Library Progress International *Print version ISSN 0970 1052*
Vol.44, No.6, Jul-Dec 2024: P.321-330 *Online version ISSN 2320 317X*

Original Article *Available online at www.bpasjournals.com*

Board Structure: Issues and Compliance –A Case Study of The Indian Banking Sector

Dr. Priti Aggarwal[1*], Dr. Neeraj Gupta[2], Debapriya Samal[3], Dr. Sunita Jatav[4]

[1*]Professor) (N. L. Dalmia Institute of Management Studies and Research, Mumbai)

(priti.aggarwal@nldalmia.edu.in)

[2]Associate Professor) (N. L. Dalmia Institute of Management Studies and Research, Mumbai)

(neeraj.gupta@nldalmia.edu.in)

[3]Assistant Professor) (N. L. Dalmia Institute of Management Studies and Research, Mumbai)

(debapriya.samal@nldalmia.edu.in)

[4]Associate Professor) (N. L. Dalmia Institute of Management Studies and Research, Mumbai)

(sunita.jatav@nldalmia.edu.in)

How to cite this article: Dr. Priti Aggarwal, (2024) Board Structure: Issues and Compliance –A Case Study of The Indian Banking Sector. Library Progress International, 44(6), 321-330

Abstract

The ongoing banking reforms highlight the importance of the board structure, which necessitates a study of its duties and processes in India. Empirical research on board structure-related issues relevant to the current legislative climate is not only important but also valuable for the successful functioning of boards in Indian banks. This article incorporates both quantitative and qualitative research. To achieve the goal, we chose 33 banks listed on the Bombay stock market, 21 of which are private sector banks and 12 of which are public sector banks operating in India. It is worth noting that banks were picked based on the availability of information. In this study, a large number of claims (11) were examined using "true" or "false." We obtained the information by visiting the websites of each firm, as well as the annual reports for 2023-24 of the banks. We concluded from our research that the involvement of the board is critical and unavoidable. In general, we can see that the banks listed on the Bombay Stock Exchange are giving due importance to the board structure while also complying with legal provisions such as board size, board independence, Chairman-CEO duality, and the number of directorships held by the directors as specified in the new Indian Companies Act 2013.

Keywords: Board, Banking, Companies Act (2013), Executive directors, Non-executive directors

1. Introduction

The board of directors is the cornerstone of internal governance, representing the highest governing body within an organization (Fama and Jensen, 1983; Weisbach, 1988). In the banking sector, where transparency, accountability, and fiduciary duties are especially critical, the board's structure is essential for maintaining the organization’s stability and protecting shareholders' interests. Board structure includes the formation of various committees, assignment of committee membership, and the integration of communication channels within board leadership (Zahra and Pearce, 1989). High-quality board attributes, such as diverse experience, gender diversity, and effective advisory roles, are instrumental in enhancing governance practices, reducing bank loan costs, and defending shareholder interests (Fama, 1980). In addition to the core governance roles, boards in the Indian banking sector hold specific responsibilities to monitor and mitigate agency issues, recruit and replace executives, set strategic directions, review performance, and disclose crucial information to shareholders and regulators. Their role also extends to shaping organizational policies, aligning management practices with stakeholder interests, and fostering a culture of accountability. The board composition in Indian banking faces notable challenges, particularly in gender diversity. The proportion of female directors remains low, reflecting a persistent “glass ceiling” that restricts the advancement of women in senior roles (Powell and Butterfield, 2015). Gender diversity is increasingly recognized as a vital factor that can strengthen board governance, drive strategic perspectives, and improve overall performance. Studies indicate that diverse boards can lead to better decision-making and increased productivity, which are critical for a sector heavily influenced by public trust and systemic stability (Robinson and Dechant, 1997). India lags in female directors’ representation as compared to Norway and Sweden. Iimplementing mandatory regulation have shown positive outcomes. Vital features of board structure such as board size, independence and CEO chairman split impact governance efficiently. What should be optimal board size in Indian banks is still debatable, because large number of board members may carry a pool of expertise but may also lead to decision making in efficiency due to problems of co-ordination and expected “free rider” problems (Hermalin and Weisbach, 2001). Board independence is also vital, since it keeps a check on management performance mainly in banking sector where transparency is indispensable. Similarly, CEO - chairman duality is not secure as positive implications to avoid conflict of interest and improve accountability. Corporate governance and ongoing regulatory effort are being implemented to improve the board independence, diversity and financial expertise. With the advancement in the banking sector in India, strengthening board structure has become imperative to address governance challenges regulatory compliance and safeguarding investors’ confidence. This paper addresses issues and compliance aspect regarding the board structure in Indian banks. With emphasis on gender diversity, board independence, separation of top leadership position and financial expertise which are vital for sailing the instances of corporate governance in Indian banks.

2. Indian Context

“The Indian companies act, 2013 provides for the provision related to the maximum and minimum number of directors required for different types of companies. As per the section 149 (1)(a), a one-person company has at least one director whereas a private limited company should have at least 2 directors. Additionally, a public limited company must have a minimum three directors. The maximum number of directors in a company can be 15 director which can be increased further up to 20 by passing a board resolution. Section 149(3) makes mandatory the appointment of a resident director who has stayed for at least 182 days in the previous calendar year in India. The listed companies having paid up capital of more than 100 crores or turnover greater than 300 crores are mandatory to appoint at least one female director. Public companies that meet any of the financial thresholds i.e. more than Rs 10 crores in paid-up share capital, more than Rs 100 crores in turnover, or more than Rs 50 crores in outstanding loans, debentures, and deposits—are required to appoint at least two independent directors on their boards. An additional director can be appointed at any time under Section 161(1) to address temporary needs or to provide additional expertise. Similarly, companies can appoint an **alternate director** under Section 161(2) if an existing director is absent from India for more than three months. **Independent Directors** are appointed for a term of five years and may be reappointed for an additional five years, making the maximum continuous tenure ten years. Following this, a three-year cooling-off period is mandatory before they are eligible for reappointment. Additionally, independent directors are exempt from **rotational retirement rules** as specified in Section 149(13). An independent must certify compliance with independence standards at the first board meeting, as well as at each initial meeting of the fiscal year and whenever there is a change in status [Sec 149 (7)]. An independent director is not eligible for stock options [Sec. 149(9)], but he or she is eligible for a sitting fee, reimbursement of expenses incurred for participation in Board and other committee meetings, and profit-related commission as approved by the members [Sec.197 (5)] and as provided by the Indian Companies Act, 2013". (The Indian Companies Act, 2013)

3. Literature review

3.1 Board Size and Firm Performance

Board size plays an essential role in governance, particularly in addressing agency issues. Studies generally indicate a positive association between larger board sizes and firm performance in financial institutions. Adams and Mehran (2012) have revealed that large board size leads to higher bank performance by due to diversity in opinion which may improve the decision-making process. Additionally, De Andres and Vallelado (2008) have established an optimal inverted U-Shaped relationship, in which the increasing board size improves the performance initially, up to a point, after which the efficiency is deliberated. However, Liang et al. (2013) revealed a negative relationship indicating that small boards may deteriorate the decision-making process which may lead to lower performance. Additionally, Daadaa, (2020) has revealed that extra-large boards may adversely affect the governance, underling the need for an optimal board size.

3.2 Board Independence and Firm Performance

Independent directors are thought to improve the accountability and oversight in the banks. Cornett et al. (2009) suggested that board independence improves earning quality indicating that independent directors are better monitors. Tam et al. (2021) showed the positive effect on bank performance and asset quality in chinese banking sector supporting the global viewpoint regarding the higher board independence in bank boards. Muniandy and Hiller (2015) in south African companies and Chinese context, Liu et al. (2015) found a positive relation between independent directors and performance.

3.3 CEO Duality and Firm Performance

The impact of CEO chairman duality is debated. Duru et al. (2016) suggested that CEO duality leads to adverse impact on firm performance with few independent directors indicating that the circulation concentrated power in one hand can be problematic. Additionally, the stewardship theory concluded that CEO duality may lead to higher performance by aligning command. Reducing potential conflict between management and the board. For example, Yang and Zhao (2014) showed that companies with CEO duality may have an edge over their counterparts over their counterparts suggesting that CEO duality may be beneficial in some situations. However, Bouteska (2020) demonstrated a negative impact of CEO duality on firm performance due to less board independence.

3.4 Board Meeting Frequency and Firm Performance

Frequency of board meeting is broadly thought to strengthen the governance, making directors aware about the firm operations. Vafeas (1999) highlighted that the frequent board meetings improve performance supporting the earlier indices Nitim and Osei (2011). Similarly, Irshad and Ali (2015) in Pakistan banks and Chauhan et al. (2016) in Indian banks established that frequent board meeting along with board size and board independence improve performance (Andreu et al., 2016, Salim et al., 2016).

3.5 Financial Expertise of Board Members

Financial expertise of directors is imperative for effective governance in banks Matoussi and Grassa (2012) and Bouleska (2020) reveal the higher bank performance having director with financial expertise they bring necessary skills for assessing financial statements and risks. This view was also supported by Nitim and Osei (2011) and Mangena and Tauringana (2008), who established that financial expert directors are better monitors especially in banks (Kyereboah-Coleman and Osei, 2008).

4. Methodology

Due to the availability of information, a sample of 33 (12 Public sector Bank and 21 Private sector Bank) operating in India was picked for study to analyze the relevance of board structure in corporate governance. The study examined the Companies Act 2013, OECD principles, and the Sarbanes-Oxley Act (2002), then selected banks for study, obtained relevant information, defined the method of analysis, and finally conducted proper analysis, discussion, and interpretation of the results. A total of 11 statements concerning diverse regulatory difficulties were generated and analyzed as "true (1)" or "false (0)." The data was gathered from the websites of the numerous banks under consideration, as well as annual reports for 2023-2024. "The following board structure-related disclosures have been investigated.

1. The bank has at least one female director on its board.
2. If the positions of Board Chair and CEO are separated, not less than one-third of the board is independent, with the non-executive Chair not being a promoter, a person connected to the promoter, or a person filling a managerial position at the level of the board or one level below. If the board Chairperson is an executive director, at least half of the board shall comprise of independent directors.
3. Directors may not be members of more than twenty corporations, ten of which may be public corporations.
4. Directors must not serve on more than ten committees or head more than five committees across all public firms where they serve as a director. Only Audit Committees and Stakeholder Relationship Committees are counted for this reason.
5. The Nomination and Remuneration Committees are entirely made up of (three or more) non-executive directors, with at least one-half of them being independent.
6. The roles of Chairman and CEO (MD) are separate.
7. The chairperson of the Nomination and Remuneration Committee is an independent/non-executive director/The Chairman of the Board does not chair the Remuneration and Nomination Committee.
8. Details of each director's membership on the Bank's board and committees/ If shareholder the director is present on the board. (Sec 151).
9. The company's directors' disclosure includes a Director Identification Number (Sec 154).
10. Presence of Foreign directors.
11. The total number of directors and non-executive directors." (Indian Companies Act, 2013)

5. Analytical Framework

1. The bank has at least one female director on its board sec. 149(1).

Female directors offer a diversity of thinking to the table. Previously, Norway, France, Italy, Spain, and Belgium enacted legislation or quotas requiring the appointment of female directors on corporate boards. Since, the rules governing the nomination of independent female directors are unclear, corporations are more inclined to hire women from the promoter's family and friends, regardless of whether they are suitable for the position. Norway, for example, adopted a 40% quota for women on its boards in 2003. Women had less than 7% of board seats when the campaign began; by 2010, women occupied more than a quarter of board seats, yet there was no indication that corporate performance had improved. To comply with the rule, Norwegian corporations nominated numerous inexperienced women to boards of directors. Such regulations and quotas will be successful if adequate rules are in place and effectively overseen by the government. Women should be respected for their abilities, not only their gender. Women directors who are part of the promoter group may have the same voice as the promoter, which defeats the goal of true (independent) gender diversity. All the private sector banks have at least one-woman director on their board, on an average private sector banks have 1.75 women directors on the board. As far as public sector banks are concerned 83.33 public sector banks have at least one women director on the board except Bank of Maharashtra and UCO Bank.

2. "If the positions of Board Chair and CEO are separated, not less than one-third of the board is independent, with the non-executive Chair not being a promoter, a person connected to the promoter, or a person filling a managerial position at the level of the board or one level below. If the board Chairperson is an executive director, at least half of the board shall comprise of independent directors."

Section 203 of the Companies Act of 2013 states that an individual cannot be nominated as both the chairman and the MD/CEO of a company unless the company's articles specifically state otherwise, or the firm does not engage in several activities. All public and private sector banks have a distinct post for Chairman and CEO, and the chairman is a non-executive director. Independent directors make up one-third of the board. The goal of this split is to establish a stronger and more balanced governance structure by allowing for more effective oversight of the company's management while eliminating excessive concentration of power in a single person. SEBI has stated that this measure is not intended to diminish the position of promoters. Globally, several nations, including the United Kingdom, major portions of Europe, Japan, Australia, and South Africa, advocate the separation of the two positions. However, certain nations, such as the United States and France, continue to challenge it. In Europe, more than 90% of the Financial Times Stock Exchange (FTSE) 100 corporations have clearly defined functions. The United States has likewise seen an increase in the number of groups promoting this divide. Germany and the Netherlands have a two-tier board structure that divides the duties of the board and management. All public and private sector banks have a distinct post for Chairman and CEO, and the chairman is a non-executive director. Independent directors make up one-third of the board.

3. **"Directors may not be members of more than twenty corporations, ten of which may be public limited companies.'**

A person may serve as a director in no more than 20 firms, with no more than 10 of them being publicly traded. SEBI has restricted this to seven publicly traded corporations. As a result, an individual can serve as an independent director on the boards of seven publicly traded businesses and three unlisted companies. SEBI further stated that a full-time director of a listed business may not serve as an independent director of more than three listed entities. Directors who serve on numerous boards boost their capacity to make decisions on the board since they have more expertise and business contacts. Furthermore, directors who overextend themselves and take several seats owing to excess accessible personal perquisites tend to spend less time on each particular board, compromise their obligations, and disregard their tasks. Social ties and, to a lesser extent, conformity with management define success in the market for directors. Multiple directorships are not prohibited in the United States or Hong Kong. A director in Malaysian companies is limited to no more than five directorships in listed issuers. According to the UK Corporate Governance Code, a full-time executive director cannot have more than one non-executive directorship or chairmanship in an FTSE 100 firm. In both public and private sector banks, the directors are not having directorships in more than 20 companies.

4. "Directors must not serve on more than ten committees or head more than five committees across all public firms where they serve as a director. Only Audit Committees and Stakeholder Relationship Committees are counted for this reason."

"According to the Securities and Exchange Board of India (SEBI), directors of a company cannot serve on more than 10 committees or chair more than 5 committees across all companies they direct. This limit applies to all public limited companies, whether listed or not. Private limited companies, foreign companies, and companies under Section 25 of the Companies Act are not included. Only the Audit Committee, the Shareholders' Grievance Committee, and the Remuneration Committee are considered for this purpose. Directors must inform the company of their committee positions in other companies annually and notify any changes. 83.33% of the public sector banks in our analysis comply with the rule. All private sector banks comply with regulatory requirements. The compensation and nomination committee are identical in most of the private sector banks, whereas one bank (Nainital Bank) has not published the essential information."(Indian Companies Act, 2013)

5. "The Nomination and Remuneration Committees are entirely made up of (three or more) non-executive directors, with at least one-half of them being independent."

"The Board of Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors: Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. The pertinent information has been disclosed by all private and public sector banks." (Section 178(1))

6. "The roles of Chairman and CEO (MD) are distinct. (Absence of Chairman-CEO duality)"

"During the financial crisis, there was a rise in requests to separate the roles of Chairman of the Board and CEO in businesses. Analysts saw a drop-in profitability at companies such as Walt Disney Company in the years after the separation of CEO-chairman duality. A chairman of a board of directors who simultaneously serves as an executive officer cannot have exclusive authority over those in charge. At the top of the organization, there should be a clear division of duties between running the board and executive responsibility for managing the company's operations. Companies have traditionally avoided elevating top executives to the role of chairman, while it has been justified in cases when the company is regarded so complex that only someone with the CEO's industry understanding can do a competent job as chairman. The failure of UK banks RBS, HBOS, and Northern Rock during the 2008 financial crisis, none of which had a chairman with banking experience, in contrast to global bank HSBC, which survived quite comfortably despite having a chairman who was a lifetime banker and had previously served as CEO." In India, all public and private sector banks have separate chairman and CEO/ MD.

7. "The chairperson of the Nomination and Remuneration Committee is an independent/non-executive director/The Chairman of the Board does not chair the Remuneration and Nomination Committee."

The chairperson of the NRC Committee must be an independent director. The company's chairman can be a member of the committee, but cannot chair it. The NRC Committee must have at least three non-executive directors, with at least half of them being independent directors. The NRC Committee's role includes identifying qualified candidates for director and senior management positions, recommending appointments and removals, and evaluating the performance of the board, committees, and individual directors. The NRC Committee should meet at least once a year, and make regular reports to the board. The committee can invite executives to its meetings, but it should also meet regularly without them present. 91% of the board chairman of public sector bank does not chair the remuneration and nomination committee with maximum independent director whereas all chairman of the Nomination and Remuneration Committee in private sector bank do not chair both committees.

8. "Details of each director's membership on the Bank's board and committees. If the shareholder director is present on the board (Sec 151)."

"A small shareholder is a person who is holding shares of nominal value amounting to a maximum of Rs 20,000 in a public company. Small shareholders are entitled to elect a director in a listed company. The directors elected by these shareholders will be known as a 'Small Shareholders Director. The notion of a Small Shareholders' Director was added into Section 151 of the Companies Act of 2013, to defend the interests of a company's minority shareholders. The rules and circumstances for the appointment of a small shareholder's director are outlined in Rule 7 of the Companies (Appointment and Qualification of Directors) Rules, 2014. A listed business may have a small shareholder's director elected by the small shareholder upon notification of not less than one thousand small shareholders, or one-tenth of the total number of such shareholders, whichever is fewer. Any listed company may freely nominate a 'Small shareholders Director.' Small shareholders who wish to suggest a person as a candidate for the position of small shareholder's director must leave a signed notice of their intention with the business at least 14 days before the meeting, detailing their information and the details of the proposed director. Name, address, shares owned, folio number, and so on are among the information provided. The notification must be accompanied by a signed declaration signed by the proposed director for the position of small shareholder's director indicating his Director Identification Number, that he is not disqualified to serve as a director, and his permission to act as a director of the business. A small shareholders' director is deemed independent if he is eligible for appointment as an independent director under section 149 sub-section (6) and makes a statement of independence under section 149 sub-section (7). The tenure of a small shareholder director should not exceed three years in a row, and he shall not be liable to resign by rotation. He will also be ineligible for re-appointment when his term expires. Small shareholders' directors are disqualified in the same way as any other director, as stipulated in section 164 of the Act. A Small shareholder's director shall vacate the office if, on and from the date of cessation, he ceases to be a small shareholder; he incurs any of the disqualifications specified in section 164; the office of the director becomes vacant in accordance with section 167; and he ceases to meet the criteria of independence as provided in section 149 (6). An individual may not serve as a minor shareholder director in more than two firms. He must not be appointed in the second firm if the second company's business is competitive or in conflict with the first company's operation. He shall not be appointed or involved in any other role with the firm, directly or indirectly, for a period of three years following his termination as a small shareholder's director. A small shareholder director can be dismissed by passing an ordinary resolution in the general meeting in line with Section 169 of the Act. Every equity shareholder has the right to vote on such a resolution, regardless of whether he is a minor shareholder or not. The director of a minor shareholder is included in the 'total number of directors' as defined in Section 152 (6) of the Act. All the public and private sector banks have small shareholder director on their board." (Indian Companies Act, 2013)

9. "The company's directors' disclosure includes a Director Identification Number (Sec 154)"

"Section 154 of the Companies Act, 2013, mandates the acquisition and maintenance of a Director Identification Number (DIN) for individuals intending to serve as directors of a company. This provision is crucial for fostering transparency and accountability in corporate governance, as it provides a standardized method for identifying directors across companies. The DIN, a unique identification number, is assigned to individuals who are appointed or intend to be appointed as directors in any company registered under the Companies Act. This initiative was introduced to modernize corporate governance and facilitate the tracking of directors' involvement across multiple companies, ensuring that individuals with adverse records can be easily identified. To obtain a DIN, applicants must file Form DIR-3 electronically with the Registrar of Companies (RoC) through the Ministry of Corporate Affairs (MCA) portal. The form requires personal details, proof of identity (such as a PAN card or passport), and address proof (such as a utility bill or Aadhaar card). The application must also be digitally signed by the applicant and certified by a practicing professional, such as a Chartered Accountant, Company Secretary, or Cost Accountant. The RoC reviews the application and supporting documents for accuracy and completeness. Upon approval, the DIN is issued and communicated via email. A DIN, once issued, remains valid for the individual's lifetime and is limited to one per person, ensuring uniqueness. Directors holding a DIN have specific obligations, including disclosing their DIN in all correspondence and company documents, updating personal details through Form DIR-6, and completing an annual Know Your Customer (KYC) update using Form DIR-3 KYC to keep the DIN active. Non-compliance with these requirements can result in the deactivation of the DIN and penalties. Moreover, if a director is disqualified under Section 164 of the Act, their DIN remains linked to their record, preventing reappointment in contravention of the law. For fintech companies, adhering to the provisions of Section 154 enhances governance by ensuring the appointment of qualified and verified individuals to their boards, thereby building stakeholder trust. The DIN facilitates traceability and accountability, helps prevent unethical practices, and simplifies regulatory compliance by making directors easily identifiable in official records. Non-compliance, such as failing to obtain a DIN or using an invalid or duplicate DIN, can lead to penalties and reputational risks for both directors and companies. Therefore, understanding and adhering to DIN requirements is crucial for maintaining corporate integrity, operational efficiency, and compliance with the Companies Act. All the public and private sector banks have disclosed the DIN of their directors." (Indian Companies Act, 2013)

10. Presence of foreign directors

Foreign nationals, foreign citizens, and Non-Resident Indians living abroad can be nominated to the boards of Indian corporations. A foreign body corporate may have a 100 percent subsidiary company in India and may appoint one or all of its foreign national directors to the board of the subsidiary Indian firm. A foreign director may be appointed as either a full-time (executive director) or part-time (non-executive director). He must receive a Director Identification Number to become a Foreign Director (DIN). A Permanent Account Number (PAN) issued by the Indian Income Tax Department is required to apply for a DIN. Before being appointed as a director, the director must apply for a DIN. It is also feasible that all of the company's Directors are foreign nationals who operate the firm through Indian citizens hired by them in India. The Companies Act makes it legal to convene Board meetings in other countries. Similarly, it has a mechanism for conducting Board meetings through video conferencing, subject to adherence to the Ministry of Corporate Affairs' circulars published in this respect from time to time. Given this, it is evident that a corporation can have all of its directors be foreign nationals or foreign citizens, and there is no need that only Indian Directors serve on the boards of Indian companies. In the case of Singapore-incorporated corporations, at least one Director must be a Singaporean. However, similar nationality restrictions do not apply to firms registered in India. However, similar nationality restrictions do not apply to firms registered in India. Furthermore, a Director from China or Taiwan may not be fluent in English, and so a person may become a Director of an Indian corporation without understanding any Indian languages. What is necessary is commercial acumen as well as assistance from others to comprehend business language in India. Foreign directors may be paid sitting fees for attending board meetings, even if they do so through video conference. None of the public sector organizations have nominated a foreign director to their boards. Only Kotak Mahindra Bank Ltd. has a foreign director on their board.

11. The Total number of directors and non-executive directors.

Frequency	Total Number of Director	Total Non-Executive Director
0-5	0	Public Sector Bank =6 Private Sector Bank =0
6-9	Public Sector Bank=3 Private Sector Bank =3	Public Sector Bank =6 Private Sector Bank =17
10-15	Public Sector Bank =9 Private Sector Bank =17	Public Sector Bank =0 Private Sector Bank =3

“Section 149(1) of the Companies Act, 2013 requires that every company shall have a minimum number of 3 directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company. A company can appoint maximum 15 fifteen directors.” “If a person is already a director of one bank in India, they cannot also be a director of another bank. A bank cannot have more than three directors on its board who, when combined, can control more than 20% of the voting power of the bank through their positions in other companies. If someone was already serving as a director of a bank and other companies with combined voting power over 20% before the law changed in 1956, they must do one of the following within a time frame set by the Reserve Bank of India: quit as a director of the bank, or resign from enough other companies so that the remaining ones do not exceed 20% voting power in the bank, and continue as a director in those companies(Section 16). This rule does not apply to any directors appointed by the Reserve Bank of India. Section 10A of the Banking Regulation Act, 1949 states that at least 51% of a banking company's board of directors must have special knowledge or practical experience in certain areas like, Accountancy, Agriculture and rural economy, Banking, Co-operation, Economics, Finance, Law, Small-scale industry” (Indian Banking Regulation Act, 1949)

6. Conclusion

The governance structure for Indian banks, as described in the Companies Act of 2013 and the Banking Regulation Act of 1949, emphasizes initiatives to increase board diversity, independence, and accountability. Measures such as obligatory female directors, distinct responsibilities for chairman and CEO, directorship limits, and committee memberships promote balanced governance and reduce power concentration. However, issues like as unclear nomination standards and reliance on promoter-linked appointments reveal shortcomings in establishing actual independence and diversity. Global norms emphasize the significance of strong monitoring and well-defined criteria. While compliance rates among Indian banks are good, ongoing progress in applying these standards, as well as resolving loopholes such as the involvement of foreign directors in public sector banks, may help to boost corporate governance.

7. **References**

1. Adams, R. B., & Mehran, H. (2012). Board structure and banking firm performance. *Journal of Financial Intermediation, 21*(2), 243–267.
2. Andreu, P., García, M., & Saura, D. (2016). Board characteristics and firm performance: Evidence from Spanish banking sector. *Journal of Banking & Finance, 72*(1), 14–25.
3. Bouleska, K. (2020). The impact of financial expertise on bank performance: Evidence from developing economies. *Journal of Banking Governance, 19*(3), 254–269.
4. Chauhan, Y., Lakshmi, V., & Dey, D. (2016). Board structure, governance mechanisms, and firm performance in Indian banks. *Asia-Pacific Journal of Management Research and Innovation, 12*(1), 34–48.
5. Cornett, M. M., McNutt, J. J., & Tehranian, H. (2009). Corporate governance and earnings management at large U.S. banks. *Journal of Corporate Finance, 15*(4), 412–430.
6. Daadaa, H. (2020). Large board size and its effect on governance: Evidence from banking sector. *Finance and Governance Review, 18*(2), 78–91.
7. De Andres, P., & Vallelado, E. (2008). Corporate governance in banking: The role of the board of directors. *Journal of Banking & Finance, 32*(12), 2570–2580.
8. Duru, A., Iyengar, R., & Zampelli, E. M. (2016). The dynamic relationship between CEO duality and firm performance: The moderating role of board independence. *Journal of Management & Governance, 20*(1), 21–40.
9. Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of Political Economy, 88*(2), 288–307.
10. Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics, 26*(2), 301–325.
11. Hermalin, B. E., & Weisbach, M. S. (2001). Boards of directors as an endogenously determined institution: A survey of the economic literature. *Economic Policy Review, 9*(1), 7–26.
12. Irshad, A., & Ali, S. (2015). Board characteristics and firm performance: Evidence from Pakistan banking sector. *International Journal of Economics and Financial Issues, 5*(3), 604–609.
13. Kyereboah-Coleman, A., & Osei, K. A. (2008). Corporate governance and firm performance in Africa: A dynamic panel data analysis. *Corporate Ownership & Control, 6*(1), 89–103.
14. Liang, N., Xu, H., & Jiraporn, P. (2013). The effect of board size on firm performance in Chinese banks. *Emerging Markets Review, 15*(1), 23–39.
15. Liu, H., Miletkov, M., Wei, Z., & Yang, T. (2015). Board independence and firm performance in China. *Journal of Corporate Finance, 30*(1), 223–244.
16. Mangena, M., & Tauringana, V. (2008). Corporate boards, ownership structure, and firm performance in Sub-Saharan Africa. *Journal of Accounting in Emerging Economies, 8*(1), 5–28.
17. Matoussi, H., & Grassa, R. (2012). Corporate governance of Islamic banks: A comparative study between GCC and Southeast Asia. *International Journal of Islamic and Middle Eastern Finance and Management, 5*(2), 134–156.
18. Muniandy, B., & Hiller, J. S. (2015). Independent directors and firm performance: Evidence from South African companies. *Corporate Ownership & Control, 13*(1), 51–63.
19. Ntim, C. G., & Osei, K. A. (2011). The impact of corporate board meetings on firm performance in Africa: Evidence from Ghana. *Review of Development Finance, 1*(2), 75–83.
20. Powell, G. N., & Butterfield, D. A. (2015). The glass ceiling: What's holding women back? *Journal of Management, 41*(3), 879–901.
21. Robinson, G., & Dechant, K. (1997). Building a business case for diversity. *The Academy of Management Executive, 11*(3), 21–31.
22. Salim, M., Ranjan, M., & Bhattacharya, A. (2016). Board structure and financial performance: Evidence from Indian financial sector. *Indian Journal of Corporate Governance, 9*(1), 11–20.
23. Tam, V., Yuan, Y., & Li, X. (2021). Board independence and asset quality: Evidence from Chinese banks. *Journal of Corporate Governance Research, 14*(2), 32–47.
24. Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics, 53*(1), 113–142.
25. Yang, T., & Zhao, S. (2014). CEO duality and firm performance revisited: A contingency model. *Journal of Leadership & Organizational Studies, 20*(2), 274–286.
26. Zahra, S. A., & Pearce, J. A. (1989). Boards of directors and corporate financial performance: A review and integrative model. *Journal of Management, 15*(2), 291–334.
27. Weisbach, M. S. (1988). Outside directors and CEO turnover. *Journal of Financial Economics, 20*(1), 431–460.

28. https://www.india-briefing.com/news/sebi-splitting-posts-of-chairman-and-md-ceo-now-voluntary-24119.html/#:~:text=Section%20203%20of%20the%20Companies,does%20not%20undertake%20multiple%20businesses.