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Sustaining Satisfaction for Credit Risk Governance: Empirical Evidence from Indian Commercial Banks

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This paper explores the issues underlying the credit risk governance mechanism of banking institutions in emerging economies. This is an important area of study given the essential role that banks play in the financial markets of emerging economies and the widespread banking reforms that these economies have implemented. The aim of this study is to draw conclusions about the level of satisfaction among banks' credit risk officials' with respect to Credit Risk (CR) governance mechanism currently installed in their respective commercial banks and proposes a novel research model. The proposed research model is based on the premise that by being in constant touch with the credit risk officials through their opinion surveys and in addition by acting upon the information so gathered can lead to significant improvement in CR governance mechanism in emerging economies. This paper attempts to gain insights into the four important elements underlying Credit Risk (CR) governance mechanism in commercial banks, namely, CR governance organization, CR governance policy and strategy, CR governance operations and systems at transaction level and CR governance operations and systems at portfolio level. The study draws conclusions on the basis of primary data collected from the senior credit risk officials who are themselves involved in designing and implementing CR governance mechanism in their respective banks. It also attempts to identify potential revisions/modifications in the existing CR governance mechanism that may be targeted in near future in emerging economies. The study findings are based on the empirical data collected from thirty commercial banks in India, an emerging economy through a structured questionnaire. The study concluded that Indian credit risk officials had medium level of satisfaction with regard to current CR governance practices followed in their respective banks. It was further concluded that there lays a strong case to take remedial measures with regard to some issues to build up a sustainable CR governance mechanism. The top priority issues identified, such as; sanctioning of authority in accordance with the professional qualification of the personnel, regularity in training, regular revisions in credit risk rating model, monitoring practices at the transaction level and credit portfolio management have clearly highlighted avenues for future areas of improvement and up-gradations in CR governance mechanism in commercial banking sector, a special subset of Corporate Governance.
Key Words: Credit Risk Governance, Corporate Governance, Commercial Banks, Indian Banking Sector, Level of satisfaction, Risk Governance Mechanism.

An effective system of credit risk governance in banks primarily aims to ensure appropriate standards of conduct on managers and credit risk control and monitoring procedures on banks in order to maximize opportunities for legitimate profits subject to the best interests of depositors and shareholders on one hand and minimize imprudent and high risk behavior by credit risk officials. In commercial banks credit risk governance issues primarily relate to management obligations; enshrined in law or regulatory codes. However, in the services sector such as banking, effective services rendition largely depend on the workforce (Fitzgerald et.al, 1994) and therefore satisfaction experienced by the bank employees with regard to numerous issues underlying credit risk governance practices will surely affect the services quality rendered to large number of borrowers/clients. Most of the theorists have always emphasized the importance of human resource as single most important factors for sustaining competitive edge. Further, the CR governance of banks has an important role to play in assisting supervisory institutions to perform their tasks, allowing supervisors to have a working relationship with bank management, rather than an adversarial one (Basel Committee on Banking Supervision, 1999). In many emerging economies, the issue of credit risk governance is complicated by extensive political intervention in the operation of the banking system so next section explores issues underlying credit risk governance in emerging economies with special reference to India.

Credit Risk Governance in Emerging Economies

Commercial banks have an overwhelmingly dominant position in emerging-economy financial systems, and are extremely important engines of economic growth. Many developing economies have reduced the role of economic regulation of the banking firm and recently started focusing on governance issues in their banking systems. Given the trend towards privatization /disinvestments of government-owned banks in developing economies, grant of autonomy to the managers of such banks and their gradual introduction to the CR governance practices of the private sector prior to divestment, it will be of interest to analyse their perspectives. As Arun & Turner (2004) observed even if the government in developing economies provides deposit insurance, bank managers still have an incentive to opportunistically increase their risk-taking. Consequently in the emerging economies, a broad view of corporate governance, which encapsulates opinions of credit risk officials and current mix of CR practices should be examined for banks**.**

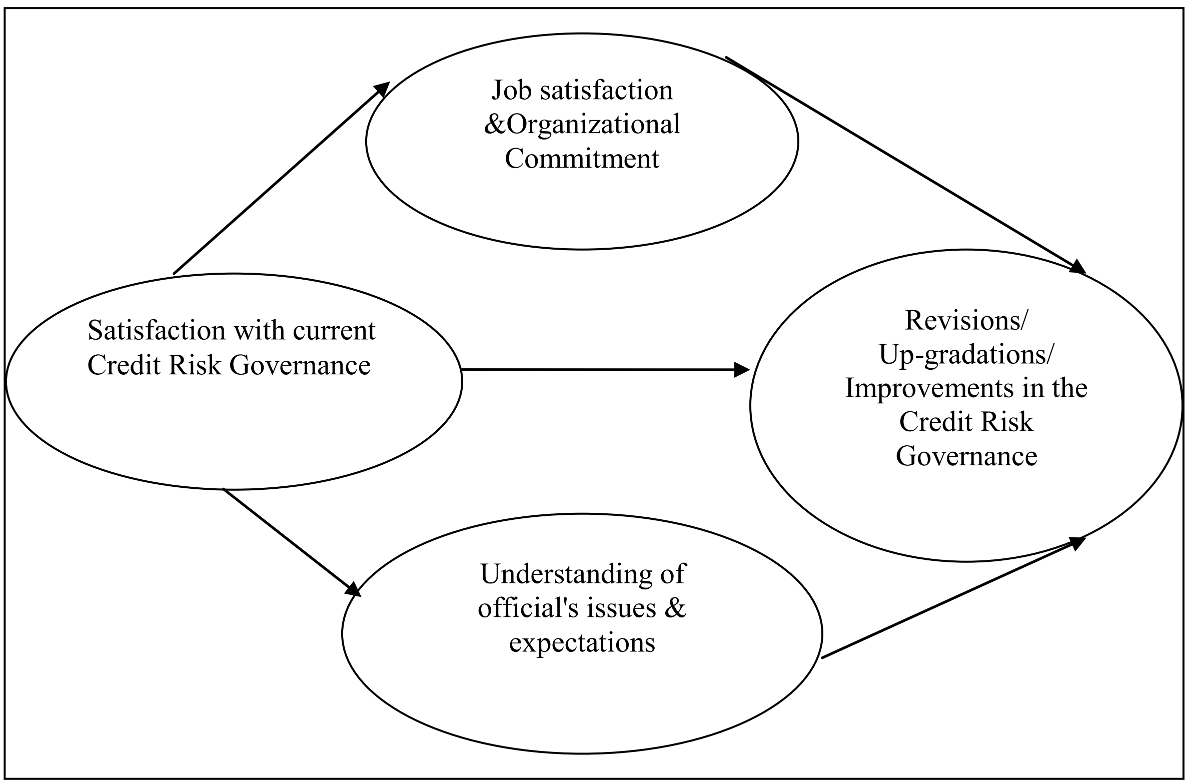
Credit Risk Governance in Indian Banking Sector

Indian economy itself is in the takeoff stage with the growth rates averaging in excess of 8% for the last two decades, a stock market that has risen over three fold in as many years and a steady inflow of foreign investment. This minimum impact of recession on Indian economy was attributed primarily to strong and effective nature of governance in banking sector in India. In India, the banks are functioning with a safe wall around them within the rules and procedures prescribed by Ministry of Finance and by Reserve Bank of India (RBI), the central bank of India. Considerable attention has been given to corporate governance in India in recent years. In addition to the Advisory Group constituted by and Consultative Group of Directors of Banks/ Financial Institutions (Ganguly Group, RBI, 2002), several official Committees have already gone into the issues relating to corporate governance and have given their Reports. In the year 1999 Basel committee had brought out certain important principles on corporate governance for banking organizations which, more or less have been adopted in India, as observed in a study by Chilumuri.S.R. (2013). The majority of banks in India are in public sector, where the Government being the controlling shareholder yields special influence on governance of public financial institutions as it selects almost all directors in the case of unlisted public financial institutions. As observed by Masood, (2013), “The system of corporate governance is important for banks in India because majority of the banks are in public sector, where they are not only competing with one another but with other players in the banking system as well as in financial services system including Financial Institutions, Mutual Funds and other intermediaries”. In emerging economies, such as India, the growth of efficient corporate governance principles in banks has been partly held back due to weak legal protection, poor disclosure prerequisites and overriding owners (Arun and Turner, 2002a). Moreover, the private banking sector is purposely opting to ignore certain corporate governance ethics as it has vested interest of some parties (Banaji and Mody, 2001).

Research Model

The present study proposes a research model; based on the premise that by being in constant touch with the credit risk officials through their opinion surveys and in addition by acting upon the information gathered can lead to significant improvement in CR governance mechanism. As observed by Masood, 2013, "in competitive business environment, organizations that adopt good corporate governance and best practices will be able to survive and attain sustainable growth levels." Further, numerous studies have revealed that satisfied employees are more enthusiastic and display high levels of performance and productivity. While disgruntled employees on the other show signs of low productivity, turnover and are frequently absent from work.

Figure – 1
Research model



High level of satisfaction in senior credit risk officials and their motivation to work efficiently is essential for commercial banks to revise/improve upon credit risk governance mechanism and sustain themselves if they want to remain competitive and follow benchmark risk management practices. Hence their lies a strong case for gaining insights into the opinions of bank officials' who are themselves responsible for designing credit risk governance mechanism in their respective banks.

Literature Review

Corporate governance models have widely been studied from time to time by various researchers such as Morck, Shleifer, and Vishny (1988), Byrd and Hickman (1992), Brickley, Coles and Terry (1994), Yermack (1996), Core, Holthausen, and Larcker (1999), Klein (2002), Gompers, Ishii, and Metrick (2003). The recent studies relating to corporate governance in emerging economies are reviewed. Gowd. N. et al.(2013) in their study on corporate governance practices in Indian banks and financial institutions observed that Private sector banks have been adopting better CG practices than the public sector banks and financial institutions except Punjab National Bank. Indian Banks and Financial Institutions have been using corporate governance as a tool to gain competitive advantage and achieving the corporate excellence. Wei'an Li, Yekun Xu, Jianbo Niu, Aichao Qiu 1(2012**)** reviewed corporate governance practices in China and found that recent literature on corporate governance provides some new insights into subtle characteristics of governance, governance effects of relational network, political connections, corporate governance evaluation and financial institutions governance. Themistokles Lazarides, Evaggelos Drimpetas (2011) study aimed to establish a benchmark for the evaluation of the quality of corporate governance and to detect the factors that affect it in Greece. The author constructed a model to identify the drivers of corporate governance and found that corporate governance quality in Greece is quite low, in terms of international best practices. Nathan, Vincent Ribière (2007) explored the concepts and relationships between intellectual capital, knowledge, wisdom and corporate responsibility in the context of the corporate governance of Islamic financial institutions. The author observed the need for organizations to continue their knowledge management journey by integrating organizational wisdom with their decisions and actions. Zororo Muranda (2006) investigated the relationship between corporate governance failures and financial distress in Zimbabwe's banking sector by following the case study method. The study showed that financial institutions in Zimbabwe underestimated the competitive forces Thus, credit risk governance issues in banks, more particularly in emerging economies have assumed immense significance, but unfortunately they have not been adequately addressed so far. None of the existing study seems to gain insight into credit risk governance mechanism by analyzing opinions of credit risk officials. Present study makes a modest attempt in this direction.

The Study

This paper attempts to explore the issues underlying Credit Risk (CR) governance mechanism in commercial banks which play a major role in sustaining satisfaction among credit risk officials.

Objective: The research aims at following specific objectives:

- To explore various issues underlying each element of CR governance mechanism; namely CR governance organization, b) CR governance policy and strategy and c) CR governance operations and systems at transaction level and d) CR governance operations and systems at portfolio level.
- To examine the level of satisfaction of credit risk managers' with regard to various issues underlying each element of CR governance mechanism.
- To examine the overall level of satisfaction of credit risk managers' with regard to CR governance mechanism installed in their bank.
- To identify specific issues to be given immediate attention for enhancing and sustaining the overall level of satisfaction of credit risk managers' with

regard to CR governance mechanism installed in their bank.

Research methodology: The study is based on primary data collected from thirty Indian commercial banks in the year 2007-08. An opinion survey was conducted by holding personal interviews with officials in charge of credit risk governance in their respective banks. Respondents included senior experienced officers in-charge of devising and implementing the CR governance mechanism in their respective, Credit Risk Management Department, such as, General Manager, Assistant General Manager, Deputy General Manager, etc. A series of questions relating to each element of CR governance mechanism namely, CR governance organization, CR governance policy and strategy, CR governance operations and systems at transaction level and at portfolio level, in the bank were listed in the structured questionnaire. The level of satisfaction was to be assigned rating from 0-5, depending upon each respondent's level of satisfaction with respect to that issue, wherein 5 represented full/high satisfaction with respect to that issue and rating 0 was to be assigned if in their opinion the issue was not at all addressed satisfactorily in their bank. Further, on the basis of ratings, three levels of satisfaction were defined: high, medium and low. High level of satisfaction included ratings 5 and 4, Medium level included ratings 3 and 2 and finally Low level of satisfaction included ratings of 0 and 1.

Main Findings

This section examines the opinion survey findings with special reference to a) CR organization, b) CR policy and strategy and c) CR operations and systems.

CR Organization: CR organization practices relate to the persons/ committees responsible for formulation of credit policies, procedures and controls extending to all of its credit risk arising from lending activities, such as, corporate banking, personal banking, and working capital finance and so on. The level of satisfaction with regard to CRM organization are analyzed further under three heads, namely, organization structure, delegation of authority and finally staffing and training.

Level of Satisfaction with Regard to Organization Structure: The practices relating to design of organizational structure include constitution of the relevant departments, committees or groups to serve as basic units for the implementation of CR processes in a bank. A bank has number of alternatives while designing organizational structure for CR governance; however, the issue is whether or not the CR organizational structure design is in line with the expectations of credit risk managers. Such assessment of credit risk manager may be in respect of adequacy of authorization, number of credit officers, separation of credit risk function from credit selling function, range of professional support, etc. The level of satisfaction with regard to each of these issues about organizational structure is depicted in Table 1. As may be observed from the table, the level of satisfaction was in the range of 3.4 - 4.2 with regard to various aspects of organizational structure. Further, almost two-third of the respondents had high level of satisfaction with respect to all aspects of organizational structure. However, around 33% of sample bank managers responded medium and low level of satisfaction with regard to the issue of adequate professional support and setting up of committees. This finding is in line with the study on credit risk management practices followed by Indian banks by Arora.A. (2011) which also observed, that primarily large sized banks only had set up both committees, namely, Credit Audit and Review Department, Credit Policy and Process-management Committee and both super- specialized groups, namely, Credit Risk Inspection Group And Credit Data Management Group.

Table 1
Level of satisfaction with regard to CR organizational structure

Features of Organizational structure	Mean Level of satisfaction	Level of satisfaction			Total number of banks
		High	Medium	Low	
Number of credit officers balanced with selling officers	3.40	19 (63.33)	4 (13.33)	7 (23.33)	30 (100)
Credit risk function is separated from selling function	3.80	20 (66.67)	6 (20)	4 (13.33)	30 (100)
Adequate range of professional support is available	3.73	20 (66.67)	8 (26.67)	2 (6.66)	30 (100)
Organisational structure is properly constituted with well functioning committees /groups	4.27	20 (66.67)	7 (23.33)	3 (10.0)	30 (100)

(Figures in parentheses represent percentage of row totals)

Also, 7 small sized sample banks officials were highly satisfied with the CR governance practice regarding constitution of specialized committees or groups. It seems perhaps that the medium sized banks officials were not highly satisfied with regard to organization structure. Further, around one-fourth of the respondents expressed low level of satisfaction with regard to the issue that number of credit officers was not balanced with people involved in selling so they felt that they were over burdened.

Delegation of Authority: The banks should have a clear and well documented scheme of delegation of credit sanctioning authority for officials at various levels. Sometimes branch level officials may have to exceed their powers to sanction adhoc loan facilities to meet emergency requirement of the client. However, the relevant issue in risk governance is whether or not the lines of authority in CR organizational structure are defined in line with the expectations of credit risk management officials. Such assessment of credit risk managers may be in respect of scope of authority, clarity of understanding and communication of limits of authority, limits of credit sanction authority commensurate with the skill or experience, etc. The level of satisfaction with respect to each of these issues on the authority of the CR officials is summarized in the Table 2.

Table 2
Level of satisfaction with regard to delegation of authority

Issues about delegation of authority	Mean Level of satisfaction	Level of satisfaction			Total number of banks
		High	Medium	Low	
Adequate (Is not over/under authorized)	3.43	18 (60.0)	4 (13.33)	8 (26.66)	30 (100)
Comprehensive (Covers not just lending but all aspects of credit management)	3.47	19 (63.33)	4 (13.33)	7 (23.33)	30 (100)
Appropriate (Is in accordance with the skills and performance of those exercising authority)	2.86	17 (56.66)	7 (23.33)	6 (20.00)	30 (100)
Well communicated (Is fully understood by all who need to know)	3.00	16 (53.33)	6 (20.00)	8 (26.67)	30 (100)
Compliance (Is fully complied with at all times)	3.67	17 (56.66)	5 (16.66)	8 (26.67)	30 (100)

(figures in parentheses represents percentage of row totals)

As may be observed from the Table 2, respondents had more than 3 but less than 4 level of satisfaction with regard to various issues of delegation of credit sanctioning authority. Further, 56% respondents had high level of satisfaction with this respect and remaining 44% of the respondents were equally divided between low and average level of satisfaction. On the basis of informal discussion with officials, it seemed that inadequate consideration of professional qualification and rather higher emphasis on organizational designation/position has led to such low level of satisfaction. Interestingly, the same 43.33% respondents expressed low and medium level of satisfaction with regard to the issue that the delegation of authority was appropriate in view of the skills and performance of those exercising authority.

Further, only 53.33% sample banks expressed high level of satisfaction about the effective communication of the lending authority and its compliance with at all times. Also nearly 27% expressed low level of satisfaction with regard to these two aspects. It seems that the lines of authority were not very clearly defined in these banks.

Staffing and Training: For effective implementation of CR governance systems, it should be manned by dedicated, qualified and trained staff. Banks also need to have a stable cadre of officers to ensure consistency in policy implementation. However, the issue is whether or not the staffing and training practices are in line with the expectations of credit risk managers with regard to aspects such as, adequacy of staff, exposure to other divisions / departments, training, etc.

Table 3 below shows the level of satisfaction with regard to each of these aspects of staffing and training of credit risk officials. As may be observed from the table, the mean level of satisfaction was in a narrow range (3.2 to 3.8) with regard to their staffing practices in CR governance. Further, around 53% of the respondents reported high level of satisfaction with regard to all issues about the staffing practices and two-third of the respondents felt that vacancies were filled at the earliest. It may be inferred that if some of the officers resign their jobs, the CR governance will not be adversely affected in half of the sample banks. During the discussions with officials, it was observed that officials in some of the private sector banks were not satisfied with regard to the issue of stable cadre of officers though the public sector banks were fairly satisfied with regard to this issue. One of the reasons for lower level of satisfaction with regard to the stability in cadre of credit officers in private sector banks was that in general the employee turnover in private sector banks is higher than that in public sector.

Table 3
Level of satisfaction with regard to staffing and training

Issues about staffing and training	Mean Level of satisfaction	Level of satisfaction			Total number of banks
		High	Medium	Low	
Stable cadre of credit officers	3.533	16 (53.33)	10 (33.33)	4 (13.33)	30 (100)
Credit officers have adequate experience in other divisions	3.800	16 (53.33)	11 (36.66)	3 (10.0)	30 (100)
Adequate provision of staff to cope up with turnover of credit officers	3.400	16 (53.33)	9 (30.0)	5 (16.66)	30 (100)
Vacancies are filled at the earliest	3.533	20 (66.66)	6 (20.0)	5 (16.66)	30 (100)
Regular training in all aspects of CR	3.200	12 (40.00)	8 (26.67)	10 (33.33)	30 (100)

(figures in parentheses represent percentage of row total)

However, with regard to the imparting of regular training in all aspects of CR, it was observed that only 40% of the respondents expressed high level of satisfaction only due to the fact that training was usually not a regular time bound feature and the frequency of such training program was very low say once in a year or as and when the need aroused.

To conclude, the level of satisfaction ranged between 3.2 -3.8 with regard to most of the aspects of organization practices in CR governance mechanism, indicating more than medium level of satisfaction among the respondents. However, the level of satisfaction was lower and need to be examined in depth with regard to the following aspects, i) sanctioning of authority in accordance with the professional qualification of the personnel and ii) regularity in training.

Level of Satisfaction with Regard to CR Policy/Strategy: For an effective implementation of CR policy, the credit risk managers need to be satisfied with the various elements of CRM policy, as discussed below.

Scope of CR Governance Policy: It was observed that in CR governance mechanism CR Policy of each bank was documented but the level of satisfaction of the CR officials with regard to the scope of CR policy may differ on a number of issues. Table 4 shows the level of satisfaction with regard to some of these issues.

Table 4: Level of satisfaction with regard to scope of CR Governance Policy

Issues in CR policy	Mean Level of satisfaction	Level of satisfaction			Total number of banks
		High	Medium	Low	
Comprehensive	3.32	25 (83.33)	5 (16.66)	- (0)	30
Reflective of goals and ensures consistency	3.54	25 (83.33)	5 (16.66)	- (0)	30
Adequately strikes balance between risk and return on assets	3.77	26 (86.66)	4 (13.33)	- (0)	30
Maintains sound credit granting systems	4.06	26 (86.66)	4 (13.33)	- (0)	30
Permits proper evaluation of new business opportunities	3.67	22 (73.33)	8 (26.66)	- (0)	30
Helps to identify and administer problem credits	3.67	22 (73.33)	8 (26.66)	- (0)	30
Adequately monitored and revised periodically	3.38	23 (76.66)	7 (23.33)	- (0)	30
Well aligned with other elements of ALM strategy	3.22	25 (83.33)	4 (13.33)	1 (3.33)	30

(Figures in parentheses represent percentage of row total)

As may be observed from the table, more than 80% of the credit risk officers expressed high level of satisfaction with regard to the majority of the issues about the scope of CR governance policy. However, 26.66% of the sample banks, respondents showed medium level of satisfaction with regard to two aspects, namely, evaluating new business opportunities and identifying problem credits. This finding indicates need to make CR governance policy more pro-active/dynamic to enhance level of satisfaction among these banks' staff.

Exposure limits: The exposure norms, such as, individual borrower exposure limits, group exposure norms and industry concentration limit are the various exposure limits defined in CR governance policy to mitigate the concentration risk in the advances portfolio. However, the findings on whether the officials consider this tool as satisfactory or are presented in Table 5. As may be observed from the table, the respondents' level of satisfaction was more than 4 with regard to most of the aspects of exposure limits.

Table 5: Level of satisfaction with regard to exposure limits

Features of exposure limits	Mean Level of satisfaction	Level of satisfaction			Total number of banks
		High	Medium	Low	
Sufficiently flexible and allow wide scope of operation	4.333	22 (73.33)	8 (26.67)	0 (0)	30
Useful in risk mitigation	4.667	25 (83.33)	5 (16.67)	0 (0)	30
Need not be replaced by sophisticated return on risk measures	4.600	25 (83.33)	5 (16.67)	0 (0)	30
Help in achieving a sound credit portfolio	4.567	24 (80.00)	6 (20.00)	0 (0)	30

Note: figures in parentheses represent percentage of Total

However, one-fourth of the respondents expressed medium level of satisfaction with regard to the scope of operation allowed in following these limits. It seems that they rather wanted these limits to be defined in more broad terms so as to allow them to exercise individual discretion.

Level of Satisfaction with Regard to CR Operations and Systems: Success of any CR governance mechanism is defined by the effectiveness of CRM operations and systems that might be installed by the bank. Such operations and systems may focus on transaction level or on credit portfolio of the bank.

CR operations and systems at the transaction level; The credit risk manager's level of satisfaction with regard to operations and systems at transaction level may differ particularly with regard to credit risk rating and monitoring practices.

i) Credit risk rating framework: Some of the features of a good credit risk rating mechanism are; identification of all relevant parameters, ease in understanding, accuracy in predicting default probability of borrower, consistent with nature, size of bank's operations, etc. The respondents were asked to give their opinion about these characteristics as they are found in credit risk rating framework employed in their bank. The level of satisfaction among the respondents in this respect is presented in Table 6.

Table 6: Level of satisfaction with regard to credit risk rating mechanism

Features of credit risk rating mechanism	Mean Level of satisfaction	Level of satisfaction			Total number of banks
		High	Medium	Low	
It adequately identifies and assigns score to all relevant parameters	4.33	21 (70.0)	4 (13.33)	5 (16.66)	30 (100)
Ease in understanding	3.87	18 (60.0)	5 (16.66)	7 (23.33)	30 (100)
Ease in quantifying all parameters mentioned in it.	4.02	20 (66.67)	5 (16.66)	5 (16.66)	30 (100)
Accuracy in predicting default probability of borrower	2.73	13 (43.33)	11 (36.66)	6 (20.0)	30 (100)
It is regularly revised	1.77	8 (26.67)	6 (20.0)	16 (53.33)	30 (100)
It is consistent with nature, size and complexity of bank' activities	3.80	22 (73.33)	6 (20.0)	2 (6.66)	30 (100)

Note: figures in parentheses represent percentage of total

As may be observed from the table, the level of satisfaction with regard to different aspects of credit risk rating mechanism varied from fairly low to high. Alarmingly, 53.33% of the respondents expressed low level of satisfaction with regard to the revisions made in the credit risk rating mechanism. This finding indicates that more frequent revisions in model need to be made to sustain the satisfaction of credit risk officials.

Credit risk monitoring system: Credit risk monitoring system is another important component of CRM operations and systems. The level of satisfaction with regard to each of the features in credit risk monitoring system is summarized in the Table 7.

Table 7: Level of satisfaction with regard to credit risk monitoring system

Features of credit risk monitoring system	Mean Level of satisfaction	Level of satisfaction			Total number of banks
		High	Medium	Low	
Ensures understanding of current financial condition of borrower	4.26	22 (73.33)	5 (16.66)	3 (10.00)	30 (100)

Monitor compliance with existing covenants	4.15	22 (73.33)	5 (16.66)	3 (10.00)	30 (100)
Assess collateral coverage relative to the current position	4.01	23 (76.66)	3 (10.0)	3 (10.00)	30 (100)
Identifies delinquencies on a timely basis	3.78	16 (53.33)	11 (36.66)	3 (10.00)	30 (100)
Detects promptly problems for remedial management	3.69	15 (50.00)	10 (33.33)	3 (10.00)	30 (100)

Note: figures in parentheses represents percentage of overall

As may be observed from table, level of satisfaction was fairly high as the mean level of satisfaction ranged in 3.7 - 4.2. However, the weak areas that are a cause of concern for credit risk managers primarily related to identification of delinquencies on timely basis and remedial management. This finding indicates that the monitoring system must be strengthened to give early warning signals to the bank.

Level of Satisfaction with Regard to CR Operations and Systems at the Portfolio Level: A range of tools are employed in banks to manage credit portfolio risk such as, portfolio risk modeling, monitoring, stress testing, etc. The Table 8 presents findings about whether or not the credit risk managers were satisfied about these tools employed in their bank.

Table 8: Satisfaction with regard to operations and systems at the portfolio level

Features of operations and systems at the portfolio level	Mean Level of satisfaction	Level of satisfaction			Total number of banks
		High	Medium	Low	
Has planned and adequate investment	3.33	11 (36.66)	16 (53.33)	3 (10.00)	30 (100)
Encompasses full range of modern portfolio modeling in use	3.46	10 (33.33)	18 (60.0)	2 (6.67)	30 (100)
Creates knowledge in bank about credit portfolio risk management	3.56	12 (40.0)	15 (50.0)	3 (10.00)	30 (100)
Ensures reliable and consistent system for monitoring portfolio risk	3.73	15 (50.0)	14 (46.66)	1 (3.33)	30 (100)

Note: figures in parentheses represent percentage of total

It was observed that the respondents indicated satisfaction in the narrow range of 3.3-3.8 with regard to operations and systems at the portfolio level. The finding that only one-third of the sample banks were highly satisfied with regard to the issue of planned and adequate investment in it reflects the urgent need for improving upon the entire range of modern portfolio risk modeling applications.

Overall Level of Satisfaction with Regard to CR Governance Mechanism

To assess overall level of satisfaction another Table 9 is drawn, showing the descriptive statistics. As may be observed from the table the credit risk officials had average level of satisfaction with regard to their CR governance practices. However, satisfaction levels varied considerably as with regard to some issues it was as low as 1.667 and with regard to some issues, it was as high as 4.7140, clearly indicating the need to take strong measures to sustain satisfaction with regard to credit risk governance mechanism.

Table 9 Overall level of satisfaction with regard to credit risk governance mechanism in Indian banking sector (30 sample banks)

Summary statistics	Overall
Number of observations	84
Mean	3.568193
Std. Error of Mean	.0636004
Median	3.511900
Mode	3.04832
Cofficient of Variation (%)	16.3362
Skewness	-.246
Range	3.0470
Minimum	1.6670
Maximum	4.7140

In another recent study by Arora. A. and Kumar. M. (2015) it was further observed that "the overall level of satisfaction with regard to CR governance mechanism was significantly higher among the credit risk officials in the public sector banks than in the private sector banks and such differences related to primarily two issues, namely, scope of policy and delegation of authority".

10. SUMMARY FINDINGS: The major focus of this study is to gain insights from opinions of credit risk officials about various issues underlying CR governance mechanism. The study concluded, from the perspective of credit risk officials that there exists a lot of potential for improvement in CR governance mechanism and immediate efforts should be taken by Board to sustain satisfaction with credit risk governance mechanism. Further, the top priority issues identified for improvement were: sanctioning of authority in accordance with the professional qualification of the personnel, timely identification of problem credits, regularity in training, frequent revisions in credit risk rating model, monitoring practices at the transaction level and credit portfolio management.

Limitations of the Study

The results of survey findings may be interpreted with caution since the findings are based on a relatively small sample of respondents. Also responses may be biased since the credit risk officials were only themselves in –charge of framing the CR governance mechanism. However, survey research in this case is the only technique for gathering information and thus can offer unique insights about the research issues.

Implications and Suggestions

Considering the importance of banking sector in emerging economies and the role of CR governance mechanism in bringing more transparency and enhancing shareholder value, this research makes important contribution by identifying the important issues underlying CR governance in emerging economies and to what extent they were being addressed satisfactorily in Indian commercial banks. The paper should be especially relevant to those doing, or contemplating doing, research in risk governance in banking industry because it presents insights about how the officials who are actually in-charge of framing and implementing practices view complex issues underlying them, an area of immense significance, but unfortunately has been less discussed and deliberated so far. It reinforces the fact that commercial banks must continue to implement better governance practices to sustain satisfaction with regard to credit risk governance mechanism.

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