

Corporate Governance Disclosure Practices Of Public And Private Sector Banks: A Comparative Study

Deepinder Kaur¹
Tajinder Kaur²

Abstract

Gone are those days, when the main aim of every bank or corporate was to earn more and more profit, i.e. when profit making was the sole aim and objective of the companies. But as the time moves on and is going on, the companies have come under the lens and scanner of the Companies Act and regulator's umbrella, which protects the companies to carry out any such act which they will try to fulfill at the stake of their shareholders or other stakeholders. Now the time has come, where a minute ignorance can add up to leads us to remarkable trouble and trouble ultimately lead to bigger embezzlements and wounds and corporate entities are not the exceptions. In other words, a minute concern helps and facilitates us to avoid those minute neglects, extra heed aids in avoidance of those frauds and embezzlements and extra care enables the detecting and setting up those governance standards that can finally help us to lead towards excellence. Thus, here comes the need and concern for the most emerging concept in four corners of the world, known as Corporate Governance The concept of corporate governance in today's perspective of corporation has become identical with the practices and processes used to direct and manage the affairs of the corporate entities and banks with the objective of balancing the realization of corporate objectives with the association of their behavior to the needs, wants and perceptions of the society and their ultimate accountability to their esteemed shareholders and to other stakeholders. The study focuses on the corporate governance disclosure practices, in reference to the Clause 49 of the Listing agreement and an attempt has been made to make a comparison of the disclosure practices of public and private sector banks of India.

Key Words: Corporate governance, disclosure, Clause 49, comparison

1. Assistant Professor, Department of Commerce, Mata Gujri College, Sri Fatehgarh Sahib
2. Assistant Professor, Department of Commerce, Mata Gujri College, Sri Fatehgarh Sahib

Introduction

The concept of corporate governance has become a buzzword everywhere and a need of the hour. In the ongoing days where the corporate scams have been coming into light, the need has arisen to have more stringent practices, laws, procedures, and rules that determine a company's ability to take managerial decisions keeping in the interests of its claimant, i.e. its stakeholders including its shareholders, creditors, customers, government and the employees. There is a universal unison about the concept of 'good' corporate governance, thereby maximizing the long term shareholder value. Thus, the corporate should take the strategic decisions in a manner which maximizes the shareholder value too besides maximizing the corporate value in the eyes of the corporate world. This means the two aspects of Profit maximization and Wealth maximization, in the today's perspective have become more pertinent which will help the corporate to become limelight in today's competitive and globalised world. Thus, ever decision should be taken keeping in the context of the stakeholders including the shareholders. No, doubt this is the need of the hour, but this need requires some instrument and weapon to be focused upon and to hit the bad practices and mischievous activities of the corporate. Moreover, for the banks, the Basel committee in the year 1999 had brought some important and most principles on corporate governance for banking organizations. But a landmark development in the field of corporate governance came with the Clause 49 of the listing agreement in the field of corporate governance, which highlights and contains the contents, that are required to be disclosed by the corporate including banks in their Annual report. These contents have been framed keeping in mind a focus of having a complete and comprehensive disclosure of the required information by the companies. The Clause 49 contents are based on several parameters such as related to Board composition, disclosures, audit committee, etc. which are required to be disclosed by the companies. For instance, Clause 49 regarding Disclosure and Transparency states that the Company should ensure timely and accurate disclosure of information to its shareholders and that information should be prepared and disclosed in accordance with the prescribed standards and moreover the channels for dissemination of information should provide for equal, timely and cost efficient access to the users.

Objective Of This Study

The main objective of the paper is to study the concept of Corporate Governance and to study the Clause 49 of the Listing Agreement which is related to all the contents and parameters which are required by the companies to be disclosed in the Annual Report, as

a part of the Report on Corporate Governance. Thus the objective of the study is as under:

1. To study the concept of corporate governance.
2. To study the corporate governance disclosure practices of public Sector banks.
3. To study the corporate governance disclosure practices of private Sector banks.
4. To make a comparative study of corporate governance disclosure practices by public and private sector banks.

Review Of Literature

Kaur, Harmeet. (2012) in the study about “A Comparative Study Of Corporate Governance Disclosure By Private And Public Sector Banks In India” revealed that there is no difference between the public sector banks and private sector banks in their reporting of corporate governance disclosures in the annual reports in all the parameters of the Corporate Governance. Gogia.(2013) studied the Corporate Governance In Public And Private Sector Banks by making a comparative study of SBI AND ICICI bank. Asthana and Dutt. (2013) studied the Extent of Disclosure Code of Corporate Governance in India by making a Comparative Study of Public and Private Sector Banks and concluded that public and private banks are more or less similar in their practice of disclosure in the corporate governance report. Sharma, Arti and Gupta, Pooja(2013) revealed that all the banks in Public Sector as well as in the Private Sector are fulfilling the principles regarding the guidelines prescribed by the RBI and by the SEBI in relation to Corporate Governance Disclosures Chilumuri(2013) studied the corporate governance practices of State Bank of India and concluded that the bank should be improved in relation to various parameters like for investment policies, regarding the internal control systems, better risk management etc. in order to achieve maximization of the value and wealth of the stakeholders.

Research Methodology

For the purpose of the study, five public sector banks and five private sector banks have been selected on the basis of their net profits and secondary data has been used and has been taken from various reliable sources like Ministry of Corporate affairs and concerned banks websites. The study has been made on the basis and with the help of Content analysis , which is an eminent research technique used in the social sciences that objectively and quantitatively examines written or oral communication. For this, a disclosure index has been developed after carefully studying the annual reports of the selected banks. For content analysis, firstly the annual reports were analyzed and then the

disclosure index has been prepared. A score of 1 has been awarded for an item which has been reported; otherwise a score of 0 was awarded. The maximum score that could be achieved was 112. The public sector banks that have been selected are State Bank of India, Bank of India (SBI), Bank of Baroda, Canara Bank and Industrial Development Bank of India (IDBI) and private sector banks include HDFC Bank, Axis Banks, Yes Bank, Kotak Mahindra bank and IndusInd Bank. A score of '1' has been awarded for the item that has been disclosed and '0' for an item that has not been disclosed. Every item has been given equal weight because of the equal importance that is given in the parameters in the context of corporate governance. item in the index is equally important.

DATA ANALYSIS AND INTERPRETATION

The analysis and interpretation regarding the disclosure requirements regarding contents that should be disclosed in the Corporate Governance part of the Annual report has been done in the following part:

1. Disclosure In Relation To Philosophy On Corporate Governance

Table 1 shows the disclosure practices of the banks in relation to Philosophy of Corporate Governance. It can be seen that all the banks have met their disclosure requirement regarding this parameter as required to be disclosed as per the Clause 49 of the Listing Agreement. This is evidenced from their score, thus all the banks have attained 1 score, for their disclosure of this parameter in the annual report.

Table 1: Disclosure in relation to Philosophy on Corporate Governance

Private Banks	Score	Public Banks	Score
SBI Bank	1	HDFC Bank	1
BOI	1	Axis Bank	1
IDBI	1	Yes Bank	1
Canara Bank	1	Kotak Mahindra Bank	1
Bank of Baroda	1	IndusInd Bank	1
Total Score	5	Total Score	5

2. Disclosure in relation to Board of Directors

The next important parameter that is required to be disclosed by the banks is in relation to the Board of Directors. Table 2 shows all the banks have disclosed i.e.



have provided information regarding every parameter as laid down by the Clause 49, and thus a total score of 5 has been achieved by the banks.

Table 2: Disclosure in relation to Board of Directors

Sub Contents	Public Sector Banks					Total Score	Private Sector Banks					Total Score
	SBI Bank	BOI	IDBI	Canara Bank	Bank of Baroda		HDFC Bank	Axis Bank	Yes Bank	IndusInd Bank	Kotak Mahindra	
Composition of Board	1	1	1	1	1	5	1	1	1	1	1	5
Non-Executive Directors' compensation and disclosures	1	1	1	1	1	5	1	1	1	1	1	5
Independent Director	1	1	1	1	1	5	1	1	1	1	1	5
Board Procedure	1	1	1	1	1	5	1	1	1	1	1	5
Code of Conduct	1	1	1	1	1	5	1	1	1	1	1	5
Total Score	5	5	5	5	5	25	5	5	5	5	5	25

3. Disclosure in relation to Audit committee

Another important parameter that is required to be disclosed by the banks is in relation to the different parameters of the audit committee. Thus, in relation to this parameter it can be seen in Table 3, that only IDBI bank has stated the powers of the audit committee and the rest of the banks have not disclosed the powers of the audit committee. Moreover, BOI has not even shown the role of audit committee in addition to the non-disclosure of the powers of the board. And, thus the banks should specifically state the role and functions of the audit committee.

Table 3: Disclosure in relation to Audit committee

Sub Contents	Public Sector Banks					Total Score	Private Sector Banks					Total Score
	SBI Bank	BOI	IDBI	Canara Bank	Bank of Baroda		HDFC Bank	Axis Bank	Yes Bank	IndusInd Bank	Kotak Mahindra	
Qualified & Independent Audit Committee	1	1	1	1	1	5	1	1	1	1	1	5
Meeting of Audit Committee	1	1	1	1	1	5	1	1	1	1	1	5
Powers of Audit Committee	0	0	1	0	0	1	0	0	0	0	0	0
Role of Audit Committee	1	0	1	1	1	4	1	1	1	1	1	5
Review of Information by Audit Committee	1	1	1	1	1	5	1	1	1	1	1	5
Total Score	4	3	5	4	4	20	4	4	4	4	4	20

4. Disclosure in relation to Audit Reports & Audit Qualifications

The next important parameter in relation to disclosure requirements is regarding Audit reports and audit qualifications. It can be observed in Table4 that every bank has included this parameter in their report and moreover have also specifically mentioned their audit qualifications/unqualified report given by the auditors.

Table 4: Disclosure in relation to Audit Reports & Audit Qualifications

Private Banks	Score	Public Banks	Score
SBI Bank	1	HDFC Bank	1
BOI	1	Axis Bank	1
IDBI	1	Yes Bank	1
Canara Bank	1	Kotak Mahindra Bank	1
Bank of Baroda	1	IndusInd Bank	1
Total Score	5	Total Score	5



5. Disclosure in relation to Whistle Blower Policy

The disclosure regarding the most important parameter known as Whistle blower policy can be seen, that has been made by these selected public and the private sector banks. This concept has been given due importance to encourage those persons/employees to raise voice which have their complaints regarding the malpractices of the banks/companies or problems and it also give them protection against victimization for making such disclosure. Table 5 shows that public as well as private sector banks have adopted this policy and have mentioned about it in their corporate governance report.

Table 5: Disclosure in relation to Whistle Blower Policy

Private Banks	Score	Public Banks	Score
SBI Bank	1	HDFC Bank	1
BOI	1	Axis Bank	1
IDBI	1	Yes Bank	1
Canara Bank	1	Kotak Mahindra Bank	1
Bank of Baroda	1	IndusInd Bank	1
Total Score	5	Total Score	5

Disclosure in relation to Subsidiary Companies

Table 6 shows the information disclosure regarding the subsidiaries and it can be seen that the banks have made the disclosure like the requirement of having at least one independent director on the Board of Directors of the holding company to be a director on the Board of Directors of a material non listed Indian subsidiary company, has been disclosed by the banks.

Table 6: Disclosure in relation to Subsidiary Companies

Private Banks	Score	Public Banks	Score
SBI Bank	1	HDFC Bank	1
BOI	1	Axis Bank	1
IDBI	1	Yes Bank	1
Canara Bank	1	Kotak Mahindra Bank	1



Bank of Baroda	1	IndusInd Bank	1
Total Score	5	Total Score	5

6. Disclosure in relation to Contingent Liabilities

Table 7 shows the scores regarding disclosure of information about the contingent liabilities by the banks. Thus, it can be seen that every (selected) bank has a score of 1 indicating that they are making complete disclosure of the contingent liabilities in its annual part as a portion of corporate governance.

Table 7: Disclosure in relation to Contingent Liabilities

Private Banks	Score	Public Banks	Score
SBI Bank	1	HDFC Bank	1
BOI	1	Axis Bank	1
IDBI	1	Yes Bank	1
Canara Bank	1	Kotak Mahindra Bank	1
Bank of Baroda	1	IndusInd Bank	1
Total Score	5	Total Score	5

7. **Disclosures:** Table 8 shows the various disclosures that are required to be made by the banks in their corporate governance report which forms the part of the annual report. From the table, it can be seen that all the following banks have their score of 1 in case of related party disclosures, remuneration to directors, and disclosure of information regarding management, shareholders information and risk management, in other words they are making full disclosure of all these aspects in their reports.

Table 8: Disclosure of Information by the Banks

Sub Contents	Public Sector Banks					Total Score	Private Sector Banks					Total Score
	SBI Bank	BOI	IDBI	Canara Bank	Bank of Baroda		HDFC Bank	Axis Bank	Yes Bank	IndusInd Bank	Kotak Mahindra	



Related party transactions	1	1	1	1	1	5	1	1	1	1	1	5
Board Disclosures- Risk management	1	1	1	1	1	5	1	1	1	1	1	5
Remuneration of Directors	1	1	1	1	1	5	1	1	1	1	1	5
Management	1	1	1	1	1	5	1	1	1	1	1	5
Shareholders	1	1	1	1	1	5	1	1	1	1	1	5
Total Score	5	5	5	5	1	25	5	5	5	5	5	25

8. Disclosure Regarding CEO/CFO Certification

This disclosure by the banks requires a certification by the CEO or CFO of the bank regarding the compliance of different norms and provisions related to the banks. Thus, from Table 9, it can be seen that except HDFC Bank and Axis Banks, rest of the banks have received certification from the CEO/CFO regarding the compliance.

Table 9: Disclosure in relation to CEO/CFO Certification

Private Banks	Score	Public Banks	Score
SBI Bank	1	HDFC Bank	0
BOI	1	Axis Bank	0
IDBI	1	Yes Bank	1
Canara Bank	1	Kotak Mahindra Bank	1
Bank of Baroda	1	IndusInd Bank	1
Total Score	5	Total Score	3

9. Disclosure in relation to Compliance

The most important disclosure that has to be made nearly in the corporate governance report is regarding the compliance of statutory and regulatory compliance. Table 10 shows that both public sector banks and private sector banks



have disclosed that they are making compliance with their laid down statutory and regulatory standards.

Table 10: Disclosure in relation to Compliance

Private Banks	Score	Public Banks	Score
SBI Bank	1	HDFC Bank	1
BOI	1	Axis Bank	1
IDBI	1	Yes Bank	1
Canara Bank	1	Kotak Mahindra Bank	1
Bank of Baroda	1	IndusInd Bank	1
Total Score	5	Total Score	5

10. Disclosure in relation to Means of Communication

Table 11 shows the scores of banks regarding their disclosure of information about means of communication. It can be seen banks are showing full disclosures regarding their communication of results, newspaper publications, use of websites for disseminating information, and submission of that information to the stock exchange. But HDFC and IndusInd bank have not given any information about their dissemination of information to the analysts and on the other hand BOI and Canara bank have also not provided any information in their report about the press notifications of information or press release.

Table 11: Disclosure in relation to Means of Communication

Sub Contents	Public Sector Banks					Total Score	Private Sector Banks					Total Score
	SBI Bank	BOI	IDBI	Canara Bank	Bank of Baroda		HDFC Bank	Axis Bank	Yes Bank	IndusInd Bank	Kotak Mahindra	
Communication of Quarterly & Half Yearly Results	1	1	1	1	1	5	1	1	1	1	1	5
Newspaper Publications	1	1	1	1	1	5	1	1	1	1	1	5

Communication through bank's website	1	1	1	1	1	5	1	1	1	1	1	5
Presentation for Institutional investors/analysts	1	1	1	1	1	5	0	1	1	0	1	3
Submission of Information to Stock Exchange	1	1	1	1	1	5	1	1	1	1	1	5
Press Notification/News Release	1	0	1	1	0	3	1	1	1	1	0	4
Total Score	6	5	6	6	5	28	5	6	6	5	5	27

Conclusion

Corporate governance has become an important concept and a base for the banks, without which the existence of banking system can be seen without which it can't survive. This, is because of the increased chances of embezzlement and frauds, so this calls for a system that acts as an hedge for the stakeholders, to survive and preserve their interests. No doubt, government has been taking array of steps to improve the system of disclosure by the companies, for example with the help of landmark concept of Clause 49, but a heed is also required regarding assurance of the true, fair and appropriate disclosure by the banks. It can be seen that both the public and private sector banks are making disclosures regarding different parameters of the Clause to a great extent but from the comparison it has been found that the highest score of both the public sector banks and private sector banks is the same i.e. 27. In other words, it has been seen that State Bank of India(public sector bank) and Yes Banks(private sector bank) is making the most disclosures and thus are complying with the Clause 49 to a great extent regarding the disclosure of important parameters in their corporate governance report.

References

- Kaur,Harmeet.(2012), "A Comparative Study Of Corporate Governance Disclosure By Private And Public Sector Banks In India". *International Journal*



of Multidisciplinary Research, Vol. 2, No.2. Retrieved from <http://www.zenithresearch.org.in>.

- Gogia.Sarabjeet(2013), “Corporate Governance In Public And Private Sector Banks: A Comparative Study Of SBI And ICICI Bank”. Retrieved from <http://research.iisuniv.ac.in/sites/research/files/thesis/Ph.D/SarabjeetKaur.pdf>.
- Dutt,M.L. and Asthana.Ankita (2013) “The Extent of Disclosure Code of Corporate Governance in”, *Global Journal of Management and Business Studies*, Vol. 3, No.2, pp. 111-118
- Bajaj, R., Chairman, (1997) Draft code on corporate governance, Confederation of Indian Industry. Monks, R.A.G. & Minow, N. (Eds) (2004).
- Megginson, W.L. and Netter, J.M. (2001), ‘From State to Market: A Survey of Empirical Studies on Privatization’. *Journal of Economic Literature*, Vol. 39, No. 2, June. Retrieved from <http://ssrn.com/abstract=262311>.
- Chilumuri, Srinivasa,Rao.(2013), “Corporate Governance in Banking Sector: A Case study of State Bank of India”. *IOSR Journal of Business and Management (IOSR-JBM)*, Vol. 8, No. 1, pp 15-20. Retrieved from www.iosrjournals.org.
- Agarwal, Meghashree. “Online banking services: an empirical study of banker’s and customer’s awareness about, ICFAI University, An overview of Banking,” Nagarjuna Hills Publication.
- Erkens, D, Hung, M. and Matos, P. (2010) ‘Corporate Governance in the 2007-2008 Financial Crisis: Evidence from Financial Institutions Worldwide’. Retrieved from <http://ssrn.com/abstract=1397685>.
- Javed, A.Y. & Iqbal, R. (1997). Disclosure of Corporate Governance Indicators & Firm Value: A case study of Karachi Stock Exchange”, *MRPA Paper No.225*.



- Ramsay, I.M. & Hoad, R. (1997). Disclosure of Corporate Governance Practices by Australian Companies. *Companies & Securities Law Journal*, Vol.15, No.8.
- Gupta, Arindam and Parua, Anupam. (2006). An Enquiry into Compliance of Corporate Governance Codes by the Private Sector Indian Companies. The Tenth Indian Institute of Capital Market Conference Paper.
- <http://www.tatasteel.com/investors/pdf/corporate-governance-report.pdf>
- <http://www.moneycontrol.com/stocks/marketinfo/netprofit/bse/banks-private-sector.html>
- Das, S. C. (2007). Corporate Governance Standards and Practices in Information Technology Industry in India. *Journal of the Management Accountant*. pp 110-114.
- Das, S. C. (2012). *Corporate Governance in India: An Evaluation*. PHI Learning Pvt. Ltd, 3rd edition, June 2012.
- Garg A. K. (2007). Influence of Board Size and Independence on Firm Performance: A study of Indian Companies. *Vikalpa, IIM-A*, 32 (3), pp 38-61.
- Gupta, A., Nair, A.P. & Gogula, R. (2003). Corporate Governance Reporting by Indian Companies: A content analysis study. *The IUP Journal of Corporate Governance*, Vol. 2. No.4, pp.6-19.