Scandals from an Island: Testing Anglo-American Corporate Governance Frameworks

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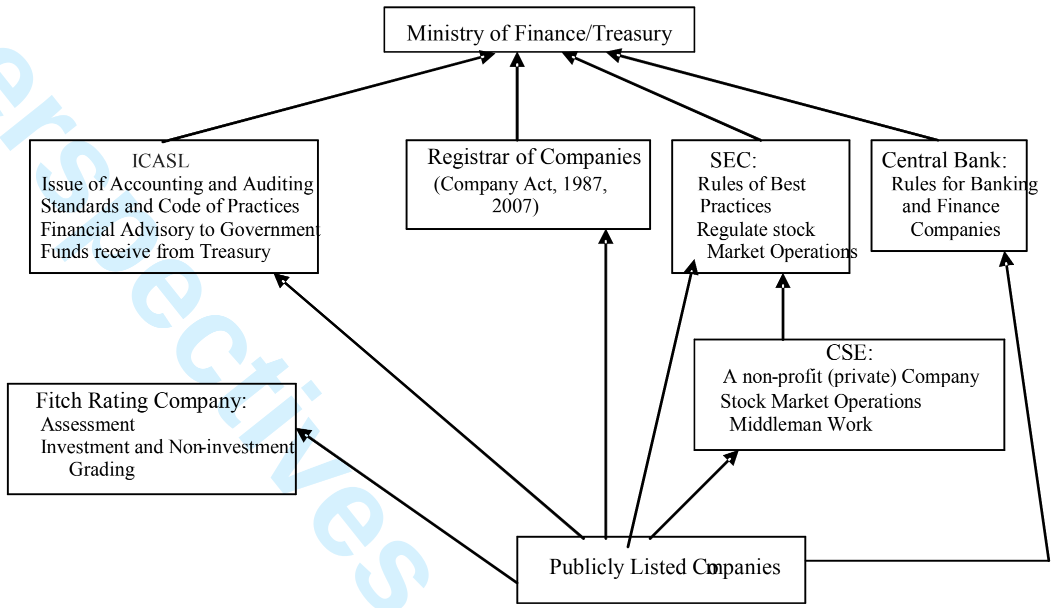
Figure 1: Institutional Structure for Bank Governance in Sri Lanka



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Scandals from an Island: Testing Anglo-American Corporate Governance Frameworks

Abstract

Purpose: this paper provides an account of banking scandals in relation to corporate governance failures in an emerging economy, arguing that Anglo-American ideas of corporate governance are misplaced in traditional settings.

Research Methods: semi-structured interviews were conducted with key stakeholders. Observations of annual general meetings and the personal working experience of one of the researchers, along with documentation, provided triangulating data on corporate governance practices.

Findings: We have found that both of the banks studied had adopted Corporate Governance CG practices contrary to the expectations of the Sri Lankan CG codes. Key features of CG practices that emerged from our investigations of these two scandals are ineffectual central bank regulations, familial boards of directors, ceremonial board meetings, biased auditing practices, and manipulative Annual General Meetings (AGMs), relying on traditional structures of accountability centred around families, kin and social networks.

Research Implications: we argue, drawing on Weber (1958, 1961, 1968, 1978), that the traditionalist culture mediates the process of rationality in bank governance codes and regulatory frameworks. Therefore, practices fall far short of expectations.

Originality: the paper builds on the extended critique of shareholder-centric CG models and their transferability to alien contexts. It contributes to the CG studies calling for more appreciation of the need to move beyond the conventional view of CG problems as simply down to conflicts of interests. We complement and advance the decoupling debate in CG studies drawing on the Weberian notion of traditionalism.

Keywords: corporate governance, emerging economies, globalization, decoupling, Max Weber, traditionalism, Bank

Introduction

The governance of banks has received attention from wider stakeholders as a result of high-profile bank failures in many countries over the last two decades (de Graaf, 2016; Williams, 2014). Banking failures, in traditional settings[1] in particular, are often attributed to a lack of regulatory and market controls, and institutional shortcomings leading to fraudulent activities (OECD, 2009; Arun and Turner, 2004). Corporate governance (CG) reforms underpinned by the Anglo-American corporate governance models[2] are seen as a panacea to the governance problems in both Western and traditional settings (McSweeney, 2008). Sri Lanka – the focus of our study – is no exception.

Banking failures are not new in any context and the recent banking crises are not isolated incidents (Grove *et al*., 2011; Kirkpatrick, 2009). Preceding the recent banking debacle were the loan debacle and the junk bond saga in the USA only a decade before the Ernon scandal. Then there was the collapse of BCCI in the 1990s in the UK (Marnet, 2007). These scandals, predictably, led to heated policy and academic debates concerning the fundamentals of CG frameworks, especially for banks in the UK and USA (Basel Committee on Banking Supervision, 2014; Mehran *et al.*, 2011). For instance, McSweeney (2008) argues that the shareholder-value model is often a recipe for economic and social disintegration in both developed and developing economy settings. Despite these scandals, Anglo-American, shareholder-centric CG models continue to dominate multilateral agencies' agendas (Uddin and Choudhury, 2008). Examining two infamous banking scandals in Sri Lanka (2000-08), this paper questions these agendas and builds on the extended critique of shareholder-centric CG models and their transferability to alien contexts (John *et al.*, 2016; McSweeney, 2008).

Most of the critical studies on CG are quantitative and rely on agency theory and neo-classical economic assumptions (Young *et al.*, 2008). Studies suggest the importance of moving beyond the conventional debate that sees CG problems as being due to conflicts of interests, as posited by agency theory (Aguilera and Crespí-Cladera, 2012, 2016). Some studies have moved the debate forward by focusing on the diversity of institutional settings that has led to variations in CG practices (Aguilera *et al.*, 2008). These studies tend not to provide particularly nuanced accounts of variations in CG practices (Yonekura *et al*., 2012). Consequently, the fundamental question/tension over why certain CG mechanisms produce unintended consequences in certain institutional settings remains unsatisfactorily addressed. To deal with this, we intend to study the vicious cycle of 'scandal and reform' through direct engagement with the institutional context and key actors. Drawing on Weberian notions of traditionalisms and rationalities, the paper takes the theoretical position that using rationalist CG measures to address CG scandals in traditional settings is likely to produce undesired consequences.

The Sri Lankan situation is particularly useful for developing our understanding of unintended consequences of 'rational' Anglo-American CG models. First, despite the CG reforms, a series of banking scandals has come to light in Sri Lanka since early 2000. Though the story of scandals is not unique, it provides an excellent opportunity to study intensively how and why the reforms have produced unanticipated outcomes. Secondly, Sri Lanka has a fragile democratic system, led by families, and with weak democratic and financial institutions, and is subject to frequent violent political confrontations and ethnic conflicts (Stokke and Uyangoda, 2011). Clearly, the fundamental basis for 'rational' governance models is missing in Sri Lanka.

The paper begins with a brief literature review, followed by a section on Weberian notions of 'rationality' and 'traditionalism'. Research methods are then discussed, followed by presentations of historical and structural conditions and rational frameworks of CG regulations in Sri Lanka. Case study findings and discussions are presented to illustrate the scandals and CG mechanisms, providing explanations for non-compliance and tensions between rational and traditional cultures. The last section provides some concluding remarks.

Corporate Governance, Institutional Settings and Decoupling (Rational vs Traditional)

Previous studies on CG in the UK and USA have identified a number of institutions that are essential for the governing of corporations, including well-developed capital markets, professional bodies, democratic institutions and an independent justice system (McNulty *et al.*, 2013). Many researchers have argued that institutions such as professional bodies, stock exchanges and other associated institutions work relatively independently in order to create a workable, shareholder-centric CG framework (Greenspan, 1998). Some studies have highlighted the importance of pre-conditions, such as ethics, moral conditions and institutional development, for the establishment of good governance (Rocha *et al.*, 2011; Moore, 2012). Key questions include how independent these institutions are, how well capital markets are developed, and to what extent the legal and ethical systems operate, in non-Western societies dominated by families, such as Sri Lanka (Tsamenyi and Uddin, 2008; McGee, 2009). Studies of CG in traditional societies/emerging economies are scarce (Rama, 2012), and CG in the banking sector, especially in traditional settings, is under-researched and under-theorised.

However, some reviews have shed some light on banking governance in traditional settings. Arun and Turner (2004) and Arun and Reaz (2006) have explored how bank owners holding large shares have misused banks' funds to control institutions. Nam (2004) argues that ownership patterns in traditional settings have led to major bank failures, resulting from tax regulation, weak bankruptcy codes, and poor CG rules and regulations. Studies of bank governance in Sri Lanka have revealed similar stories (Ekanayake *et al.*, 2009; Senaratne and

Gunaratne, 2007). Such incidents were evident during the Asian financial crisis in the late 1990s and the recent crisis in 2008 (Williams, 2014).

In the context of the CG reforms following the financial crisis, debate on the role of different institutional contexts in explaining the crisis (Riaz, 2009) and the multiplicity of CG challenges is intensifying (Aguilera and Crespi-Cladera, 2016). Institutional theory has informed this debate, holding that CG practices are embedded within their institutional contexts. It is argued that organisational processes shaped by institutions often tend to reinforce continuity and reward conformity (Yonekura *et al*., 2012; Yoshikawa and Rasheed, 2009; DiMaggio & Powell, 1991). For example, Yonekura *et al.* (2012) demonstrate how global hegemonic pressure to adopt the Anglo-American CG model has led to a complex process of change in the Japanese context. The socio-economic and cultural aspects include local companies historically embedded with a duty-to-stakeholders (especially employees) approach and a life-long employment commitment reflecting an 'ethical tradition of dutifulness' and an 'ethical vocabulary of responsibility, guilt and shame' derived from Mencian and Sung Confucianism. In contrast, Anglo-American values legitimising (narrowly) self-interested owners and managers, with an emphasis on shareholder rights, constituted a challenge for the companies. Indeed, the required shift in company values and objectives, from 'achieving long-term sustainable growth' to 'shareholder wealth maximization', created tension. Accordingly, Japan could not implement the Anglo-American model in exactly the same forms as in the US and elsewhere.

A number of institutional CG studies have focused on the complex institutional contexts and rationalities within which a decoupling of imposed CG mechanisms takes place (Yoshikawa *et al.*, 2007; Fiss and Zajac, 2004; Westphal and Zajac, 1998). Explicating the antecedents and the process of decoupling from the Anglo-Saxon model, Yoshikawa *et al*. (2007, p.3) argue, "On encountering external pressure for change, organisations may import foreign models but decouple them from their original institutional context and modify them to fit their own institutional contexts". Institutional decoupling is an interesting theoretical construct in its own right (Meyer and Rowan, 1977). Nevertheless, we believe it prone to sidelining/camouflaging a more nuanced explanatory account of why, in one context, certain mechanisms become decoupled, while in other contexts they do not. Nevertheless, institutional studies have offered explanations for decoupling in organisations including oranization's strategic response, sustainability, gaining legitimacy and maintaining power (Westphal and Zajac, 2001). Recent institutional theories have advanced the debate drawing on institutional logics and the role of actors (Thorton et al., 2012; Greenwood et al., 2011; Lounsbury, M. and Boxenbaum, E. 2013). Granting due credit to recent institutional literature, Weber's thought can also advance this debate by focusing on the notion of traditionalism. We argue that the adoption of Weberian sociology will allow us to address kinship, power of family or clan, and traditional values inherent in the traditional settings, which, arguably, remain neglected in existing institutional accounts of decoupling (Yonekura *et al.*, 2012; Uddin and Choudhury, 2008). Our theoretical position is developed further in the following section.

Weber's Notions of 'Traditionalism' and 'Rationality'

Weber's early work (1961, 1958) indicates that three layers of analysis are required to explain social/organisational practices: the nature of the institutional and structural conditions (external layer), the historical context (external layer) and the organisational context (internal layer). He identifies a number of institutional and structural conditions in a society, which facilitate rational calculations, such as profitability, appropriation of all physical means of production, freedom of the market, free labour, rational technology, calculable law and commercialisation of economic law. To Weber, these are ideal types, which are important in shaping capitalistic regimes. Weber sees ideal-typical capitalism as having been only partially realised in the industrial revolutions of the eighteenth and nineteenth centuries in the West.

At the second level, Weber focuses on historical details to identify specific features of society that facilitate or obstruct the full development of rational capitalism, the modern enterprise and rational capital accounting. Weber recognises the role of competing ideas, conflict and institutions in influencing capitalism, enterprises and accounting practices. He recognises that they are prevalent in the Western context, whilst also recognising that traditional forms of capitalism exist throughout the world even now, and were evident in Europe even in the eighteenth century.

Traditionalism seems to stand in the way of the ideal development of markets, and makes rational capitalism difficult to develop. Weber's (1923) work advances these arguments, focusing on traditional communities in Indian villages (McLane, 1993). He argues that the promotion of an inter-community division of labour was at the heart of traditionalism, while the intra-community division of labour was thwarted. This prevented the money economy and the capitalism we see in the Western world from flourishing. In contrast, traditional social relations in early European societies were broken mainly due to the emergence of the intra-community division of labour. This further contributed to the rise of occupational communities, leading to the money economy and the development of rational capitalism. In traditional societies, occupational groups failed to develop for a variety of reasons, including the caste systems in India and Sri Lanka, and tribal relations in African countries.

Rationalities take a different, substantive form in social settings dominated by traditions (such as the Sri Lankan social setting), based on the need to preserve the interests of family and clan. According to Weber:

> *The person exercising authority is not a "superior", but a personal "chief". His administrative staff does not consist primarily of officials, but of personal retainers. Those subject to authority are not "members" of an association, but are either his traditional "comrades" or his "subjects". What determines the relations of the administrative staff to the chief is not the impersonal obligations of office, but personal loyalty to the chief. Obedience is not owed to enacted rules, but to the person who occupies a position of authority ... who has been chosen for such a position* (Weber, 1947, p.341).

At the third level, Weber (1958, 1961, 1968) argues for separate organisational-level analyses that are nonetheless interactive, with external layers of analysis used to investigate organisational practices such as CG practices. The external layers (institutional and structural conditions as well as historical context) provide the basis for situating a specific case or enterprise within a shorter time span, for further analysis of its organisational practices. Given the traditionalism that prevails in the external layers in traditional settings such as Sri Lanka, family owners (main shareholders) are likely to resist rational/formal regulations that do not serve the family's interests. Legalistic models, based on rational ideas, may well be confined to books and documents.

Drawing on Weber's (1978) characterisation of rational and traditional societies, Dyball *et al.* (2006, p.53) highlight further differences between the two, arguing, in Weberian terms, that the institutions of community, market and state are conjoined in traditional societies. Several key elements of traditionalism appear to constitute traditional societies, including personal loyalty, obedience, obligations to a personal chief, being subject to a superior, and obedience to personal rather than formal authority. We examine whether these elements enable us to explain the unintended consequences of rationalistic CG reforms in Sri Lankan banks.

The Westernised model of governance imposed by policy makers on stock-exchange-listed companies may be perceived as a condition of a 'rational' society that makes stable economic calculations. A society dominated by tradition (like that in Sri Lanka) is more likely to produce a very low level of rational calculation and give rise to a different substantive rationality for compliance, such as controls that serve dominant owners. The banking scandals in Sri Lanka are perhaps not entirely unexpected given the mismatch between rationalistic regulations and traditionalist attitudes toward business. Thus, we believe that Weber's notions of rationality and traditionalism have much to offer CG studies.

Without denying the benefits of the other theoretical lenses applied in CG studies (institutional theories), we would argue that Weber's work on traditionalism is particularly pertinent to understanding corporate scandals and reforms in societies dominated by traditions and enables us to extend the decoupling debate in corporate governance (Yoshikawa et al., 2007). First, the development of rational capitalism in Sri Lanka has been thwarted by various historical and cultural conditions, including (not only British) colonial interventions, caste and ethnicity, and families (Alawattage and Wickramasinghe, 2008; Hopper *et al*., 2009; van Helden and Uddin, 2016). The focus on Weberian thought on historicity and cultural conditioning complements and advances institutional accounts of decoupling as posited in previous studies (Yonekura *et al.*, 2012; Uddin and Choudhury, 2008).

Second, elements of traditionalism such as family dominations are deeply rooted in Sri Lankan society, and extend to the social, political and cultural lives of the Sri Lankan people. Family-led political parties have controlled state power since independence. Many businesses, including stock-exchange-listed financial institutions, are in the hands of families (Senaratne and Gunaratne, 2007). Invoking the concept of traditions centred around families further elaborates the decoupling of corporate governance practices especially in traditional societies. Finally, few studies have made use of Weber's thoughts on traditional society (Dyball *et al*., 2006). This study refers to calls made by Uddin and Choudhury (2008) for further studies of governance failures applying the Weberian lenses of traditional domination, family and clan.

Research Methods

In line with the Weberian framework, this research seeks to explain how the external layers (structural and historical conditions) interfere with and shape the organisational practices (internal layer), and more specifically accounting and governance practices. A critical review of the political and social literature is important to an understanding of the influence of the external layers. Consequently, previous studies of socio-political and socio-economic histories, and articles published in national and international newspapers, were reviewed. In addition, we used a triangulated research approach, combining interviews, documentary evidence and participant observations.

The paper draws extensively from two banking scandals - PSD[3] and Seylan[4] - widely reported in local and international newspapers. The second author made two visits to Sri Lanka. During the first visit he collected and analysed relevant documents from organisations such as the Colombo Stock Exchange and the Central Bank of Sri Lanka. He also set up appointments for key interviews in the second stage and conducted six preliminary interviews with key actors in the banking sector. In the follow-up visit to Sri Lanka, he conducted 21 more interviews. We had full access to key interviewees. Interviewees were free to talk given the full anonymity of respondents.

The interviewees, over the two stages, included four Securities Exchange Commission (SEC) officials, three stock exchange officials, two assistant governors of the central bank, two members of the Fitch Ratings Company, two directors from a professional accountancy body (the Sri Lanka Institute of Chartered Accountants, ICASL), two senior academics specialized in banking and finance research and four minority shareholders. To gather information and insights regarding internal organisational practices, we also interviewed some managers. These were six senior managers from the two banks, including two former managers who had worked for the banks during the scandal, and a former Chief Financial Officer (CFO) of the Ceylinco Group (of companies in Sri Lanka). Each interview lasted between thirty minutes and two hours and notes were taken throughout. We explored a range of issues, including scandals and CG reforms in Sri Lanka, actual practice and regulatory frameworks, the influence of families on CG practice, and central bank reports on scandals.

In addition to the interviews, we reviewed 23 relevant documents, including the central bank's report, Financial Sector Reforms Committee reports, stock exchange documents, banks' annual reports, publications by Seylan Bank's new management (after the scandal) and newspaper reports on CG issues published in Sri Lanka (see Appendix 1). This documentary evidence gave us unique insights into the reasons for high-profile CG failures on the island. The findings from newspaper reports were also cross-referenced with various communities. For instance, we presented our evidence to both academic and professional groups to eliminate misinterpretations and improve our explanations.

Historical and Structural Conditions in Sri Lanka

Like many other South Asian nations, Sri Lanka has traditional settlements with extended families and kinship relations (Jayasinghe and Wickramasinghe, 2007). The predominant socio-economic unit is a household with an extended family. The family unit promotes social unity and individual esteem, and social status is derived largely from caste identity and family-owned capital rather than individual achievements. The development of Sri Lankan capitalism has been driven mainly by its colonial history and the hegemonic politics of elite families (Uyangoda, 2000; Jayawardena, 2002).

Master-servant relationships established through the wealth and status accumulated during the colonial period have led to a few elite families dominating national politics in Sri Lanka (Roberts, 1979; Jayawardena, 1987). Illangakoon, Bandaranaike and Obeysekara (traditional bourgeois) and Jayawardena, Senanayake and Jayawickrama (colonial bourgeois) are a few of the notable elite families on the national political scene (Jayasundara-Smits, 2013). The Senanayake and Bandaranaike families have held the reins of power and leadership of the main political parties (UNP and SLFP) for most of the post-independence period. These elite families have dispensed employment and fringe benefits to estate workers, undertaken construction projects to provide infrastructural facilities such as schools, hospitals and temples, made donations to charities and villages, and offered protection to village elites (Jayantha, 1992, p.199).

The historical trend of hegemonic family politics is similarly reflected in modern Sri Lankan polity and party politics. Both opposition and ruling political parties are still dominated by families. For instance, the leader of the previous government (2005-2015) appointed his brothers to run important ministries and gave other political positions to relatives, regardless of their merit (Sharma, 2009). Family politics at the state level supersede the legal and rational institutions, such as state ministries, with loyal supporters and relatives rewarded with various positions within public and privately owned enterprises (Hettige, 2008).

The elite families that dominate Sri Lankan politics also have business connections.[5] This is quite evident from the reflections of the central bank (2008), as a significant number of banking and finance companies are run as non-listed, family-owned companies, while many large stock-exchange-listed companies are controlled by closely connected families (Manawaduge *et al*., 2009). Thus, family owners and directors often exert direct and indirect influences on firm governance and financial performance in these firms and are increasingly being reported for diverting firm resources to individual or family use (Wellalage *et al.*, 2012; Saliya and Jayasinghe, 2016). On the other hand, wealthy business owners and English-speaking professionals from the upper middle class of Sri Lankan society (so-called 'elites') maintain cartels using 'social networks', such as old boys' associations, Rotary Clubs and

Lions Clubs. These cartels operate as a powerful source of organisational links. For example, when companies recruit new employees, applications come through members of these cartels, who are often powerful shareholders and senior managers in the organisations.

Previous studies have also demonstrated that family links and social networks influence the outcome of loan applications to finance and bank companies (Khan and Uddin, 2005, 2006; Saliya and Jayasinghe, 2016). In addition, career promotions are based on loyalty shown to powerful family management, rather than on rational elements such as skills, expertise or professional judgment. Overall, this familial hegemony in the state and the economy obstructs the 'ideal' functioning of the state and state-like bodies. Bank governance processes in Sri Lanka are unlikely to escape the influence of familial institutions, which are further detailed below.

Bank Governance Codes and Scandals

The Colombo Stock Exchange currently lists 33 banks, including multinational, publicly owned and state-owned banks. State-owned (majority share) companies listed on the stock exchange dominate the banking sector in terms of commercial assets. This paper draws mainly on information concerning two Sri Lankan banks – PSD Bank and Seylan Bank – which have been involved in some much-talked-about scandals in Sri Lanka in recent years.

In Sri Lanka, CG regulations for banks currently stem mainly from four institutions: the central bank, ICASL, the SEC, and the Registrar of Companies, which is a government office (Figure 1). These institutions are formally accountable to the Ministry of Finance, which is particularly involved in decisions such as the granting or revoking of bank licences.

[Insert Figure 1]

The central bank operates as the Sri Lankan government's watchdog for the banking sector. The SEC functions as the government-appointed regulator, establishing rules of best practice for listed companies, including banks, and monitoring the work of the stock exchange and its operations. ICASL, a professional accountancy body, partially financed by the government, provides auditing services and ensures that both listed and non-listed companies conform to accounting and auditing standards. On the other hand, the Colombo Stock Exchange and Fitch Ratings Company operate as private companies facilitating the capital markets.

The CG reforms in Sri Lanka began in 1997 with a voluntary code of practice – a replica of the UK code. Meanwhile, the Organization for Economic Corporation and Development (OECD) issued some guidance on CG reforms in South Asian countries, in particular for listed companies. Following the OECD recommendations (OECD, 1999) and the Hampel Code/Combined Code 1998, Sri Lanka, being advised by donor agencies, further tightened and revamped the code in 2003 (ICASL, 2003). The 2003 code, based on the comply or explain approach, covered all aspects of CG and incorporated many financial and non-financial aspects.

In addition to the above code, both listed and non-listed banks are required to conform to the Banking Act 2007 issued by the central bank. This banking act is very detailed and prescriptive. Under the 2007 framework, the central bank now has the power to examine all commercial banks on-site at least once in a two-year cycle. In a separate development, in 2008, the Colombo Stock Exchange incorporated CG rules into its listing rules and made them mandatory for listed companies, including banks. Taking all of the developments into consideration, we have identified two key themes of these reforms.

The first theme is the adoption of stronger regulatory mechanisms making banks accountable to the central bank. The second is the adoption of various CG mechanisms ensuring banks' accountability to their shareholders/investors. The CG mechanisms include the accountability of the board of directors, transparent accounting and auditing practices, and working annual general meetings (AGMs). Nevertheless, the question is whether the reforms and new directions have been effective in ensuring banking governance in the context of traditional settlements and familial hegemony. This paper draws on two high-profile banking scandals to better describe the reforms and illustrate the impotency of rationalistic/legalistic governance models in the context of traditionalism in Sri Lanka. These scandals are briefly described below.

PSD Bank

PSD started its operations in 1997. After just five years, the central bank decided to cancel its banking license, leaving the hard-earned savings of 15,000 depositors in limbo. The main reason given by the central bank was PSD's high percentage of slow-moving debt and non-performing loans. Central bank investigation officers concluded that the bank had suffered a revenue loss of 419.7 million Rupees[6], pushing it into a negative net-worth position. It was also revealed that PSD's non-performing advances accounted for 1.27 billion Rupees. There were allegations that the bank had made gratification payments to public officials to bring in business (Daily News, 2002).[7] Then it was found that the chairman, managing director and two other directors had withdrawn money from the bank soon after the suspension order was served. Further mismanagement claims were made against the chairman of the bank, including exchanging land for bank shares without infusing any real cash and breaking the single borrower limit at a time of cash crisis.

It was widely reported that PSD had flouted the central bank's rules on granting loans to clients, reporting and auditing (Sunday Leader, 2002; Abeysinghe, 2015). As the central bank's report revealed, in some instances, the recommendations of the credit-granting section even contained false accounts and statements (Central Bank, 1999). Much worse, loans had allegedly been granted to some of the managers' cronies without any contractual agreements. Questions were raised about why the central bank and the auditors had failed to detect these serious frauds sooner. We will discuss this further below, but first we outline the Seylan Bank scandal.

Seylan Bank

Seylan was licensed as a publicly owned commercial bank and began operations in 1988. The controlling shareholder of Seylan was a major Sri Lankan conglomerate operating across a range of industries and consisting of more than 250 affiliated companies and over 30,000 employees, named the 'Ceylinco Consolidated Group of Companies'. Seylan received investments from several other Ceylinco subsidiary companies. For instance, 24 per cent of Seylan shares were owned by a Ceylinco finance company until the end of 2008. At the same time, Seylan had in turn invested in fellow Ceylinco subsidiaries. Seylan's board of directors comprised Ceylinco's chairman, his spouse, and fellow directors of other subsidiaries of Ceylinco.

Nevertheless, Seylan was known as one of most successful listed public companies in Sri Lanka until 2005. The crisis came to light when the central bank imposed restrictions on Seylan's aggressive, expansive lending programmes, which far exceeded the amount of capital it had available. This poor banking practice was particularly evidenced by its high gearing ratio (29 times) compared with industry standards (15 times) (Narangoda, 2010). The crisis was further deepened by sudden liquidity problems faced by a subsidiary company of Ceylinco, GKCC (Lanka Business, 2008; Daily News, 2011). This led to media stories that GKCC's board of directors was trying to use Seylan Bank deposits to cover up its liquidity problems. The Seylan board attempted to reassure its depositors, but to no avail. Panic reactions and premature withdrawals of Seylan deposits by its customers drove Seylan into a deeper liquidity crisis. At this point, in order to secure the banking system and reassure public confidence and trust, the central bank intervened: Seylan's board of directors was dissolved and its operations brought under the control of a leading state-run bank on 28 December 2008.

Drawing on the PSD and Seylan scandals, the annual reports of other financial institutions and interviews with key stakeholders, the next sections detail the two key themes of the reforms (as identified earlier) and explain why they failed to produce expected outcomes.

Banks' Accountability to the Central Bank: Political and Family Feuds

The political issues seem to begin at the very top level of banking governance – with the central bank. For instance, the appointment of the former governor of the central bank (2006-15) was questioned in the media. It was known that the former governor was a provincial councillor of one of the main political parties in Sri Lanka but had later changed his allegiance to the political party in power (Colombo Page, 2010); thus, he had joined the former Sri Lankan president's campaign as chief economic adviser and was a major contributor to the president's economic manifesto. Some critics also pointed to the former governor's lack of relevant academic and professional background for the job, particularly in the areas of economics and banking (ibid.).[8]

Political affiliation issues are not unique to the case of the central bank's governor within Sri Lanka's banking sector. They are also reflected in the two banking scandals studied in this paper. It has transpired that the chairman of Seylan's board appears to have been a large donor to the opposition party at the time of Seylan's collapse. Interviews and newspaper reports seem to claim that this may have contributed to his downfall (Bottom Line, 2010). This suspicion was further strengthened, as our fieldwork revealed, by the fact that the Seylan chairman had been known to be flouting the banking regulations for years, but only came under the scrutiny of the central bank in 2005. This coincided with a change in the political landscape of Sri Lanka. The Seylan chairman's political ambitions perhaps did not help his position: he was also reported to have misappropriated the bank's money to fund the main opposition party at the time, the UNP (Bottom Line, 2010). Some claim that his decision to finance UNP campaigns may have motivated the then-ruling party in Sri Lanka to impose sanctions on Seylan.

Similarly, politics lay behind the establishment of PSD in 1997, when the governor of the central bank was overruled by the Sri Lankan president and forced to license PSD's operations (The Sunday Leader, 2002). The central bank's governor unfortunately appeared to stand alone in his reservations regarding the integrity and ethics of the PSD chairman. Even the attorney general at the time failed to act on a file holding startling revelations of a one-million-US-dollar fraud perpetrated by the PSD owner during his tenure as CFO and general manager of Seylan in 1992. In this infamous fraud, he instructed his officers to remit one million US dollars to D&A International Import & Export Inc. (US). This company was allegedly owned by the PSD chairman, who was accused of having transfered the monies in order to qualify for and secure green cards for himself and his family (Sunday Leader, 2002). This shows how and when political influence was used in these cases.

The central bank's own report on PSD, published in 1999, was very critical. Examining officers at the central bank asserted that the owners' investment in PSD shares might be considered a devious means of increasing its share capital to comply with statutory requirements (Sunday Leader, 2002). This central bank report was not acted upon for three years. Similarly, the regulatory authorities were unable to detect the imprudent practices followed by PSD over a period of five years, jeopardising the deposits of 15,000 individuals.

Accountability to Shareholders/Investors

Several key CG reforms[9] were implemented in Sri Lanka. This brought in an idealised Anglo-American CG framework with shareholder supremacy, transparency and accountability of board members, perhaps in a bid to separate the 'household' from the 'company'. Three key expectations are identified: (a) an accountable board structure, (b) reliable auditing practices, and (c) a working AGM. As will be discussed below, these measures have produced practices contrary to expectations.

Boards of directors: family affairs

According to the CG codes and central bank directives, non-executive directors should be independent of management and free of any business or other relationships that might materially interfere with the exercising of independent judgment. It is also stated that no individual or small group of individuals should dominate a board's decision making.

However, in common with many other traditional societies (e.g. Bangladesh, as reported by Uddin and Choudhury, 2008), the ownership and control structures of Sri Lankan companies are characterised by distinctive features, such as the existence of a controlling shareholder (Senaratne and Gunaratne, 2007). Most controlling shareholders are individuals or families, and in some cases a single family will have controlling shares in a number of companies (Caprio *et al*., 2007). There are also instances in which these controlling shareholders use 'control pyramids' to retain control. To establish these pyramids they use a 'web of vertical and cross-shareholdings' and have a large number of companies (both regulated and unregulated) under their direct or indirect ownership and control (Morck *et al.*, 2005; Young *et al*., 2008). In the case of family-controlled banks, the controlling family's interests and dominance in the boardroom give rise to unique CG challenges, such as related-party lending (Uddin *et al*., in press; Fitch Ratings, 2007; Nam, 2004).

The obvious aim of a controlling shareholder is to form a friendly board of directors for the company (Carlos and Uddin, 2016; Uddin and Choudhury, 2008). This was evident in both scandals. First, a senior manager (finance) from Seylan stated the following in one of our interviews: *The chairman, his wife and their loyal family friends dominated the whole board of directors. Each and every financial decision needed personal approval from the chairman.* Conducting regular and transparent board meetings, with representation by non-executive directors, is a necessary condition for the healthy operation of companies. However, our fieldwork revealed that board of directors meetings were purely ceremonial and served the controlling shareholders. A former official of Seylan, who had access to Seylan board meetings as the chairman's invitee and observer, recalled: *The whole board worked for the chairman. Everybody on the board was his close ally.*

A similar story is evident in the PSD scandal. The founder/chairman of PSD was the ex-CEO of Seylan Bank. Not surprisingly, when PSD's founder left Seylan he took several of his ex-colleagues with him to form PSD. All became board members of PSD. This 'close alliance' within PSD's board enabled the chairman to enjoy almost unlimited power. For instance, none of the board members of PSD raised any objections when its chairman invested 13.9 per cent of the bank's capital funds in another bank (Pan Asia Bank), flouting the central bank directives that allow only 10 per cent of capital funds to be placed in the equity of a single unquoted company. In another incident, the PSD chairman single-handedly authorised 22.5 per cent of PSD's capital funds to be loaned to one company. An assistant governor of the central bank told us: *PSD Bank did not have a proper policy on its investments. The chairman himself made decisions on investments in equity and the board of directors almost automatically approved the investments.*

These family and friend-oriented affairs on boards are also common in other companies. Our review of company annual reports revealed that the boards of 75 per cent of banking companies listed on the stock exchange were dominated by close family members (CSE, 2008). In several companies, we found the chairman's wife to be deputy chairman or a director. As can be seen from these examples, board meetings may be organised to adhere to the formal regulations, but decisions are still made to preserve the influence of major shareholders or family members.

Auditing: a friendly matter

Impartial auditing is an integral part of good CG practices. All codes of CG adopted in Sri Lanka have included a set of best practices for auditing services. According to the guidelines issued by the SEC for the appointment of auditors for listed companies in Sri Lanka, "the partner of the audit firm or a member of the engagement team does not benefit financially or in another form of interest from the listed company. Also, in listed companies, the appointment and reappointment of external auditors must be made with the knowledge of the company's audit committee, well publicised and proposed at an AGM. In particular, Section 154 of the Company Act of Sri Lanka states that "a Company at an Annual General Meeting has to appoint an Auditor to hold office, from the conclusion of that Meeting, until the conclusion of the next Annual General Meeting". However, there is a difference between the legal requirements and actual banking practice. In reality, it is the chairman – the head of the family – who makes the necessary appointments. AGMs provide the necessary legitimacy for the appointments that have already been made. Similar practices were found in both banks studied in this paper. These auditing practices are often supplemented by a system of dispositions and reciprocal relationships, historically embedded in Sri Lankan society (Jayawardena, 1987, 2002).

It is very common to see senior corporate executives and accountants in the corporate sector (including banks) and the auditing professionals in established auditing firms all coming from closely knit elite social groups, formed under the names of old boys'/girls' associations (based on elite schools or highly ranked universities) and professional clubs such as the Rotary and Lions clubs (Saliya and Jayasinghe, 2016). Donors and international whistle-blower organisations have repeatedly questioned auditors' independence in the Sri Lankan corporate sector (ADB, 2002; Edwards, 2009). Interviews with a former top-level official at Seylan were quite revealing, though not surprising: *By coincidence, that audit firm was managed by one of my classmates and a close friend. It made my job easier as we often discussed the bank's audit reports during our informal meetings.*

Bank auditors are required to highlight any issues, such as warning signs of fraud in banking operations, typical internal controls, tests of control and substantive audit procedures for two of the major operational areas in banking (treasury and trading operations and lending activities), and also in the financial ratios commonly used to analyse banks' financial condition and performance. Nevertheless, auditors failed to notice any wrongdoing and gave clean bills of health to the banks in question. Their close relationships with the employees and controlling shareholders made it difficult for the auditors to raise the issue of serious financial crimes. For instance, accounting fraud in PSD – an operating loss of 16.5 million Rupees turned into a profit of 8.3 million Rupees in one financial year – went completely unnoticed (Sunday Leader, 2002).

AGM: a staged drama

An AGM is a 'rational' step for ensuring the full participation of all owners, and the accountability and transparency of the company. This is further enforced in the codes in Sri Lanka, following the Anglo-American tradition of governance. However, AGMs often fail to live up to these expectations in Sri Lankan companies, and neither of the banks in question was an exception to this.

Our fieldwork revealed that the controlling shareholders use a variety of methods, such as unreachable locations for meetings and creating language barriers, to stop any real engagement by minority shareholders during the AGMs (the Nation, 2014). A minority shareholder of a listed company commented: *The selection of the place itself is a part of the plan to avoid the participation of shareholders at the AGM. There was no proper translator and the floor was clueless on what was happening.* It is quite clear that proper debate is completely missing from AGMs. One frustrated shareholder commented: *We were shocked by the disregard of the directors, who continually refused to respond to the questions raised by the floor.* AGMs have become a rubber stamp for top management decisions (OECD, 2010). A minority shareholder of a private bank stated: *I used to attend AGMs but I quickly realised it was a waste of my time. The meeting is always 'fixed'. The allies of board members dominate its proceedings.* General shareholders of both banks – Seylan and PDS – had had similar experiences, as our interviews revealed. A former manager at Seylan pointed out the ceremonial nature of AGMs: *We normally had 100-150 members participating in our AGMs – all others sent their proxies. Those who attended did so only to enjoy the food and the refreshments.* These comments reflect the difficulty of having sensible participation in AGMs and of ensuring the transparency and accountability of the company.

Another reason for this marginalisation of minority shareholders, as an SEC official commented, was a lack of, or limited pressure from, other stakeholders, unlike in the developed world. We also found that, in Sri Lanka, shareholder and investor association and financial press activities are particularly infrequent. There is less ongoing criticism and watchdog activity regarding the financial reporting and CG of public and private companies.

Discussion

Following the Weberian methodologies, this paper has examined the historical and cultural conditions of Sri Lankan society, showing that the society is heavily influenced by family culture. Heredity politics are the backbone of Sri Lankan democracy, and ultimate accountability seems to lie with the family. In this way, Sri Lanka exhibits features of traditionalism in action. Consequently, extended family members and fictive kin dominate the legal and rational institutions (Hettige, 2008). The field of business, including that of banks, has not escaped these traditions of family controlling a significant proportion of the private and public assets in Sri Lanka (Manawaduge *et al*., 2009).

We have found that both of the banks studied had adopted CG practices contrary to the expectations of the 1997 and 2003 Sri Lankan CG codes. Key features of CG practices that emerged from our investigations of these two scandals are ineffectual central bank regulations, familial boards of directors, ceremonial board meetings, biased auditing practices, and manipulative AGMs.

These findings are contrary to the expectations of anglo-american corporate governance models (John et al., 2016; McSweeney, 2008). Agency theory centric corporate governance studies are perhaps weak in explaining divergent, unintended and dysfunctional consequences of CG models in varied settings (Young et al., 2008). Institutional studies, though not many in CG field, have attempted to explain the variations in CG practices in diverse institutional settings by invoking the concept of decoupling (Aguilera et al., 2008; Yonekura et al., 2012; Yoshikawa et al., 2007). Traditionalism offers additional dimensions and deeper insights in explaining unintended consequences of intended 'rational' CG model such as familial boards of directors, ceremonial board meetings, biased auditing practices, and manipulative AGMs in traditional societies such as Sri Lanka. As we will see below, key elements of traditionalism, including personal loyalty, the master-servant relationship, and obedience to personal rather than formal authority, provide nuanced accounts of decoupled practices and explain why banks were able to deploy a particular form of avoidance strategy.

First, both banks seem to have flouted the central bank's rules on many occasions, according to the central bank's report. False accounting, granting loans to cronies and lending exceeding the limit were the key findings. This central bank report was not acted upon for three years. Questions were raised about why the central bank and the auditors had failed to detect these serious frauds sooner. The weak institutional settings in Sri Lanka, from the perspective of institutional theories, provides some explanations of decoupling (Yoshikawa et al., 2007) but this is much clearer if we invoke the notions of personal loyalty/relationship and the dominance of family over the state's institutions. We believe, these traditional elements explain why the state institutions are weak in enforcing changes and prevent frauds presented above. Dyball *et al.*'s (2006) findings are similar: they comment that 'power' and 'influence' were important elements in banks' decisions to grant or deny loans. This alludes to a 'traditional' mode of operations, in which 'personal' relationships constitute market and state transactions (p.62). We would argue that the families in question took advantage of the poor justice system (lack of state resources) and relied on family resources (traditional norms) to avoid showing the required accountability to other stakeholders.

The authorities seem to be selective in combating serious financial irregularities and even fraud. This places the monies of depositors at greater risk. There is overwhelming evidence to suggest that political considerations were placed above penalising Seylan or PSD. Loyalty or disloyalty to families in power received greater attention than infringements of formal central bank laws. Selective use of sanctions by state bodies, influenced by the politics of the day, is an example of traditionalism encountering and mediating rational enterprise. This is probably where Sri Lankan public limited companies are least similar to Anglo-American companies, with severe consequences for wider stakeholders. In keeping with the findings of Uddin and Choudhruy (2008) in Bangladesh, we would argue that incompatible modes of action (traditional and rational) are at play here. The findings show that the main purpose of having formal or tighter central bank regulations has become irrelevant, as they have become the perfect weapon for political victories.

Second, rational measures such as accountable boards clash with the desire to preserve the influence of major shareholders or family members. Though regulatory compliance in relation to board meetings and processes existed on paper in these banks, they did not serve their real purpose (of protecting other shareholders and the public) as intended. These symbolic compliance – a sign of decoupling - are similar to institutional CG studies as reported earlier. Weberian thought provides further clarity why and how these banks have engaged in symbolic compliance strategy. Typical explanations for decoupling such as maintaining power or gaining legitimacy perhaps are useful but understanding 'family' and 'kin' in traditional settings offer deeper insights. As Weber (1978) argues, it is very common for the most important posts to be filled by members of the ruling family or clan in traditionalist organisations. Close family members on the board ensure that family 'secrets' remain safe. This is a 'rational' action as far as the family is concerned. The selection of close family members also enables family domination within the enterprise to continue (Uddin, 2009).

Often, there is no separation between the enterprise and the household, and it is frequently difficult to discern larger 'segments of capital' divided along coherent, sectoral lines (Dyball and Valcarcel, 1999, p.306). Owing to the strong presence of close family members on the board, board meetings turn into family meetings. Family meetings are not held publicly and information about their outcomes is undisclosed, as the business is seen as a household matter and therefore confidential (Uddin and Choudhury, 2008). As many of our respondents claimed, legal documentation is often maintained only as a formality. There is no legal mechanism for monitoring whether directors have physically held a board meeting. This is strikingly similar to the situation in other traditional settings, as previous studies have indicated (Uddin, 2009; Dyball and Valcarcel, 1999). Weber (1956, 1978) argues for multiple rationalities, including rational and substantive. In the case of a traditional society in which a family takes over an enterprise, rationality takes a substantive form as the players act to preserve the interests of the family and clan. A friendly board of directors is a perfect platform through which to render regulations ineffective.

Evidently, both banks had flouted the regulations of state institutions for a long time before going bust. For instance, the Colombo Stock Exchange, the central bank and the SEC had warned Ceylinco's chairman and his fellow directors about their wrongdoings many times, but it seems that neither their warnings nor legal pressures were strong enough to influence the politically powerful Ceylinco and Seylan chairman and protect the group's minority shareholders. According to Weber (1978), family and clans take precedence over legal authority. State institutions are overwhelmed by the family's influence in many traditional settings (Uddin and Choudhury, 2008), and Sri Lanka is no exception.

Third, we have found, on paper, that the codes of CG adopted in Sri Lanka do include a set of best practices for auditing services. In the context of under-developed capital markets, and weak financial regulatory institutions, the role of an independent auditor is vital in ensuring transparency. Institutional studies also reported divergent auditing services in different settings (Yonekera et al., 2012). Organisational legitimacy, power or sustainability are often offered as the rationales for decoupled practices. Weberian notion of traditionalism enables us to ask more fundamental questions such as what is it to be "independent" in traditional settings. Thus, the notion of 'independence' perhaps needs further unpacking to fully understand auditing services especially in traditional settings. It is argued, "this notion of an 'independent' auditor is based on the assumption, developed in modern states, that an audit is a product of rational calculation" (Uddin and Choudhury, 2008, p.1042). However, our findings suggest that auditors who gained membership of localised cartels became victims of reciprocal relations. As Weber (1978) points out, traditionalism mediates the process of rational behaviour, so the question remains whether auditors can maintain independence in Western terms. The idea of independence does not seem to have any relevance in the context of the cosy relationship between auditor and the management of banking companies. Reaz and Arun's (2006) work on audits in Bangladeshi banks draws a similar conclusion, as they maintain, 'Banks are very lucrative clients, and in most cases, the audit firms are also linked with the personal businesses of the bank owners. As a result, the auditors tend to give in to the demands of the banks' owners and prepare audit reports in the way the banks want them to' (p.101). They further point out that banks have been accused of window dressing to hide underlying problems, weaknesses and irregularities. There are many examples of banks revealing different figures under the same heading in different disclosures (p.101).

To Weber, it would not be surprising for family-controlled companies to inhibit accountability and transparency because it concerns the revelation of family secrets (Dyball and Valcarcel, 1999). Researchers argue that unwillingness to reveal financial information may well be due to a tax-avoidance culture, brought about by weak regulatory frameworks and enforcement (Perera, 1989). We would argue that traditionalism is at work here in weakening the regulatory framework.

Fourth, AGMs often fail to live up to expectations in Sri Lankan companies. Neither bank investigated here was an exception. Rational measures aimed at making directors/families accountable to general or minority shareholders via AGMs remain ineffective. According to Weber (1978), traditional attitudes mediate the rational process and consequently hinder the rational development of accountability. As evidenced above, various institutions in Sri Lanka, drawing on legal authority, have attempted to influence the current state of AGMs and accountability to general shareholders. These measures remain inadequate, however, in the context of the overwhelming involvement of powerful families.

In summary, the family tradition in business and politics continues to thrive, despite continuous bombardment from strict measures and reforms. Overall, the reconciliation of the modern CG framework with traditional, family-run businesses remains unachieved. This also raises concerns about the effectiveness of mirror-image Western institutions for influencing the accountability and transparency of stock-exchange-listed companies in a traditional setting.

Conclusion

This paper concludes by considering the research questions set out earlier. Why do the Anglo-American CG models produce unintended consequences in traditional societies? This paper has drawn on the Weberian notion of 'traditionalism' to provide deeper explanations of the unintended consequences and raise the question of the transferability of knowledge from one context (Western) to the other (traditional).

The study has examined two banking scandals, institutional settings, and historical and political contexts, drawing on interviews, literature and various pieces of documentation. The findings indicate that CG measures, including the central bank's interventions, are inadequate in the traditional cultural and political context of Sri Lanka. Rather than adopting generally accepted rational governance codes and directives, Sri Lankan publicly owned banks tend to adopt familial boards of directors, conduct ceremonial board meetings, engage in biased auditing practices, and hold manipulative AGMs.

Theoretically, we have argued that the emergence of familial board practices, ritual compliance and manipulative AGMs and auditing practices provides new insights if examined in the context of traditionalism. We have made a strong case to advance the debate on institutional decoupling in explaining corporate governance models and their unintended consequences such as banking scandals, especially in traditional settings. We have discussed historical and political conditions in Sri Lanka as a means to understanding the development of Sri Lankan society and the dominance of families in economic and political affairs. We have demonstrated how elements of traditional societies, including personal loyalty and obedience to personal rather than formal authority, provide an understanding of banks' unexpected CG practices and an insight why decoupling occurs in traditional settings. Viewed through a Weberian lens, it is understandable that companies devote significant effort to satisfying individuals rather than the state's legal institutions. It enables us to understand how the institutions operate in the context of the underlying conditions of traditional societies which have encouraged banking companies to avoid rationalistic measures. Family and chief (head of the family), kin, fictive kin and relatives are the essential fabric of traditional society. Thus, it is unsurprising to see CG mechanisms overwhelmed by individuals or families. Traditionalism drives a subject to be loyal to the chief in order to be seen as trustworthy (Weber, 1947). These elements of traditionalism become more apparent when we examine the avoidance strategies adopted by the two banks under study here.

This paper makes several contributions. First, the paper also builds on the extended critique of shareholder-centric CG models and their transferability to alien contexts (John *et al*., 2016; McSweeney, 2008). Intensive case studies of the vicious cycle of 'scandal and reform' provided us with an opportunity to contribute to this critique. Our findings raise concerns about the expectations of the Anglo-American model in traditional settings. There is an underlying assumption, in the adopted 2003 code that mirrors the UK's CG code, that institutions and societies are always homogeneous. The fundamental understanding of policy makers is that a CG model is just a set of techniques. Therefore, the main issue for them is how these techniques should be transferred or developed to create market and organisational efficiency and, in turn, economic development. This is highly unrealistic and ambitious. For example, Anglo-American CG models ignore the effects of family ownership on accountability and transparency, assuming professionalised management and a degree of separation of ownership and control. Perfectly competitive markets are unlikely to occur in developing countries with fragile judicial systems and weak enforcement in the capital markets. More often, private ownership is concentrated in families, which have informal links to vital external actors and institutions in the social, political and commercial domains. Thus, there is a strong need to accommodate these complex factors in a broader CG model.

Second, it contributes to the CG studies calling for more appreciation of the need to move beyond the conventional view of CG problems as simply down to conflicts of interests (Aguilera and Crespí-Cladera, 2012, 2016). Institutional theory has informed this debate, holding that CG practices are embedded within their institutional contexts (Yonekura *et al*., 2012). We complement and advance the decoupling debate in CG studies drawing on the notion of Traditionalism. The institutional decoupling provides an understanding of divergent CG practices focusing on institutional differences. Weberian thought takes us further to understand how the CG institutions operate in the context of the underlying conditions of traditional societies which have encouraged banking companies to avoid rationalistic measures. We also acknowledge that the idea of decoupling has been further advanced by recent institutional literature. Nevertheless, as we have demonstrated earlier, elements of traditionalism can provide deeper insights into decoupled corporate governance practices. Key elements of traditionalism, including personal loyalty, the master-servant relationship, and obedience to personal rather than formal authority provide further explanations of unexpected and unintended corporate governance practices in traditional societies such as Sri Lanka. We have also moved this debate forward, locating CG problems within the broader historical and structural conditions, drawing on the Weberian thought.

Finally, this paper has opened the way for further research on the transferability of business knowledge, be it related to CG or business models. We would encourage policy makers to explore suitable CG models for these traditional economies. Rather than considering local contexts as unproblematic and passive, future policy drives should open a new agenda for studying CG issues meaningfully, considering local contexts as problematic and dynamic.

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[1] Weber (1978) defines traditional settings as those in which traditional values such as personal loyalty, family and kinship supersede a rational and legalistic model of society and economy.

[2] These models are shareholder-centric, relying on strong capital markets and other democratic institutions.

[3] PSD was closed down.

[4] On 28 December 2008, Seylan's board of directors was dissolved and its operations brought under the control of a leading state-run bank. The critiques and reflections made in this paper do not refer to or represent Seylan's post-2008 performance in any way.

[5] For example, the owner of the Ceylinco Group was a nephew of J.R. Jayawardene, a leading politician and later Prime Minister and First Executive President of Sri Lanka.

[6] £1 = 213 Rupees (07.02.2014).

[7] The heads of 33 government departments had been paid gratifications valued at over 40.5 million Rupees, as incentive 'Gold Certificates', out of over 70.2 billion Rupees of state funds deposited in the PSD Bank between 1997 and 2002.

[8] Prior to becoming governor he had worked only as a management consultant and was a chartered accountant by training.

[9] In 2003, a CG code, similar to the UK Combined Code of CG, had been adopted on a 'comply or explain' basis.