

EMPIRICAL RELATIONSHIP BETWEEN AUDIT FEES AND FINANCIAL PARAMETERS: AN INDICATOR OF CORPORATE GOVERNANCE IN INDIAN BANKS

PRIYA GUPTA¹

Apeejay School of Management, New Delhi, India
priyagupta.1704@gmail.com

KAMAL KISHORE²

Apeejay School of Management, New Delhi, India
kamalk1951@yahoo.co.in

Abstract

The auditors play a central role in fostering good Corporate Governance system in a corporate entity. Law vests the authority to appoint the auditors in shareholders and they take such decision at the general body meeting including their fees. Companies decide fees to be paid to auditors based on their reputation, their relationship with the company, market trends, quantum of audit work, the size of company's operations and its financial strength, etc. The paper seeks to identify an empirical relationship between the audit fees and relevant financial indicators of three categories of banks operating in India, i.e. the Public Sector Banks, New Private Sector Banks and Old Private Sector Banks. This study fills the gap in the literature by exploring an intriguing question of whether the quantum of audit fees paid by various bank groups in India is an indicator of good corporate governance or not.

Keywords: Auditors, Audit Fees, Corporate Governance, Financial Indicators, New Private Sector Banks, Old Private Sector Banks, Public Sector Banks

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¹Corresponding Author, Assistant Professor (Finance), Apeejay School of Management, Sector-8, Institutional Area, Dwarka, New Delhi- 110077, India, Contact No. 9968231288 (M)

² Dean and Professor (Finance), Apeejay School of Management Sector-8, Institutional Area, Dwarka, New Delhi- 110077, India, Contact No.: 9312643346(M)