

A COMPARATIVE STUDY OF CORPORATE GOVERNANCE DISCLOSURE BY PRIVATE AND PUBLIC SECTOR BANKS IN INDIA-A STUDY

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Abstract

Banking sector have been playing a key role in the development of the Economy. The branch networking and priority sector lending activities, banking sector have been confirmed their socio-economic commitment. One of the major factors which have transformed the Indian Banking Sector has been the launching of economic reasons. The traditional face of Banking is also undergoing a change, from one of mere intermediaries to one of provider of quick efficient consumer-centric services. All the Banks whether public or private have incorporated their vision and philosophy on Corporate Governance disclosures of private and public sector Banks in India. A Disclosure index of 8 broad parameters has been prepared according to the Clause of 49 of the SEBI by using content Analysis. The population for the study is private and public sector banks in India. On the basis of Convenience Sampling method, 3 private sector banks and 3 public sector banks have been taken as samples for study. The private sector banks included in Sample are Axis Bank, HDFC Bank, ICICI. The public sector banks samples are State bank of India, Bank of Baroda, and Central bank of India and z-test statistical tools has been used for this study.

Keywords:

Consumer Centric Services, Corporate Governance and Economy

1. INTRODUCTION

The concept of corporate governance, which emerged as a response to corporate failures and prevalent dissatisfaction with the way many corporate function, has become one of the wide and deep discussions across the globe recently. It primarily hinges on corporate transparency, integrity and accountability of the management. There is also an increasingly greater focus on investor protection and public and shareholders interest. In this information era, the shareholders are vigilant and are aware about their rights [7] – [13]. This has made it more important for the companies to disclose the various parameters in their annual general reports depending upon the model of corporate disclosure being followed by the legal authority. In developing economies, banks are ignition for the financial system of the country [17]. There is considerable divergence in practices of corporate governance being followed by Banks in India. An attempt has been made in the Annual General Report of the public and private sector banks in Indian banking industry. Corporate Governance is concerned with the values, vision, and visibility. Researchers in Finance have thoroughly investigated the Corporate Governance reporting in developing economies has become more important [14]-[16].

2. REVIEW OF LITERATURE

In [3], the authors had found that Corporate Frauds are increasing and it is the Board of directors that have been adversely affected. Its role had been transformed from being spectator to

evaluating and monitoring the performance of management. The recent fall of big American Companies on account of corporate misdemeanors had put members of board under Critical scrutiny of the regulatory bodies and investing community [18].

In [4], the authors defined corporate governance both in narrow sense and broad sense. In narrow sense, it concerns the relationships between corporate managers, directors and shareholders. It can also encompass the relationship of the corporation to stakeholders and society.

In [1], the authors had reported the disclosures of financial and non-financial information in the annual reports of 40 public sector enterprises on the basis of index of disclosure card that consisted of 35 items and indicated that there were differences in quality of disclosures made by sample companies.

In [2], the author had reported that one good thing that may in fact come out of all the recent Corporate Governance scandals was that at last governance came to be seen differently.

In [5], the authors had stated that the Investors requirement in the light of present reporting practices of companies pointed that there exist wide variation in the reporting of statutory and non-statutory items of information. The Companies under study disclosed the statutory information like profit and Loss Account, Balance sheet, Directors Report, Auditors reports etc., and there were only a small number of companies disclosed non voluntary disclosure [6].

3. METHODOLOGY

This study is purely based on the Secondary data and the sources of the data from various RBI Bulletins, magazines and journals.

In this study the research has been taken both three Banks from private and public sector namely Axis Bank, HDFC Bank, ICICI Bank, State Bank of India, Bank of Baroda, and Central Bank of India. A disclosure Index 8 Broad parameters has been prepared according to the Clause 49 of the SEBI are used in this Study.

Content Analysis research technique is used in this study. In the First stage of Content Analysis, the annual Report was analyzed and the disclosure index was prepared. A score of 1 was awarded if an item is reported; otherwise score of 0 was awarded. A Bank can score maximum point 1 and minimum point 0.

Every Item is given weight because each item in the Index is equally important. Thus a total weight of 77 is given in Index of disclosure of corporate Governance. Total Score of each bank is found out by adding all the Individual weights on sub dimensions. Total indicates the extent of information disclosed in annual reports. The z-test statistical tools have been used for this study.

3.1 HYPOTHESIS

H_0 : There is no difference in Public sector and private sector Banks in reporting corporate governance disclosures in their annual reports.

H_1 : There is difference in Public sector and private sector banks in reporting corporate governance disclosures in their annual reports.

4. ANALYSIS AND INTEPRETATION

The Table.1 show that all banks have incorporated their vision and philosophy on corporate governance in their annual reports.

Table.1. Information related to philosophy on Corporate Governance

Private Banks	Score	Public Banks	Score
Axis Bank	1	Central Bank	1
HDFC Bank	1	State Bank of India	1
ICICI	1	Bank of Baroda	1
Total Score	5	Total score	5

Table.2. Information Related to Board of Directors.

Board of Directors	Axis Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total score
Executive	1	1	1	3	1	1	1	3
Non-Executive	1	1	1	3	1	1	1	3
Name and resume	1	1	1	3	1	1	1	3
Experience	0	1	0	1	1	0	1	2
Directorship	1	1	1	3	1	1	1	3
Total Score	4	5	4	13	5	4	5	14

From the Table.2, it is clear that mostly all the banks are disclosing their information regarding board of directors, their directorship in other companies. Two private sector banks: Axis Bank and ICICI and 2 public sector banks: OBC and Bank of Baroda has not disclosed the experience of their directors in the annual reports.

Table.3. Information related to Board of Meetings

Board of Directors	AXIS Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
Board Committee	0	0	0	0	0	0	0	0
Procedures	0	0	0	0	0	0	0	0
Decision making	0	0	0	0	0	0	0	0
Scheduling and selection of agenda	0	0	0	0	0	0	0	0
No. of BM held	1	1	1	3	1	1	1	3
Location	1	0	0	1		0	0	0

Dates of BM	1	1	1	3	1	1	1	3
Information at BM	0	0	0	0	0	0	0	0
Board Material	0	0	0	0	0	0	0	0
Minutes of proceedings	0	0	0	0	0	0	0	0
Post meeting follow up	0	0	0	0	0	0	0	0
Compliance	0	0	0	0	0	0	0	0
Attendance	1	1	1	3	1	1	1	3
AGM attendance	1	1	1	3	1	1	1	3
Total Score	5	4	4	13	4	4	4	12

It can be concluded from the Table.3 that all banks are disclosing information regarding number of board meetings, Attendance of Directors at Board meetings but not regarding the procedures, scheduling and selection of agenda Item in BM, Information placed before board, minutes etc. This area needs to be improving its reporting in both public and private sector.

Table.4. Information Related to Audit Committee

Audit Committee	Axis Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
Member	1	1	1	3	1	1	1	3
power	1	1	1	3	1	1	1	3
Role	0	0	1	1	1	1	1	3
Attendance of Each member	1	1	1	3	1	1	1	3
Total Score	3	3	4	10	4	4	4	12

From the Table.4, it is clear that mostly all banks are providing information about audit committee, but AXIS and HDFC Banks does not show their role in audit committee disclosure.

Table.5. Information relates to Remuneration Committee.

Remuneration	Axis Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
Member	1	1	1	3	1	1	1	3
Remuneration Policy	1	0	1	2	0	1	0	1
Details of Remuneration	1	1	1	3	1	1	1	3
Attendance of each member	1	1	1	3	0	0	0	0
Total score	4	3	4	11	2	3	2	7

The Table.6 shows that the AXIS bank and ICICI have shown complete details of the remuneration committee. Public sector banks need to improve their reporting in this parameter.

Table.6. Information related to shareholders/investors grievance committee

Share-holders or Investors Grievance Committee	Axis Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
Member	1	1	1	3	1	1	1	3
Powers	1	1	1	3	1	1	1	3
Compliance Officer	1	0	1	2	1	1	1	3
Investors Grievance	0	1	0	1	1	1	1	3
Types of Complaints	0	0	0	0	0	0	0	0
No. of Complaints	1	1	1	3	1	1	1	3
Attendance of Each member	1	1	1	3	1	1	1	3
Total Score	5	5	5	15	5	6	5	16

The Public sector banks have scored better than the private sector banks in this area. The Table.6 shows that public sector has more disclosure than private sector.

Table.7. Information Related to Finance Committee

Finance Committee	Axis Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
Member	0	0	0	0	0	0	0	0
Role	0	0	0	0	0	0	0	0
Total Score	0	0	0	0	0	0	0	0

The Table.8 shows that all the selected banks do not disclose any information regarding finance committee.

Table.8. Information related to health, safety and environment committee

Health and Safety	Axis Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
Member	0	0	0	0	0	0	0	0
Role	0	0	0	0	0	0	0	0
No. of meetings	0	0	0	0	0	0	0	0
Total Score	0	0	0	0	0	0	0	0

None of the selected banks are disclosing the information regarding the health, safety and environment committee in their annual reports.

Table.9. Information related to corporate governance and stakeholders interface committee

Corporate Governance	AXIS Bank	HDFC Bank	ICICI Bank	Total score	SBI	BOD	CBI	Total Score
Member	0	0	0	0	0	0	0	0

Role	0	0	0	0	0	0	0	0
No. of Meetings	0	0	0	0	0	0	0	0
Corporate Governance	0	0	0	0	0	0	0	0
Total Score	0	0	0	0	0	0	0	0

None of the selected banks are disclosing the information regarding the corporate governance and stakeholders interface committee.

Table.10. Information Related to Functional Committee

Functional Committee	AXIS Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total score
No. of meetings	0	0	0	0	0	0	0	0
Types of Finance Committee	0	0	0	0	0	0	0	0
Total Score	0	0	0	0	0	0	0	0

None of the selected banks are disclosing the information regarding the functional committee.

Table.11. Information related to General Body meetings

General Body meetings	AXIS Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
Location	1	1	1	3	0	1	1	2
Review of work	1	1	1	3	0	1	1	2
Total Score	2	2	2	6	0	2	2	4

State bank of India does not disclose any information regarding general body meetings.

Table.12. Disclosures on materially significant related party transactions

Disclosures	AXIS Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Scores
Details of Non Compliance	1	1	1	3	1	1	1	3
Total Score	1	1	1	3	1	1	1	3

All banks are disclosing information regarding disclosures on materially significant related party transactions.

Table.13. Information related to means of communications

Means of Communications	AXIS Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
Half Yearly Reports	1	1	0	2	1	1	1	3
Quarterly Reports	1	1	1	3	1	1	1	3
News	1	1	1	3	1	1	1	3

Release								
Website	1	1	1	3	1	1	1	3
Annual Report	1	1	1	3	1	1	1	3
Total Score	5	5	4	14	5	5	5	15

The Table.13 shows that mostly all banks are disclosing information regarding the means of communication except ICICI bank.

Table.14. Information Related to General Shareholders Information

General shareholders	AXIS Bank	HDFC Bank	ICICI Bank	Total Score	SBI	BOD	CBI	Total Score
AGM-Time	1	1	1	3	1	1	1	3
Financial Calendar	1	1	1	3	1	1	1	3
Book Closure	1	1	1	3	1	1	1	3
Dividend Payment	1	1	1	3	1	1	1	3
Listing of shares	1	1	1	3	1	1	1	3
Stock Code	1	0	1	2	1	0	1	2
Demat ISIN in NSDL and CDSL	1	1	0	2	1	1	1	3
Stock Market for Listed Companies	0	1	1	2	1	0	1	2
Registrar and Transfer Agents	1	1	1	3	1	1	1	3
Shareholding patterns	1	1	1	3	1	1	1	3
Share Transfer system	1	1	1	3	1	1	0	2
Dematerialization of shares	1	1	1	3	0	1	1	2
Buy back of shares by co	0	0	0	0	0	0	0	0
Location of Manufacturing facilities	1	0	1	2	0	0	1	1
Address for Correspondence	1	1	1	3	1	1	1	3
Investors address	0	0	0	0	0	0	0	0
Shares/ Debentures Correspondence	0	0	0	0	0	0	0	0

Transfer of unclaimed dividend	1	0	0	1	0	0	0	0
Compliance Certificate of Auditors	1	1	1	3	0	1	1	2
Adoption of Non-mandatory of Clause 49	0	0	0	0	0	1	1	2
Secretarial Audit	0	0	0	0	0	0	0	0
Fees to Statutory Auditors.	0	0	0	0	0	0	0	0
Total Score	15	14	14	43		12		40

The Table.14 clearly shows that every bank is disclosing the general shareholders information taking all the scores, percentage of disclosure reporting has been shown below.

Table.15. Percentage of Corporate Governance Disclosure

Private Bank	Percentage	Public bank	Percentage
AXIS	58.97	State bank of India	51.28
HDFC	55.12	Bank of Baroda	55.13
ICICI	56.41	Central Bank of India	60.26
Mean score	56.83	Mean Score	55.56

From the Table.15, it can be interpreted that private banks have disclosure of 56.83% whereas public banks have a disclosure of 55.56% in corporate governance. Though on the whole there exists very little difference in the reporting of the public sector and the private sector banks.

Table.16. Mean Scores of the parameters of Corporate Governance Reporting

Main Dimensions	Public	Private
Statement of Company Philosophy on Code of C.G.	3	3
Board of Directors	4.6	4.6
Board meeting	1.57	1.57
Board Committees	2.11	1.96
General Body Meetings	4.5	4.00
Disclosures on materially significant related to party transactions	1	1
Means of Communications	4.06	4.06
Shareholders Information	3.04	3.08
Total Mean Score	26.42	25.81

After Testing with z-test, the null hypothesis that there is no difference in public sector and private sector banks in reporting corporate governance disclosures in their annual reports in all the 8 parameters of the corporate governance.

5. LIMITATIONS

1. All banks have disclosed information on the subject of the board of directors, their experience and directorship in other companies but AXIS, ICICI and Bank of Baroda does not reveal the experience of the directors.
2. All Banks are disclosing information connecting to audit committee but AXIS and HDFC bank fail to disclose the role of audit committee.
3. All banks are given the details regarding means of communications but some banks fail to disclose their half yearly declarations.
4. None of the selected banks shows any information as regards health, safety and environment committee, corporate governance and stakeholders interface committee and functional committee.

6. CONCLUSIONS

This study is concluded that the comparative study of corporate governance disclosure by private and public sector banks in India is very significant and helps to exhibit the actual face of corporate governance in both private and public sector Banks. A disclosure index 8 broad parameters has been prepared according to the clause 49 of the SEBI is used in this study. All the banks have disclosed information regarding the board of directors, their experience and directorship in other companies but Axis, ICICI and Bank of Baroda does not disclose the experience of board of directors. All the banks are disclosing information relating to audit committee but AXIS and GDFC bank fail to disclose the role of the audit committee. All the banks are providing detail regarding means of communication but some banks fail to disclose their half yearly declarations. None of the selected banks shows any information regarding health, safety and environment committee, corporate governance and stake holders interface committee and functional committee.

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