

## AN EMPIRICAL INVESTIGATION OF CORPORATE GOVERNANCE SCENARIO IN PUBLIC VS PRIVATE BANKS IN INDIA

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### ABSTRACT

This study attempts to examine and compare corporate governance practices of private and public bank and to study the importance of governance parameters from investors and financial advisors perspective. A survey has been used to collect primary data and questionnaires were used in final analysis. In addition to that Corporate Governance Score card is prepared for comparison purpose. Questionnaire items were developed through a process involving a review of the measurement scale employed in previous studies analysed through usage of SPSS and MS Excel. Authors found existence of difference between adherence to corporate governance rate of private and public sectors banks. Different parameters are have been given importance by different private and public sector banks and also within the same sectors, the difference exists. There is exists ambiguity in correlation between compliance of corporate governance parameters and net profit. Clause 49 as per SEBI rule is not been able to provide numerical value of importance to each parameter as it is debatable issue over years. Primary research reveals the importance of different parameters set from the perspective of investors and financial advisors.

**KEYWORDS:** Banking, Clause 49, Corporate Governance, Disclosure Practices, SEBI.

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### INTRODUCTION

“Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations, capital flowed towards companies that practiced this type of good governance.” –

Mervyn King

The term "Corporate Governance" which was rarely encountered before the 1990s has now become an all-pervasive term in the recent decade. In today's scenario this term has become one of the most crucial and important concepts in the management of companies.

The OECD'S (1999) original definition is: "Corporate governance specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out 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." According to the Economist and Noble Laureate Milton Friedman, "Corporate Governance is to conduct the business in accordance with owners or shareholders' desires, while conforming to the basic rules of the society embodied in law and local customs"(Economic Times, 2001).

## LITERATURE REVIEW

A significant amount of research has been done on corporate governance practices in the Indian and international context. Corporate governance has, of course, been an important subject of discussion since many years. Scholars and researchers from finance fields have actively investigated the importance and efficacy of corporate governance for at least a quarter of century (Jenson and Meckling, 1976).

Wei'an Li, Yekun Xu, Jianbo Niu, Aichao Qiu <sup>1</sup>(2012) aimed to review some domestic studies with an intention to discover the evolution logic of corporate governance practices in China under a complicated and exclusive context and to provide future research directions. This paper surveyed recent literature in the field of corporate governance, intending to find out the development trends and extract the main line of literature on and practices of Chinese corporate governance. The author found that recent literature on corporate governance provides some new insights into subtle characteristics of governance, governance effects of relational network, political connections, corporate governance evaluation and financial institutions governance. During the past decade, the literature on Chinese corporate governance has referred to some new areas during the transition process from administrative governance to economic governance. In addition to the above, we attempt to put forward an analytical framework and the proposition that Chinese corporate governance is in the transition process from administrative governance to economic governance.

Themistokles Lazarides, Evaggelos Drimpetas <sup>2</sup>(2011) aimed to establish a benchmark for the evaluation of the quality of corporate governance (CG) and to detect the factors that affect it in Greece. The author constructed an index of corporate governance quality using binary variables.

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<sup>1</sup> Wei'an Li, Yekun Xu, Jianbo Niu, Aichao Qiu (2012) "A survey of corporate governance: international trends and China's mode", Nankai Business Review International, Vol. 3 Iss: 1, pp.4 – 30

<sup>2</sup> Themistokles Lazarides, Evaggelos Drimpetas (2011) "Evaluating corporate governance and identifying its formulating factors: the case of Greece", Corporate Governance, Vol. 11 Iss: 2, pp.136 – 148

Data from annual reports were used to identify the mechanisms and practices of corporate governance. The author used an ordinal probit model to identify the drivers of corporate governance. The author found that CG quality in Greece is quite low, in terms of international best practices. The main drivers of CG quality are firm size, leadership or power concentration and board characteristics. Greek firms' CG quality depends mainly on the balance of power within the firm, rather than performance or market for corporate control. The paper not only measures CG, but pinpoints its formulating factors as well.

Maria Aluchna,<sup>3</sup>(2009) investigated the relationship between compliance with corporate governance best practice and corporate performance within Poland. The analysis is based on the regression of corporate governance compliance rating and corporate performance on a sample of Polish public listed companies for years 2004-2006.

The researcher indicated that complying with corporate governance best practice in Poland is associated with lower return on investment (the whole sample). However, the tendency changes into negative but statistically insignificant for the second and third years, and positive but statistically insignificant when only rated companies are included in the research sample. The relationship between proxy of Tobin's q and corporate governance rating remains statistically insignificant and is negative for the whole sample and positive for first and third year as well as for rating companies.

Gabriella Opromolla<sup>4</sup>(2008) described the Bank of Italy's new comprehensive regulatory framework containing guidelines on the organization and corporate governance of banks. The author covered the structure of the regulatory framework and the content of the rules, including rules on a bank's choice of board model, a bank's corporate governance project representing bylaws and internal organization, tasks and powers of governing bodies, composition of governing bodies, compensation and incentive mechanisms, and information flows. The paper revealed that the new rules are in line with recent prudential measures that assign a central role to corporate organization and require banks to establish appropriate corporate governance arrangements and efficient management and control mechanisms aimed to support the risks to which they are exposed.

Samy Nathan, Vincent Ribièrè<sup>5</sup>(2007) explored the concepts and relationships between intellectual capital, knowledge, wisdom and corporate responsibility in the context of the corporate governance of Islamic financial institutions. The author used an adaptation of the Nicholson and Kiel intellectual capital model of the board of directors including the role of the

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<sup>3</sup> Maria Aluchna, (2009) "Does good corporate governance matter? Best practice in Poland", Management Research News, Vol. 32 Iss: 2, pp.185 – 198

<sup>4</sup> Gabriella Opromolla (2008) "The new Italian Banking Regulation concerning banks' organization and corporate governance", Journal of Investment Compliance, Vol. 9 Iss: 2, pp.50 – 54

<sup>5</sup> Samy Nathan, Vincent Ribièrè (2007) "From knowledge to wisdom: the case of corporate governance in Islamic banking", VINE, Vol. 37 Iss: 4, pp.471 – 483

Shari'a Supervisory Board (SSB). The author concluded that the need for organizations to continue their knowledge management journey by integrating organizational wisdom with their decisions and actions. Corporate social responsibility is perceived as being a first step to reach organizational wisdom.

Zororo Muranda <sup>6</sup>(2006) intended to investigate the relationship between corporate governance failures and financial distress in Zimbabwe's banking sector. The study used the case study method. It discussed cases of banks currently in financial distress. Data collection was through desk research. The analysis is qualitative. Judgmental sampling was used in selecting the eight abridged cases. The author found from research that in all cases of pronounced financial distress, either the chairman of the board or the chief executive wields disproportionate power in the board. The disproportionate power emanates from major shareholding. The overbearing executive overshadows other directors, executive and non-executive, thus creating power imbalance in the board. The study showed that financial institutions in Zimbabwe underestimated the competitive forces that resulted from first, economic deregulation and later economic decline coupled with political meltdown. In order to survive, banking institutions significantly shifted from their core business.

## RESEARCH QUESTION

- Is there any difference in corporate governance practices between Private sector and Public sector banks?
- To what extent Indian Banking sector has accepted & implemented corporate governance principles compared to norms?
- Which criteria's and parameters have been given importance to, by Fund Manager, Advisors, Analysts and Agents or Employees of Financial Institute or Brokers for advising for investment in listed companies?

## RESEARCH OBJECTIVE

- To study the adherence of governance norms by Private sector and Public sector banks
- To study the major difference between corporate governance practices in Private and Public sector banks
- To study the correlation between corporate governance norms and growth of companies.
- To study which parameters have received major importance in different banks.

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<sup>6</sup> Zororo Muranda (2006) "Financial distress and corporate governance in Zimbabwean banks", Corporate Governance, Vol. 6 Iss: 5, pp.643 – 654

- To study major criteria's considered by different types of financial advisors for investment criteria's in listed companies.

## **METHODOLOGY**

- Parameters based Score card method has been adopted for comparative analysis, on the basis of Clause 49 under listing agreement norms set by SEBI and Kumar Mangalam Birla Committee Recommendations.
- Primary Research based survey has been conducted to understand the view points of investors and financial advisors.
- Usage of SPSS and Excel for analysis of the data derived through primary and secondary research.

## **DATA ANALYSIS**

To know and identify whether the banks follow and apply the different mandatory and non mandatory parameters of corporate governance, a comparative chart below shows Corporate Governance scores gained by two public and two private sector banks in Section 1.

In Section 2, with the usage of primary instrument and interviews have been conducted to understand the criteria's and perspective of investors, fund managers and broking channel members which they consider with respect to investments and financial advisory. Leading to revelation of facts of level knowledge of corporate governance norms and status as well.

As discussed earlier, specified norms or score parameters are important and should be complied-by the banks. These are statutory requirements as prescribed by SEBI through Clause 49 of the Listing Agreement and its respective amendments in the Companies Act, 1956 serves as a guideline for the formation of score card.

## SECTION 1

CORPORATE GOVERNANCE SCORE CARD OF PUBLIC SECTORS BANKS  
TABLE 1 – BANK OF INDIA LTD(CORPORATE GOVERNANCE SCORE CARD - COMPARATIVE DATA OF  
YEAR 2008-2011)

No	Corporate Governance Parameters	Scores Assigned	2010-2011	2009-2010	2008-2009	Avg. Scores Per Parameter
1	Statement of Company's philosophy on code of governance	2	2	2	2	2
2	Structure and strength of Board	2	2	2	2	2
3	Disclosure of Tenure and Age limit of directors	2	1	1	1	1
4	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0
5	Appointment of lead independent director	2	1	1	1	1
6	Disclosure of other provision as to the boards an committees	1	1	1	1	1
7	Code of Conduct	2	2	2	2	2
8	Board committee	25	21	20	20	20.33
9	Disclosure and Transparency	25	17	17	17	17
10	General Body Meetings	3	1	1	1	1
11	Means of Communication and General Shareholder information	2	2	2	2	2
12	CEO / CFO Certification	2	2	2	2	2
13	Compliance of corporate governance and auditor's certificate	10	10	10	10	10

14	Disclosure of Stakeholders' interests	10	3	3	5	3.67
15	Chairman & CEO Duality	5	4	4	4	4
16	Disclosure of Definition and selection criteria for (Independent) Directors	3	2	2	2	2
17	Disclosure of Remuneration Policy & Remuneration of Directors	2	1	1	1	1
	<b>T O T A L</b>	<b>100</b>	<b>72</b>	<b>71</b>	<b>73</b>	<b>72</b>
	<b>Net Profit (Stand alone results March Ending in Rs. Cr Rounded Off)</b>		<b>2489</b>	<b>1741</b>	<b>3007</b>	

Model Source : Score Card Das S C (2007), Corporate Governance Standards and Practices information Technology Industry in India, The Management Accountant, 111-113 Clause 49.

### TABLE 2 – STATE BANK OF INDIA LTD

#### (CORPORATE GOVERNANCE SCORE CARD - COMPARATIVE DATA OF YEAR 2008-2011)

No	Corporate Governance Parameters	Scores Assigned	2010-2011	2009-2010	2008-2009	Avg. Scores Per Parameter
1	Statement of Company's philosophy on code of governance	2	2	2	2	2
2	Structure and strength of Board	2	2	2	2	2
3	Disclosure of Tenure and Age limit of directors	2	1	1	1	1
4	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0
5	Appointment of lead independent director	2	0	0	0	0
6	Disclosure of other provision as to the	1	0	0	0	0

	boards an committees					
7	Code of Conduct	2	2	2	2	2
8	Board committee	25	14	15	15	15
9	Disclosure and Transparency	25	16.5	16.5	17	17
10	General Body Meetings	3	1	1	1	1
11	Means of Communication and General Shareholder information	2	2	2	2	2
12	CEO / CFO Certification	2	1	1	1	1
13	Compliance of corporate governance and auditor's certificate	10	10	10	10	10
14	Disclosure of Stakeholders' interests	10	6.5	7	7	7
15	Chairman & CEO Duality	5	2	2	2	2
16	Disclosure of Definition and selection criteria for (Independent) Directors	3	0	0	0	0
17	Disclosure of Remuneration Policy & Remuneration of Directors	2	2	2	2	2
	<b>T O T A L</b>	<b>100</b>	<b>62</b>	<b>63.5</b>	<b>64</b>	<b>64</b>
	<b>Net Profit (Stand alone results March Ending in Rs. Cr Rounded Off)</b>		<b>7370</b>	<b>9166</b>	<b>9121</b>	



**CORPORATE GOVERNANCE SCORE CARD OF PRIVATE SECTORS BANKS****TABLE 3 – ICICI BANK LTD****(CORPORATE GOVERNANCE SCORE CARD - COMPARATIVE DATA OF YEAR 2008 -2011)**

No	Corporate Governance Parameters	Scores Assigned	2010-2011	2009-2010	2008-2009	Avg. Scores Per Parameter
1	Statement of Company's philosophy on code of governance	2	2	2	2	2
2	Structure and strength of Board	2	2	2	2	2
3	Disclosure of Tenure and Age limit of directors	2	0	0	0	0
4	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0
5	Appointment of lead independent director	2	0	0	0	0
6	Disclosure of other provision as to the boards an committees	1	1	1	1	1
7	Code of Conduct	2	2	2	2	2
8	Board committee	25	17	17	17	17
9	Disclosure and Transparency	25	16	16	16	16
10	General Body Meetings	3	3	3	3	3
11	Means of Communication and General Shareholder information	2	2	2	2	2
12	CEO / CFO Certification	2	2	2	2	2
13	Compliance of corporate governance and auditor's certificate	10	5	5	5	5

14	Disclosure of Stakeholders' interests	10	4	4	4	4
15	Chairman & CEO Duality	5	4	4	4	4
16	Disclosure of Definition and selection criteria for (Independent) Directors	3	0	0	0	0
17	Disclosure of Remuneration Policy & Remuneration of Directors	2	2	2	2	2
	<b>T O T A L</b>	<b>100</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>
	<b>Net Profit (Stand alone results March Ending in Rs. Cr Rounded Off)</b>		<b>5151</b>	<b>4025</b>	<b>3758</b>	

TABLE 4 – AXIS BANK LTD

(CORPORATE GOVERNANCE SCORE CARD - COMPARATIVE DATA OF YEAR 2008 -2011)

No	Corporate Governance Parameters	Scores Assigned	2010-2011	2009-2010	2008-2009	Avg. Scores Per Parameter
1	Statement of Company's philosophy on code of governance	2	2	2	2	2
2	Structure and strength of Board	2	2	2	2	2
3	Disclosure of Tenure and Age limit of directors	2	0	0	0	0
4	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0
5	Appointment of lead independent director	2	2	2	2	2
6	Disclosure of other provision as to the boards an committees	1	1	1	1	1

7	Code of Conduct	2	0	0	0	0
8	Board committee	25	15	15	15	15
9	Disclosure and Transparency	25	15	15	15	15
10	General Body Meetings	3	3	3	3	3
11	Means of Communication and General Shareholder information	2	2	2	2	2
12	CEO / CFO Certification	2	1	1	1	1
13	Compliance of corporate governance and auditor's certificate	10	10	10	10	10
14	Disclosure of Stakeholders' interests	10	3	3	3	3
15	Chairman & CEO Duality	5	2	2	2	2
16	Disclosure of Definition and selection criteria for (Independent) Directors	3	0	0	0	0
17	Disclosure of Remuneration Policy & Remuneration of Directors	2	2	2	2	2
	<b>T O T A L</b>	<b>100</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>
	<b>Net Profit (Standalone Results March Ending in Rs. Cr Rounded Off)</b>		<b>3388</b>	<b>2514</b>	<b>1815</b>	

**TABLE 5: COMPARATIVE SCORE TABLE OF ALL PUBLIC & PRIVATE SECTOR BANKS**

**AVERAGE SCORES OF RESPECTIVE BANKS ON CORPORATE GOVERNANCE SCORE CARD FROM 2008 TO 2011, A COMPARATIVE PICTURE BETWEEN PRIVATE AND PUBLIC SECTOR BANKS**

No	Corporate Governance Parameters					
		SCORES	BOI	SBI	AXIS	ICICI
1	Statement of Company's philosophy on code of governance	2	2	2	2	2
2	Structure and strength of Board	2	2	2	2	2
3	Disclosure of Tenure and Age limit of directors	2	1	1	0	0
4	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0
5	Appointment of lead independent director	2	1	0	2	0
6	Disclosure of other provision as to the boards an committees	1	1	0	1	1
7	Code of Conduct	2	2	2	0	2
8	Board committee	25	20	15	15	17
9	Disclosure and Transparency	25	17	17	15	16
10	General Body Meetings	3	1	1	3	3
11	Means of Communication and General Shareholder information	2	2	2	2	2
12	CFO / CFO Certification	2	2	1	1	2
13	Compliance of corporate governance and auditor's certificate	10	10	10	10	5
14	Disclosure of Stakeholders' interests	10	4	7	3	4

15	Chairman & CEO Duality	5	4	2	2	4
16	Disclosure of Definition and selection criteria for (Independent) Directors	3	2	0	0	0
17	Disclosure of Remuneration Policy & Remuneration of Directors	2	1	2	2	2
	<b>T O T A L</b>	<b>100</b>	<b>72</b>	<b>64</b>	<b>60</b>	<b>62</b>
	<b>COMPANY RANK</b>		<b>1</b>	<b>2</b>	<b>4</b>	<b>3</b>

## SECTION 2

### PRIMARY RESEARCH RESULTS

**TABLE 5 : RESPONDENTS CATEGORY**

	Frequency
Investors	44
Fund Mangers	23
Brokers/sub-brokers	29

How much score do you give on these key attributes of good corporate governance in Indian Banking Sector for investment criteria? (Please rate your answer on 5 likert scale, where 1 is least important and 5 is most important.

**TABLE 6 : RANK ANALYSIS TABLE:**

Parameters	1	2	3	4	5	Weighted score	WAM	Rank
Ensuring ethical Practices by banks	3	9	13	31	40	384	4.000	1
Protecting minority shareholder rights	9	13	13	41	20	338	3.521	5
Adhering to all legal compliance of governance	13	17	23	24	19	307	3.198	6

Ensuring shareholder value	7	11	16	27	35	360	3.750	4
Sound risk management practices	4	7	17	31	37	378	3.938	2
Transparency of Financial Statements	7	6	21	29	33	363	3.781	3

**TABLE 7 : HOW MUCH SCORE DO YOU GIVE TO ATTRIBUTES OF GOOD CORPORATE GOVERNANCE? ( PLEASE RATE YOUR ANSWER ON 5 LIKERT SCALE, WHERE 1 IS LEAST IMPORTANT AND 5 IS MOST IMPORTANT)**

Parameters	1	2	3	4	5	Weighted score	WAM	Rank
Shareholding patterns	2	4	11	38	41	400	4.167	1
Appropriate governance structure	2	3	19	34	38	391	4.073	2
Presence of a strong and independent Board of Directors	6	9	16	23	42	374	3.896	3
Adequate Committee Structure	10	15	20	24	27	331	3.448	4
Means of Communication	11	14	19	25	27	331	3.448	4
High level of disclosures	6	7	21	27	35	366	3.813	6

**TABLE 8 : WHAT IS YOUR OPINION ABOUT THE IMPORTANCE OF REPORTING TO ENSURE A HIGH LEVEL OF TRANSPARENCY AND DISCLOSURE?**

Very Important	69
Moderate Important	27
Not Important	0

**TABLE 9 : WHAT ACCORDING TO YOU IS THE MOST IMPORTANT DESIGNATION IN THE BOARD OF DIRECTORS QUORUM? (SELECT ANY ONE)**

Chairman and CEO	14
Independent Directors	23
Managing Director	26
Non-Executives Directors	33

**TABLE 10 : WHAT DO YOU THINK REGARDING THE EFFECTIVENESS OF AUDIT COMMITTEE IN PREVENTING FRAUD?**

Greatly effective	53
Somewhat effective	34
Ineffective	9

**TABLE 11 : DO YOU THINK BANKS ACHIEVE THE MAXIMUM EFFECTIVENESS IN TERMS OF GOOD CORPORATE GOVERNANCE?**

Yes	87
No	09
Don't Know	0

**TABLE 12 : WHAT IS THE CHANGE IN CORPORATE GOVERNANCE LEVELS IN INDIA AFTER INTRODUCTION OF CLAUSE 49 AS PER YOU? (TICK ONE)**

No significant Change	26
Significant improvement opportunity exists	37
Significant Change	24
Don't know	09

**TABLE 13 : SHOULD CORPORATE GOVERNANCE STANDARDS BE ENFORCED THROUGH REGULATIONS OR SHOULD THEY BE PRINCIPLE BASED. (PLEASE RATE YOUR ANSWER ON 5 POINT LIKERT SCALE, WHERE 1 IS LEAST IMPORTANT AND 5 IS MOST IMPORTANT)**

Parameters	1	2	3	4	5	Weighted score	WAM	Rank
Completely principle based standards	35	27	10	12	12	227	2.365	4
Principle based standards with moderate regulations	23	32	13	10	18	256	2.667	3
Strong regulatory review mechanisms	5	6	17	25	43	383	3.990	2
Completely enforced through regulation	2	3	13	36	42	401	4.177	1

**TABLE 14 : WHAT ACCORDING TO YOU IS BIGGEST RISK TO CORPORATE GOVERNANCE IN INDIA? (TICK ONE WHICH IS MOST INFLUENTIAL)**

Parameters	frequency
Low level of Financial discipline	7
No respect for Shareholder Community	2
Weak Monitoring Mechanisms	56
Inadequate Laws	31



**TABLE 15 : RATE THE IMPORTANCE OF FOLLOWING FACTORS IN IMPROVING CORPORATE GOVERNANCE STANDARDS. (PLEASE RATE YOUR ANSWER ON 5 POINT LIKERT SCALE, WHERE 1 IS LEAST IMPORTANT AND 5 IS MOST IMPORTANT)**

Parameters	1	2	3	4	5	Weighted score	WAM	Rank
Enhancing powers of independent directors	17	12	24	34	9	294	3.063	4
Considerable enhancement in financial disclosures	1	2	9	38	46	414	4.313	1
Enhancing rights of minority shareholders	16	18	19	22	21	302	3.146	3
Improvement in risk management processes	4	8	14	24	46	388	4.042	2

**INTERPRETATION:** Weighted average score was calculated for each parameters as per requirement and from them Weighted arithmetic mean was calculated. Later on, each parameter is given rank. Respondents give ranks and scores to criteria's of ethical and governance practices of banks followed by sound risk management practices and other parameters from respondents perspective by providing ease in answering questions.

### LIMITATIONS OF RESEARCH

Replications among other samples are needed to validate the current finding. The research is just a small step in understanding the construct of corporate governance in banking sector. The inferential relationships between the various variables have not been investigated. Details have been derived from Annual Reports – transparency and disclosures by companies are questionable. Time constraint has led to sample size of 4 banks out of all the listed banks on Indian stock exchanges. Clause 49 applies to companies listed in India, hence MNC Banks and other unlisted banks in India were not considered to be part of sample. Sample size of the primary research is not exhaustive.

### FUTURE RESEARCH DIRECTIONS

There is possibility of further research on each parameter under Clause 49 of listing agreement issued by SEBI from India's perspective as a developing countries current and prospective

scenario, with changing laws as well as policy matters of government for better governance and transparency.

## **MANAGERIAL IMPLICATIONS**

The quote mentioned in the beginning states importance of correlation between corporate governance and capital flows. Number of research papers and guidelines of renowned organizations emphasis on fund inflows from the perspective of investments and advances is correlated with corporate governance policy of different sectors and companies. The study makes an efforts to understand role of governance norms in strategic operations of the company.

## **FINDING & CONCLUSIONS**

In the study, we have analyzed the significant differences in corporate governance mechanism and importance given to it by different company policies. Study highlights that, different company's emphasis on different parameters within the company policy framework. The overall averages and ranking given shows the comparative score analysis between the banks. Bank of India Ranks 1, State Bank of India Ranks 2 , ICICI Bank Ranks 3 and Axis Bank Ltd Ranks 4 on the score card average for last 3 years as per the disclosures in Annual Reports , shows the differences in the adherence of norms by different banks in last 3 years of operations and reporting. Major mandatory clauses are met with but non mandatory parameters are not integrated in the corporate system or either of the parameters are not disclosed in Annual Reports from which the data had been derived can serve as limitation to this study and as to the disclosure it may have human error as finding the facts. Literature review and overall study envisages the possibility of enhancing the corporate governance capabilities through mandatory and non mandatory governance norms leading to vigilant and transparent system and shifting major parameters of non mandatory clauses to mandatory norm.

Primary research shows the expectations of investors and analysts. It shows the gap between implemented governance norms, required governance norms versus knowledge of the investor community, regarding laws and mechanism required for the efficient system. Entire study shows the further possibility of enhancement in corporate governance laws for the betterment of all stakeholders.

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