

PalArch's Journal of Archaeology
of Egypt / Egyptology

**"Corporate Governance: Effective Control Strategy for Banks in India
w.r.t. Bank of Baroda"**

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Dr. Devyani Ingale, Corporate Governance: Effective Control Strategy for Banks in India w.r.t. Bank of Baroda, -- Palarch's Journal Of Archaeology Of Egypt/Egyptology 18(7). ISSN 1567-214x

Keywords: Corporate Governance, Banks, investor's confidence, etc.

Abstract

Corporate governance has become an important issue of banking sector. Corporate governance is ethical conduct in business. It is the structure through which businesses are directed and controlled. The corporate governance & ethics is particularly important for developing countries since it is central to financial and economic development. India, with the legacy of the British legal system, has one of the best corporate governance laws but poor implementation combined with socialistic policies of the pre-reform era which affected corporate governance. Corporate Governance enables the banks to maintain a high level of business ethics and to optimize the value for all its shareholders. Banks trust that proper Corporate Governance facilitates effective management and control of business. The purpose of this paper is to search the role of Corporate Governance in Banking Sector. This research paper studies the practices of corporate governance in banking sector. The methodology consists of a case study approach of secondary sources like Bank websites, RBI reports, etc. This paper assess the existing codes of Corporate Governance (CG) in India. It analyzes the CG structures and practices in Bank of Baroda by using a case study methodology. It uses secondary data for analyzing the compliance of CG codes and the plan for sustainable development in the Indian context. In this paper the researchers have studied the role of corporate governance, an effective strategy for controlling and monitoring Corporate Governance in general and with special reference to Bank of Baroda. At the concluding part of the paper the significance of corporate governance is explained with practical examples of bank of Baroda following corporate governance in their working with the help of annual report.

Introduction:

Corporate governance is about ethical conduct in business. Corporate means legally united into a body so as to act as an individual and governance is not but the dissection or control. As corporation brings together different groups like employees, suppliers, customers, invertors, govt. - to carry out the business conduct

these entire group interact, corporate, contribute with each other. They are vital for the existence, survival & growth of the business. So corporations should be operated for the benefits of all these stakeholders (customers, employees, suppliers, society, govt., investor etc.) A single business entity & involvement of such multiple groups, it means brilliant governance is required. Here we are not talking about managing or ownership, the need is for governing which is different from merely ownership. The term 'corporate governance' refers to the guidelines, procedures, rules for decision making, means of achieving targets on corporate affairs.

The commitment to most excellent corporate governance practices is an essential part of Bank's operations. Bank's corporate governance philosophy is reflected by the values of transparency, professionalism and accountability

Corporate Governance: Good corporate governance is an integral part of Business Ethics. The concept of corporate governance is entering a phase of global convergence. The driver behind this is the recognition that companies need to attract and protect all stakeholders, especially investors both domestic and foreign. Global capital seeks its own equilibrium and naturally flows to where it is best protected and bypasses where protection is limited or non-existent. Companies stand to gain by adopting systems that bolster investor trust through transparency, accountability and Fairness. A Corporation is characterized by its ethical culture, which remains paramount in the corporation's daily operations. Corporate Governance in broad terms is all about how a corporate entity is governed by its board.

'Sir Adrian Cadbury states that corporate governance has to do with power & accountability; who exercise power, on behalf of whom and how the exercise of power is controlled '

Good corporate governance will be promoted by the acceptance of 'inclusive' procedures designed to bring all the related parties into the process. For example, if fulfillment is an issue, say, for a Board's Due Diligence Committee, then it might achieve best practice by encouraging management to focus on developing a culture (or ethos) that is supportive of compliant behavior. That is, the Board will accept policies that reward compliant performance. Good corporate governance is a firm commitment and acceptance of ethical practice by an organization across its entire value chain and in all of its dealings with a group of stakeholders encompassing employees, customers, vendors, regulators and shareholders in both good and bad times. The implementation of corporate governance norms in Indian banks have been unique after the bank reforms were put in place. With the original framework of Ganguly committee, there has been a reliable focus on 'fit and proper' standards. The PSBs have even began to rate their corporate governance standards from rating agencies. Banks have been working on sustainability of corporate governance standards and have begun to realize the importance of corporate social responsibility which is an integral part of it. The multiplicity of regulators, issues in the appointment of rightly qualified Board members and conflict of interest between long term and short term objectives always pose bigger challenges.

Corporate Governance in Indian Banking

In India, Corporate Governance mainly in the wake of deregulation of industry &

business, and economic liberalization. Whereas planning for tomorrow and prepare the future trade leaders, spiritualism and values need to be inculcated in them. The manipulations and financial scam done by Ramalingam Raju, prove disastrous for the software giant Satyam, the investors, employees, stakeholders and all the goodwill of the nation. The audit firm Price Water Coopers was also involved in this fly-by-night deal and produced a doctored balance sheet to suit the dark designs of Raju. Therefore, good CG is a necessity in the present corporate world to build the confidence of the stakeholder, employees etc.

Corporate Governance is concerned with holding the balance between economic and social 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. The corporate leadership is to create wealth legally and ethically. Recent sound practice papers issued by the Basel Committee underscore the need for banks to set strategies for their operations and establish accountability for executing these strategies. Transparency of information related to existing conditions, decisions and actions is integrally related to accountability in that it gives market participants sufficient information with which to judge the management of a bank.

The Bank shall continue its endeavor to enhance its shareholders' value by protecting their interest by ensuring performance at all levels, and maximizing returns with optimal use of resources in its pursuit of excellence. The Bank shall comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. The Bank believes in setting high standards of ethical values, transparency and a disciplined approach to achieve excellence in all its sphere of activities. The Bank is also committed to follow the best international practices

Review of Literature:

Bodla B S & Verma Richa (Aug 2006) in their paper studied the performance of SBI and ICICI through CAMEL Model for the period 2000-01 to 2004-05. The result of the study showed that SBI has an edge over its counterpart ICICI in terms of Capital Adequacy. Arora Sangeeta and Kaur Shubpreet (2007) tried to find out the reason that why Indian banks are diversifying their sources of income. The study was conducted to assess the effects of diversification on financial performance and profitability.

Das Mihir and Charls Christable, (2012) study investigates the technical efficiency of Indian banks, segmented in terms of ownership. For this purpose, the Data Envelopment Analysis (DEA) model was used with five input variables (borrowings, deposits, fixed assets, net worth, and operating expenses) and four output variables (advances and loans, investments, net interest income, and non-interest income), and the efficiency scores were calculated for a sample of 49 major banks operating in India. The findings of the study help in identifying the inputs and output that each of the banks would need to control and streamline to enhance their efficiency.

Drobetz, Schillhofer, and Zimmermann (2003) explore the relationship between firm-level corporate governance and firm performance and suggest that good

corporate governance leads to higher firm valuation (performance), hence, investors are willing to pay a premium, and bad corporate governance is punished in terms of valuation discounts.

Sarkar, Sarkar, and Bhaumik (1998) observed facts that in the absence of well functioning capital markets, there may not be significant differences in the performance of private-owned firms and public-owned firms.

Objectives:

1. To understand the meaning and importance of Corporate Governance.
2. To recognize the Corporate governance practices in with Bank of Baroda.

Research Methodology: The paper is conceptual and based on the data collected from secondary sources such as reference books, journals, newspapers, and websites and the annual reports of banks.

Case Study:

1908, [Maharaja Sayajirao Gaekwad III](#), set up the Bank of Baroda (BoB), with other stalwarts of industry such as Sampatrao Gaekwad, Ralph Whitenack, Vithaldas Thakersey, Tulsidas Kilachand and NM Chokshi. Two years later, Bank of Baroda first branch in [Ahmedabad](#). The bank grew domestically until after World War II. Then in 1953 it crossed the Indian Ocean to serve the communities of [Indians in Kenya](#) and [Indians in Uganda](#) by establishing a branch each in [Mombasa](#) and [Kampala](#). The next year it opened a second branch in Kenya, in [Nairobi](#), and in 1956 it opened a branch in Tanzania at [Dar-es-Salaam](#). Then in 1957 BoB took a giant step abroad by establishing a branch in London. In 1958 BoB acquired Hind Bank (Calcutta; est. 1943), which became BoB's first domestic acquisition. BOB along with 13 other major commercial banks of India was nationalized on July 1969. Today, Bank of Baroda has long and eventful journey of almost a century across 22 countries and over 82 million customers. Starting in 1908 from a small building in Baroda to its new hi-rise and hi-tech Baroda Corporate Centre in Mumbai, is a story of vision, enterprise, financial prudence and corporate governance. Bank of Baroda is an Indian multinational, public sector banking and financial services company. It is owned by Government of India. Based on 2017 data, it is ranked 1145 on Forbes Global. The BOB continually endeavor towards betterment of these aspects and thereby perpetuate it into creating long term economic value for all its stakeholders together with shareholders, customers, employees and other society members. The Bank of Baroda is a listed entity and corporate under The Banking Companies Act, 1970 and is regulated by Reserve Bank of India. Bank of Baroda has fulfilled with the provisions of SEBI Regulations, 2015 except where the provisions of these regulations are not in conformity with The Banking Companies Act, 1970 and the strategy issued by Reserve Bank of India and Government of India.

Financial Overview of Bank of Baroda

FIGURES IN (₹) CRORE	2018	2017	2016	2015	2014

SHARE CAPITAL	530.36	462.09	462.09	443.56	430.68
RESERVES	42864.41	39841.16	39736.89	39391.79	35555.00
NET WORTH	43394.77	40303.25	40198.98	39835.35	35985.68
DEPOSITS	591314.81	601675.19	574037.88	617559.50	568894.38
BORROWINGS	62571.97	30611.44	33471.70	23199.28	25525.52
INVESTMENTS	163184.53	129630.54	120450.52	116812.24	116112.66
ADVANCES	427431.84	383259.22	383770.19	428065.13	397005.81

The loan / advances growth in the banking sector picked up during above financial year. However the deposit growth throughout the year touches a multi decade low. The Insolvency and Bankruptcy Code becoming operational and RBI mandating resolution of large part of NPAs of banking system to be resolved at NCLT it provided a momentum to the resolution process. Bank performed well by development in core operating efficiency. An operating profit of Rs.12,006 crore registering an increase of 9.4%. Total provisions increased by 74% and provisions for NPAs by 85%, leading to Bank posting loss of Rs.2,431.8 crore

Governance Policy in BOB:

A: Principles of corporate governance: Bank of Baroda

1. Enhance and maximize the shareholders value
2. Fair, ethical and transparent in dealings with all the stake holders
3. Protection of the interest of all stake holders including customers, employees and society at large
4. Timely and accurate disclosures on all matters pertaining to the performance and operations of the Bank
5. Carrying the business adhering to core values

The core values of the Bank of Baroda:

1. Integrity: Ethical and transparent in words, actions and dealings with all stakeholders.
2. Customer Centricity: Customers' interests lie at the core of all our actions.
3. Courage: Resilient in the face of adversity and having faith in our beliefs.
4. Passionate Ownership: Display energy, enthusiasm and commitment towards our Bank and work together for the Bank.
5. Innovation: Create value with break-through ideas.
6. Excellence: Strive for continuous improvement in our policies, systems and processes.

Corporate Governance Report of Bank of Baroda

Basis of Comparison	Bank of Baroda
Philosophy on Code of Governance (Brief Statement of Banks Philosophy on Code of Governance)	Proper Disclosure
	Board of Directors
Nature of Board	Proper Disclosure
Composition of the Board of Director	Proper Disclosure

Nominee Directors	Disclosure is not very clear, information is provided partly
Attendance of Each Director at the BOD Meeting	Proper Disclosure
Number of BOD Meetings Held& Dates	Proper Disclosure
	Audit Committee
Composition & Name of the Chairperson	Proper Disclosure
Meeting & Attendance during the year	No proper disclosure regarding the dates of the meeting held
Frequency of meetings and Forum	Proper Disclosure,
Audit Committee of the Board	Proper Disclosure. All independent and non-executive director
Powers of the Audit Committee	Proper Disclosure
Functions of Audit Committee	Proper Disclosure
	Remuneration Committee of the Board
Attendance During the year	One meeting held, proper disclosure
Remuneration Policy	Proper Disclosure & Transparent Policy
Composition, Quorum of the remuneration	No Proper disclosure
Disclosure of Remuneration Package	Proper Disclosure & Transparent Policy
Risk Policy & Monitoring Committee	Proper Disclosure,
Nomination Committee	Proper Disclosure,
Fraud Monitoring Committee	Proper Disclosure,
Customer Service Committee	Proper Disclosure,
	Shareholders Committee
Name of the Non-executive Director Heading in the Committee	Proper Disclosure
Name & Designation of the Compliance officer	Proper Disclosure
Number of Shareholders Complaints received in the year	Proper Disclosure
Number of Shareholders Complaints Unsolved	Proper Disclosure
Number of share transfer pending	Proper Disclosure
	General Body Meetings
Location & time of Last Three AGMs	Proper Disclosure
Were special resolution passed?	Proper Disclosure
Details of Voting system	Proper Disclosure: only physical voting so no need to postal ballot system
Disclosure on Materiality Significant related party transaction	Proper Disclosure - There is no materially significant Related Party Transaction that may have potential conflict with the interests of the Bank at large.

Details of Non-Compliance and penalties Imposed on Company by SEBI	Proper Disclosure: All the requirements of the stock exchange and SEBI and other statutory authorities are duly complied. No penalties have been imposed by the stock exchange & SEBI
	General Shareholders Information
AGM Date, Time, and Venue	Proper Disclosure
Financial Calendar	Proper Disclosure
Dividend payment date	Proper Disclosure
Listing of Stock Exchange	Proper Disclosure The BSE &NSE
Stock Code	Proper Disclosure
Market Price Data i.e. high, low, during each month in the last Financial year	Proper Disclosure
Performance through BSE, SENSEX, CRISLL,INDEX etc	Proper Disclosure
Share transfer system	Proper Disclosure
Dematerialization of shares	Proper Disclosure
Address for correspondence	Proper Disclosure

Conclusion:

Corporate Governance is concerned with holding the balance between economic and social goals. The corporate governance structure is there to support the efficient use of resources and equally to require accountability for the stewardship of those resources. Bank of Baroda states that corporate governance is a culture of accountability, fairness, transparency, consistency and effectiveness which is practiced across the organization. Researcher states that Bank of Baroda has fulfilled with the conditions of Corporate Governance.

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