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CORPORATE GOVERNANCE IN BANKS IN INDIA AND DISCLOSURE PRACTICES IN INDIAN PUBLIC SECTOR AND PRIVATE SECTOR BANKS

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ABSTRACT

Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. Poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to their potential impact on any applicable deposit insurance systems and the possibility of broader macroeconomic implications, such as contagion risk and impact on payment systems. In addition, poor corporate governance can lead markets to lose confidence in the ability of a bank to properly manage its assets and liabilities, including deposits, which could in turn trigger a bank run or liquidity crisis. Indeed, in addition to their responsibilities to shareholders, banks also have a responsibility to their depositors.

A banking corporation is a congregation of various stakeholders, namely, customers, employees, investors, vendor partners, government and society. A bank should be fair and transparent to its customers and stakeholders in all its transactions. This has become imperative in today's globalized business world where corporations need to access global pools of capital, need to attract and retain the best human capital from various parts of the world, need to partner with vendors on mega collaborations and need to live in harmony with the community. Unless a corporation embraces and demonstrates ethical conduct, it will not be able to succeed.

Corporate governance is a key element in improving the economic efficiency of a bank. Good corporate governance also helps ensure that corporations take into account the interests of a wide range of constituencies, as well as of the communities within which they operate. Further, it ensures that their Boards are accountable to the shareholders

Keywords: Corporate Governance, Public Sector Banks, Private Sector Banks, Board of Directors, Disclosure Practices..

1. INTRODUCTION

- Before understanding the concept of Corporate Governance (CG) in India, more particularly in banks, it is essential to get insight into Administration and Governance as distinct from CG. Broadly speaking, administration is an off shoot of governance and governance is the subset of CG but the terms are not that simple as it looks. They have far reaching implications when their implementation in the bank comes into picture. Banks are large institutions with a range of delivery models with interplay of products and services. Most important is the human resource element where standardization is difficult to enforce. Software and hardware may function in a similar fashion within the given framework and set of instructions but human resources have mind to different call in a similar set of situations. It is very difficult to comprehend human mind and bring about standardization in their actions. But there are set rules and conditions laid down in banks that bind the behavior of the employees. Its enforcement needs constant monitoring and checks and balances to ensure that they conform to the rule book.
- With the faster pace of corporatization, the volumes of market capitalization have globally increased at exponential pace. More and more investors across the globe explore equity markets for investments and profit earning opportunities. Innovative methods of accessing funds and efforts of leveraging capital have accentuated the sensitivity of risk. The corporates are susceptible to the pitfalls of over leveraging their capital resources resulting in imbalanced exposure, sometimes even to the unknown downside risks. Thus the influx of funds into the stock market from various sources has heightened the onus of regulators to protect investor interest thereby making the task much more challenging.

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Ensuring that the end use of investor funds are prudent and are in conformity with the global best practices is a tough task posing a sustained pressure on regulators to innovate better ways and means.

- In this context, corporate governance has come to occupy a prominent position in modulating the conduct of the companies who raise funds through equity market. Public listed companies, financial institutions, banks and other corporate accessing funds from public have to be made to follow rigid discipline in its governance, more so in the application of funds to protect the long term interests of the organizations.
- Coming to the specific aspects of bank dominated Indian financial system; effective financial intermediation is the life line of sustainable development of the economy. Though we have multiple segments of banks such as Public Sector Banks (PSBs),
- New Private Sector Banks (NPSBs), Old Private Sector Banks (OPSBs), Cooperative Banks, Regional Rural Banks (RRBs) and Foreign Banks, about 70 per cent of the banking business is held by PSBs comprising of SBI, its subsidiaries and the nationalized banks.

2. GLOBAL GENESIS OF CONCEPT OF CORPORATE GOVERNANCE

- The seeds of modern Corporate Governance were probably sown by the Watergate scandal in the United States. As a result of subsequent investigations, US regulatory and legislative bodies were able to highlight control failures that had allowed several major corporations to make illegal political contributions. This led to the development of the Foreign and Corrupt Practices Act of 1977 in USA that contained specific provisions regarding the establishment, maintenance and review of systems of internal control.
- This was followed in 1979 by the Securities and Exchange Commission of USA's proposals for mandatory reporting on internal financial controls. In 1985, following a series of high profile business failures in the USA, the most notable one of which being the Savings and Loan collapse, the Treadway Commission was formed. Its primary role was to identify the main causes of misrepresentation in financial reports and to recommend ways of reducing incidence thereof. The Treadway report published in 1987 highlighted the need for a proper control environment, independent audit committees and an objective Internal Audit function. It called for published reports on the effectiveness of internal control. It also requested the sponsoring organizations to develop an integrated set of internal control criteria to enable companies to improve their systemic measures.
- Accordingly COSO (Committee of Sponsoring Organizations) was born. The report produced by it in 1992 stipulated a control framework which has been endorsed and refined in the four subsequent UK reports: Cadbury, Rutteman, Hampel and Turnbull. While developments in the United States stimulated debate in the UK, a spate of scandals and collapses in that country in the late 1980s and early 1990's led shareholders and banks to worry about their investments. These also led the Government in UK to recognize that the then existing legislation and self-regulation were not working.
- Companies such as Polly Peck, British & Commonwealth, BCCI, and Robert Maxwell's Mirror Group News International in UK were all victims of the boom-to-bust decade of the 1980s. Several companies, which saw explosive growth in earnings, ended the decade in a memorably disastrous manner. Such spectacular corporate failures arose primarily out of poorly managed business practices.
- It was in an attempt to prevent the recurrence of such business failures that the Cadbury Committee, under the chairmanship of Sir Adrian Cadbury, was set up by the London Stock Exchange in May 1991. The committee, consisting of representatives drawn from the top levels of British industry, was given the task of drafting a code of practices to assist corporations in U.K. in defining and applying internal controls to limit their exposure to financial loss, from whatever cause.

3. CRYSTALLIZATION OF CONCEPT OF CORPORATE GOVERNANCE

- With this background of genesis of Corporate Governance practices across the globe, it may be pertinent to recall the earliest definition of Corporate Governance by the Economist and Noble laureate Milton Friedman. According to him, Corporate Governance is to conduct the business in

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accordance with owner or shareholders' desires, which generally will be to make as much money as possible, while conforming to the basic rules of the society embodied in law and local customs.

- Some more established definitions state that "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders and also the structure through which objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined"
- According to Shri Kumar Mangalam Birla "fundamental objective of corporate governance is the 'enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders."
- The spirit of these definitions clearly bring to fore the significant role of Corporate Governance. If the Corporate Governance is implemented in totality in banks, it will have impact on the overall health of the banking system reflected in the form of rise in business levels, profitability ratios, dividends paid, market capitalization, earnings per share, net worth, and book value of the shares and so on. The expression of interest of foreign banks to expand operations in India, their strategic move to join collaborations, joint ventures, tie ups, correspondent relations etc with the Indian financial entities are also a reflection of soundness of stable governance policies.
- Adoption of Corporate Governance practices in banks has begun to reflect changes in the style of governance and their growth pattern. Before we embark on further study of its role in banking system, a quick look at the pace of growth of banking sector will help us crystallize our views. The following sections will provide a snap shot of how the banks have broadly done in the recent years. These sections will also attempt quantification of performance of banks in the capital market which has a better correlation with the policy of corporate governance measures.
- Corporate Governance as a school of thought is globally practiced as an ethical, board driven policy prescription that can put companies on a sustained growth trajectory having potentiality to contribute substantially to the society. Presence of a large number of such successful companies builds up a productive environment forging a constructive alliance with the economic development of the country. Hence establishment of a high standard of corporate governance is necessary for consistency in economic development. But many times certain companies are unable to effectively disseminate the principles of corporate governance to the top management stream leading to their failure. Such failed institutions are detrimental to the stakeholders and welfare of the society.

4. BROAD CANVASS OF CORPORATE GOVERNANCE GUIDELINES FOR BANKS

- Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. Poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to their potential impact on any applicable deposit insurance systems and the possibility of broader macroeconomic implications, such as contagion risk and impact on payment systems. In addition, poor corporate governance can lead markets to lose confidence in the ability of a bank to properly manage its assets and liabilities, including deposits, which could in turn trigger a bank run or liquidity crisis. Indeed, in addition to their responsibilities to shareholders, banks also have a responsibility to their depositors.
- From a banking industry perspective, corporate governance involves the manner in which the business and affairs of banks are governed by their boards of directors and senior management, which affects how they function:
- Set corporate objectives;
    1) Operate the bank's business on a day-to-day basis;
    2) Meet the obligation of accountability to their shareholders and take into account the interests of other recognized stakeholders;
    3) Align corporate activities and behavior with the expectation that banks will operate in a safe and sound manner, and in compliance with applicable laws and regulations; and
    4) Protect the interests of depositors.

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- Moreover, sound corporate governance practices are especially important in situations where a bank is experiencing problems, or where significant corrective action is necessary, as the supervisor may require the board of directors' substantial involvement in seeking solutions and overseeing the implementation of corrective actions.
- A banking corporation is a congregation of various stakeholders, namely, customers, employees, investors, vendor partners, government and society. A bank should be fair and transparent to its customers and stakeholders in all its transactions. This has become imperative in today's globalized business world where corporations need to access global pools of capital, need to attract and retain the best human capital from various parts of the world, need to partner with vendors on mega collaborations and need to live in harmony with the community. Unless a corporation embraces and demonstrates ethical conduct, it will not be able to succeed.
- Corporate Governance is all about ethical conduct of business. Ethics is concerned with the code of values and principles that enables a person to choose between right and wrong, and therefore, select from alternative courses of action. Further, ethical dilemmas arise from conflicting interests of the parties involved. In this regard, managers make decisions based on a set of principles influenced by the values, context and culture of the organization. Ethical leadership is good for business as the organization is seen to conduct its business in line with the expectations of all stakeholders.
- Corporate governance is beyond the realm of law. It stems from the culture and mindset of management, and cannot be regulated by legislation alone. Corporate Governance deals with conducting the affairs of a company such that there is fairness to all stakeholders and that its actions benefit the greatest number of stakeholders. It is about openness, integrity and accountability. What legislation can and should do is to lay down a common framework – the "form" to ensure standards. The "substance" will ultimately determine the credibility and integrity of the process. Substance is inexorably linked to the mindset and ethical standards of management.
- Corporations need to recognize that their growth requires the cooperation of all the stakeholders; and such cooperation is enhanced by the corporation adhering to the best corporate governance practices. In this regard, the management needs to act as trustees of the shareholders at large and prevent asymmetry of benefits between various sections of bank customers and shareholders, especially between the owner-managers and the rest of the shareholders.
- Corporate governance is a key element in improving the economic efficiency of a bank. Good corporate governance also helps ensure that corporations take into account the interests of a wide range of constituencies, as well as of the communities within which they operate. Further, it ensures that their Boards are accountable to the shareholders.

5. DEBUT OF CORPORATE GOVERNANCE IN INDIAN BANKS

- As a prelude to institutionalize Corporate Governance in banks, an Advisory Group on Corporate Governance was formed under the chairmanship of Dr. R.H. Patil. Following its recommendations in March 2001 another Consultative Group was constituted in November 2001 under the Chairmanship of Dr. A.S. Ganguly: basically, with a view to strengthen the internal supervisory role of the Boards in banks in India. This move was further reinforced by certain observations of the Advisory Group on Banking Supervision under the chairmanship, Shri M.S. Verma which submitted its report in January 2003. Keeping all these recommendations in view and the cross-country experience, the Reserve Bank initiated several measures to strengthen the corporate governance in the Indian banking sector.
- Indian banking system consists of Public/Private sector banks having a basic difference between them as far as the Reserve Bank's role in governance matters relevant to banking is concerned. The current regulatory framework ensures, by and large, uniform treatment of private and PSBs in so far as prudential aspects are concerned. However, some of the governance aspects of PSBs, though they have a bearing on prudential aspects, are exempt from applicability of the relevant provisions of the Banking Regulation Act, as they are governed by the respective legislations under which various PSBs were set up. In brief, therefore, the approach of RBI has been to ensure, to the extent possible, uniform treatment of the PSBs and the private sector banks in regard to prudential regulations.
- In regard to governance aspects of banking, the Reserve Bank prescribed its policy framework for the private sector banks. It also suggested to the Government the same framework for adoption, as

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appropriate, consistent with the legal and policy imperatives in PSBs as well. Hence the endeavor is to maintain uniformity in policy prescriptions to the best possible extent for all types of banks.

- Since role of Independent Directors form the basis for effective implementation of corporate governance in banks, it is necessary to reproduce the code of conduct prescribed under SCHEDULE IV [section 149(7)] as prescribed in Companies Bill 2012 for the guidance to the companies. These are reproduced from the Companies' bill 2012.

6. IMPACT OF CORPORATE GOVERNANCE NORMS IN BANKS

- The RBI move to strengthen Corporate Governance led to seminal changes in the bank administration. The sustained profitability, lower level of non-performing assets, improved return on assets etc are some of the laud indicators of the sustaining policy of operating sound banking system. Moreover, the movement of share prices in the market, increased appetite of investors to look at banks for investment in bank centric equity market further speaks of broad market opinion of bank's performance and reflection of market confidence. The corporate governance framework in banks has been strengthened through regulation, supervision and by maintaining constant interaction with the management. They cover identification of responsibilities of the Boards of banks, disclosure and transparency in published accounts, and shareholder and stakeholder rights and controls. The rating on management (M) which has been introduced as part of the CAMELS (Capita, Asset Quality, Management, Earnings, Liabilities and Systems) supervisory process takes into account the working of the board and its committees including the Audit committee, effectiveness of the management in ensuring regulatory compliance and adequacy of control exercised by the head/controlling offices. This model has been further modified to include risk based supervision. The new evolution is intended to manage influx of a range of financial risks entering the market with their nuances.
- Moreover, the audit function is an important element of the corporate governance process and the independence of this function is crucial to good corporate governance. Audit Committee of the Boards, constituted at the instance of RBI; performs the role of overseeing concerns about internal controls and recommendations for their improvement. In order to ensure both professionalism and independence of these committees, Chartered Accountant directors on the boards of banks are mandatory members and the Chairman or Chief Executive Officer is not to be part of the Audit Committee. Foreign banks are not insisted upon to have local audit committee for their Indian branches. Their branches can have a compliance function that reports to their head office on the branches' compliance with RBI inspection findings and features arising out of internal inspections and statutory audit. RBI has Nominee directors on the boards of all PSBs and some of the old private sector banks. Further, the Government also nominates directors on the boards of all PSBs. Of late, RBI has been withdrawing its nominees from the boards of well-managed old private banks.
- In order to improve the effectiveness of the non-official directors and bring in effective corporate governance at the board level in banks, guidelines have been issued focusing the attention of directors on certain areas such as (i) the prescribed calendar of reports / returns to be placed before the Board / Managing Committee of the bank (iv) corrective action required to be taken by the bank on issues of supervisory concern (v) adherence to the deadlines for complying with various action points committed under Monitor able Action Plan during discussions in Annual Financial Inspection findings as well as achievement of targets agreed during Memorandum of Understanding (MOU) discussions with RBI. Further, the guidelines also require the directors to keep watch on matters which come to the board of the banks as also what should have come to the board and to inform the Department of Banking Supervision on matters of supervisory concern.

7. IMPACT OF CORPORATE GOVERNANCE POLICIES IN BANKS

- Post reform period led to many banks accessing capital market to shore up their capital adequacy ratio, an essential prescription of Basel-I then and Basel –II now. Subscription of bank's equity is a function of public confidence which stems from governance policies. The Red Herring Prospectus lodged by banks as required by the capital market regulator, the Securities and Exchange Board of India (SEBI) reflects not only the numerical performance of banks as enunciated in Section-I of this paper but is also an indicator of present and future governance policies pursued by banks.

- The movement of stock prices is a further reflection of demand and supply of bank shares in the stock market. The entry of new Private Sector Banks and PSBs accessing capital market opened up new opportunities to the investors. It was heartening to note that in the next few years, the bank shares had picked up demand and popularity.
- The spurt in the capital market index is a manifestation of investor opinion on the performance, potential and standard of governance of banks. Though there may not be direct correlation between market movement of bank shares and corporate governance policies, the overall long run market opinion precipitates on this basis. Such practices form the fundamental strength of the banks and their ethical commitments. As the risk perception changes, volume of business goes up, new line of activities spur, competition heightens further, the Corporate governance practices need to be fine tuned to meet the emerging challenges.

8. LEARNING FROM THE CORPORATE GOVERNANCE

- Several large global economies have been experiencing the ramifications of some well publicized instances of failure of large corporate entities/Banks/Financial institutions of repute putting the stakeholders/society at risk. Instances of failure of well functioning commercial banks are a big threat to the civilized society across the globe which needs to be curbed with appropriate code of corporate governance policy reforms. With the advancement of science of management, the governance should logically get fine tuned to sustainably operate in the emerging globalised world to do more good to the society.
- Corporate governance across the globe is omnipotent to create a culture of sustainable growth. Hence every promising organization including banks which has a vision imbibes best practices in corporate governance to provide sustainability and healthy growth. The challenge is to groom the management to balance between temptations to flout ethical standards in exchange for short term gains. Such temptations step by step can build up into weaknesses which have the potentiality to perish the banking organizations built strongly over a period of time by great leaders. Hence, the acid test for the Board team is to build a management stream that can strengthen the fence of moral and ethical values.
- The world has witnessed in the global crisis in 2008 that the organizations such as Lehman Brothers are vulnerable to high risk in an upbeat economic environment. The incidence of failure of institutions increased during the period further reinforcing the need to strengthen the process of dissemination of steady principles of corporate governance so as to protect the companies from failing.

9. ROAD AHEAD

- Corporate Governance is a mission intended to create strong fundamentals for the banks. With changing dimensions of corporate governance practices banks need to transform into much more dynamic and forceful entities setting a broad vision for the future. It will be more significant in the wake of the recent global financial turmoil which had taken heavy toll of several financial conglomerates. Many investment banks, commercial banks and financial institutions across the globe had to file bankruptcy petitions and vanished from the market. The reasons are definitely a focus on achieving short term business goals often ignoring the long term goals of the organization. The philosophy of Corporate Governance spells out the long term sustainability with strong fundamentals.
- The ownership and governance of banks assume special significance as they accept and deploy large amount of uncollateralized public funds and leverage them through credit creation. Banks also participate in payment mechanism. However the two major concerns arose in the Indian context regarding Corporate Governance in banks. These were concentration of ownership and the quality of management that controlled the bank. Regulation of private banks was crucial in view of the fact that the owner shareholders of the banks had only a minor stake and considering the leveraging capacity of banks, it puts them in control of a very large volume of public funds of which their own stake is miniscule.
- Moreover, the restrictions on the voting rights of shareholders will limit the basic principle of equal rights to all the shareholders. The rights of private shareholders' of PSBs are skewed considerably, since their approval is not required for paying dividend or for adopting annual accounts. On the other

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hand the subsidiaries of the SBI enjoy very limited board autonomy as they have to get clearance on most of the important matters from the parent even before putting them up to their boards.

- Further, as things stand today, there is no equality among the various board members of the PSBs. Nominees of RBI and Government enjoys a better command and is treated to be superior to other directors. Another major problem affecting banks has been the representation given to the various interest groups on the boards of the banks. The main objective behind these representations was to give voice to various sections of the society at the board level of the banks. Hence, a major reform is needed in the area of constitution of the boards of the banks. The Chairmen, Executive Directors and non-executive directors on the boards of the PSBs (including Chairman, Managing Director, Deputy Managing Director of the SBI and its subsidiaries) need to be appointed on the advice of an expert body set up on the lines of the UPSC, with similar status and independence. Such a search committee is generally set up jointly by RBI and the Ministry of Finance.
- All the objectives that the banks are supposed to achieve should become an integral part of the corporate mission statements of these institutions. Banks pursue these goals relentlessly to gain new heights. Although RBI maintains a tight vigil and inspects these entities thoroughly at regular time intervals, the quality of corporate level governance mechanism does not appear to be satisfactory. In its role as the regulator, RBI has representation on the bank boards, given the fact that it has the role to protect the interests in line with its regulatory functions. This applies even in the case of SBI where RBI is the major shareholder. Further, any policy measures to protect banks that are less careful in their lending policies need appropriate intervention to protect the banks in such a way that they do not encourage profligate lending by banks.
- Current regulatory provisions do not permit a bank to lend money to a company if any of its board members is also a director on the board of that company. The negative impact of this rule has been that the banks are not able to get good professionals for their boards. The banks are required to induct independent directors in their board to promote professional functions.
- The top management and board of directors constantly work towards improving the quality of corporate governance in PSBs. One of the major factors that impinge directly on the quality of corporate governance is the government ownership. It is desirable that all the banks are brought under a single Act so that the corporate governance regimes do not have to be different just because the entities are covered under multiple Acts of the Parliament or that their ownership is in the private or public sector. The ownership of banks and accountability to run them should vest preferably with single agency. The future challenges will unfold a range of transformation in the system of corporate governance so that the quality of performance of banks and public confidence is maintained high.

10. 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. Gogi (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.

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11. RESEARCH METHODOLOGY

- For the purpose of the study, three trusted public sector banks and three trusted private sector banks as per the Times of India Economic Times Brand Equity have been selected on the basis of their net profits and secondary data has been used and has been taken from reliable sources like Ministry of Corporate affairs and concerned banks websites.
- The secondary data has been taken from the annual report of the concerned banks. Ranking and scoring method has been used to evaluate the corporate governance disclosures practices of public and private sector banks. Also the data has been analyzed through the ranking and scoring method for the testing of adherence of compliances with clause 49 of the listing agreement of SEBI of public and private sector banks.
- 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 19. The public sector banks that have been selected are State Bank of India, Bank of India and Bank of Baroda and private sector banks include HDFC Bank, Axis Banks and Yes Bank which are already into my Corporate Governance Disclosure Practices Study. 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 in the index is equally important.

12. 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:

A. 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

Public Sector Banks	Score	Private Sector Banks	Score
SBI	1	HDFC Bank	1
Bank of India	1	Axis Bank	1
Bank of Baroda	1	Yes Bank	1
Total Score	3	Total Score	3

B. 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

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International Journal of Engineering Researches and Management Studies

Sub Contents	Public Sector Banks			Total Score	Private Sector Banks			Total Score
	SBI	Bank of India	Bank of Baroda		HDFC Bank	Axis Bank	Yes Bank	
Composition of Board	1	1	1	3	1	1	1	3
Non-Executive Directors' compensation and disclosures	1	1	1	3	1	1	1	3
Independent Director	1	1	1	3	1	1	1	3
Board Procedure	1	1	1	3	1	1	1	3
Code of Conduct	1	1	1	3	1	1	1	3
Total Score	5	5	5	15	5	5	5	15

C. 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.

Sub Contents	Public Sector Banks			Total Score	Private Sector Banks			Total Score
	SBI	Bank of India	Bank of Baroda		HDFC Bank	Axis Bank	Yes Bank	
Qualified & Independent Audit Committee	1	1	1	3	1	1	1	3
Meeting of Audit Committee	1	1	1	3	1	1	1	3
Powers of Audit Committee	0	0	0	0	0	0	0	0
Role of Audit Committee	1	0	1	2	1	1	1	3
Review of Information by Audit Committee	1	1	1	3	1	1	1	3
Total Score	4	3	4	11	4	4	4	12

D. 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.

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International Journal of Engineering Researches and Management Studies

Public Sector Banks	Score	Private Sector Banks	Score
SBI	1	HDFC Bank	1
Bank of India	1	Axis Bank	1
Bank of Baroda	1	Yes Bank	1
Total Score	3	Total Score	3

E. 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.

Public Sector Banks	Scores	Private Sector Banks	Scores
SBI	1	HDFC Bank	1
Bank of India	1	Axis Bank	1
Bank of Baroda	1	Yes Bank	1
Total Score	3	Total Score	3

13. 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 nearly the same. In other words, it has been seen that both the most trusted public sector banks and most trusted private sector banks 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.

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