SUMMARY OF FINDINGS

“Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, Corporations and society”

Sir Adrian Cadbury (2000)

5.1 INTRODUCTION:

Corporate governance is one of the pillars of bank’s focus on sustainability. Bank that is well governed is one that is accountable and transparent to its shareholders and other stakeholders fulfilling its requirement and social responsibilities. Poor standards of governance particularly in the area of transparency and disclosure have been a major factor behind instability in the financial market across the globe.

The present chapter gives brief highlights of the findings based on the analysis of the data and are given below:

5.1.1 CGDL IN BANKS

- The first step in determining the corporate governance disclosure level is to construct the corporate governance disclosure index and is thus constructed using sixty five independent variables.
- Corporate governance disclosure index is constructed using sixty five independent variables.
- Canara Bank and PNB shows the highest disclosure level with 91.11 percent followed by Corporation Bank with 87.62%, Vijaya Bank with 84.76% and the least disclosure is by Syndicate Bank with 82.86% with respect to mandatory requirements. It is inferred that not all banks comply with the mandatory requirements.
- Post 2006 when SEBI made the compulsion for disclosures there is an increase in the disclosure level of the banks.
- Non mandatory disclosures of Corporation bank is 85.71% and Canara Bank is 85.71% both display highest disclosure level, followed by Syndicate bank with
77.14%, PNB with 54.29% and the least disclosure is by Vijaya Bank with 30%.

- With respect to other corporate governance disclosure requirements which are desirable for effective governance in the bank, Corporation Bank displays a highest disclosure with 95.7% followed by PNB with 85.71%, and Vijaya Bank with 85.71%, Syndicate bank with 68.57% and the least disclosure is made by Canara bank with 60.00%.

- In overall corporate governance disclosure requirements, Corporation bank has recorded the highest disclosure for seven years with 88.57% followed by Canara Bank with 85.49%, PNB with 85.27%, and Syndicate Bank with 79.78% and Vijaya Bank has recorded the least disclosure with 76.48%. Corporation Bank has got highest rank and Vijaya Bank has got the lowest rank. It is inferred that there is no uniformity in the disclosure level of banks.

- It can be observed that all the banks have disclosed information related to the code of governance. Regarding the information related to board of directors and other variables all the banks has given good disclosures. The information regarding whether bank has mentioned the number of other Boards or Board Committees in which he/she is a member or a Chairperson is done by Vijaya Bank has made least disclosure.

- Canara bank is displaying good disclosure about remuneration committee. Syndicate Bank has the least disclosure about details of remuneration to all the directors, as per format in main report. All the five banks are displaying good disclosure in terms of information related to shareholder committee.

- Vijaya Bank is displaying least disclosure for information related to special resolutions passed in the previous 3AGMs been recorded. All the banks are displaying least disclosure for the postal ballot related information. Canara bank is showing good disclosure for the information related to whistle blower policy and affirmation that no personnel have been denied access to the audit committee.

- Corporation bank, Syndicate bank and Vijaya Bank is showing least disclosure for the information related to presentations made to institutional investors or to the analysts are made known.
• Syndicate bank and Vijaya Bank has made the least disclosure of information related to the remuneration committee. Syndicate bank has made least disclosure for the information related to the shareholder’s rights.

• Vijaya Bank is displaying least disclosure for the all the variable related to the audit qualifications, training for board members and the peer group of BOD. Canara Bank has the least disclosure for the information related to the profile of directors, code of conduct of bank. Syndicate bank has least disclosure for the CSR initiatives.

• According to the variable wise analysis Bank’s code of governance, Audit committee, Shareholder’s committee is showing hundred percent disclosures. General shareholder information has got 96.36% disclosures, Board of directors with 95%, Remuneration committee with 94.29%, disclosures as variable with 90%, means of communication with 88%, Other corporate governance disclosures with 79.14%, Non mandatory requirements has 66.57% and the least disclosures is in relation to the general shareholder meeting with 48.57% disclosures, though it is mandatory variable the disclosure level is very low.

• There are thirty six variables which has hundred percent disclosures for all the seven years. The least disclosure is made about the postal ballot and presentations made to institutional investors or analyst. There is no clear disclosure about the independent director which is showing no disclosure. In relation to other CG disclosures nomination committee and the independent director is showing least disclosures.

• The person who conducts the postal ballot exercise and the special resolution proposed to be conducted through postal ballot shows 20% disclosures however the details of voting pattern shows 34.29%. The presentation made to the institutional investors or to the analysts is displaying 40% for seven years. GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity shows 60% disclosures.

• Whistle Blower policy and affirmation that no personnel have been denied access to the audit committee has 62.86% disclosures, number of other Boards or Board Committees in which he/she is a member or a Chairperson shows 80% disclosures, disclosures on materially significant related party
transactions that may have potential conflict with the interests of bank at large made shows 80% disclosures, details of remuneration to all the directors, as per format in main report has 82.86%, special resolutions passed in the previous 3 AGMs been recorded has 85.71% disclosures, composition, name of members and chairperson of remuneration committee mentioned has 91.43% disclosures, Bank has mentioned the attendance during the year shows 94.29%, Remuneration policy of Bank mentioned in the report shows 97.14%, the details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause given shows 97.14% disclosures.

- Out of forty five variables fifteen variables is showing varied disclosure level. In relation to the postal ballot though in few banks they have mentioned they didn’t have any occasion to use but maximum number of banks doesn’t comply with the requirement. The least disclosure is made about the postal ballot and presentations made to institutional investors or analyst. In the year 2011-12 the mandatory disclosure level of Punjab national bank is highest.

- On the basis of the corporate governance report of five banks following non-mandatory variable is been analyzed. In case of information related to non-executive chairman may be entitled to maintain a Chairman's office at the company's expense it is showing 97.14% disclosures, information related to whether they are allowed reimbursement of expenses incurred in performance of his duties shows 77.14% disclosures.

- There is no clear disclosure about the independent director which is showing 0%. The requirements related to board and the shareholder’s right is showing 97.14% disclosure. Whether the boards have set up a remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment shows 97.14% disclosures. In case of variable does the Bank have it provisions to avoid conflicts of interest, the remuneration committee, which would determine the remuneration packages of the executive directors may comprise of at least three directors, all of whom should be non-executive directors, the Chairman of committee being an independent director has
62.86% disclosure, members of the remuneration committee be present at the meeting has 54.29 % disclosure.

- Information related to half-yearly declaration of financial performance including summary of the significant events in last six-months has been sent to each individual shareholders has 97.14% disclosure, Whether the Bank may move towards a regime of unqualified financial statements stated in relation to the audit qualification shows 62.86% disclosure, training for its Board members shows 60.00% disclosure, Whether the Bank has Pear Group of BOD to evaluate the performance of non-executive directors shows 57.14% disclosure.

- In case of other corporate governance requirements there are four items which have shown hundred percent disclosures but other six variables is showing less than hundred percent disclosures. Is the Chairman of the Board Executive or Non Executive mentioned shows 97.14% disclosure and if the Profile of directors appointed during the year mentioned shows 80% disclosure. Nomination committee plays a vital role for better governance has 45.71% disclosure level. There is least disclosure about the independent directors with 20%. It is important have the code of conduct which has only 68.67% of disclosure.

- Out of the five bank analyzed each Bank has taken various innovative CSR initiatives which contributes to the society. It is found that all the five bank has given ample importance for rural development, education, self employment, healthcare as important CSR initiatives. However the disclosure levels of Syndicate Bank and Vijaya Bank has increased since it plays major role in increasing its goodwill and reputation.
5.1.2 PERFORMANCE OF BANKS

The three triggers of bank performance NPA, ROA and CAR used for the present study is analysed below.

- The non performing assets for five banks for seven years was analysed where based on the mean value Canara bank is showing highest value of 1.09 and Corporation bank with least mean value 0.48.
- Corporation Bank shows high level of capital adequacy ratio, Vijaya Bank and Syndicate Bank shows the least level of capital adequacy ratio.
- In case of the ratio of return on total assets for the period of 2005-12 for five banks, the average return of the bank is high in case of Punjab National Bank i.e., 1.23 and least in case of Vijaya Bank with 0.69.

5.1.3 EFFECT OF CORPORATE GOVERNANCE DISCLOSURE LEVEL ON BANK PERFORMANCE

- Using the bivariate correlation in SPSS the results were obtained to check the relation and strength between the corporate governance disclosure level and the three triggers of bank performance. However there is a positive correlation with respect to return on assets and the corporate governance disclosure level with the correlation coefficient of \( r = 0.959^* \). Corporate governance disclosure level and the Capital adequacy ratio shows the correlation of \( 0.972^* \) and the Corporate governance disclosure level with that of NPA shows \( r = -0.679 \). As per the desired results as the corporate governance disclosure level increases banks nonperforming assets decreases. From the above results it can be inferred that the banks with good corporate governance disclosure level have good performance.

There is no sufficient evidence to accept the null hypothesis. Hence researcher accepts the alternative hypothesis which states that the extent of corporate governance disclosure level and bank performance is related. Increasing level of corporate governance disclosure not only increases ROA, CAR helps in the reduction of NPA level of banks thus helping banks to perform better.
5.1.4 ANALYSIS OF NON EXECUTIVE DIRECTORS, BOARD COMMITTEE AND BOARD MEETING

Non-Executive Director is expected to have a positive relationship with bank’s performance. To test this relationship Pearson Correlation Matrix analysis was performed with Non-Executive Director and bank’s performance for the period 2005–2012. The analysis indicated a positive correlation with the selected variables, with respect to the return on asset and the number of non executive director \( r = .681 \), capital adequacy ratio to that of proportion of non executive director \( r = 0.844 \) and Non performing assets and the proportion of non executive director the correlation coefficient \( r \) is -0.58. All the three variables are showing desired results. There is a strong correlation between the proportion of the non executive directors and the bank performance.

It is difficult to apportion responsibility on the non executive directors on the bank performance since they are not the long term employees and they have the term limits. But in the present study we can infer the contribution of the non executive director is proportionately good in terms of improving the performance of bank.

Hence alternative hypothesis is accepted which states that the proportion of non executive directors is significant to the bank performance.

- Presence of Board committees helps banks in better disclosures. Using bivariate correlation in SPSS following results were obtained. The Pearson correlation coefficient value \( r \) is .158 which shows weak correlation. Thus it can be inferred that the Proportion or the number of board committees does not have the major impact on the disclosure level of the banks. Where it’s the active participation of the board committee with members of board actively looking into the day to day affairs of the management the disclosure level can be improvised.

It is inferred that the board committee proportion is not having major impact on the disclosure level of the bank. Board of the bank need to bear the responsibility to provide strategic guidance towards better disclosure which affects the bank performance. The board need to direct its executives by formulating and reviewing policies, plans, set performance objectives and monitor implementation.
Hence the null hypothesis is accepted which states that there is no significant relationship between board committee and the extent of corporate governance disclosure level.

- Board meeting is expected to have a strong relationship with bank’s corporate disclosure level. To test this relationship Pearson Correlation Matrix analysis was performed with board meetings and bank’s corporate governance disclosure level for the period 2005–2012. The analysis indicated a positively moderate correlation with the selected variables, i.e. $r = .673$. It is inferred that in case of banks with increasing number of board meetings enhances the corporate governance disclosure level to the great extent. With the increase in the board meeting the board can have ample time to discuss about the various issues of governance and thus enhances transparency and disclosures.

- Thus researcher accepts the alternative hypothesis which states that there is significant relationship between board meetings and the extent of corporate governance disclosure level.

5.1.5 SHAREHOLDERS OPINION ON CORPORATE GOVERNANCE

- Corporate governance from shareholder’s perspective is analysed. The maximum number of respondents belong to the age group of 31-45 years, based on gender, male respondents were more, Profession wise shareholders into public service and private service were more and the shareholders with undergraduate qualification responded more to the questionnaire.

- Out of the 150 shareholders 90.67% of them agree that they have been informed and provided all documents ahead of the shareholder’s meeting but 14% of the responded that they do not agree to it.

- Out of the five varied way of getting the results of the shareholders meeting maximum number of shareholders have opted for courier and the mail as the means of getting the results of the shareholders meeting.

- Out of 150 shareholders 94% of the respondents have agreed that the banks handle the complaints or queries of minority shareholders
• 94.67% of the shareholders have agreed that the banks have a clearly disclosed dividend policy where 5.33% do not agree.

• 52.67% of the respondents agree that the Bank have programs or procedures which enable investors to express their views on community issues, perceived unethical practices, or other concerns where 47.33% do not agree to it.

• Out of 150 shareholders 90.67% of shareholders responded that they have been informed and provided all documents ahead of the shareholder’s meeting. 94.67% of the shareholders have revealed that the banks have a clearly disclosed dividend policy. 52.67% of the respondents agree that the Bank have programs or procedures which enable investors to express their views on community issues, perceived unethical practices.

• Shareholders have the opinion that high disclosure is of utmost importance for banks for their effective governance. Thus maximum number of shareholders has the opinion that their rights are protected by the banks. 46.67% shareholders somewhat agree that they have the right to be informed on decisions concerning fundamental corporate changes. 58% of the shareholders somewhat agree that Shareholders are provided with adequate information on the agenda items of the shareholders’ meeting.

• 50.67% of shareholders somewhat agree that adequate time is given for asking questions and placing issues at the shareholders meeting. 15.33% of the shareholders strongly agree, 10% of the shareholders strongly disagree, 6% somewhat disagree and 18% of the shareholders neither agree nor disagree. All the five banks have maximum number of respondents revealing that the shareholder’s meeting lasts for two to three hours.

• It is statistically significant and shareholder’s have the opinion that their rights should be protected by bank in terms of right to participate, vote at the general meeting and to be treated fairly, right to be informed on decisions concerning fundamental corporate changes, Shareholders are provided with adequate information on the agenda items of the shareholders' meeting. Adequate time is given for asking questions and placing issues at the shareholders' meeting.

• It is inferred that banks’ top priorities should be effective disclosure and the stronger enforcement for the better governance of the banks.
• 45% of the Shareholders have the opinion that corporate governance does not affect their investment decision where remaining 55% expressed their opinion about the impact of the corporate governance in their investment decisions. They revealed that by increasing or by decreasing the shareholdings corporate governance affects their investment decisions.

• There were suggestions from shareholder regarding the judicial utilisation of the fund since they insist that it is tax payer’s money, they need to collect the outstanding loan promptly instead of waiving off the said loan. Ineffective follow-up of big loan accounts results in increasing NPAs which results in decreasing in net profit which will affect the value of share.

The study provides a useful framework to improve and to implement better corporate governance process and structure in the bank. It also helps to evaluate the shareholders opinion about the corporate governance.