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A STUDY OF CORPORATE GOVERNANCE DISCLOSURES PRACTICES REGARDING BOARD OF DIRECTORS OF SBI BANK AND ICICI BANK

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ABSTRACT

The vital constituent of an economy are Banks. The significance of banking sector is highlighted by the fact that it is an internationally regulated industry and the banks are under the purview of financial regulators of the country. It is of pivotal significance that the banks have robust corporate governance. A new clause 49 was introduced by SEBI in the listing agreement before a decade mentioning the principles of corporate governance to be followed by the listed companies. In the following years SEBI revised clause 49 several times after incorporating the recommendation of various committees. The purpose of this study was to know the corporate governance disclosure practices regarding board of directors of SBI Bank and ICICI Bank. Present study is empirical in nature which is based on secondary data. Financial data of seven years from 2011-2012 to 2018-2019 were taken for analyzing the Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank. Result of this study reveals that there is significant difference in Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank. This signifies that the corporate governance disclosure practice regarding Board of Directors of ICICI bank has more impactful than SBI Bank.

Keywords – Corporate Governance, Board of Directors, Disclosure Practices

I. INTRODUCTION

The globalization, liberalization and advancement in technology have led to a paradigm shift in the conduct of doing business. The term governance involves the use of political authority and exercise of control in relative to the management of its resources for attaining the worthy objectives of the organization. With drastic change in the business scenario and emergence of new provisions by world bodies, the concept of corporate governance is fast gathering steam. It gives emphasis on apt management and control structure of a corporate undertaking, power relations between various stake holders. Corporate governance is gaining prominence in various national and international forums. The

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organization for economic co-operation and development has mentioned a set of corporate governance standards and guidelines to assist governments in their endeavors to assess and improvise overall frame work for corporate governance in their countries and to efficiently manage all those groups who have a role in the formulation of good corporate governance and practices. Corporate governance takes into account the methodology in which the companies and is activities are governed by their boards of directors and how it affect banks from the point of view of banking industry contemporary practice papers issued by the basel committee underscore the requirement for banks to evolve plans for their executive and to fix responsibility for executing those plans.

II. 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.

III. OBJECTIVES

To know Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank

IV. HYPOTHESIS

H_{01}: There is no significant difference in Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank

V. RESEARCH METHODOLOGY

Present study is empirical in nature which is based on secondary data. This study aims to know Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank. The Researchers have taken financial data of five years from 2011-2012 to 2018-2019 for analyzing the Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank. In this study independent sample t-test was used for the testing of the hypotheses. Corporate Governance practices were studied in the annual reports of selected banks and later on, a checklist has been prepared in the second part. With the help of a checklist of disclosure items, the Corporate Governance annual reports of the corporations were tested and a dichotomous procedure was followed to mark each of the disclosure issues. Each will be awarded a grade of "1" if it appears to have disclosed the concerned issue and 0 otherwise. Afterwards, the score of each item of every bank is added to find out the net score of each bank and the following formula is used to calculate CGD index in terms of percentage:

Corporate Governance Disclosure Index (CGDI) =

$$\frac{\textit{Total Score of Individual Bank}}{\textit{Total Maximum Possible Score obtained from the bank}} \times 100$$

The first step in determining the Corporate Governance disclosure level is to construct the Corporate Governance disclosure index. CGDI is to be constructed using the different variables of SBI and ICICI Bank. Variables present in the report of Corporate Governance and the annual report of the bank are entered in the worksheet for the given period of all eight years. The relation between Corporate Governance and bank performance is analyzed based on the variables through checklist method. The disclosure index was utilized in the study to evaluate the annual reports of the selected banks. Disclosure index is prepared to make a comparison of Corporate Governance practices in SBI and ICICI bank for the years 2011-12 to 2018-19.

These checklists are based on the annual report of banks and by going through all these chapters; Researcher has found the following points in SBI and ICICI Bank.

VI. TESTING OF MAJOR HYPOTHESIS H_{01} (There is no significant difference in Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank) For testing the first major null hypothesis H_{01} [There is no significant difference in Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank] the researcher analyzed the data using the percentage of Corporate Governance Disclosure Index on Board of Director at the significance level of 0.05. The t-test was used to ascertain whether there is significant difference between Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank.

Table 1 - Disclosure Related to Board of Directors of SBI Bank from the years 2011-12 to 2018-19

Sub Contents	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**	**16-17**	**17-18**	**18-19**
Whether the Board has at-least one woman director.	NO	YES	YES	YES	YES	YES	YES	YES
Whether the Executive director is designated as Chairman of the board, at least 50% of the Board of Director should be an independent director.	YES	YES	YES	YES	YES	YES	YES	YES
Whether the independent director is designated as Chairman of board, at least 1/3 of the Board of Director should be an independent director.	NO	NO	NO	NO	NO	NO	NO	NO
Whether the NE Chairman is a promoter of the company or connected to promoter, or person having management positions at board level, at least half of the board should be Independent directors.	NO	NO	NO	NO	NO	NO	NO	NO
Whether the meeting frequency of the board is four times in a year, with maximum gap of four months between two consecutive meetings.	YES	YES	YES	YES	YES	YES	YES	YES
Whether the board doesn't have a NE Chairman, minimum half of the board should be IDs.	NO	NO	NO	NO	NO	NO	NO	NO
Whether the BOD shall consist of minimum 50% NEDs.	YES	YES	YES	YES	YES	YES	YES	YES
Whether the director is a member in more than 10 committees or work as Chairman of more than 5 committees in all the boards of Indian companies.	YES	YES	YES	YES	YES	YES	YES	YES

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Sub Contents	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**	**16-17**	**17-18**	**18-19**
Total Score	**4**	**5**	**5**	**5**	**5**	**5**	**5**	**5**

Table 2 - Disclosure Related to Board of Directors of ICICI Bank from the years 2011-12 to 2018-19

Sub Contents	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**	**16-17**	**17-18**	**18-19**
Whether the Board has at-least one woman director.	YES	YES	YES	YES	YES	YES	YES	YES
Whether the Executive director is designated as Chairman of the board, at least 50% of the Board of Director should be an independent director.	NO	NO	NO	NO	NO	NO	NO	NO
Whether the independent director is designated as Chairman of board, at least 1/3 of the Board of Director should be an independent director.	YES	YES	YES	YES	YES	YES	YES	YES
Whether the NE Chairman is a promoter of the company or connected to promoter, or person having management positions at board level, at least half of the board should be Independent directors.	NO	NO	NO	NO	NO	NO	NO	NO
Whether the meeting frequency of the board is four times in a year, with maximum gap of four months between two consecutive meetings.	YES	YES	YES	YES	YES	YES	YES	YES
Whether the board doesn't have a NE Chairman, minimum half of the board should be IDs.	YES	YES	YES	YES	YES	YES	YES	YES

Sub Contents	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
Whether the BOD shall consists of minimum 50% NEDs.	YES	YES	YES	YES	YES	YES	YES	YES
Whether the director is a member in more than 10 committees or work as Chairman of more than 5 committees in all the boards of Indian companies.	YES	YES	YES	YES	YES	YES	YES	YES
Total Score	**6**	**6**	**6**	**6**	**6**	**6**	**6**	**6**

VII. INTERPRETATION

Tables 5.1 and 5.2 illustrate the disclosure related to the Board of Director by SBI Bank and ICICI Bank for the years 2011-12 to 2018-19. The above Table also represents the data showing the banks following the BOD audit & the level up to which the banks following BOD disclosures. The same is described as follows

- Both banks have shown compliance into the presence of minimum one-Woman Director in BOD of individual banks while SBI has not shown compliance in 2011-12.
- Only SBI has shown the compliance of having minimum 50% independent director in the case of executive director working as Chairman. ICICI Bank has not shown compliance with the same in annual report.
- ICICI Bank has complied with having 1/3 independent directors in the case of independent director holds position of Chairman. SBI has not shown compliance to this in their annual report from 2011-12 to 2018-19.
- None of the bank has shown compliance with the norm of having requisite no. of independent directors in case of promoter being Chairman of the Bank.
- Both banks have shown compliance to requisite No. of Board meetings, fulfilling the maximum time gap condition.
- None of the bank has shown compliance in their annual report regarding having half of independent director in case of not having regular Non-executive Chairman.
- ICICI Bank has shown compliance to requisite no. of non-executive directors in Board of Director of the individual Bank while SBI has not complied with the same.

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- Both banks of India have shown compliance to the criteria of board should contain of 50% executive and non-executive director.
- Both banks have shown compliance to having a director with not more than 10 committee member nomination or not more than 5 nominations as Chairman of the committee.

Based on the complete elaboration made above, Cumulative score of SBI is 39; ICICI Bank has scored 48 for eight years.

By applying Corporate Governance Disclosure Index (CGDI) =

$$\frac{Total\ Score\ of\ Individual\ Bank\ in\ each\ year}{Total\ Maximum\ Possible\ Score\ obtained\ from\ the\ bank} \times 100$$

The following score of SBI Bank and ICICI bank have been opted:

Table 3 - Corporate Governance Disclosure Index on Board of Director (In Percentage)

Year	**SBI Bank**	**ICICI Bank**
2011-12	50	75
2012-13	62	75
2013-14	62	75
2014-15	62	75
2015-16	62	75
2016-17	62	75
2017-18	62	75
2018-19	62	75
Mean	**60.5**	**75**
Standard Deviation	**4.24**	**0**

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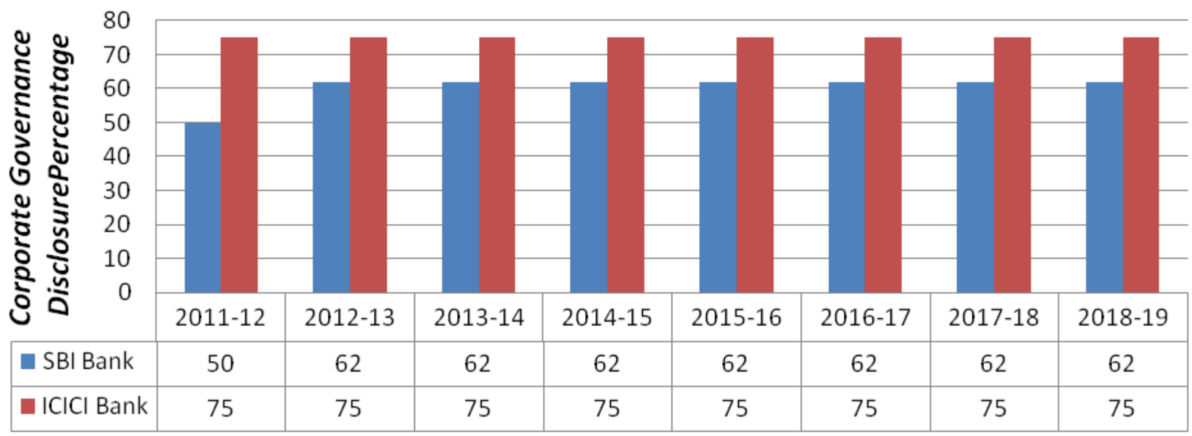
Figure 1 - Corporate Governance Disclosure Index on Board of Director of SBI bank and ICICI bank (In Percentage)



The average mean percentage of corporate governance disclosure index on board of director of SBI bank is 60.5 and standard deviation is 4.24. While on the other side the average mean percentage of corporate governance disclosure index on board of director of ICICI bank is 75 and standard deviation is 0.

Data computation results for hypothesis H_{01}under stated

Table 4 - Group Statistics for H_{01}

	Group	N	Mean	Std. Deviation	Std. Error Mean
Score	SBI Bank	8	60.5000	4.24264	1.50000
	ICICI Bank	8	75.0000	.00000	.00000

Table 5- Independent Samples t-test for H_{01}

t-test for Equality of Means						
					95% Confidence Interval of the Difference	
t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
-9.667	14	.000	-14.50000	1.50000	-17.71718	-11.28282

As H_{01} is two-sided, the researcher applied a two-tailed test for determining the rejection regions at 5% level of significance which comes to as under, using normal curve area table:

$$| t | > 2.145$$

$$| t | < -2.145$$

The observed value of t is –9.667 which is in the rejection region since the tabular value at 14 degree of freedom is ±2.145 and thus, the researcher rejects the null hypothesis and concludes that ***there is significant difference in Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank.***

This signifies that the corporate governance disclosure practice regarding Board of Directors of ICICI bank has more impactful than SBI Bank.

VIII. CONCLUSION

The vision and mission of SBI mentions that it is committed to the best practices in the domain of corporate governance and through which it can maintain a high level of business ethics and to earn the good will of all stake holders. The Bank's commitment to corporate governance is obvious through its governance objectives such as transparency, integrity and accountability.

ICICI Bank Ltd has incorporated conventions of best practices in corporate governance. The corporate governance structure is based on an efficient independent board, whistle blower polity and tab in is den trading.

Both SBI and ICICI Bank adhered to the principles of corporate governance by having different persons for positions of CEO and chairman.

There is significant difference in Corporate Governance disclosures practices regarding Board of Directors of SBI Bank and ICICI Bank. This signifies that the corporate governance disclosure practice regarding Board of Directors of ICICI bank has more impactful than SBI Bank.

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