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Corporate Governance in the Banking industry

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ABSTRACT

The very idea of "corporate governance" is fraught with ambiguity, which contributes to the widespread disagreement surrounding the subject of "corporate governance" at both the national and international levels of discussion. Because of the significance of this area of study, the national as well as the worldwide literature has a wide variety of research on corporate governance, including conceptual, empirical, normative, and other types of studies. Despite this, the specific subject of corporate governance in the banking industry has not gotten the attention that it deserves. Despite the fact that the problems associated with corporate governance in the banking industry are not fundamentally distinct from the problems associated with the governance of any entity whose activity involves the trading of goods or services, certain distinguishing characteristics can be identified as a result of the specifics of the banking sector. These problems are caused by the fact that the banking industry is characterized by a number of unique factors. The fact that banks play such a pivotal role in the economy and are thus subject to more stringent laws than other types of companies is the primary driver behind the unique corporate governance practices that are prevalent in the banking industry. In addition, the intricacy of the operations is a distinguishing feature of the activity that takes place in the banking business.

keywords: *Corporate, Governance, Banking*

INTRODUCTION

The function of banks is essential to the functioning of the economy. They provide a means of payment for products and services, attract the savings of individuals in the form of deposits, and support the growth of enterprises. Because of their responsibility to defend the interests of depositors, maintain the stability of the payment system, and reduce systemic risk, banks are held to more stringent regulatory standards than other types of companies. Additionally, the activity in the banking business is defined by the complexity of the operations, which raises information asymmetry and lowers the capacity of the stakeholders to supervise the decisions made by bank management. As a consequence of these factors, the corporate governance of financial organizations is characterized by a number of distinguishing characteristics. A great number of studies concentrated their attention on corporate governance, whereas the primary emphasis of other study was on the financial sector. Having said that, there are other studies that concentrate only on the topic of corporate governance in banking institutions. The majority of these studies take an empirical approach, and they investigate a wide variety of correlations, including the following: the relationship between the corporate governance of banks and their performance (Aboagye and Otieku, 2010); the relationship between the financial reporting process of banks and their corporate governance (Abraham et al., 2008); the correlation between corporate governance failure and financial distress in the banking sector (Muranda, 2006); etc. There are also viewpoints (for example, Mullineux,, 2006) and literature reviews (for example, Handley-Schachler et al.,

2007; Nathan and Ribière, 2007; Jamali et al., 2007). Additionally, there are papers that take an analytical-argumentative approach and emphasize, among other things, the singularity of the banking sector (for example, Leeladhar, 2004; Levine, 2004; Macey and O'Hara, 2003). The current research study takes the same approach in terms of its methodological framework; specifically, it combines an analytical-argumentative structure with a literature survey on the subject that has been selected. The following activities constituted the research project that was carried out: The primary roles and the significance of the banking industry were identified and commented upon in detail (second section); third, a literature review on the topic of corporate governance in banks was performed both at national, and at international level, and formed the basis for identifying the primary characteristics of corporate governance. First of all, the idea of corporate governance was analyzed, and it was defined in an appropriate manner for the banking system (first section); second, the main roles and the significance of the banking industry were identified and commented upon in detail (second section); and The benefit that this research design produces an acceptable theoretical and conceptual foundation for future research and enables the sound justification of the authors' opinions and research results is one of the primary reasons why this research design was chosen for the study. Another important reason for selecting this research design is that it enables the identification of significant relationships between variables. In addition, if one compares the literature produced in Romania on the subject of corporate governance in banks to that produced internationally, one finds that the Romanian literature is far less developed. In addition, there is a lack of openness in the banking activity, as well as a complexity that is intrinsic to it. Because of these two primary factors, it would have been far more challenging to carry out an empirical investigation. In the Romanian literature, there are studies on the role of the banking system (tefãnescu et al., 2007), on risk management (Palfi, 2007), internal audit (Stanciu, 2008; urlea and tefãnescu, 2008), or financial reporting (Palfi, 2008) in the banking system; however, corporate governance in banks had been approached by few researchers (for example, Cocriş and Ungureanu, 2007). The current study makes an effort to close this knowledge gap.

OBJECTIVE

1. Establish strategic objectives and a set of corporate values that are communicated throughout the banking organization;
2. Ensuring that board members are qualified for their positions, have a clear understanding of their role in corporate governance and are not subject to undue influence from management or outside concerns and

MEANING OF CORPORATE GOVERNANCE

In the latter half of the 20th century, a market-oriented economy became more prevalent, which led to the proliferation of capitalism, globalization, liberalization, and privatization. This, in turn, made it necessary for the corporate world to develop a culture of efficiency, a model code of conduct, and business ethics in order to ensure its continued existence. The idea of corporate governance first surfaced in the late 1980s, at the time that a number of businesses in the United Kingdom failed due to inadequate levels of operational management. Because of this, the London Stock Exchange established the "Cadbury Committee" in 1991 to investigate issues related to corporate governance. In order to obtain a balanced perspective on the issue at hand, it would be good to provide both a specific and a general definition of corporate governance, as follows:

In a narrow sense

The management of a corporation, its board of directors, its shareholders, its auditors, and any other stakeholders are all participants in the network of connections that make up corporate governance. These interactions, which are governed by a number of different rules and incentives, create the framework within which the company's goals are established, and the means of achieving these goals as well as monitoring performance are decided upon. Transparency of company structures and operations, accountability of management and boards to shareholders, and corporate responsibility toward stakeholders are therefore the essential components of sound corporate governance.

In a broader sense

However, good corporate governance, which refers to the degree to which businesses are operated in an open and honest manner, is essential for the confidence of the global market as a whole, the efficacy of capital allocation, the expansion and development of industrial bases in countries, and, ultimately, the wealth and welfare of the nation as a whole. It is essential to observe that the ideas of disclosure and transparency occupy the center of attention in both the narrow and the wide definitions. This is something that should not be overlooked. In the first place, they establish credibility at the level of the company among the parties who provide the financing. In a second scenario, they contribute to an increase in general confidence at the level of the aggregate economy. In either scenario, they lead to a more effective distribution of the available capital.

1. DEFINING CORPORATE GOVERNANCE IN A BANKING CONTEXT

There is not one single definition of corporate governance that is universally recognized, as shown by the numerous scholarly contributions that have been made on the subject of corporate governance. The academic literature has a wide variety of various viewpoints on corporate governance, which makes it impossible to formulate a single definition of corporate governance that encompasses all of its aspects. According to Neubauer and Lank (1998), who were cited by Kozer (2002), the phrase "corporate governance" may be thought of as an umbrella term. It encompasses particular problems that are caused by the intricate relationships between internal and external players that are present in the environment of a corporation (for example, senior management, shareholders, boards of directors, and other corporate stakeholders). One of the goals of this study is to provide a definition of corporate governance. In doing so, we will take into account the overarching purpose of the study, which is to characterize corporate governance in banks and establish the nature of the link between the primary corporate governance mechanisms. This approach is in line with the theory put forward by Steger and Amann (2008), which states that definitions are neither correct nor incorrect; rather, they are either helpful or worthless in relation to a certain objective. The Oxford Pocket Dictionary of Current English explains the meaning of the word "governance" as "the action or manner of governing," while an older definition of the word explains it as "sway" or "control." Both of these interpretations are accurate. In general, governance refers to the manner in which something is governed, whereas "to govern" can mean any of the following: 1) administer, be in power, call the shots, call the tune, command, conduct, control, direct, guide, handle, lead, manager, order, oversee, pilot, reign, rule, steer, superintend, supervise; 2) bridle, check, contain, control, curb, direct, discipline, get the better of, hold in check, inhibit, master, regulate, restrain The concepts of leadership and authority are at the heart of these interpretations of the overarching concepts of "governance" and "to govern." Accordingly, the phrase "corporate governance" refers to the manner in which businesses are directed and governed. This is the meaning that was supplied for the phrase "corporate governance" by the Cadbury Report (1992). According to Sison and Elgar (2008), the exercise in corporate governance might be studied from five distinct viewpoints. These views were identified by Van den Berghe and Carchon (2002),

who were cited in Sison and Elgar (2008). In the first place, corporate governance can be understood on the level of the board of directors; in the second place, it can be understood on the level of the so-called "corporate governance tripod," which is comprised of shareholders, directors, and management; in the third place, it can be understood from the perspective of a company's direct stakeholders, which include employees, suppliers, and customers; in the fourth place, it can be understood from the viewpoint of a company's indirect stakeholders, which include the government, the environment, and The vast majority of studies that deal with corporate governance, on the other hand, have a very limited scope and are carried out just on a single one of these levels. According to Solomon (2010)'s argument, the topic of corporate governance may either be approached in a limited or extensive manner. The scope of corporate governance, when viewed through a restricted lens, is reduced to the connection that exists between a firm and its shareholders. This description is reflective of the conventional approach to finance, which is articulated in the "agency theory." According to this theory, the owners of the resources, who are also the shareholders of the company, play the function of principals. They are the ones who commit their resources to the managers of the organization, who play the role of agents, so that the managers can manage those resources and produce additional value. Such narrow definitions are rather shareholder-centric, such as the following recent definition from the Walker Review (2009): "the role of corporate governance is to protect and advance the interests of shareholders through setting the strategic direction of a company and appointing and monitoring capable management to achieve this (Walker Review, 2009)" Corporate governance may be viewed from a larger perspective as a web of interactions, not just between a firm and its owners (shareholders), but also between a company and a wide variety of other people who have a "stake" in the company (also known as "stakeholders"), such as workers, customers, and suppliers, amongst other groups. According to Solomon (2010, pp. 5), definitions of corporate governance that are more expansive tend to place a greater emphasis on maintaining a higher level of responsibility to shareholders and other stakeholders. Companies are believed to be accountable to all of society, as well as to future generations and the natural environment, according to the definitions that are the most all-encompassing. According to Sison (2008), who takes such a broad perspective on the topic of corporate governance, corporate governance can be defined as "the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all of their stakeholders and act in a socially responsible way in all areas of their business activity." The varied beliefs, philosophies, and worldviews held by people participating in the academic discussion may frequently be shown to have an impact on the many definitions of corporate governance that are being utilized. For instance, in accordance with a legal perspective, Hart (1995), who was cited by Fratianni (2007), believes that the primary objective of corporate governance is to ensure responsible behavior on the part of corporations in regards to things that are not specifically dealt with through contracts. On the other hand, when seen from the more limited vantage point of finance, Schleifer and Vishny (1997) imply that corporate governance is concerned with the manner in which lenders of firms convince themselves that they will earn a return on their investment. The authors Steger and Amann (2008) provide the following definition of corporate governance from the standpoint of management: "Corporate governance establishes clear structures regarding accountability, responsibility, and transparency at the head of the company, and defines the role of boards and management." "The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders, and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs." This definition has a new emphasis on compliance: "The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation." This offers not just the framework through which the company's goals are determined, but also the methods by which those goals may be attained, as well as the means by which

performance can be monitored. (the OECD's Guidelines for Responsible Corporate Governance). Huse (2007) identifies two more sorts of viewpoints on corporate governance: unitary versus balanced viewpoints, which contrast the internal vs the external perspectives on corporate governance. On the one hand, external viewpoints center their attention on the preservation or distribution of value, whereas internal perspectives center their attention on value generation. On the other hand, unitary perspectives are short-term, and board members play the role of agents working for the shareholders or the management, whereas balanced viewpoints are long-term, and the board is an autonomous organizational body at the top of the firm. Moreover, unitary perspectives are more likely to be held by those who are more likely to benefit from the status quo. As a result, Huse gives the notion of corporate governance using four different categories. To begin, the definition of corporate governance that is used by management places an emphasis on what is beneficial for management. This is a worldview that is both internal and unified. Second, the notion of shareholder supremacy places an emphasis on the role that boards of directors, corporate management, and businesses play as agents of shareholder interests. This is a worldview that is both exterior and unitary. Third, the interaction, triangulation, or stakeholder definition of corporate governance places an emphasis on the connections between the actors that are involved in the process of decision-making and the exercise of control over the firm's resources. Therefore, the system of rights and obligations amongst stakeholders is understood to be the definition of corporate governance. This is an objective and complementary viewpoint on the subject of corporate governance. The firm definition places an emphasis on what is best for the business and places a focus on how the board contributes to value creation along the value creation chain. This is not the least important aspect of the definition. This is an internal viewpoint on corporate governance that provides a sense of balance. When everything is taken into account, it is clear that there are many different points of view about corporate governance, and that the academic literature does not include a single, universally accepted definition of this topic. There are viewpoints that are unitary and balanced, finance, management, and compliance approaches; there are also perspectives that are narrow and wide; external and internal perspectives; etc. As a result, the definition of corporate governance is dependent on the viewpoint of the individuals who are creating it as well as the objective of the academic argument. The authors of this article have attempted, for the sake of the current work, to provide a definition of corporate governance that is reasonably comprehensive, drawing from the definitions that are offered in the following subsection: "corporate governance is the system of checks and balances, both internal and external to companies, that ensures that companies discharge their accountability to all direct and indirect stakeholders; the corporate governance system also includes the rights, claims, and responsibilities of all participants in the corporation, as well as the rules and procedures applied in the decision-making process at all levels of the corporation; an appropriate corporate governance system."

ROLE AND FEATURES OF THE BANKING INDUSTRY

The financial industry plays a significant role in the economy of any given nation. It is generally agreed that a robust banking industry serves as the bedrock upon which a highly developed and capital-intensive economy is built. According to Hartmann-Wendels (2010), disturbances in the banking industry have the potential to dramatically impact all facets of the economy. According to Axel Troost, spokesman for fiscal concerns in the Bundestag, politicians are fully aware of the systemic significance of the financial sector. The article Creditwesen 1/2009 was published in 2009. However, there are other areas of the economy that have a significant impact on the system, such as the transportation or the energy industries. However, there is no other industry in which the interdependencies between companies and the potential repercussions of the failure of individual corporations are as far-reaching and unpredictable as they are in the financial industry. According

to Mullineux (2006), loans from banks are the primary source of external financing for companies in general, and for small and medium-size firms (SMEs) in particular. This is the case in the majority of nations, if not all of them. Because venture capital and private equity investment are often only available to high-tech growth companies, small and medium-sized businesses (SMEs) are forced to rely on banks as their primary source of external financing. Levine (2004) places a strong emphasis on the relevance of banks for the growth of industries, the corporate governance of businesses, and the distribution of available capital. Banks' ability to effectively raise money and distribute those funds results in a reduction in the cost of capital for businesses, an increase in capital creation, and a stimulation of growth in productivity. Banks have an indirect impact on the daily operations of businesses as well as the economic well-being of nations. The literature analysis that Chahin and Safieddine (2008) conducted provides more insights on the role of banks in regard to their business customers. According to the assessment, in circumstances in which banks have representatives on supervisory boards, such bank representatives have access to the information and the power necessary to properly monitor the action of management and even to penalize management when necessary. In addition, banks have the capability to monitor the operation of corporations and to respond to any issues that may arise. As a consequence of this, they play an essential part in the corporate governance of companies that are not involved in the financial sector, as stated by Mullineux (2006). They could be able to avert the failure of a company and make a beneficial contribution to the performance of the businesses in which they invest or which they provide financing. In addition, banks are the primary providers of payment services for both businesses and households (Mullineux, 2006). Both Handley-Schachler et al. (2007) and Mehran (2004) highlight the fact that banks give access to a country's various payment systems in their respective studies. It is impossible to argue against the fact that banks play a significant role in the functioning of the payment system (De Andres and Vallelado, 2008; Mullineux, 2006). The fact that banks produce liquidity for the economy is also an essential factor (Cocris and Ungureanu, 2007), and especially in times of crisis, banks are a key source of liquidity (Mehran, 2004). Both of these factors are critical. Macey and O'Hara (2003) provide a comprehensive analysis of the function that banks play in the generation of liquidity. On the one side, banks have what are known as illiquid assets, which are loans with extended maturities. On the other hand, they are responsible for the issuance of liquid liabilities, which take the form of deposits and are readily accessible to their creditors and depositors. They accomplish this through contributing to the overall liquidity of the economy. According to Hartmann-Wendels (2010), banks also serve as a "transmission belt" for the central bank's monetary policy decisions. Because of their function in the production of cash in a passive manner, banks have an impact on the overall money supply of an economy and, as a result, the stability of prices. According to Macey and O'Hara (2003), financial institutions also have difficulties with customer loyalty due to the actions and attitudes of their workforce. In every major company, there is always the potential for fraudulent activity and transactions involving self-dealing. However, since banks keep such a substantial proportion of their assets in a highly liquid form, this sector of the economy is particularly vulnerable to the effects of difficulties of this nature. In the context of this discussion, such assets include, for example, the deposits made by customers, which might motivate a disloyal employee to move money from the accounts of customers to an account that is only known to him, and then to withdraw the amounts as if they belonged to the employee. Other distinguishing characteristics of banks, in contrast to those of non-financial enterprises, are to the capital structure of banks and the ownership of their stock. According to De Andres and Vallelado (2008), banks are considered to be highly leveraged organizations. This is mostly a result of the deposits that are collected from clients. Both Macey and O'Hara (2003) and Cocriş and Ungureanu (2007) contend that their capital structure is distinctive in two ways: first, in comparison to other companies, they have a small amount of equity and obtain the majority of their funding, typically 90 percent, through debt; second, they hold illiquid assets that frequently

take the form of loans that do not have a set maturity date. On the other hand, the equity ownership of banks is not the same as that of other types of businesses. According to Cocris and Ungureanu (2007), banks often have concentrated equity ownership, making it more challenging for smaller equity investors to exert influence on the management of banks.

Additionally, many people believe that the banking business is one of the least transparent industries in the whole economy. According to Levine (2004), "banks are generally more opaque than nonfinancial firms." In particular, Leeladhar (2004) highlights the exceptional opaqueness of bank assets, which lack transparency as well as liquidity. He points out that these problems are caused by the absence of liquidity. He explains this quality by pointing out that, in contrast to most other goods and services, bank loans are often tailored to the borrower's specific needs and are discussed in private. In a similar vein, Arun and Turner (2004) state that depositors are not aware of the accurate value of a bank's loan portfolio. This is due to the fact that such information cannot be disclosed to the public and is also exceedingly expensive to do so. According to De Andres and Vallelado (2008), one of the contributing factors to the complexity of the banking business is the lack of openness that exists within this sector. According to the findings of these researchers, complexity can manifest itself in a number of different ways, including "the quality of loans not being clearly perceived, financial engineering not being transparent, financial statements proving complicated, investment risk that can be easily modified, or perquisites that are easier for managers or insiders to obtain." According to the statements made by Hermann Otto Solms, VicePresident of the Bundestag (Kreditwesen 1/2009), one more trait of the banking industry is that it is influenced by the uneven distribution of information. As Levine (2004) points out, informational asymmetries are prevalent across all industries; nevertheless, the scale of these discrepancies is most pronounced in the banking industry. In the financial industry, the quality of loans is not easily observable and can be concealed for an extended length of time if necessary. In addition, the risk profile of a bank's assets may be reshaped more rapidly than it can in the majority of non-financial sectors of the economy. It is possible for financial institutions to conceal issues by providing customers who are unable to meet their existing debt commitments more loans. According to De Andres and Vallelado (2008), the information asymmetry problem is made worse by the complexity of the banking industry, which was covered in the paragraphs that came before this one. The banking business is not immune to the problems associated with agency theory, and information asymmetries are one of its manifestations. There are several points of contention and divergence of interests in the banking industry. First, Schmidt (2009) contends that the goals of a typical bank and those of an investor are not always compatible with one another and that these two sets of goals frequently compete with one another. The first thing that strikes one as odd about this assertion is that it ought to go without saying that the bank will always behave in the investor's best interest. This conundrum may be understood by considering the various perspectives people hold on risks and returns. The loss of future fees as a result of clients moving their business elsewhere is the source of the bank's risk. On the other hand, the investor is concerned about the capital that was invested. While an investor's return is calculated as the performance of their money less any fees charged by the bank, a bank's return is determined by the amount of fees they are able to collect while still remaining profitable. Second, Cocris and Ungureanu (2007) examine the divergent attitudes about risk that are held by shareholders and management of financial institutions. On the one hand, shareholders in a bank are encouraged to take on more risk when the bank's leverage is increased through a bigger stock position. On the other hand, managers tend to choose a risk-averse strategy since the value of their human resource is at stake. Third, Macey and O'Hara (2003) discuss the potential for a conflict between the interests of debt holders and the interests of shareholders. This potential conflict is exacerbated in the case of the banking industry owing to the high debt-to-equity ratio and the presence of deposit insurance. In addition

to all of these features of the banking industry, there is moreover the volatility of the sector as well as the systemic risk that is present in this economic region. According to Hartmann-Wendels (2010), the bankruptcy or lack of balance of a single bank may readily spread to other banks and impact the whole banking system, which can have catastrophic effects for the entirety of the economy and, ultimately, for the economic and political stability of a country. The author goes on to discuss one of the factors that might lead to such widespread impacts, which is the so-called "Pure Informational Contagion." This indicates that the view of the creditors regarding the financial health of banks in general might shift if there are issues with just one particular bank. Mullineux (2006) comes to the conclusion that banks are susceptible to instability as a result of the knowledge asymmetry that exists between customers and the practice of retaining reserves that are just a portion of the liabilities associated with demand deposits. Globalization is yet another facet of the modern banking industry that ought to be taken into consideration and is worthy of your attention. According to Hermann Otto Solms, Vice-President of the Bundestag, globalization is a phenomenon that has spread throughout the financial markets as well. Hermann Otto Solms notes that there are internationally connected markets, the costs of worldwide transactions have significantly decreased, and information is forwarded "just-in-time" thanks to modern technological advancements (Kreditwesen 1/2009). Weber (2009) is of the same opinion, and he also points out that, like many other service industries, the banking industry is becoming increasingly globalized. He cites as evidence the operations that take place on the traditionally international financial market, the operations that take place with corporate customers, and the operations that take place with private customers, which have become increasingly common in recent years. All of the characteristics of the banking sector that have been discussed thus far—namely, its central importance to the economy, its liquidity production function, its key role in the payments system, its lack of transparency and complexity, the information asymmetries, the phenomenon of globalization, the tendency toward instability, and the systemic risk—justify the existence of prudential regulation of the banking sector and make it necessary. Indeed, Levine (2004) notes that there is a complex web of rules and regulations imposed on financial institutions like banks. According to De Andres and Vallelado (2008), banks are subject to significantly more stringent regulation in contrast to other types of businesses. Additionally, Huther and Jager (2010) point out that the engagement of the state in the architecture of the banking system is unavoidable and can come about either via the implementation of qualitative rules or by the implementation of essential crisis interventions. According to Hartmann-Wendels (2010), one of the reasons for the stringent regulation is the fact that bank clients need to be protected against dishonest business practices and bank creditors need to be protected against asset loss. These two groups should both be safeguarded. Therefore, regulation is absolutely necessary in the banking industry.

3. CORPORATE GOVERNANCE IN BANKS

The characteristics that distinguish banks from other kinds of organizations were discussed in the section before this one. Summarizing, banks: represent the main source of external finance for most businesses; have the ability to monitor the management's activity and the corporate performance of the client companies; play an important role in capital allocation; create liquidity; influence the money supply of an economy and thus the price stability; are critical to the payment system; have a higher risk of fraud and selfdealing transactions than other non-banking firms; are highly leveraged firms; have a concentrated equity ownership; are generally more opaque and complex than organizations in other industries; display larger information asymmetries due to the lack of transparency and the complexity of their operations; are faced with the divergence between the risk preferences of banks' shareholders and those of managers; have interests that sometimes differ from those of

the investor/depositor; are prone to instability; are affected by globalization; are heavily regulated and all in all, are central to a country's economy. These significant functions that banks play have an additional effect on the corporate governance of banks, which includes several characteristics that are unique among sectors. The peculiarities of banks and the impact that they have on the governance of corporations have piqued the curiosity of a great number of scholars. The following table provides an overview of a number of studies that have been conducted on the subject of corporate governance in banks. These studies have been selected based on the criteria of relevance, quality, and publishing date. The vast majority of these research employ an empirical method, during which time a number of different associations are investigated: the connection between the quality of the management of financial institutions and the performance of those institutions the connection that exists between a bank's corporate governance and its procedure for producing financial reports (Abraham et al., 2008); the link that exists between a lack of corporate governance and monetary instability in the banking industry; and so on. In addition, there are points of view, literature reviews, and publications that adopt an analytical-argumentative strategy and underline, among other things, the singularity of the banking industry.

CONCLUSIONS

Banking institutions are absolutely necessary for the functioning of a healthy economy. They operate in an atmosphere that is highly governed and controlled. Their work is characterized by complexity, which might amplify the information imbalance that is typically found in an organizational setting. As a direct result of this, corporate governance in banks has specific distinguishing characteristics, despite the fact that, at its core, it is basically identical to corporate governance in other types of organizations. The present paper makes a contribution to knowledge in three different ways: first, it defines corporate governance in a banking context; second, the role and significance of the banking sector is commented upon in detail; and third, the primary characteristics of corporate governance in banks are identified, while the complementary roles of three main corporate governance mechanisms (internal audit, the audit committee, and external audit) are highlighted. When it comes to the composition of shareholders grievance committees, both public sector and private sector banks are meeting the criteria of clause 49 of the listing Agreements. There is openness in the makeup of the committee, and the annual report of banks provides clear information on the number and kind of complaints and enquiries that were received, disposed of, and are still outstanding. The total number of meetings that take place in a year across all banks is four.

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