



A Study of Corporate Governance Practices: With Reference to Selected Bank in India

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Abstract:

This study aims to identify effective corporate governance practices within both the public and private sectors of India by analyzing the annual reports of selected banks in accordance with the recommendations provided by SEBI and various committees dedicated to enhancing corporate governance standards. The analysis is segmented into distinct sections, each scrutinizing the compliance and adherence to corporate governance norms. Emphasis is placed on the significance of corporate governance for several compelling reasons.

- Failure to adopt an effective corporate governance system or the absence of such a system can result in the bank's insolvency.
- The lack of good corporate governance practices can erode trust and confidence.
- Within the nation's financial system, people's trust in the banking sector plays a pivotal role amid rapid economic growth.
- Robust corporate governance fosters stakeholder confidence and strengthens the banking system.



The analysis reveals that private sector banks exhibit a greater commitment to corporate governance norms compared to public sector banks, primarily due to stringent policies, board committee structure, and market competition.

Key Words: Corporate Governance, Public Sector, Private Sector, SEBI, Economic Growth

Introduction:

Corporate governance practices play a critical role in maintaining transparency, accountability, and ethical conduct within organizations. In the context of India's banking sector, corporate governance is of paramount importance due to the sector's central role in the nation's economic stability and growth. This study aims to delve into the corporate governance practices of selected banks in India, with a particular focus on examining how these practices align with industry regulations and recommendations.

Review of literature:

(S. vijayalakshmi 2013) In the article analyze corporate governance assessment involves an examination of the bank's board composition as well as the scores of both mandatory and non-mandatory committees.

(Ayesha Tabassum, 2015) The study revealed the significance of the "Board of Directors" and underscored the need for enhancing corporate governance within the banking sector. Moreover, it identified variations in corporate governance practices among the three sectors under investigation.

Problems of The Study: This raises questions about whether banks are adhering to corporate governance disclosure standards and whether there exists a mechanism for addressing investor grievances to enhance overall corporate governance. What are some ways to ensure better corporate governance in the banking sector?

Objectives of The Study: -

1. To Determine the effectiveness of corporate governance practices in public and private sector banks.
2. To compare composition of board committee and directors meeting and activates.



3. Assessing the effectiveness of Corporate Governance Practices in selected Public and Private Sector Banks.
4. Analyzing shareholding pattern, Remuneration committee, Mandatory and non-mandatory committee for Comparison.

Period of Study: The study examines data from banks that have been chosen from the annual reports of the 2018-19 financial year.

Sample size: Five public sector banks and five private sector banks were chosen for a comparative study of their corporate governance practices, based on their market capitalization.

Selected Bank Name			
Public Sector	Market Capitalization (Rs. In Crore)	Private Sector	Market Capitalization (Rs. In Crore)
State Bank of India	223,026.04	HDFC	650,446.47
Bank of Baroda	34,120.47	Kotak Mahindra bank	298,404.74
Punjab National Bank	26,680.45	ICICI bank	267,267.29
IDBI Bank	23,634.38	Axis bank	184,968.98
Bank of India	19,759.85	Indusland bank	87,593.02

Source: moenycontrol.com

Sources and collection of data: Data collection was conducted using secondary sources, including bank annual reports, research articles, magazines, thesis, and information from banking websites and RBI bulletins.



Hypothesis development:

H0: There is no showing significance difference between effectiveness of the Remuneration committee, mandatory and non-mandatory disclosure of selected public sector bank and private sector bank

H1: There is showing significance difference between effectiveness of the Remuneration committee, mandatory and non-mandatory disclosure of selected public sector bank and private sector bank

Table:1.3

Status of Remuneration Committee (for the year 2018-19)

S. NO.	PARTICULARS	PNB	SBI	BOI	IDBI	BOB
1.	Transparency in composition of the committee	Total Members-4 Chairman-1 Other Director-3	Total Members-4 gov. nominee 1 RBI nominee 1 NED-2	Composition of remuneration and nomination committee Total Members-3 Chairman-1 gov. nominee -1 NED-1	Total Members-5 gov. nominee-1 other nominee-1 id chairman-1 NED-2	Total Members-2 Chairman-1 NED-1



2.	Information about Remuneration of Directors	Disclosed	Disclosed	Disclosed	Disclosed	Disclosed
3.	Information about nature of complaint & queries received and disposed- item wise	Not disclosed item-wise break up. Not complaints pending reports	Not disclosed item-wise break up. Not complaints pending reports	Not disclosed item-wise break up. Not complaints pending reports	Not disclosed item-wise break up. Not complaints pending reports	Not disclosed item-wise break up. Not complaints pending reports
4.	Information about number of committee meetings	Total meeting-4	No information provided about total number of meeting	No information provided about total number of meeting	Total meeting-1	No meeting of the remuneration committee was held
5.	Information about investors/shareholder survey conducted	No such survey conducted	No such survey conducted	No such survey conducted	No such survey conducted	No such survey conducted
6.	Publishing of committee reports	No published in corporate governance reports	No published in corporate governance reports	No published in corporate governance reports	No published in corporate governance reports	No published in corporate governance reports



Table 1.4

Status of Remuneration Committee (for the year 2018-19)

S.No.	Particulars	HDFC	ICICI	KOTAK MAHINDRA BANK	AXIS	INDUSLND BANK
1.	Transparency in composition of the committee	Total Members- 4 Chairman - 1 ID- 3	Total Members- 4 Chairman - 1 ID- 2 Other director-1	Total member -3 Chairman-1 Ned-2	Total Members- 4 ID-3 NED-1	Total Members- 4 ID- 3 NED-1
2.	Information about Remuneration of Directors	Disclosed	Disclosed	Disclosed	Disclosed	Disclosed
3.	Information about nature of complaint & queries received and disposed- item wise	Not disclosed item-wise break up. Not complaints pending	Not disclosed item-wise break up. Not complaints pending	Not disclosed item-wise break up. Not complaints pending reports	Not disclosed item-wise break up. Not complaints pending	Not disclosed item-wise break up. Not complaints pending



		reports	reports		reports	reports
4.	Information about number of committee meetings	Total meeting-11	Total meeting-12	Total meeting-5	Total meeting-16	Total meeting-6
5.	Information about investors/shareholder survey conducted	No such survey conducted	No such survey conducted	No such survey conducted	No such survey conducted	No such survey conducted
6.	Publishing of committee reports	No published in corporate governance reports	published in corporate governance reports	published in corporate governance reports	published in corporate governance reports	published in corporate governance reports

Source: Compiling data from Annual Reports of the selected banks.

Observation from the table: 1.3 & 1.4

- Both banks have disclosed directors' remuneration in their annual reports.
- Public sector banks have not published the remuneration committee report. In contrast, private sector banks like ICICI, Kotak Mahindra, AXIS, and IndusInd have published their committee reports.
- Public sector banks have not provided information about non-executive directors and independent directors in the transparency of the committee's composition. In contrast, private sector banks have furnished all this relevant information.

Table:1.5

Item of Statutory Disclosure/Requirements and their status of Compliance



S.No	Item of Statutory Disclosures	PNB	SBI	BOI	IDBI	BOB
1.	Significant related party transactions having potential conflict with the interest of the company	Bank has not entered any transaction in AR	Bank has not entered any transaction in AR	Not compliance	Bank has not entered any transaction in AR	Disclosed in AR
2.	Non-compliance related to capital market matters during the last 3 years.	Penalty imposed	Penalty imposed	Penalty imposed	Penalty imposed	No any Penalty imposed
3.	Accounting treatment	Applicable AS are followed	Applicable AS are followed	Applicable AS are followed	Applicable AS are followed	Applicable AS are followed
4.	Board Disclosure Risk-Management	Laid down procedure to inform board	Laid down procedure to inform board	Laid down procedure to inform board	Laid down procedure to inform board	Laid down procedure to inform board



		member about risk management and minimization for boards review report.	member about risk management and minimization for boards review report.	member about risk management and minimization for boards review report.	member about risk management and minimization for boards review report.	member about risk management and minimization for boards review report.
5.	Disclosure of credit risk management policy	Not Disclosed in AR	Not Disclosed in AR	Disclosed in AR	Disclosed in AR	Disclosed in AR
6.	Management discussion and analysis (MD&A)	MD and A report formed part of annual report	MD and A report formed part of annual report	MD and A report formed part of annual report	MD and A report formed part of annual report	MD and A report formed part of annual report
7.	Shareholder information on: Appointment of new directors reappointment of retiring directors Quarterly result &	Disclosed compliance	Disclosed compliance	Disclosed compliance	Disclosed compliance	Disclosed compliance



	presentation Share- transfers Director's responsibilit y Statement					
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Source: Compiling data from Annual Reports of the selected banks.

Table:1.6

Item of Statutory Disclosure/Requirements and their status of Compliance

S.No	Item of Statutory Disclosures	HDFC	ICICI	KOTAK MAHINDRA BANK	AXIS	INDUSLN D BANK
1.	Significant related party transactions having potential conflict with the interest of the company	Disclosed in AR	Disclosed in AR	Disclosed in AR	Bank has not entered any transaction in AR	Bank has not entered any transaction in AR
2.	Non-compliance related to capital market matters	March 31, 2019, RBI has imposed a penalty of	Penalty imposed	No Penalty imposed	No Penalty imposed	No Penalty imposed



	during the last 3 years.	0.20 crore (previous year: Nil) for non-compliance with various Directions issued by RBI).				
3.	Accounting treatment	Applicable AS are followed.	Applicable AS are followed	Applicable AS are followed	Applicable AS are followed	Applicable AS are followed
4.	Board Disclosure Risk-Management	Disclosed in AR	Disclosed in AR	Disclosed in AR	Disclosed in AR	Disclosed in AR
5.	Disclosure of credit risk management policy	Disclosed in AR	Disclosed in AR	Disclosed in AR	Disclosed in AR	Disclosed in AR
6	Management discussion and analysis (MD&A)	MD and A report formed part of annual report	MD and A report formed part of annual report	MD and A report formed part of annual report	MD and A report formed part of annual report	MD and A report formed part of annual report



7	<p>Shareholder information on:</p> <p>Appointment of new directors</p> <p>reappointment of retiring directors</p> <p>Quarterly result & presentation</p> <p>Share-transfers</p> <p>Director's responsibility Statement</p>	Disclosed compliance	Disclosed compliance	Disclosed compliance	Disclosed compliance	Disclosed compliance
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Source: Compiling data from Annual Reports of the selected banks.

Observation from the table: 1.5 & 1.6

- In public sector banks, except for BOB, no penalties or strictures have been imposed.
- Among private sector banks, HDFC and ICICI are the exceptions, as they faced penalties or strictures.
- Only Bank of Baroda in the public sector disclosed related party transactions in the corporate governance report.

In private sector banks, three of them reported related party transactions, while Axis and IndusInd Bank did not engage in materially

significant related party transactions that could potentially conflict with the bank's interests.



Table-1.7

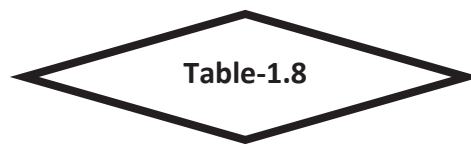
Item of Non-Status Mandatory Disclosures/Requirements and their status of Compliance for the year 2018-19

Sr.No.	Items of Statutory Disclosures	PNB	SBI	BOI	IDBI	BOB
1.	Shareholder right (e.g. information & half yearly declaration of financial performance sent to shareholders)	Disclosed on website & in News Paper. Also sent	Disclosed on website & in News Paper. Also sent	Disclosed on website & in News Paper. Also sent	Disclosed on website & in News Paper. Also sent	Disclosed on website & in News Paper. Also sent
2.	Audit Qualification	Disclosed	Disclosed	Disclosed	Disclosed	Disclosed
3.	Training of Board Member	Not Disclosed in AR	Not Disclosed in AR	Disclosed in AR	Disclosed in AR	Disclosed in AR
4.	Evaluation of Non-Executive directors	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report



5.	Whistle Blower Policy	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report
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Source: Compiling data from Annual Reports of the selected banks.



Item of Non-Status Mandatory Disclosures/Requirements and their status of Compliance for the year 2018-19

S.No	Items of Statutory Disclosures	HDFC	ICICI	KOTAK MAHINDRA BANK	AXIS	INDUSLN D BANK
1.	Shareholder right (e.g. information & half yearly declaration of financial performance sent to shareholders)	Disclosed	Disclosed	Disclosed	Disclosed	Disclosed
2.	Audit Qualification	Disclosed	Disclosed	Disclosed	Disclosed	Disclosed



3.	Training of Board Member	No- information provided in corporate governance report	No- information provided in corporate governance report	No- information provided in corporate governance report	information provided in corporate governance report	No- information provided in corporate governance report
4.	Evaluation of Non-Executive directors	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report	Information provided in corporate governance report
5.	Whistle Blower Policy	adopted	adopted	adopted	adopted	adopted

Source: Compiling data from Annual Reports of the selected banks.

Observation from the table: 1.7 & 1.8

- Among public sector banks, BOI and IDBI have disclosed information about training for board members.
- In the private sector, only Axis Bank has provided details regarding training for board members.
- However, other non-mandatory requirements are not explicitly mentioned in the corporate governance report for both public and private sector banks.

Conclusion:

This study is dedicated to illuminating the state of corporate governance practices within selected Indian banks and their broader implications for the banking sector. It strives to offer valuable insights into the strengths and weaknesses of corporate governance within these



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institutions while presenting recommendations for improvement where needed. Ultimately, this research aims to contribute to the ongoing discourse on corporate governance practices in the Indian banking industry, nurturing a culture of transparency, accountability, and ethical conduct that is easily understandable by the general public.

However, there are some areas for improvement, such as the need for more transparency in aspects like dematerialization of shares and whistleblower policies. As India's banking sector operates in a liberalized economy, all banks must proactively enhance their corporate governance practices to achieve excellence in both corporate governance and financial performance.



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