

Corporate Governance: A Primary Study on Awareness about Corporate Governance Practices Followed by Banks

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Abstract—Corporate governance for banking industry is logically of greater significance than others. Effective corporate governance practices are necessary for achieving and maintaining public trust and confidence in the banking system. The system may collapse if good corporate governance practices are not followed in any organization as what happened in Satyam, Infotech. Bank should take all the measures to ensure good corporate governance practices. In the present study, an attempt has been made to know about awareness of corporate governance practices followed by banks.

1. INTRODUCTION

Corporate Governance lies at the heart of the way businesses are run. Often defined as the “way businesses are directed and controlled”, it concerns the work of the board as the body which bears ultimate responsibility for the business. Corporate Governance basically denoted the rules of the law, transparency, accountability and protection of the public interest in the management of a company’s affairs in the prevailing global and competitive market environment. Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of the rights and the responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and lays down the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. Banks are critical components of the economy while providing finance for commercial enterprises, basic financial services to a broad segment of the population and access to payment systems. Banks in India are facing increasing competition, within and outside India, both in terms of markets for its products and for sources of fund.

Investors believe that a bank with good governance will provide them a safe place for investment and also give better returns. Good corporate governance is therefore an important factor in a competitive environment. Investors, customers, employees and vendors have all become more discerning and

are demanding greater transparency and fairness in all dealings. To attract and retain the commitment of investors, customers, employees, Banks should ensure that they match the global benchmark in Corporate Governance Practices.

2. RESEARCH METHODOLOGY

To fulfil the objectives of the present study the primary data is used. The data is collected with the help of a questionnaire. The data has been collected from bank employees of selected public (State Bank of India, Central Bank of India and Punjab National Bank) and private banks (AXIS, HDFC and ICICI Banks). For the study, bank employees of Kurukshetra district are concerned population. The size of sample for the present study was 123.

To know about corporate governance practices followed by selected banks, fourteen items were used. In 10 items, namely Q.1a, 1b, 1c 1d, Q2a, 2b, 2c, Q3a, 3b and 3c, 5 points Likert scale from strongly agree to strongly disagree were used. In 4 items, namely Q4, Q5, Q6 and Q7, nominal scale was followed to measure these statements.

Analysis of Data

Table: 1. Descriptive Statistics of Sources to elicit information about Company

Sr. No.	Variables	Mean	S. Deviation
1.	News Bulletin	4.2684	0.61502
2.	Daily Newspaper	4.2602	0.61187
3.	Website	4.3252	0.62063
4.	Email	4.0569	0.68114

All the sources of information have mean score more than 4 indicating thereby that news bulletin, daily newspaper, website and email are the sources which are being used by the company to spread corporate governance among employees. However, website is the imperative source as reflected by its highest mean score (4.3254).

Table 2. Descriptive Statistics of Information which are disclosed to the Public

Sr. No.	Variables	Mean	S. Deviation
1.	Company's success stories	4.2033	0.73506
2.	Business contracts	3.6911	0.83106
3.	Change in key management position	3.9919	0.74102

The table represents that the mean of Company's success stories is (4.2033) highest. It indicates that the information regarding company's success stories is disclosed more than others. After that information about change in key management position (Mean 3.9919) and information related business contracts (Mean 3.6911) are also disclosed. Thus, it can be concluded that most of the respondents agreed that information regarding company's success stories is disclosed followed by change in key management position and business contracts.

Table 3. Descriptive Statistics on Raising Concern to Improvement

Sr. No.	Variables	Mean	S. Deviation
1.	Suggestion Box	4.6098	0.50626
2.	Website	4.4146	0.57155
3.	Email	4.3577	0.60232

The above table indicates that the mean of suggestion box is (4.6098) highest than other variables. It indicates that most of the respondents use suggestion box as main source to raise concerns. After suggestion box, the website (Mean 4.4146) and then email (Mean 4.3577) are also used to raise concerns. Mean score (> 4) of all the variables highlight that suggestion box, website and email are being used by the respondents to raise their concern.

Table 4. Frequency Distribution on Awareness of Composition of Board

Option	Frequency	Percent
a) Executive directors only	28	22.8
b) Non- executive directors only	6	4.9
c) Independent directors only	1	0.8
d) Mix of (a), (b) and (c)	88	71.5
Total	N=123	100

The table describes that 71.5% of respondents say that the composition of the board consists of mix of executive directors, non-executive directors and independents directors. 22.8% of respondents indicate that the composition of the board comprises executive directors only. 4.9% of respondents agree that the composition of the board contains non-executive directors only. Thus, it can be inferred that most of respondents (71.5%) are aware that the composition of the

board comprises mix of executive, non-executive and independent directors, though others are not fully aware about composition of board.

Table 5. Frequency Distribution on Board and Sub-Committees Meeting

Option	Frequency	Percent
a) Every one month	63	51.2
b) Every Quarter	36	29.3
c) Twice a Year	3	2.4
d) Others	21	17.1
Total	N=123	100

The above table explains that 51.2% of respondents agree that board and sub-committees conduct meeting every month. 29.3 percent respondents say that the board and sub-committees conduct meetings after every quarter. 17.1 percent of respondents say that meetings are held in after every one month, every quarter and twice a year. Thus, it can be inferred that respondents are not having complete information/awareness about meetings for corporate governance

Table 6. Frequency Distribution on Review undertaken by Organization

Option	Frequency	Percent
Every Time	79	64.2
Most of Times	33	26.8
Rarely	8	6.5
Hardly	3	2.4
Total	N=123	100

64.2 percent of respondents are of the opinion that organization undertakes a review every time to ensure that actions taken in the meetings have been implemented. 26.8 percent of respondents say that organization undertakes a review most of time. A few percent of respondents (6.5 and 2.4%) say that organization undertakes a review rarely and hardly. In conclusion, according to data, review of the decision taken in the board meeting is done from time to time to ensure proper implementation so that better result can be achieved.

Table 7. Frequency Distribution on Sub-Committee for Corporate Governance

Number of Committee	Frequency	Percent
1	3	2.4
2	15	12.1
3	28	22.7
4	48	39.0
5	29	23.6
Total	N=123	100

39 percent of respondents say that there are four sub-committees for corporate governance in their banks. 23.6 percent of respondents agree that their banks have five sub-

committees. 22.7 percent of respondents describe that there are three sub-committees for corporate governance in their banks. A few numbers of respondents (12.1%) represent that their banks have just two committees. A very less numbers of respondents (2.4%) say that there is only one committee exists in their banks. From the above discussion it can be concluded that numbers of sub-committees are constituted for proper implementation of corporate governance.

3. FINDINGS AND SUGGESTIONS

The findings reveal that public is kept informed about company through website followed by news bulletin, daily newspaper and email. A large numbers of bank employees agree that information regarding company's success stories is disclosed more than other decisions. Most of the respondents opine that suggestion box is the system which is mostly used by employees to raise concerns followed by website and email. The study found that the composition of the board comprises of executive, non-executive and independent directors. It is also found that meetings of board and sub-committees are held from time to time. Organization undertakes a review every time to ensure that actions decided at meetings have been implemented. The study suggests that banks should initiate more seminars and workshops in order to highlight the relevance of corporate governance so that bank employees can easily understand the role of corporate governance. Information about corporate governance practices followed by the bank should be provided to bank employees. Information regarding the composition of the board and meetings of board and sub-committees should also be provided. Disclosure in relation to change in key management position and business contracts needs to be enhanced.

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