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Challenges of Chief Risk Officers in India: Navigating Authority, Independence, and Organizational Alignment

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Abstract

The role of the Chief Risk Officer (CRO) has evolved from that of a compliance custodian to a strategic leader responsible for embedding risk thinking across the enterprise. In India, this evolution has been accelerated by regulatory reforms, board governance expectations, and heightened uncertainty arising from macro-economic, technological, and environmental disruptions. Yet, CROs continue to face profound challenges, balancing regulatory mandates with business realities, asserting independence while maintaining alignment with the CEO and other CXOs, and operating effectively within the three lines of defence. This article explores the multi-dimensional challenges faced by Indian CROs in performing their duties, focusing on their roles, powers, board relationships, inter-CXO dynamics, and crisis response. It concludes with recommendations for strengthening the CRO function as a pillar of sustainable corporate governance.

Keywords: Chief Risk Officer, India, Risk Governance, Three Lines of Defence, Board Oversight, Regulatory Empowerment, Enterprise Risk Management

Introduction

In modern enterprises, the Chief Risk Officer (CRO) stands at the intersection of strategy, governance, and control. The role demands technical expertise, moral courage, and organizational diplomacy. In India, as the Insurance Regulatory and Development Authority of India (IRDAI), Reserve Bank of India (RBI), and Securities and Exchange Board of India (SEBI) move toward risk-based supervision (RBS) and enterprise risk frameworks, CROs are being formally empowered, at least on paper, to guide boards and CEOs on enterprise-level risk exposures. For instance, IRDAI's recent Corporate Governance Regulations emphasise the independence of control functions, including risk [1]. (TaxGuru)

However, the practical environment remains challenging. Many Indian organisations, especially in financial services and conglomerates, are still transitioning from a compliance-driven to a risk-based culture. CROs, therefore, often find themselves balancing expectation versus execution, independence versus integration, and regulatory compliance versus business agility. Research on ERM implementation in India suggests these gaps are significant [2]. (ResearchGate)

Evolving Role of the CRO in India

The role of the CRO in India is relatively new, gaining prominence post-2010, particularly after the global financial crisis and India's shift toward risk-based regulation. Traditionally, risk management functions reported to the CFO or Head of Audit. Over the last decade, regulators have increasingly mandated independent CROs, particularly in banks, insurers, and systemically important financial institutions. For example, the IRDAI's corporate governance regulations highlight the need for independence of risk functions [3]. (tta.in)

Regulatory Recognition

In the insurance sector, IRDAI guidelines require that the operating head of the risk management function (CRO) has direct access to the board and that control functions remain independent [3]. (tta.in) Likewise, broader surveys of CRO roles note that today's CRO must be a strategic partner and master of many trades, reflecting a shift in remit and complexity [4]. (Risk Management Association)

These regulatory mandates underscore formal empowerment of CROs in India, yet organisational influence remains variable.

The CRO's Roles and Responsibilities

A modern CRO in India typically oversees:

- Enterprise Risk Management (ERM) across strategic, operational, financial, compliance and emerging risks [5]. (WJARR)
- Risk appetite and tolerance frameworks.
- Risk quantification and reporting (dashboards, stress-testing, scenario modelling).
- Regulatory compliance (capital, solvency, operational resilience).
- Risk policy and framework ownership (ERM policies, crisis management).
- Coordination of the three lines of defence (first line: business, second line: risk/controls, third line: internal audit). (SSRN)
- Crisis management and business continuity leadership.
- Board communication and institutional escalation mechanisms.

This mandate is comprehensive, yet the authority to execute is often constrained by internal politics, ambiguous accountability, or limited board backing. Research in Indian insurance firms highlights that the roles and responsibilities of CROs and second-line functions remain weakly defined [2]. (ResearchGate)

Power Dynamics: Regulator vs. Board Empowerment

Regulatory Empowerment

Regulators like IRDAI have formally elevated the CRO's authority. For example, IRDAI's 2024 Corporate Governance Rules emphasise independence of control functions (risk, audit, compliance) and require board oversight of risk frameworks [1]. (TaxGuru)

However, regulatory empowerment does not guarantee organisational influence. As one study states, while mandates define the "what," organisational culture determines the "how" [2]. (ResearchGate)

Board-Level Empowerment

In theory, the Board, particularly the Risk Management Committee, should provide the CRO with:

- A direct reporting line and right to escalate risk issues independently.
- Assurance of non-retaliation for unpopular recommendations.
- Support in aligning risk appetite with business growth.

In practice, many Boards lack risk literacy, and risk management remains framed more as compliance than strategic insight [5]. (WJARR) As a result, CROs may find themselves technically accountable but politically vulnerable.

Challenging the First Line of Defence

The "Three Lines of Defence" model, management (first line), risk oversight (second line), and internal audit (third line), is conceptually sound. However, in India, the first line often resists scrutiny: business heads may perceive the CRO and risk function as obstacles to growth, especially when risk assessments challenge sales targets or aggressive pricing. Research indicates inadequate understanding of roles across first and second lines is a key barrier to Indian ERM implementation [6]. (Academia)

Other issues include:

- Cultural resistance, business functions view risk as cost rather than value creation.
- Information asymmetry, risk teams rely on data from first-line functions that may be delayed or sanitized.
- Power imbalance, business functions hold more political capital than control functions.
- Conflicting priorities, revenue growth versus risk mitigation.

To manage effectively, CROs must exercise "influential authority", using persuasion, data credibility, and trusted relationships rather than relying solely on formal power.

Board Support During Crisis

CROs are most tested not during routine governance, but during crises, e.g., credit defaults, cyber incidents, solvency issues, or major operational disruptions. In such moments, the Board's attitude toward the CRO determines whether the organisation learns or repeats its mistakes.

Supportive Boards

Progressive boards support their CROs by:

- Allowing transparent reporting of adverse developments.
- Supporting management accountability and organisational learning.
- Empowering the CRO to lead or co-lead crisis investigations.
- Recognising that risk events expose system weaknesses rather than individual faults.

Unsupportive Boards

In contrast, some Boards may:

- Shift blame onto the CRO for systemic oversight failures.
- Ignore previously raised risk warnings.
- Revert to a checklist, based controls rather than systemic reform.

Such reactions erode the CRO's credibility and discourage proactive risk reporting. While specific empirical data on Indian high-level crisis support is limited, the broader literature on CRO roles notes that crisis periods highlight governance weaknesses [4]. (Risk Management Association)

Role of the CEO and Other CXOs

The CRO's influence depends heavily on the tone from the top.

CEO Relationship

The ideal CEO–CRO relationship is marked by mutual respect and constructive tension: the CRO provides independent challenge; the CEO regards this as a value adding input. In many Indian organisations the CRO's independence is constrained by hierarchical deference or lack of direct Board access. Studies of ERM implementation in India suggest that CEO/CRO alignment and board support are critical success factors [5]. (WJARR)

Relationship with Other CXOs

- **CFO:** Natural ally in financial/solvency risk, yet may resist full disclosure of exposure.
- **COO:** Collaborator in operational resilience but wary of compliance overhead.
- **CTO/CISO:** Vital partners in technology/cyber risk; their alignment enables stronger risk responses.
- **CHRO:** Increasingly relevant for culture, conduct and talent risk.

Successful CROs build horizontal alliances across CXOs, creating a "risk, partnership" culture rather than a policing mechanism. The global CRO survey literature supports this expanded remit [4]. (Risk Management Association)

Systemic and Cultural Challenges in India

Several systemic and cultural factors limit the CRO's effectiveness in India:

- **Limited Risk Literacy at Board Level:** Indian ERM studies highlight inadequate board/training of first line [6]. (Academia)
- **Short-Term Business Pressures:** Quarterly performance orientation discourages long-term risk investment.
- **Role Ambiguity:** CROs are expected to own all risks but often lack mandate/execution authority.
- **Fragmented Risk Architecture:** Siloed risk, audit, and compliance functions with weak coordination.
- **Talent and Data Gaps:** Advanced modelling, scenario testing and analytics remain nascent [5]. (WJARR)
- **Hierarchical Culture:** Indian organisations sometimes struggle with open challenge and whistle-blowing.
- **Varying Regulatory Expectations:** Differing mandates across RBI, IRDAI and SEBI lead to uneven maturity.

These structural and cultural gaps constrain the CRO's ability to translate regulatory expectations into strategic influence.

The Way Forward: Strengthening the CRO Function

At the Board Level

- Enhance board risk literacy through training and induction programmes.
- Clarify CRO mandate and provide protections for independence (e.g., direct Board access, no undue interference).
- Institutionalise risk appetite frameworks that align growth and governance.

At the Organisational Level

- Embed risk ownership across business lines, making the first line accountable. This addresses the key implementation challenge [6]. (Academia)
- Equip CROs with analytics, technology and data to drive predictive insight (addressing data gap challenge).
- Cultivate a speak-up culture where constructive challenge is valued rather than penalised.

At the Regulatory Level

- Encourage adoption of ORSA-like frameworks beyond insurers and banks.
- Promote harmonised risk-governance codes across financial sectors, reducing regulatory fragmentation.
- Recognise and upskill the CRO profession via certification/standards (enhancing talent pipeline).

These steps will help shift the CRO role from a regulatory checkbox to a strategic enabler of enterprise resilience and growth.

Conclusion

The role of the Chief Risk Officer in India operates at a unique crossroads, where global expectations meet local realities. While regulators have laid a solid foundation for independence and authority, the true challenge lies in organisational culture, governance alignment, and mindset change.

CROs must not just monitor risks; they must enable strategy by translating uncertainty into informed decision-making. For CROs to fulfil this potential, Boards must see them not as gatekeepers, but as value creators who help organisations navigate volatility with confidence and integrity.

The future of India's corporate resilience depends on how effectively CROs are empowered, trusted, and integrated into the heart of strategy.

"A Chief Risk Officer's strength is not in predicting the storm, it's in preparing the organization to survive it." , Dr. Sonjai Kumar, CFIRM

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