating Cybercrimes,
- Identity Theft

Between 2017-19 for two years, many banks have incurred heavy losses due to frauds inflicted on them. The following examples are fresh in anybody's thoughts with voluminous leakages.

Bank	Loss due to Fraud(Rs in crores)
PMC Bank, Pune (HDIL)	4,350
Yes Bank	18,564
PNB (Nirav Modi)	13,700
CKP Coop Bank, Mumbai	500
Guru Raghavendra Sahakara Bank, Bangalore	350

- It will be shocking to know that in the past 5 years, Urban coop banks reported about 1000 cases worth more than Rs 220 crores
- During April-September 2019 frauds in PSBs involved Rs95, 760 crores
- In FY 2018-19 it was Rs 71,500 crores involving 6,800 cases
- In the Rotomac Pen case, 7 banks have lost Rs3, 695 crores in fraud
- In the Kanishka Gold Private Limited case, 14 Banks have lost Rs 824 crores
- In all the above complicity and greed from inside the Bank helped the fraudsters

What are the hindering Factors to good compliance?

- We have seen from the foregoing that Banks have to cater to a huge number of regulatory operators/statutory authorities who often lack a coordinated approach. They operate in silos and no effective /corrective guidance is obtained. This has to be thought over
- Similarly, separate departments in the Bank use different and disparate data sets and varying processes for risk reporting and risk assessment. So convergence is lacking

- Banks operate various digital channels like websites, social media, mobile apps, search engines, and more but lack tech capabilities to track all of them at one point to identify policy violations and risk events. A single testing platform is to be built to overcome the deficiency
- Radical changes need to be done in the Information Technology Act to facilitate a better compliance regime. Such changes need to be synchronized with other laws too.
- To quote a simple example. Presently, only a sub-inspector can arrest a cyber-fraud criminal. The window to arrest him is itself small as he is often not in the scene of the crime and a sub-inspector chasing him is impracticable.

Compliance to Other Agencies /Apex bodies

There are many Apex bodies created by statute. Banks need to abide by their guidelines to get assistance /finance /avail their services

Refinance Agencies	Advisory/Audit agencies	Credit Agencies
NHB	BCSBI	CGTMSE
MUDRA	ICC(Incoterms2020)	DICGC
SIDBI	Ombudsman	SERAI
EXIM Bank	AMFI	CIBIL
NABARD	UIDAI	
	ISO	Foreign Trade Policy 2015-20
	FEDAI	
	IBA	

Payment Agencies	Recovery Agencies
OLTAS(Online Tax Accounting System)	DRT
SWIFT	DRAT
NACH	NCLT
CCIL	NCLAT

As citizens of India all are aware of the role these agencies play to ensure Banks fall into Compliance mode to seek their assistance /help.

Objectives of the Study: The study has introspected the concept of corporate governance. Main leakages that have cumulatively been rising in very bad debt of almost all banks. To analyze the present situation study firstly, wanted to understand the regulatory framework of the Indian banks. Secondly, leakages through technology that have widened the gap between the money resources disbursed the inability to retrieve the assets. Thirdly, the study has analyzed choosing categories of banks in the Gross non-performing assets with advances made, and related applying correlation that the money voluminously disbursed has not been repaid. Fourthly, causes, and main factors that have caused slippages in the failure of governance. Fifthly a mix of selected commercial banks chosen from both private and as well public banks was analyzed to know the percentages of variation in non-performing assets. Lastly, based on the theme of leadership under the

new millennium efforts and leadership style that would suit appropriately. Finally, the study has given suggestions with a reflective framework, that could mitigate voluminous leakages in the fund circular.

Methodology: The study has used secondary data, mostly from RBI, referred to Indian banking sites, money control web sites, blogs, Journals magazines, newspaper articles. Statistical tools like correlation analysis, percentages, and grid graphs were applied.

Research Gap: Research study has endeavored to examine the governance aspects from banking sector point of view. Several study have been conducted on analysis of banking performance, monitoring, management, mergers, advising functions, prudential norms, frauds and regulatory aspects. When it comes to leadership and directions limited study have been undertaken. Hence the paper would like to propose a model for future banking, taking into consideration dynamic and flexible leadership in third millennium era.

Review of Literature: Mangla, I. U. (2012), results show that there is a significant impact of corporate governance variables on the performance of the overall banking sector in Pakistan. But there is no significant impact of corporate governance practices on the performance of foreign banks. Aebi, V., Sabato, G., & Schmid, M. (2012) standard corporate governance mechanisms do not improve banks' crisis performance. P De Andres, E Vallelado,(2008), has found that bank board composition and size are related to directors' ability to monitor and advise management and that larger and not excessively independent boards might prove more efficient in monitoring and advising functions, and create more value. E Peni, S Vähämaa,(2011), in their empirical findings, have found that effects of corporate governance on bank performance are mixed, good governance may have mitigated the adverse influence of the crisis on bank credibility. Mülbart, P. O. (2009), the author discusses on the backdrop of the Basel Committee on banking supervision, the article discusses particularities of banks' corporate governance due in large part to banking regulation and to deposit insurance, in a principal-agent framework, and, on the other hand, presents the supervisors' financial stability perspective taking the Basel Committee's guidance as a starting point. The article concludes with reflections on some tentative lessons from the current crisis for (banks') good corporate governance, banks' corporate governance differs from that of a generic firm. Deposit insurance and prudential regulation, while aimed at compensating for deficits in the monitoring and control of banks, both act to exacerbate the particular problems that are inherent in banks' corporate governance. Luc Laeven's (2013) study in its review has found that banks unlike traditional corporate governance have threats of ownership and takeover, heavily regulated and the mechanism is ineffective. The review study concludes corporate governance and regulatory reforms to enhance the safety and soundness of banks, more emphasis on value creation for bank stakeholders other than shareholders to reducing risk-shifting incentives for bank managers and shareholders. Kern Alexander (2006), the paper also analyses recent international initiatives in the area of corporate governance and banking, including some of the proposals of the Basel Committee on Banking Supervision. Peter Mubert (2010) has found in his study has discussed that numerous reform initiatives in light of emerging empirical research on the corporate governance failure hypothesis, and presents some more ideas for reforms, discussion are risk management, board composition, and executive remuneration. The author concludes that lessons learned tentative from the governance of banking, one may doubt whether banks' corporate governance should map the way forward for corporate governance. Penny Ciancanelli, Jose Antonio Reyes Gonzalez(2000) in their discussion

have demonstrated that limitations of Agency theory and have proposed an alternative conceptual framework more suitable to its analysis. Researchers have argued that commercial banks are distinguished by a more complex structure of information asymmetry to discipline the bank, its owners and its managers and argue that regulation must be seen as an external force, which alters the parameters of governance in banks. Goldberg S R., Danko D. & Kessler, L L. (2015), has indicated that different types of fraud are incentivized under each system, dispersed system encourages earnings management, that benefits executives short term performance measures. Concentrated control encourages the appropriation of private benefits of control. Corporate governance is designed to protect shareholder's interests. Corporate ownership systems have implications on the efficacy of governance techniques. Nwagbara. U. (2012) in this study, has necessitated the saliency of corporate governance and ethical leadership in the banking sector. Further has mentioned debating on the workability of corporate governance framework as a check on the excesses of corporations, banks, and financial institutions. With ethical leadership will promote positive corporate norms and ethical climate that would combine with corporate regulations for better banking practices. Nasir, N. A. B. M., Ali, M. J., & Ahmed, K. (2019) in their study have investigated whether financial statement fraud firms improve their governance mechanisms compared to the non-fraud firms after the fraud year. Cordery, C (2007), has explored that challenges in complying stock exchange principles of good governance. The author in his objective of the case study has indicated an understanding of structural pitfalls to lead to the improvement of corporate governance in practice. Dunne, T., Helliar, C., & Power, D. (2004). In their case discussion have found of Allfirst's operations, and explains how the dealer incurred losses of \$691 million from 1997-2002, by creating bogus matching currency trading options. Investigations details of internal control mechanisms highlight that the same senior manager, responsible for ensuring profitable trading was also responsible for trading controls but pinpoints the failure of the back office to confirm trades as the most significant lapse, observing that this deficiency was exacerbated by missing software, a lack of written procedures, and failure of internal audit and risk management mechanisms. Conclusions were dismissals, sale of Allfirst to another bank. Ezejiolor, R. A., Nwakoby, N. P., & Okoye, J. F. (2016) in their survey of commercial banks as samples have concluded that forensic accounting is an effective tool for addressing financial crimes in the banking system. Forensic audits necessitated in ensuring corporate governance in corporate organizations, this would reduce fraudulent activities to ensure corporate governance in the financial sector. Pamungkas, I. D., Ghazali, I., & Achmad, T. (2018), in their research paper have used logistic regression and their research result worked to analyze the risk factor of the fraud diamond model towards accounting fraud and corporate governance as a moderating variable in relation with risk factor in fraud diamond model towards accounting fraud. Their results indicated that the board of commissioners, independent commissioners, and institution ownership be able to weaken the relation of change in direction towards accounting fraud. Their suggestions were the company can improve the board of commissioners, independent commissioners, and institution ownership, so that the level of accounting fraud can be lowered. Mohd-Sanusi, Z., Rameli, M. N. F., Omar, N., & Ozawa, M. (2015) have examined several elements of governance mechanisms that may be modified to reduce the occurrence of fraud. The study states a few mechanisms identified included corporate governance, internal control procedures, fraud prevention programs, and risk management. And have concluded the most common fraud case in branches that handled mortgage and credit loans was money laundering, risk management can significantly

affect fraud occurrence. Statistical tool regression indicates that only risk management can significantly affect fraud occurrence. By contrast, corporate governance and fraud prevention programs would affect negatively the occurrence of internal or employee fraud, while risk management is negatively related to the external or customer frauds in the banking sector. Farber, D. B. (2005).has examined the association between the credibility of the financial reporting system and the quality of governance mechanisms. There is the negativity that fraud firms have poor governance relative to control and these firms have fewer numbers of outside board members, fewer audit committee meetings, fewer financial experts on the audit committee, a smaller percentage of auditing firms, and a higher percentage of CEOs who are also chairmen of the board of directors. The study indicates interesting results that fraud firms have taken action to improve their governance, and three years after fraud detection these firms have governance characteristics similar to the control firms in terms of the numbers and percentages of outside members on the board but exceed the control firms in the number of audit committee meetings. Salman, F., & Siddiqui, K. (2013) discusses usual causes, events, and possible solutions of corporate governance failures in the context of misuse of public money by influential people with political motivations as at the scandalous Mehran Bank. Bhasin, M. L. (2013) has examined the increased rate of white-collar crimes that demands stiff penalties, exemplary punishments, and effective enforcement of the law with the right spirit. Yusuf, A. D., Ahmad, U., & Ahmad Razimi, M. S. (2016) has proposed a model that is viable in the 21st century in today's multi-faith and multi-cultural society and likely challenges the model looks for. Macey, J. R., & O'hara, M. (2003).in the research study author argues and supports the general principle that fiduciary duties should be owed exclusively to shareholders. The scope needs to be broadened of fiduciary duties and obligations of officers and directors should be broadened to include creditors. Suggest that bank directors take solvency risk explicitly and systematically into account when making decisions or else face personal liability for failure to do so. Rekha Misra, Anwasha Das(2019) in the research article has made a benchmark index for the board composition of corporate governance. Have compared the indices of both public with private banks reveals that differences in governance structures cannot be explained fully in terms of ownership only.

Game Changer Corporate Governance Failures: It doesn't happen overnight and there are several warning signs which a firm must take note of to avoid such failures.

- Unproductive governance mechanisms, for example, lack of board committees or committees consisting of few or a single member.
- Non-independent board and audit committee members, for example where a CEO fulfilled multiple roles in various committees
- Management, who deliberately undermines the role of the various governance structures by circumventing the internal controls and making misrepresentations to auditors and the Board.
- Inadequately qualified members, for example, audit committee members not having appropriate accounting and financial qualifications or experience to analyze key business transactions, family members holding board positions without appropriate knowledge or qualifications.
- Ignorance by regulators, auditors, analysts of the financial results, and red flags.

Performance	Scheduled Banks	PSB	Private Banks	Foreign Banks
Gross advances and Gross NPA	0.88	0.83	0.93	0.94
Net advances and Net NPA	0.87	0.81	0.93	0.23

Source: Raw data collected from RBI, Statistics Macroeconomics Handbook

The table 01 reveals the overall performance in terms of non-retrieval and asset declining for a period of 10years. Gross advances to gross non-performance asset although does not show the actual loss to the Bank, but bulk lump sum has defaulted that is squandered and misspent without an adequate follow-up mechanism. Sources indicate a low policy frame, natural calamity, and industrial sickness are the leading causes. Taking into consideration the operation effectiveness of the equity and company goodwill also has impacted the performance of the lending of advances and to get repaid from beneficiaries. Among the various subgroups, almost all groups of banks have been facing a high relationship between advances disbursed for trade and commerce development. Still, however, repayment of non-payment has also made a fruitless return in the functioning of financial institutions. A very high crore of money has been squandered and lacks accountability from the borrower, and thereby lenders had to face the consequence of adverse effects. A huge comparison reveals that foreign banks have been consistently disciplined in net advances to net non-performance assets. The main reasons are high defaulters, inadequate provision for unpaid debts, and few had to sink due to liquidation.

Private Vs PSU Banks/Performance	ICICI	HDFC	Yes	Canara	PNB
Advances to Net NPA	0.62	0.51	0.64	0.82	0.83

Source: MoneyControl.com

The table 02 reveals selected cases of nationalized commercial banks of both public and private, of those who were in the news and had adversely affected the public wealth in huge amounts. From March 2011 to March 2020, it is viewed that private banks caution in following stringent norms and follows up at the beginning of the banking operation. However, age-old pub sector banks have accumulated a more considerable sum of non-performing non-retrieval of resources. This caused massive leakage in the non-use of help in an unproductive manner. Recent scam cases reveal both in private as well in public sector banks for being non-transparent, not accountable, and creating a grey market in vandalizing public money. Non-assurance and non-guarantee of securities scrutiny have not been mandated. Several commercial activities have revealed their in-capability due to various age-old legal acts and pressure to widen the scale of operation. Private has also competed with non-performing assets retrieval due to grey marketing and non-accountable of trading banking products without the consensus of giving a conscious to the public transaction. A thorough relook on the percentage of non-performing assets among the selected financial institution reveals a small effort has been taken to reduce the sickness among borrowers.

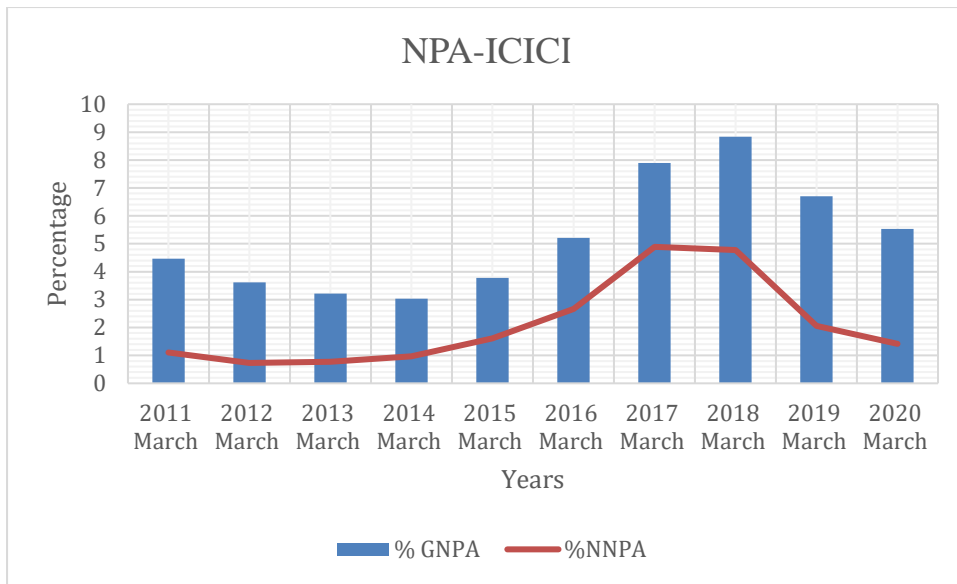


Illustration 01: The above graph depicts how the GNPA of ICICI bank gone beyond control in the year 2018 and could bring it back to the stage, which is less than in 2017. NNPA in the graph follows the GNPA. Checks and balances need to apply at the right time to control the NPAs of the Bank. Rising NPAs is a grave concern to any financing body.

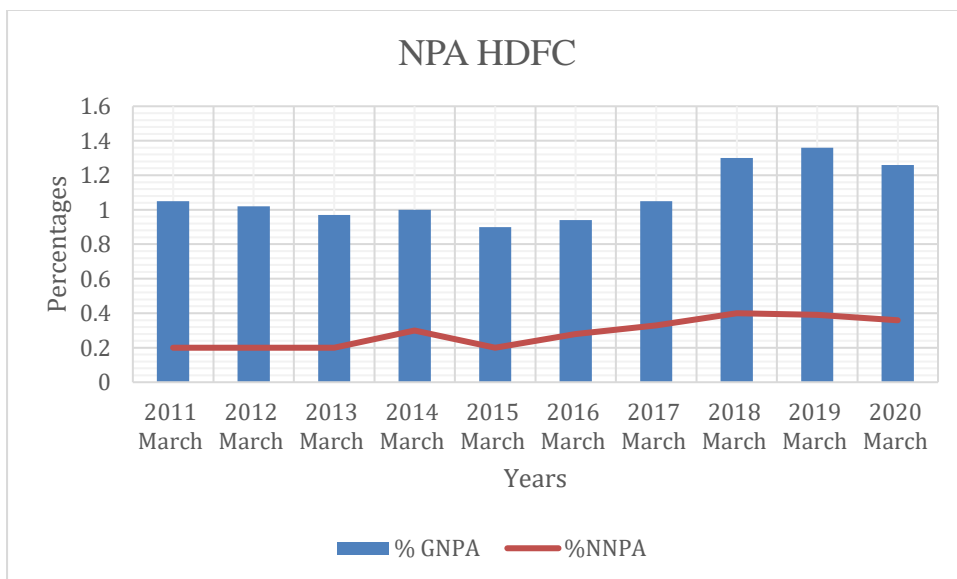


Illustration 02: HDFC GNPA and NNPA look almost stable except in the last three years. Here management has to consider checking the growth of NPA and try to reduce the momentum. This is an indication of losing control in managing NPAs.

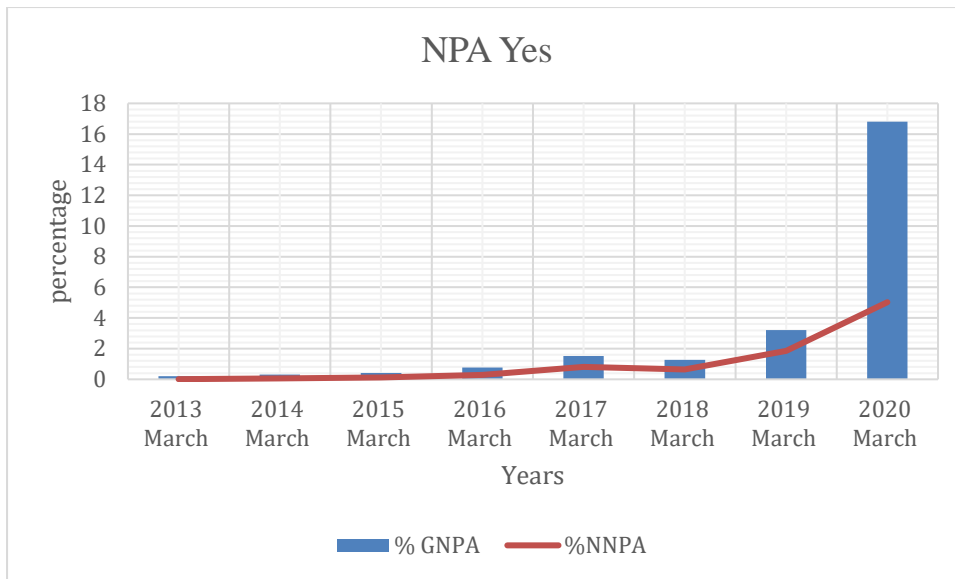


Illustration 03: Yes, Bank is a young Bank and showing a clear indication of losing control over its operations. The sharp increase in the NPAs needs to be investigated. It can be a conspiracy, or something is planned to take advantage. This spike in the NPAs will send a wrong signal to the customers and may erode the confidence about the private banks.

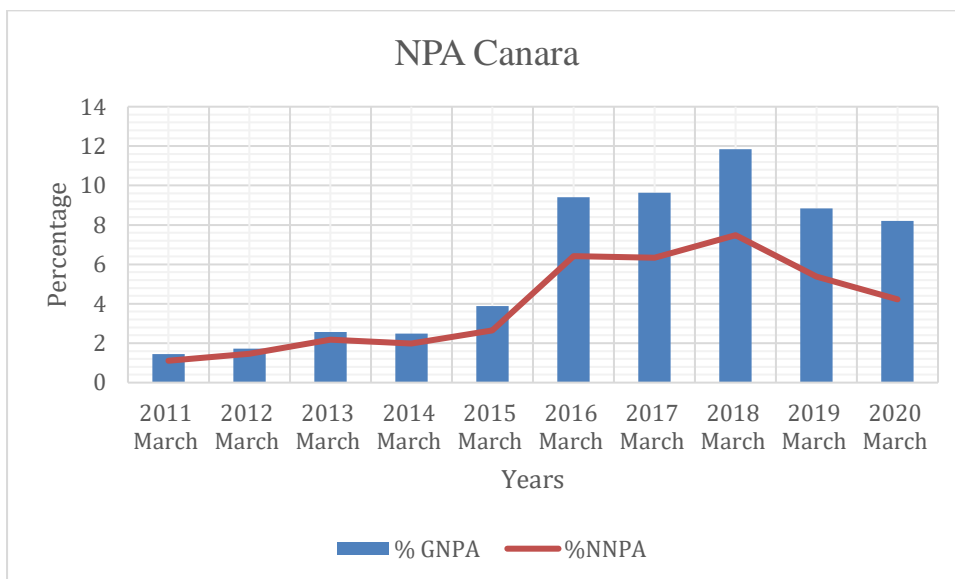


Illustration 04: With the history of 100 years and unable to have better control over the NPAs indicates under governance. It is high time to apply management control to put the Bank into the right path and lead the lot. It has been a while that Canara bank overlooked and led to the NPA bubble as displayed in the graph.

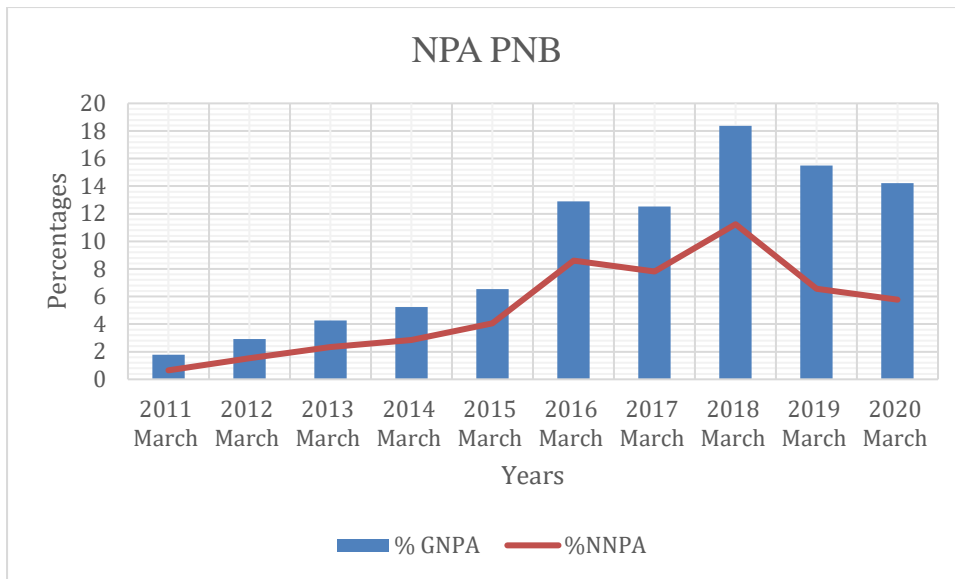


Illustration 05: PNB is known for good banking practices and also failed so miserably in containing the NPAs over the last five years. Both Canara Bank and PNB are showing the same behavior over the last five years. By looking at the above tables and diagrams it depicts overall banks need to exercise good governance henceforth to put things in order before it becomes too late. It only leads to failure costs and can be prevented by investing in prevention costs. The prevention of NPAs is better than curing the same.

Leakages and Spillover: National Indian banking sector has been facing multiple challenges for the past many years right from legal obligations and open systems with the technology revolution. Therefore Non-performing assets are a serious concern in recent times. This has affected the credit delivery of banks to a great extent. As per a survey, net NPAs amount to only 2.36 percent of the total loans in the banking system. However, if restructured assets are taken into account, the stressed assets account will be 10.9 percent of the total loans in the system. As per the International Monetary Fund (IMF), around 37 percent of the total debt in India is at risk. The cumulative gross NPAs of 24 listed public sector banks, including market leader SBI and its associates, stood at 393035 crore rupees as of 31 December 2015. Policymakers about growing bad debts with the banks and their potential to disrupt the growth prospects in the future. Previously, Global Trust Bank and the Bank of Baroda show how few officials misuse the freedom they granted under the guise of liberalization for their benefit. These scams have badly damaged the image of these banks and consequently their profitability. The Ministry of Finance in its Economic Survey 2015-16 suggested four R's - Recognition, Recapitalization, Resolution, and Reform to address the problem of NPAs. to infuse 70000 crore rupees In October 2015, the Government announced Mission Indradhanush. In May 2015, the RBI advised all PSBs to appoint an internal Ombudsman Essentially, a technologically advanced, transparent, and efficient banking system is the need of the hour for the growing economy like India. In a country like India, the need for qualitative banking surpasses the conservative economic or financial logic as financial inclusion is still a distant dream. In addition to the provision of traditional services, many social functions are attached to the banking system's financial inclusion and inclusive growth. To achieve the goal of faster and inclusive growth, it is high time the government and banking industry undertake a comprehensive relook into the existing policies and structure.

Leadership Challenges in the new Millennium

In the current business mandate that companies need to focus their devotion not only on their enterprise but also the overall business situation. A leader needs to associate with and promote a web of business connections with other organizations and people. This practice would aid in the superior understanding of the current trends in Business, competitive forces, and global market concerns which are quite essential for the superior performance, growth, Bernadeta Cahya Kumala Putriastuti, Alessandro Stasi (2019) author contributes to the current literature by using five thematic leadership groups to develop the most optimum leadership style for leading the Millennials. Millennials were assessed, taking into account the advantages and disadvantages of neo-charismatics, leadership and information processing, social exchange/relational leadership, ethical/moral leadership, and e-leadership theories. But findings indicate that no single leadership theory is adequate for leading the millennials optimally. Therefore mixing the dimensions of different leadership theory groups is suggested. As for the leadership theory aspects, it is recommended that scholars consider developing more flexible leadership theory models that can accommodate different generational group's sustainability and profitability of the organization.

Way Forward

- Seminal changes are to be made for the integration of the compliance architecture internally and at external agencies.
- Though a General Manager is posted as the pointsman, he is not equipped to handle issues relating to cybercrimes. Good training is to be put in place and a tech-savvy team allotted to him
- One-third of total weightage is to be allocated to compliance portfolio in all promotion process for all cadres in the Banks
- Young and tech-savvy managers are to be chosen to do internal audit/inspection. Presently it is meant for pre-retirement/punishment posting in many banks
- Regulators should walk the extra mile beyond levying fines and applying moratorium by taking quick preventive steps

Hardwired system: In the journey of providing multiple channels of banking, security has taken the backseat and led to chaotic situations. Neither the customer nor the Business can absorb these changes. It leads to only technology absorption without looking at the right outcomes.

Cohort audit: The audit mechanism is to be improvised because of growing NPAs. Looking at the trend, it shows the miserable failure of Internal and external audits. If we have a consortium of banks that can be stringent and make audits stricter and reduce these deviations in the initial stages itself by corrective measure can be a solution. It needs good cooperation and better understanding among the cohorts. Internal audit should not happen because of the formality. Formation of consortium regional or zone wise would be also be considered.

Cloud computer firewall and blockChain: The future will be banks will be in the cloud, and Personal Digital Assistants (PDAs) will be hardwired with the systems. It will enable banking with Cloud and PDA. This is the most straightforward banking possible over the future. Storage, firewalls, and Blockchain technologies secure cloud banking. PDA will play a critical role in all transactions.

Proposed Model for Future Banking



Conclusion: The present state of poor compliance culture has manifested in huge NPAs and galloping cybercrimes in Banks today. Banks are the engines of economic growth for our country and they need to be in robust health. India is poised to build big banks to take on the International competition. Hence, good Compliance should be an important and urgent priority.

Limitations of the Study:

Research paper has its limitations where overall banks non-performing of gross and net performance have been taken into account. Regional wise actual non-performers might not reflect from macro statistics handbook. Few top bank from public sector and private sector have been chosen. This might not reflect the actual status of the case wise chosen institutes. Number of selected years were from March 2011-2020. Chosen period might not reflect the actual status of NPA. This study might trigger for further area of research taking into account the region wise from all India macro economy perspective.

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