Reshaping Governance in Banking in the Covid-19 Regime

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Segment-1: Bank Governance is expected to be reshaped in Covid-19 Scenario

The Covid-19 outbreak grips the entire globe.[1] In case of the great depression, what takes 1-3 year-time, have been taken placed in three weeks in terms of terrible negative macroeconomic and financial outcomes in the current crisis (World Economic Forum, 2020). This reminds us the famous quote of the Russian Revolutionary Politician Vladimir Ilych Lenin "There are decades where nothing happens, and there are weeks where decades happen". Policymakers, business entities, banks, and other establishments including individuals are fighting this sudden development at a significant economic cost.[2] Vulnerable households and businesses are being supported in mitigating the impact of severe economic shocks.[3] Distressing businesses and liquidity crunch are impacting the operational resilience of commercial banks.[4] Alongside responding to the immediate challenges, commercial banks are left with no options but have to reassess their approaches, work persistently on business-continuity, and review models to align with the future business. It is about a balanced approach of on-going damage repair and finding paths for long-term growth strategies to drive growth and avail opportunities.[5] The banking industry is expected to play leading roles in revamping the economy by changing or adjusting their operating models. Policy supports and stimulus packages supporting the affected businesses or bank clients are also beneficial to the banks in maintaining their credit quality.[6]

The global banking industry is taking a new shape in Covid-19 regime and might contribute even to the post-Covid regime. Innovation, technology-led disruption, convergence, and data analytics are reshaping the banking industry (Bellens, 2020b). Expectations on the part of the customers are changing constantly; and the difficulties in the banking industry[7] could disrupt an entire economy further. Considering the market development and concerns, banks should focus on certain areas namely capital, liquidity, operational capacity, customers, financial infrastructure, business diversification and restructuring, regulatory reporting and compliance, and financial crime and cybersecurity issues. A transformed and integrated strategy to handle these issues are connected not only to the effective business continuity

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[1] As of today (July 12, 2020), there are around 1.3 crore reported cases and about 5.7 lakh confirmed death in 212 countries and territories (Worldomer.info).

[2] "Countries, multi-nationals, airline carriers, internationals chains and small businesses all assess the economic costs of the pandemic in terms of economic contraction, deficits, debt restricting, redundancies and unemployment rates, rescue packages etc." (Vella, 20200).

[3] "The Covid-19 pandemic presents an unprecedented challenge and will affect all walks of life; the quantum of the impact is hard to determine at this stage although based on preliminary assessment and considering the dramatic steps enacted so far by governments worldwide, it is expected to be severe" (Allen and Overy, 2020).

[4] Businesses that are not eligible for special liquidity schemes yet finding themselves under rising loss pressures may be the first casualty that may affect the credit quality of the banking system ((Allen and Overy, 2020).

[5] "As banks look for opportunities to drive growth, they should focus on transforming their business lines, channels and products while balancing continued regulatory scrutiny and the growing threat of disintermediation; leading banks will have a clear sense of the path ahead, and success will arise from a balanced execution of tactical initiatives and longer-term transformation and growth strategies" (Ernst and Young: https://www.ey.com/en_gl/banking-capital-markets-transformation-growth).

[6] "There is trust that a well-capitalized and well-regulated banking system will play its role in restoring the real economy, and for that banks will need to adapt their approaches to changes in their operating model and ecosystem"(Bellens, 2020a).

[7] The most significant (and in some cases the only) providers of credit.

measures but also to the long-term growth and development of business. This is imperative for banks to rethink the way they deliver services, the products they offer, their relationship with consumers, and their roles in the community, which require pushing the 'reset button' as opposed to simply resuming business as usual (Marous, 2020). The transformation is necessary to sustain and avail the opportunity to leverage banks' role in the economic support programs[8] for improving their reputation and speeding up the digitization. In such a stage of transformation, demands for banks' leadership have become exponentially uprising which is not easy to meet.[9]

From the risk management standpoint of banks, this is the time for adopting an integrated approach as the Covid-19 pandemic shows the clear business benefits of managing risk from an enterprise-wide perspective (Gartner, 2020). Now the need for good governance and risk management practices has been greater than even before and the bank senior management and boards should continually review their practices to ensure that they are right for the current environment in light of the fast-changing environment, (Elison, 2020). For drawing optimum positive benefits, alongside managing the risks in their operations, banks must reflect good corporate behavior by supporting the economy and the society. Reshaped and upgraded corporate governance practices in the form of 'taking care of all stakeholders'[10] might also contribute to improving the corporate governance practices of their corporate borrowers in this crisis.[11]

The proactive roles of banks in supporting the policymakers and other stakeholders is crucial particularly in developing countries due to their inherent socio-economic challenges and resource limitations. In developing countries, the vulnerability to the pandemic is higher and the ability to deal with it through policy is lower than that in developed countries (Loyaza and Penning, 2020). Policymakers of these countries may find it hard in devising measures to cope with the crisis.[12] Some of the severely affected low-income countries are struggling heavily.[13] Improved and reshaped corporate governance in banks in developing countries might help handle the situation better in this complex situation of multiple crises.[14] The objective of this keynote paper is to sketch the reshaped corporate governance practices in the banking industry in the wake of the Covid-19 scenario.

[8] Much of the work to implement huge government stimulus packages has fallen to commercial banks (Bellens, 2020b).

[9] Leadership in a crisis like Covid-19 is not the same as the business as usual; demands on management have become very high and it has become harder for the leaders to execute their roles (Deloitte, 2020).

[10] Corporate governance acts as a watchdog in safeguarding the interests of all stakeholders including the shareholders (Freeman et al., 2010).

[11] The Covid-19 situation puts banks in a unique position to influence the governance practices of their corporate borrowers by becoming promoters of better corporate governance practices for all other companies. (EBRD: https://www.ebrd.com/what-we-do/sectors/legal-reform/corporate-governance/banks.html).

[12] The quality of governance determines the effectiveness of a country's capacity to manage shocks and provide assistance (Chuah, Loayza, and Myers 2020).

[13] A number of countries are not in a position to service their debt, fight the pandemic, and invest in recovery; sudden economic halts entail the destruction of the productive capacity, of the employment, income reduction of many companies, and even the bankruptcy of several of them (Riano, 2020).

[14] Published recently in the Harvard Business Review, an article placed the existing and upcoming situation under the broad areas of Real Recession; Policy Recession and Financial Crisis (Carlsson-Szlezak et. al, 2020).

Scenario analyses, policy suggestions and forecasting by several international organizations and scholarly articles, and features published following early March 2020 are important sources for understanding the existing situation and for perceiving the future by the banking institutions; and this keynote draws heavily on these sources. The draft paper attempts to portray the reshaped corporate governance framework of the banking industry in the Covid-19 situation that will be finalized by accommodating the comments and opinions of the live Webinar. In the title, the term ‘reshaping’ is not meant to indicate any fundamental change in the corporate governance principles and practices, rather it intends to mean greater engagement and responsible approach on the part of bank boards in the management decision making as the situation demands.[15] Initiating the background discussions in the segment-1; the subsequent segments dealt with relevant conceptual and literature review (segment-2); areas and challenges that need intervention in this Covid - 19 regime (segment-3); the desired role of the board and senior management in the Covid-19 situation (segment-4), and a structure of the corporate governance framework in this difficult situation of business and financial downturn (segment-5).

Segment-2: Aligning Corporate Governance and Crises Literature with COVID-19 Situation

In contrast to the narrow view of the agency problems caused by the separation of ownership and control, and protecting the interest of the shareholders, there is growing awareness and consensus that corporate governance is critical to upholding the interests of the stakeholders[16] (Freeman et al., 2010). Corporate governance is associated with the processes and operating relations to achieve organizational goals, all about leadership.[17] However, the corporate governance of banks cannot be compared[18] with that of other businesses because of the banks’ unique ownership structure[19] and the associated agency relationship in the management of banking activities. Because of these unique features and protecting the interest of the depositors i.e. the majority owners, banks are highly regulated. The concept of corporate governance in the context of banks is much more inclined towards compliance, transparency, and responsible behavior that have distinctive implications for all stakeholders in the Covid-19 scenario.

[15] “Does this crisis require the board to approach its role differently? No, the board’s role continues to be one of oversight. However, as in any other high-stakes context, this situation demands greater attention on the part of the board and may require greater involvement depending on the degree of challenge the Covid-19 presents to the viability of the business” (Cornell et. al, 2020).

[16] The OECD defines corporate governance as “a set of relationships between a company’s management, its board, its shareholders and other stakeholders”.

[17] The board of directors is responsible for the governance of their companies where the responsibilities include setting strategic aims, providing the leadership to put them into effect, supervising the management and reporting to shareholders (Cadbury Committee, 1992).

[18] The corporate governance of banks differs from the corporate governance of ordinary companies, due to the nature of the banking business, the complexity of its organization, the uniqueness of banks’ balance sheets, the need for protection of the weakest party in the chain (i.e. the depositors), and the systemic risks caused by bank failures (EBRD: https://www.ebrd.com/what-we-do/sectors/legal-reform/corporate-governance/banks.html).

[19] In contrast to the business houses, banks are truly owned by the depositors, at least depositors are the majority owners; shareholders may be considered as the minority owners.

'Emergent corporate governance', a relatively old concept of corporate governance, appears to be more pertinent to reshaping the efforts of the corporate governance of banks in the Covid-19 scenario. Emergent corporate governance involves 'emergent strategy' proposed by Henry Mintzberg that emphasizes the importance of emergence on strategy formulation. That is, management strategies cannot be fully developed in advance; rather strategies are gradually formed in response to the situation (Mintzberg, 1987). It needs to be flexible and adaptive[20] to the emerging circumstances so that the company can tackle any unprecedented challenges such as Covid-19 and reap the benefits of any unexpected opportunities. As the need of the time, the concept of corporate governance[21] is to be continually shaped and reshaped by the dynamic interrelationships of all the governing actors (Sun, 2013).

One of the major objectives of the 'Good Corporate Governance'[22] practices is to explicitly reinforce the collective oversight and risk governance responsibilities of the board. In this context, Enterprise Risk Management (ERM)[23] framework appears to be a suitable approach in a crisis, which is a recognized approach to address the systemic risk of both the financial and non-financial nature of banks. Despite the importance of ERM, which received renewed attention following the 2006-08 global financial crisis, it did not receive due impetus with its integrated and preparedness approach in banks. One of the most valuable aspects of an effective ERM process is that it leads to richer and more robust conversations about risks by installing a strong communication network that might impact a business (Mark, 2020). As the coronavirus spreads, the situation necessitates ERM and reaffirms the business case for methods, processes, response thresholds, and actions to protect enterprise goals, earnings and capital (Gartner, 2020).

Failure of corporate governance was implicated in the financial crisis of 2006-08 when inadequate risk management, the irrational expectation of profit and inappropriate pay structure were being placed at the center. In response to these, multilateral and national financial reforms attempt to strengthen the board oversight of management processes and positioning risk management as a key responsibility of the board (UNCTAD, 2020). Board's role as the sponsor of a coordinated liaison with stakeholders is particularly important during a crisis (IDB Invest, 2020).

[20] "To be relevant, it is essential that corporate governance rules and regulations are adapted to the reality in which they will be implemented" (OECD, 2015).

[21] "With defined and redefined intentions from a series of mindsets and experiential practices, corporate governance aims at channeling corporate activities toward certain ends, and in so doing, it is continuously shaped and reshaped by the dynamic interrelationships of all the governing actors (Sun, 2013).

[22] The term 'good governance' or 'good corporate governance' received popularity mainly in the development documents of the international organization and donor agencies in recent time to indicate participation, transparency, accountability, and the rule of law in the decision making process (Habib, et. al, 2018).

[23] …..is a structured approach that aligns strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties the enterprise faces; it is a forward looking approach to manage all key business risks and opportunities (Deloach, 2000).

Boards must focus on internal governance at the time of crisis to address any potential damage.[24] Based on analyzing crises situations, Riva et.al (2018) notes, corporate governance is particularly crucial in downturn times otherwise a firm might be affected miserably[25]; and if the crisis is monitored promptly and appropriate measures are taken, not only the enterprise may continue to operate but it may also be able to seize opportunities for growth. It has been observed that in an institution with sound corporate governance practices, boards often play a key role in reinforcing the purpose of the organization with management, reminding leaders of societal obligations, and making sure that, even in the depth of the crisis, the entity's response serves the heart of the organization (Deloitte, 2020).

Bank boards are expected to change their approach and roles during financial and business difficulties as evidenced by the literature on earlier crises. These are commonly connected with handling tough business conditions, enhanced risk management, business diversification and regulatory responses. The crisis comes on top of the combination over the past decade of several trends that have meant increased competitive pressure on banks and that, in particular in some regions, have lowered their profitability (Carletti, 2020). During a crisis, there is an expectation that boards and risk committees would be meeting more frequently. At the time of the last 2006-08 crisis, the composition of risk committees was changed for some renowned banking organizations, and all members of the board became members of the risk committees. Crisis literature is indeed helpful in drawing lessons, however, all crises and cases in a crisis are different, and need customized solutions. Thus, in all crises and for all banks, it is essential that boards review their existing arrangements and determine what is the best for their particular situation - there is no one size fits all approach (Elison, 2020).

Responding to the regulatory and supervisory expectations is amongst the key responsibilities and critical challenges of banks during a crisis. Regulatory and societal expectations from banks' board and senior management increase exceptionally in emergencies, and banks' responses to the expectations of the policymakers have proven implications. Meeting the expectations is costly, however, failure to respond adequately might be costlier. In the wake of the 2007-2009 financial crisis, the world witnessed an increase in prudential requirements, regulatory scrutiny and compliance costs that have contributed to a more resilient banking sector, however, has put pressure on banks' profitability (Bolton et al. 2019).

[24] The potential negative effects of bank failures are very damaging for both the economy and society, as was demonstrated during 2006-8 global financial crisis; thus, it is now acknowledged that the corporate governance of banks should be, focusing more on the 'internal governance' during crisis. (EBRD: https://www.ebrd.com/what-we-do/sectors/legal-reform/corporate-governance/banks.html).

[25] When a company goes into crisis, imbalances and inefficiencies start to appear, productivity and turnover are reduced. This provokes during a period of greater or lesser duration, a contraction of profits or even losses with the consequent gradual impoverishment of the available shareholders' equity. The persistence of this situation can lead, if timely measures are not taken, to more significant difficulties which can be followed by damages to the company's image and credibility and consequently, the loss of customers and a decline in confidence in the financial system (Riva et.al, 2018).

Segment-3: Areas of Banking Operations where Management Needs Policy and Strategic Directions in Times of Covid-19

Covid-19 has tested the resilience of the traditional banking business models; employees were asked to work from home, working hours were reduced, certain branches were closed, consumers lost their jobs, and new products and financial solutions were thrust upon the banking ecosystem and so on. These developments challenged back-office operating systems, credit risk models, online banking capacity and exiting security arrangements (Marous, 2020). Regarding strategic and policy reactions, a good response to the crisis might be addressing the liquidity pressure, capital requirement, financial stress and other operational concerns of banks by supporting business continuity, resilient leadership, and human capital (Kucera et. al, 2020). The operational capacity of most of the banks is hurt in several instances having service implications for customers and counterparties. Given the unprecedented nature of the health crisis, banks need to consider immediate steps to augment, diversify and bolster systems and operational resilience (Allen and Overy, 2020). Also, adopting right approach to support the economic recovery efforts of the policymakers, and taking very good care of the economically and socially vulnerable sections are essential at this critical time for the long-term sustainability of the banking institutions.

Employees and their clients entering the workplace are at risk in this Covid-19 situation (Marous, 2020). Especially, bank executives engaged in the front-office offering essential services are confronting contamination risk. Banks need to have sufficient arrangements to minimize the risk. It is crucial for banks to be prepared for the longer-term challenges associated with the Covid-19 contamination risk, and estimate the necessary resources to handle the crisis (Habib, 2020a). The crisis is accelerating transformations in the workplace remarkably. Banks need rigorous technological transformation to facilitate work-from-home. It is probably time to estimate how this massive transformation will affect the employees and the organization as a whole. Bank employees who are the biggest assets of banks at this moment are confronting job-cut fear; thus, banks must have the appropriate strategies to address this issue and ensure the wellbeing of the employees. Capacity development initiatives have been paused, where banks need strategic intervention.

Contraction of banking activities and underperformance are clearly visible in the Covid-19 regime (Habib, 2020a). Banks are engaged in supporting certain essential payment and financing services, however, in many cases, they can only serve a few customers to enforce social distancing rules. Currently, banks are not in a position to maintain their regular deposit growth, rather withdrawal of deposits and the tendency of holding cash might cause additional liquidity pressures in the upcoming months. The traditional in-person banking is severally affected in most of the developing countries. Banks are underperforming in their customer services, and there are fears of the erosion of customers' confidence. Whilst this is true in the consumer space where protectionism is the benchmark, it would extend to micro, small and medium enterprises which are vulnerable, and may also apply to some large corporates given the scale and magnitude of the expected recession (Allen and Overy, 2020). In many instances, with the reduction of cash flows, business firms are struggling to pay their suppliers, their employees, and ultimately their bankers. Many firms have got capabilities to come back as the situation gets normal in the coming months. But, at this moment, smaller firms are already facing solvency challenges, and bigger corporates may also face the challenge of insolvency once their inventories and cash reserves are depleted. If the situation lasts longer, this could pose a challenge for a big section of banks both in developed and developing countries. Thus, it is time for the banks to reset their strategic plans addressing the prevailing and evolving challenges (Marous, 2020).

In this corona period, it is crucial for banks to go for daily appraisal of short terms liquidity positions and management reporting, taking account of collateral demands and making use of the spectrum of available central banking facilities (Allen and Overy, 2020). Though, demand for certain online banking increases, contraction of banking services, and lower fee income causing further fall in banks' income. Consequently, the demands for capital and liquidity have risen in the financial market (FSB, 2020). Certainly banks are now in a better position in terms of higher capital and liquidity than before due to the stringent compliance requirements of the central banks. However, the resilience of banks may be tested in some countries in the face of large market and credit losses, and this may cause them to cut back their lending to the economy, amplifying the slowdown of activities, which necessitates a forceful policy response (IMF, 2020a). To address this emergency, changes and flexibility on capital treatment have duly been recognized recently by the Basel Committee on Banking Supervision (BCBS).[26] Considering potential capital erosion, immediate suspension of staff bonuses and dividend payments might be amongst the essential steps (Allen and Overy, 2020). Strong commitments on the part of the bank board and top management would make these things happen without much difficulty.

Key functional areas of banks (like deposit collection, credit processing and trade facilitation) are confronting newer challenges and risks. Maintaining deposit growth is a challenge in the current scenario. The existing regular strategy will be inadequate in ensuring a similar level of depositors' confidence and trust as before the crisis. The economic slowdown led to a rise in nonperforming loans (NPL) in the banking sector, and private sector banks are having the highest exposure to credit risk during the outbreak, especially NPL arose from loans issued to the SMEs, airlines, hotels, tourism, restaurants, retails, construction and real estate businesses (Ozili and Thankom, 2020). Ongoing trade disruption might affect trade payments and financing activities terribly; there might be growing instances of commitment failure and legal liabilities on the part of the banks (Habib, 2020b). All these unprecedented circumstances urge the banks for an adaptive strategic and integrated risk management approach.

[26] In April 2020, BCBS agrees on certain flexibility in regard to capital treatment of loans subject to payment moratoriums; guidance on non-performing loans and expected credit loss accounting (BIS, 2020).

IT and fin-tech received renewed attention during Covid-19. Countries[27] across the globe are reporting an increase in cybercrime during the pandemic. Quick adoption[28] of digitization resulted in complexities and cyber threats in some cases (KPMG, 2020). Cybercriminals are using malware (such as viruses, worms, trojan horses, ransomware and spyware) to invade, damage, steal or cancel personal data; and stolen data are being used for different malicious purposes, including accessing bank accounts and blackmailing the victims in exchange of ransoms.[29]Common cybercrime techniques such as phishing[30] have on the rise threatening the bank clients and individuals (Europol, 2020). The adoption of information technology without adequate preparation in the constantly changing environment has created greater scopes for money laundering (Asian Banking and Finance, 2020)[31]. Most of the leading regulators and several law-enforcing agencies[32] have warned banks and financial institutions to be vigilant about any such growing adversaries (Kosnar, 2020).

Growing instances of trade-based money laundering have become a concern for the commercial banks. Reporting from Financial Action Task Force (FATF) members, observers, and open sources indicate that criminals have attempted to gain from the unrest caused by the Covid-19 pandemic by increased frauds in the international trades (FATF, 2020). The European Banking Authority (EBA) has asked banks to take additional measures while processing trade payments and ensure whether any unexpected flows particularly linked to customers or regions of badly affected by the Covid-19 are of legitimate origin (GTR, 2020). Therefore, immediate steps guided by the policy and strategic directions are essential to handle these mounting fraudulent activities.

Policymakers around the world are using banking channels to help distribute various stimulus packages to companies in need of cash where fraud and credit risk might be amongst the critical challenges. In this Covid-19 situation, borrowers may be exploiting moral hazard[33] to privatize the reward and socialize the risk. The moral hazard problem is also relevant to the bankers, that may contribute to pulling credit risk. In the process of the cash injection, it is

[27]For instance, in Italy, there are reported scams and frauds that came in the form of ads, emails, fake websites, but also through phone calls and messages (https://www.commissariatodips.it/da-sapere/per-i-cittadini-e-i-ragazzi/internet-rischi-e-minacce/index.html).

[28]The social distancing associated with the economic lockdowns meant that a great deal of in-person vetting of suppliers and hard copies of supply contracts have been shifted online, with many adopting electronic signatures, digitized documents and online payment portals for the first time, often before adequate protection (Rowden, 2020).

[29]https://www.ilmessaggero.it/italia/coronavirus_reati_truffe_online_ultime_notizie-5111692.html

[30]Phishing is the fraudulent practice of inducing individuals to reveal personal information, such as passwords and credit card numbers through fake websites or emails.

[31]For example, "so called 'money mule' activity is already identified as rapidly increasing, and criminals have been targeting individuals who might have lost their jobs recently with 'large salary working from home' job ads. These are designed to trick victims into using their personal bank accounts to funnel money illicitly obtained by criminals". (Asian Banking and Finance, 2020).

[32] Interpol and FBI warn of financial and frauds linked to Covid-19.

[33] Nobel Prize winning economist Paul Krugman defined moral hazard as 'any situation in which one person makes the decision about how much risk to take, while someone else bears the cost if things go badly'.

not easy for banking institutions to distinguish the business that are really in need of assistance from those that are trying to get access to funds abusing the situation with fabricated information (Asian Banking and Finance, 2020). Hence, banks need policy and strategic directions and changed arrangements to address these vulnerabilities.

Dependence on the commercial banks in injecting fresh finance from governments' stimulus packages in times of crisis is not new. International and multinational development banks have also been very active in supporting economic recovery in the context of many countries during crises.[34] Targeting through private intermediaries implies that the credit recipients are selected based on the traditional criteria of private banks. There is skepticism that this could result in the granting of available rescue funds to stronger enterprises, leaving the most vulnerable and the most in need businesses behind (Riano, 2020). With stimulus packages rolling out in most countries, corporate behaviors cannot come under comprehensive check to address the possibility of favoritism for large businesses over small businesses (Econfix, 2020). In such a situation, the World Bank documents a positive role of the public sector banks. Having a notable market share of these banks in South Asia, the public sector banks are more likely than private banks to respond to the government directives, though on the negative side, these banks suffer from inefficiency and face agency problems (World Bank, 2020b). Probably, private commercial banks have the right time and scope in this Covid-19 situation to reshape their governance and boost leadership for offering due supports to the policymakers for their fair reputation and sustainability.

The macroeconomic response to the Covid-19 pandemic in developing countries generally involves both monetary and fiscal stimulus; however, as monetary transmission tends to be weak, fiscal space is limited, and fiscal multipliers are often small, the effectiveness of demand-oriented macro-economic policy may be low in developing countries (Loayza and Pennings, 2020). Thus, banks in developing countries might come up strongly through its reshaped corporate governance practices. The bank-dominated financial sectors of the developing countries need grander governance and leadership efforts for carrying out countercyclical lending during this crisis to survive and reignite growth in the post Covid-19 scenario (Loayza and Pennings (2020).

[34] For example, during 2007-08 crisis, "A total of 52% of development banks lend through a combination of first-tier (lending directly to end customers) and second-tier operations (lending to other private financial institutions which subsequently on-lend to end-customers)" (De and Vicente, 2012).

Segment-4: Desired Roles of Bank Boards and Senior Management in a Reshaped Governance Strategy in Covid-19 Situation

Banks have great roles to play in this unprecedented situation of Covid-19 as crucial economic agents. The board of directors of banks, which is charged with overseeing the short-term and long-term health, requires careful consideration of a range of issues under these unprecedented circumstances (Kucera et. al, 2020). It is time when the board has no option but to step in and play a unique role for the sake of their business.[35] Bank boards must have a deep-rooted understanding of the existing and evolving challenges, updated information, and scope of involvement.[36] However, the primary and immediate focus of a bank board and management should be associated with the alignment of the bank with the global and national efforts to handle Covid-19 contamination risks and the associated enabling services. Bank and financial institutions are of utmost importance in maintaining economic activity and enabling the supply and delivery of basic financial services in this crisis (Allen and Overy, 2020). There is no doubt that many commercial banks have assumed social responsibility and fully supported the fight against the outbreak and resumed normal operations, such as providing preferential credit support and reducing transaction fees for the affected customers, enhancing online financial services, and donating funds and supplies; however, commercial banks also need to fully assess the impact of the outbreak and take countermeasures and realize the critical role of their governance at this time (Ernst and Young, 2020).

Bank managements' actions and communications must be very effective at this time of Covid-19 crisis. Board has a great role to play in the form of guiding and supporting management in the decision around[37] the fight for business continuity efforts. In recent times, there is an increased engagement between the boards and management, not necessarily via the board committees (Elison, 2020). However, under no circumstances, the roles of the board and management should be blurred.[38] The board can help set the tone of an entity for the desired response, and make sure that management actions and communications are effective (Deloitte, 2020). Enhancing the existing reporting and information systems of banks is essential to provide oversight by the board to ensure that the board can receive relevant information on the material business risks and the implications thereof (Kucera et.al, 2020). As businesses start to settle into the new reality, directors are bound to exercise a degree of

[35] "In a crisis like Covid-19 when the stakes are high and scrutiny is intense, the board has a unique role; stepping in may be uncomfortable, but stepping aside is not an option" (Deloitte, 2020).

[36] "For board of directors, a good response is likely to be rooted in a deep understanding of the role of the board-knowing when to step in when not to, and how and when to engage in external activity- such as communicating with stakeholders, regulators and others" (Deloitte, 2020).

[37] The board acts as the stewardship body of a company for guiding and supporting management not only for survival but also for ensuring the company positions to emerge from the crisis stronger and more resilient (Deloitte, 2020).

[38] "All parties need to ensure that there is clarity in terms of the role of the board versus management; and this separation in functions is maintained. In a post Covid-19 world, where management and board decisions are being reviewed by external stakeholders, it will be important to be able to demonstrate that boards fulfilled their duties and did not inadvertently take on management functions." (Elison, 2020).

care, diligence and skill in overseeing the operations with sufficiently updated information to perform their supervisory function effectively (Vella, 2020). Bank management needs the support of its board on very short notice at this difficult situation to respond to the sudden development.[39] The board should be giving the management right amount of space to handle urgent issues, make decisions and provide needed leadership while remaining agile to take a more active role as needed (Hostetler, 2020).To promote effective decision making during the Covid-19 pandemic and aftermath, an environment of trust, respect and shared concerns of the board-senior management should prevail (IDB Invest, 2020).

As a broad strategy, Wyman (2020) prescribes three key areas of focus to serve on the part of banks' leadership: *one*, serving customers (i.e. ensuring access to critical services in affordable and comfortable terms); *two*, helping society (i.e. supporting affected customers and communities); and *three*, responding to financial difficulty (i.e. scenario planning, launching a special credit strategy, and operationalizing restructuring capabilities). PwC (2020) put forward similar opinions regarding banks' responses to the situation that include certain steps related to supporting communities and customers, and balancing medium to long term positioning of the institutions; concentrating on business continuity planning for survival; showing empathy to customers while making sound business decisions; rethinking balance sheet challenges while managing loan stress and customer sensitivity; finding ways to trim costs; resetting revenue outlook, and formulating the post-Covid-19 strategy. There is no doubt that the ongoing working condition of a bank is tough and challenging to adjust with the situation, however, probably the more essential element of banks' responses is how the crisis impacts their clients and, as a result, their ability to generate revenue (Euromoney, 2020).[40] In a recent editorial, The Banker (2020) has considered the situation as a real opportunity for the banks to support their customers, employees and society and suggested banks to respond positively. According to the editorial, banks must start by ending all bonuses and cancelling dividends so that the resources of the bank can be focused on helping both retail and business customers with mortgage and loan holidays; banking associations should also step up by coordinating measures (where they do not fall foul of competition rules) and putting out an industry message about what is being done (Banker, 2020).

Banks' board and senior management are expected to give priority to their employees alongside supporting their clients and the society at this critical time.[41] Boards need to ensure that the management can act quickly in a constantly evolving landscape and prioritize the safety and well-being of the employees, as well as those who depend on the banks for essential services (IDB Invest, 2020). Banks need to ensure that employees do not have their personal financial concerns to compound the stresses of new working arrangements and lockdowns.[42] In line with the corporate governance principles of the Basel Committee,[43] it is

[39] Based on regular and updated information and with different perspectives, the board may support management and can push management to make difficult decisions if there is hesitancy in this Covid-19 situation (Deloitte, 2020).

[40] https://www.euromoney.com/article/b1l62tdlhxkj13/asian-banking-in-the-time-of-coronavirus

[41] "Think carefully about all your stakeholders and give employees greater priority" (Francke, 2020).

[42] Euromoney: https://www.euromoney.com/article

time for the bank boards to assess whether the bank-wide remuneration system is creating the desired incentives for managing risk, capital and liquidity in this unusual situation by monitoring and reviewing the outcomes.

The board of directors is at the center of corporate governance and thus, should play a significant role in overseeing the company's risk assessment and management in connection with the Covid-19 crisis (Hostetler, 2020). This current crisis requires the business leaders rethink how they should define, measure and manage enterprise risk (Sawyer, 2020). ERM should be given due importance[44] to ensure an integrated approach and leadership role of the board and top management in risk management functions. With the evolving situation, initiatives with timely risk management have increased significantly and aligning ERM with strategic positions to seize opportunities has become essential (Granter, 2020). Under ERM, engagements with diverse people in the risk management process help banks to be more proactive in recognizing bumps along the way. Communication is the key in ERM and it is even more important in this Covid-19 crisis (Beasley, 2020). As part of ERM, addressing compliance risks (in response to the policy directives and stimulus packages) and supporting policymakers (as part of social responsibility at this critical situation) should get due attention of the banks' board and management. Based on the experience from the prior economic and financial crisis, it can be speculated that banks may face similar regulatory scrutiny and backlash[45], and reputation[46] might be at stake as they did during 2008-09 crisis if they fails to meet the expectations of policymakers and wider society once again during the current crisis (Barker, 2020).

Covid-19 is an acid test for the banks across the globe in terms of diversification and de-risking their strategies. Regardless of their size and extent of the downturn, high costs and low returns remain the key structural issues facing many banks in both developed and developing countries.[47] While policy responses to stimulate lending to the affected and essential business activities might provide breathing space in the short run, deep restructuring of many banking systems would be needed in the medium-term (Carletti, 2020). Digitalization and living in the low-interest rate regime appear to be the future of banking that will have notable cost and revenue implications. The low-interest rate is also expected to

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[43] According to the Principle 11 (Compensation) of the 'Corporate Governance Guidelines for Banks' of the Basel Committee, "remuneration systems form a key component of the governance and incentive structure through which the board and senior management promote good performance, convey acceptable risk taking behavior and reinforce the bank's operating and risk culture.............the board or its committee should regularly monitor and review outcomes to assess whether the bank-wide remuneration system is creating the desired incentives for managing risk, capital and liquidity" (Basel Committee, 2015).

[44] "For many companies, ERM has become a check-the-box activity during the decade-long period of economic growth, but the coronavirus pandemic clearly shows the need for attention and rigor". (Gartner, 2020).

[45] "During the banking crisis of 2008, several big banks went to great lengths to ensure that they did not require government support-largely so that they could retain freedom of action over key business decisions. But ultimately the behavior of the entire sector was viewed so negatively that it was subject to a huge amount of regulatory control which effectively turned banking into a compliance-driven activity." (Barker, 2020).

[46] "If banks continue to pay large dividends and significant discretionary bonuses while at the same time failing to help sustain the survival of their SME clients, the consequences from a reputational perspective could be dire." (Barker, 2020).

[47] Next Finance (2020): https://www.next-finance.net/Covid-19-an-acid-test-for-European

affect banks' profitability adversely through reduced net-interest margins in the coming days. The impact of technology on bank business models has already been profound (Vives, 2019), and it is now expected to be enormous. Newer business models with the massive application of digital technologies might be the key choice of bank leadership to transform their business. All these changes and corresponding responses are expected to enable banks to offer new products and services with improved efficiency and competitive advantage in the new normal economy. Importantly, bank board and senior management should play the greatest role in this transformation process.

As the long-term solution to the Covid-19 crisis, there is no alternative but to address the environmental concerns at the macrolevel where banks might be a crucial stakeholder. IPBES (2020) rightly notes, there is a single species that is responsible for the Covid-19 pandemic - us; and adds, rampant deforestation[48], uncontrolled expansion of agriculture, intensive farming, mining and infrastructure development, as well as the exploitation of wild species have created a 'perfect storm' for the spillover of diseases from wildlife to people.[49] Also, some new technologies have altered how people interact with the natural environment, and some of the fundamentally unnatural interventions have resulted in a huge debate.[50] Despite several benefits, these highly debated unnatural interventions (like genetically modified crops and animal cloning) are blamed for threatening the natural order. *In the disguise of 'geoengineering*', there are numerous attempts to control the nature heavily.[51] The over exploration efforts, hasty development attempts, rapid modernization endeavors, and over-ambitious policy interventions without respecting the nature appear to be the responsible for today's misery - the Covid-19 crisis. It is perceived to be one of the hidden side-effect[52] of the ongoing mechanistic economic development approach. Looking ahead, humanity must rebalance its relationship with the nature to secure a sustainable future for people and the planet (WWF, 2020). Future pandemics are likely to happen more frequently, spread more rapidly with the greater economic impact and kill more people if the policymakers are not aware of the possible repercussions of their choices they make today (IPBES, 2020). Under

[48] A 2019 study found that a 10% increase in deforestation would raise malaria cases by 3.3%; that would be 7.4 million people worldwide. Yet despite years of global outcry, deforestation still runs rampant. An average of 28 million hectares of forest have been cut down annually since 2016, and there is no sign of a slowdown (Scientific American, 2020).

[49] While the origin of the Covid-19 virus is yet to be established, 60% of infectious diseases originate from animals, and 70% of emerging infectious diseases originate from wildlife. The Globe have lost 60% of all wildlife in the last 50 years, while the number of new infectious diseases has quadrupled in the last 60 years. It is no coincidence that the destruction of ecosystems has coincided with a sharp increase in such diseases (World Economic Forum, 2020).

[50] For example, agricultural biotechnology involves manipulating the genetic structure of plants; debate about genetically modified crops, as well as the cloning of animals.

[51] In 1970, 'The End of Nature' published by the environmentalist Bill McKibben argues that the natural systems could no longer be considered independent from human influence; and in recent time he notes, anthropogenic climate change marked a definitive shift and now the nature is fundamentally linked to choices made by human societies. His comments indicate the extent of intervention, 'by the end of nature I do not mean the end of the world. The rain will still fall and the sunshine, though differently than before. When I say 'nature' I mean a certain set of human ideas about the world and our place in it.' (Corner et. al, 2013).

[52] Pandemics are often a hidden side effect of economic development (World Economic Forum, 2020).

such circumstances, it is imperative for bank leaderships to play proactive role in devising green products/ventures as an integral part of their reshaped strategy and transformation.

It is not easy for bank management to set priorities and extend their activities in such a critical and uncertain situation. Vater et.al. (2020) are in favour of focusing more on banks' resilience and opine that banks should first protect their employees and service providers through safety measures in branches and essential offices; for their affected customers and small businesses they should offer payment extensions or other programs but only so far as their balance sheets allow. To make the balance sheet more resilient, banks will have to better understand liquidity shifts day to day, review the loan portfolio and tailor measures for each loan category, they added. In connection with operational resilience, a BIS study (Coelho and Jermy, 2020) points out two challenges that have strongly come up in front of the banking industry since the very beginning of the corona crisis: the first challenge is financial (i.e. how to address and mitigate the sharp drop in the value of financial assets or loss of liquidity); and the second challenge is operational (i.e. how to address the risk of failure of resources -people, processes, technology, facilities and information) to deliver business services. Improving the operational capacity and efficiency have become crucial to survive. Bank board and senior management need to trigger contingency planning/business continuity planning; establish a crisis management committee to address matters arising from Covid-19; enhance monitoring for early indicators of recovery mode (Allen and Overy, 2020). Policymakers in different countries have already attempted to help financial institutions in addressing these challenges by issuing some forms of business continuity guidelines[53] and operational resilience expectations[54]. However, risk and challenges of different banks in different countries might indeed be different considering their financial soundness, resilience and internal capacity. Even public sector banks, private commercial banks, and foreign commercial banks may have different internal capacities and incentives to offer due support to the policymakers. Thus, bank boards and senior management must have due strategies to draw the attention to the policymakers for regulatory and supervisory supports.

Alongside several policy measures associated with business difficulties faced by bank clients;[55] as expected[56], central banks of the different economies have rightly come up with a

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[53] Business continuity guidance commonly consist of ensuring customer and staff safety; reviewing the appropriateness of contingency plans to address a pandemic scenario; assessing telecommuting capabilities and increasing cyber resilience; identifying critical financial workers; coordinating with critical third-party service providers; and maintaining clear communication with internal and external parties (Coelho and Jermy, 2020).

[54] The Bank of England is the first national authority to issue a consultation on its operational resilience expectations; elements commonly consist: Critical/essential employees; IT infrastructure; Third-party service providers; and Cyber resilience (Coelho and Jermy, 2020).

[55] For example, Bangladesh Bank and Nepal Rastra Bank announced several measures to ease difficulties caused the banks and their business clients due to the Covid-19 pandemic.

[56] According to the Principal 13 (The Role of Supervisors) of the 'Corporate Governance Guidelines for Banks' of the Basel Committee, supervisors should provide guidance for and supervise corporate governance at banks, including through comprehensive evaluations and regular interaction with boards and senior management, should require improvement and remedial action on corporate governance policies and practices of banks as necessary (BIS, 2015).

number of special guidelines and rules to streamline corporate governance practices of banks to address this challenging scenario.[57] There are also prescriptions from international and inter-governmental organizations to display enhanced corporate governance practices in this emergency. All these guidelines/sets of rules should constitute an integral part of the performance evaluation criteria for assessing the corporate governance practices of the banking institutions for this special time-zone. Banks are also expected to be very open to collaborating with the regulatory authorities and policymakers to overcome the crisis.[58] It is really hard for banks to meet the expectations of regulators and clients to the fullest extent at this moment.[59] Though, some of the widely discussed challenges of Covid-19 may not have a direct association with the corporate governance practices of banks and the corporate governance principles[60]; these are associated with the long-term business goals of the banking institutions.

In spite of differences in opinions, most of the publications, data analyses and research outcomes in the context of Covid-19 are in favour of the banks' role and boards' strategic shifts to allocate sufficient resources for financial support, social responsibility and business transformation. However, streamlining business operations and risk management must receive due attention at the same time. It is about business continuity for the turbulent period and stress-testing capabilities to identify long term strategic implications and opportunities.[61] The network of the boards and top management of banks are expected to set the tone with the bank's response to the Covid-19 crisis and act to protect financial resilience and reputation. Overall, banks' governance or directors' role may be seen from five broad perspectives (draws heavily from Ernst and Young, 2020): streamlining business operations; enterprise risk management; enhanced social responsibility; prioritizing employees and customers; and strategic transformation (box 4.1).

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[57] For example, Bangladesh Bank, the central bank of Bangladesh, issued several prescriptions/guidelines: To facilitate regular meetings of the bank boards and board committees, BB prescribed banks to conduct board meetings through video conference (BRPD circulars dated May 17 2020 and Circular Letter No-34, June 30 2020). Considering the turmoil, different departments of BB have extended the deadline for submission of regulatory statements and audited balance sheet (BRPD Circular Letter No. 16, dated 11 April 2020; DOS Circular Letter No. 12 dated 12 April 2020; SFD Circular Letter No. 02 dated 19 April 2020; DOS Circular Letter No. 15 dated 27 April 2020; and DFIM Circular Letter No. 03 dated 01 June 2020). Based on the capital adequacy ratio, BB imposed restrictions on banks for paying dividends (DOS circular no-3 dated June 07 2020).

[58] "Like in Switzerland, regulators worked with banks to get out loan extensions and loans, so that businesses could fill out an online form and, if approved, the money would be in their account the next day; likewise in China, banks worked with regulators to fast track loans and extensions; and in South Africa the banks were allowed to instead adopt 'opt-out' models so that all qualifying loans would be extended." (Avery, 2020).

[59] "Once governments announce support packages, customers want to see the money on their account the next day; there are fears that banks will be held responsible for the inevitable delays" (Avery, 2020)

[60] Basel Committee prescribed 13 corporate governance principles for banks covering mainly boards' responsibilities, composition and structures; roles of senior management; risk identification, monitoring and communication; internal control; compliance issues; compensation issues; disclosure and transparency; and the role of supervisors (BIS, 2015).

[61] According to Vater et al. (2020), "Banks should plan for a turbulent period lasting months at least, with actions spanning their entire footprint - physical and virtual - and touching all stakeholders. At the same time, banks should stress-test their capabilities and financial metrics, in order to identify long-term strategic implications and opportunities, and build a bridge from the present crisis to a post-crisis future."

Box 4.1: Recommended Strategic Shifts under Five Broad Heads	
Streamlining Business Operations	• Is business interrupted by the outbreak? What measures have the banks taken to ensure business continuity? • Are business growth indicators affected? What measures have the banks taken to achieve the annual targets and is it necessary to adjust them?
Enterprise Risk Management	• In terms of credit risk, which industries and regions have their loan quality affected? What countermeasures have the banks taken to prevent and control corresponding credit risks? • Have the banks received any negative public opinions related to their responses to the outbreak? In terms of reputational risks, what measures have the banks taken to control them during the outbreak? • In terms of compliance risks, regulators have issued a series of regulatory policies in response to the outbreak. Have the banks taken relevant measures in response to regulatory policies?
Enhanced Social Responsibility	• What measures have the banks taken in fighting the outbreak and fulfilling their social responsibilities? • What measures need to be undertaken by banks to offer due support to the policymakers in the form of emergency services and for quick economic recovery as part of their responsibility? • How to incorporate environmental risk in the transformed banking and financing models of banks?
Prioritizing Employees and Customer	• Are employees in a strong communication network of banks and duly incentivized to perform in line with the strategic changes and priorities? • Has the preparation and audit of the 2019 financial report been affected? Is it necessary to apply to the relevant exchange or regulatory agency for an extension of disclosure of the annual report?
Strategic Transformation	• The outbreak reflects the importance of the digital transformation of banks. Is it necessary to re-examine the bank's current business strategy? • Existing products and business strategy might require adjustment. What are the new products and business avenues that should get newer impetus?

Now it is the time to completely rethink how a bank creates a new path for the future that requires new strategies, tactics and priorities to support a new workplace environment, enhanced levels of consumer commitment, increased use of new technologies, a renewed commitment to innovation, and a sustainable value proposition that helps the community and the planet (Morous, 2020). Alongside businesses, it is crucial now for banks to allocate due importance for strong Environmental, Social and Governance (ESG) performance for higher value creation and ensuring long-term success (Zamir, 2020). A transformed strategy might offer opportunities,[62] and recognition to a bank as a responsible corporate citizen.[63] Board and senior management of banks must allocate adequate time to review policies, practices, and performance metrics that were in place before the Covid-19 crisis and adjust them for the new working environment.

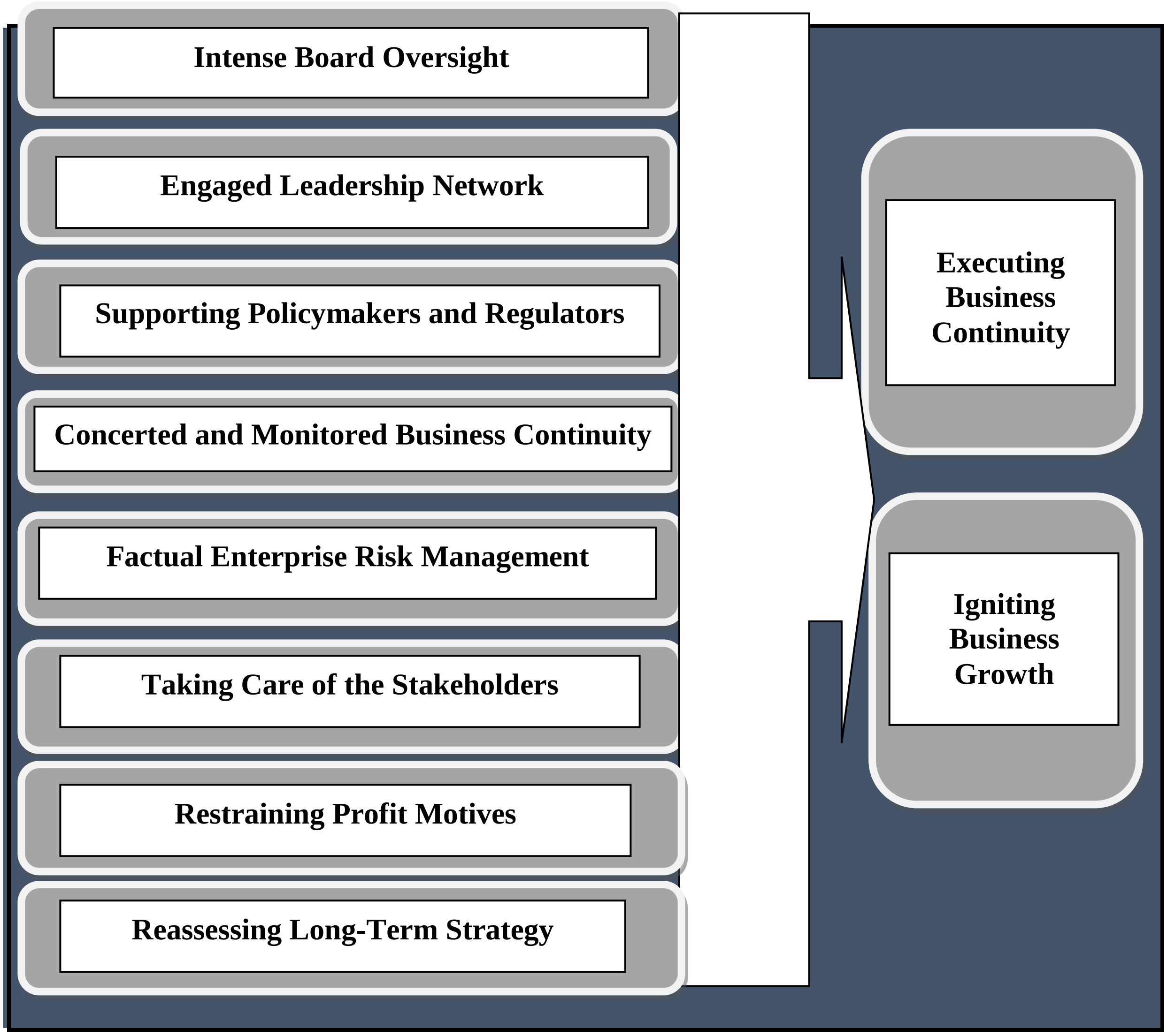
[62] "One major benefit from the Covid-19 crisis is that financial institutions were able to determine which functions of their organization can be done well in a remote work scenario; for example, if data security, fraud, cybersecurity, and privacy concerns can be addressed, many organizations may move entire departments to a work-from-home future. Some organizations have already announced that their primary call centers will be remotely based in the future" (Marous, 2020).

[63] "Banking governance -and particularly the banks' directors-must recognize the clear and present danger to the sector, and use this crisis as an opportunity to transform banks into respected corporate citizens rather than the perennial corporate villain." (Barker, 2020).

Segment-5: An Indicative Framework for Effective Corporate Governance Practices in Covid-19 Regime

Keeping the basic goal intact,[64] it is time for corporate governance to take new shape to ensure business continuity and long-term sustainability. The changed corporate governance practices during the Covid-19 regime must also be congruent with the macro goals of their respective countries and global community. This is what we call 'emergent corporate governance' in response to the changed scenario and the associated developments. The key areas of renewed corporate governance and the associated goals may include the following elements (box 5.1).

Box 5.1: Areas of Corporate Governance requiring Renewed Attention and the Corresponding Broad Goals of Banks in the Covid-19 Regime



[64] The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company; good governance can have wider impacts which is fundamentally about improving transparency and accountability within existing systems (ICAEW: https://www.icaew.com/technical/corporate-governance/principles/principles-articles/does-corporate-governance-matter)

Focusing on these areas (Box-5.1), certain activities and functions are required to be accomplished to execute business continuity plans during Covid-19 scenario and to ensure recovery and financial stability by igniting business growth in the post-Covid-19 situations. The functional areas may be described as follows.

Effective Oversight Role of the Board by Redesigning Information Setup and Forming Special Committee

Intense oversight responsibility is crucial at this time of the Covid-19 that must be based on updated and regular information. Bank boards must receive updated and regular information and reports on the existing and potential risks that might be evolving. This is also essential for the board to monitor the ongoing developments at this critical time. In light of the oversight responsibilities and as a matter of good corporate governance, a possible tool available to a board to address its monitoring and oversight responsibilities is to create a special committee that could be tasked with evaluating and, if necessary, adopting any available preventative and contingency measures regarding the impact of the Covid-19 on the bank's operations and affairs.

Engaged Leadership Network and Regular Dialogues for Continuous Strategic Adjustments

Banks must have arrangements of continuous dialogue with management to help identify issues and provide strategic directions to handle evolving challenges. It is a crucial time for the boards to give management an adequate discretion in handling hasty and vital issues while providing the required sense that the board is ready for taking more active roles if needed. A board should consider increased and sustained open dialogue with the management on both the business risks and the workplace health and safety issues posed by Covid-19. The critical issues including liquidity, capital and financial resilience should be under continuous observation.

Supporting Policymakers with Appropriate Strategy and Complying with the Regulatory Expectations

A bank must have an internal strategy for economic stimulus packages so that its clients and the bank itself can optimally benefit from these. Clients having financial strength and not being affected by the crisis should not be facilitated with these scarce packages for the sake of quick economic recovery. As a crisis response strategy, policymakers around the globe are following almost common approaches of injecting money in the economy to ensure greater liquidity with the banks. However, if banks do not respond to proactive approaches and finance the economic agents, national policy goals cannot be attained. The Bank leaderships must be aware of a probable regulatory backlash if they do not respond to regulatory expectations. Banks must be very transparent with the regulator on compliance issues in this critical situation. Banks must also be ready and open to collaborating with the regulators for ensuring effective financing in this emergency.

Well-Informed and Monitored Business Continuity under Board-Senior Management Leadership

Due to the unique nature of Covid-19, the board, as part of its ongoing monitoring and oversight responsibilities, should continue discussing any implementation issues with the management and evaluate whether any modifications to the existing business continuity plan are necessary to cope with evolving issues. For business continuity, bank boards need to monitor the ongoing adjustments of management with immediate and near-term objectives; ensure the effectiveness of management efforts against those objectives; and that management is both dealing with the immediate issues and looking ahead to the range of potential scenarios. Developments in key functional areas covering general banking, credit, trade and foreign exchange operations must be under constant scrutiny of the contingency teams formed for these purposes.

Installing Factual Enterprise Risk Management for Greater Integration of the Board with the Risk Management Functions

As a measure and approach for existing risk management and preparation for quick recovery, the banking industry should focus on the integrated approach (i.e. Enterprise Risk Management where the board and top management have a critical role to play to lead risk management efforts). As boards begin to revisit their strategies, during and post Covid-19, it is essential that risk management frameworks are revised concurrently. It is the time for the bank boards and risk committees to interact more frequently and focus more on the consequences and less on the causes of risks.[65] Boards and senior management of banks should be concentrating on risk appetite metrics and install contingency arrangements if needed. Banks need to update their newer form of credit risk, cybersecurity, crime and other operational risks to mitigate the evolving risk exposures in line with their risk appetite. Board and senior management must be satisfied with the reliability of the risk information and reports that clearly identifying the prioritization of financial and non-financial risks.

Taking Care of the Stakeholders for Reputation and Future Business Opportunities

People (clients, employees, communities) are the biggest assets for the banks in this situation.[66] Bank leadership should focus on delivering essential banking services to the clients, long-term employee wellness, and fulfilling social and financial needs of the community. Reaching to the clients using a strong digital platform is a basic necessity in this Corona situation than ever before. Consumers need to know that their banks care about them, have concerns about their services and empathize on them at this time of need. The Covid-19 is offering an opportunity to support clients and affected communities, thus improve the reputation and image of the banks. Employees must not confront the fear of job-cut, and banks should have the strategy to address their fear and offer an appropriate incentive for required productivity and adaptation with the changing situation. Environmental, social and governance (ESG) targets should emerge stronger from the crisis, and even find newer growth prospects as part of the future of

[65] "During Covid-19 risk will become about the consequences not the cause." (Francke, 2020)

[66] "People are biggest assets, and that becomes more important in such times" (Bhattacharyya, 2020).

banking. Board and senior management have to lead balancing these responsible efforts to ensure medium and longer-term profitability.

Restraining Profit Targets and Investing for Future Growth

Traditional profit-motives of the commercial bank boards and leadership should be held back at this crisis because running after high profitability of the normal situation might be an unreachable ambition and lead to damaging effects for future business opportunities and reputation, even financial catastrophe in this abnormal situation. This should rather be a period for creating the right kind of platform by investing in clients, communities, employees, and systems for creating medium and long-term business opportunities. It might be a challenging time for banks with weak financial positions. As central banks and governments are supportive, it is unlikely that a bank will be pushed into distress at this stage of the crisis. Banks are expected to maintain continuous communication with the regulators and governments to support as such a delicate situation evolves.

Moving Beyond the Corona Crisis and Reassessing Long-term Business Strategies for Business Transformation

It is high time for banks for reassessing existing business strategies and moving beyond crisis management. Simply responding to the evolving situations would hurt competitive advantage. It is now crucial for banks to move from crisis management to interim and long-term strategic planning for business transformation. A wide-ranging transformation covering human resources, organizational structure, governance and culture might be on the card. It might include significant workplace transformation, renewed and remarkable boosts of IT and fin-tech, and moving towards comprehensive digitalization. Cost and investment issues and strategic changes must be adopted and adjusted at the board and senior management levels based on the banking and business evolution in the Covid-19 regime and a number of future business considerations.

Finally, and very importantly, if a bank fails to reset itself with reshaped strategic approach during this Covid-19 crisis, trust from consumers, businesses and the community could be at risk. However, the bank board and the senior management must maintain the fundamental distinctive line between them regarding their scope of work for maintaining the sanctity of the good corporate governance practices. It must be kept in mind that the boards' enhanced engagement in this unprecedented scenario must be encircled mainly with the noble causes of cooperating the collective efforts of economic recovery, supporting vulnerable stakeholders, and undertaking longer-term strategies for igniting business growth. For a bank's board, it is about shouldering greater responsibilities and reflecting accountability to the society by pulling the rein of excessive profit in the short run for the sake of the long term business and social benefits. On the contrary, greater engagement of board in the form of exercising undue interferences and drawing unwarranted privileges in this emergency situation would be destructive for the economy and counterproductive for the sustainability of the banking industry.

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