

A Case Study on Corporate Governance of ICICI Bank Ltd

*Mr. Ronak C. Sonara

Research Scholar, Department of Business Studies, Sardar Patel University, Vallabh Vidyanagar, Gujarat (India)

ARTICLE DETAILS

Article History

Published Online: 07 September 2018

Keywords

Corporate Governance, Banking, Disclosure, Code of conduct, Corporate Social Responsibility

*Corresponding Author

Email: cksonara[at]gmail.com

ABSTRACT

Banking Industry has gone through tremendous changes. This is fast growing service industry. Indian banks are aggressively competing in foreign markets. ICICI Bank is leading private sector banks in India.

Recently, private sector banks have started laying emphasis on better and more effective corporate governance. ICICI Bank Ltd. is one of the private sector bank of India, practices good corporate governance and it is the leading private sector bank among the country. ICICI bank ltd. believes that good corporate governance practices lead to efficient running of the bank and help in optimizing value for all its stakeholders. This research paper has been discussed:

- Introduction
- Objectives of the research paper
- Progress of ICICI Bank Ltd.
- Corporate Governance Practices of ICICI Bank Ltd.
- Findings and suggestions
- Conclusion

This paper useful researchers, banks authorities, government, shareholders and students also.

1. Introduction

BANKING is "accepting, for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheques, draft, and order or otherwise." Bank is defined as a person who carries on the business of banking.

Banks play very important role in the economic life of nation. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowings, lending and related activities facilitate the process of production, distribution, exchange and consumption of wealth.

In this way they become very effective partners in the process of economic development. Today, modern banks are very useful for the utilization of the resources of the country. The banks are mobilizing the savings of the people for the investment purpose.

The savings are encouraged and saving rates increases. If there would be no bank then a great portion of a capital of a country would remain idle.

The bank as a matter of fact is just like a heart in economic structure and the capital provided by it is like blood in it. As long as the blood is in circulation, the organs will remain sound and healthy. If the blood is not supply to any organ then that part would become useless. So, if the finance is not provided to Agriculture Sector or Industrial Sector, it will destroy.

What is Corporate Governance?

Corporate Governance is a combination of two words. Corporate + Governance. Corporate means any legal business entity that exists independently by the person or people who have been granted the charter creating it, and is vested with many of the rights given to the individual. And Governance is a set of minimum framework or rules necessary to tackle problems. Thus applying the concept, corporate governance is formal or informal rules that must be followed by any legal business entity.

The ICSI defined, "Corporate Governance is the applicability of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders".

The Kumar Mangalam Birla Committee observed that: "Strong corporate governance is an indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high-quality accounting practices. It is the muscle that moves a viable and accessible financial reporting structure."

From the above definitions it is clear that corporate governance is not just corporate management, it is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals, to satisfy all stakeholders and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs.

What is Private Sector Banking?

Private sector bank refers to non-government owned banks. In general, it is the contrast of government owned bank or nationalized bank. The private sector banks have made tremendous strides in the last few years. It was in mid1990's when Indian banking scenario witnessed the entry of some new private sector banks and in the period between 2002 -2007 these banks have grown by leaps and bounds. They have increased their incomes, asset sizes and outperformed their public sector counterparts in many areas.

2. Objectives of the Research Paper

Present research paper is conducted to provide evidence on corporate governance practices and policies in ICICI Bank Ltd. by considering the relevant parameters. Specifically, the objectives are as follows:

- To know the concept of corporate governance.
- To study accounting and auditing practices, institutional mechanism and corporate culture of ICICI Bank Ltd.

- To evaluate corporate governance disclosure practices in ICICI bank Ltd.
- To derive the conclusion for better corporate governance of ICICI Bank Ltd.

ICICI BANK LTD. AT A GLANCE

Name	:	ICICI Bank Ltd
Founded:	:	1955
Head quarter	:	Mumbai, India
Product	:	Financial Services
Total Assets	:	771791.45 Crore in 2017
Employees	:	81129
Board of Director	:	total 13 Director (6 whole time and 7 Independent)
Key Persons	:	Mr. M. K. Sharma – Chairman Ms. Chanda Kochhar – Managing Director

(Sources: annual reports of ICICI Bank Ltd. of the year 2017)

Table – 1
Progress of ICICI Bank Ltd. during the period from 2014 to 2017.

Items	2014	2015	2016	2017	Compound Growth (%)
No. of Branches	3753	4050	4450	4850	1.29
No. of employees	72226	66327	72175	81129	1.12
Deposits (Rupees billion)	3319.14	3615.63	4214.26	4900.39	1.47
Advances (Rupees billion)	3387.03	3875.22	4352.64	4642.32	1.37
Net profits (Rupees billion)	98.10	111.75	97.26	98.01	0.99

(Sources: annual reports of ICICI Bank Ltd. during the period from 2014 to 2017)

Above table–1 has been showing the progress of ICICI Bank Ltd. it shows increasing trends during the period from 2014 to 2017. Number of branches of the bank were increased from 3753 in the year 2014 to 4850 in the year 2017. On the other hand number of employees also increased from 72226 in the year 2014 to 81129 in the year 2017. Deposits of the bank shows increasing trend. Deposits of the bank were Rs.3319.14 billion in the year 2014 and it increased to rs. 4900.39 billion in the year 2017. In the case of profit of the bank also shows fluctuating trend from 2014 to 2017 from rs. 98.10 billion to rs.98.01 billion. So we can say that ICICI bank ltd. is profit making bank with the efficient progress during the period from 2014 to 2017.

3. Corporate Governance of ICICI Bank Ltd.

The Corporate Governance framework at ICICI Bank lay emphasizes on adhering to Good Corporate Governance norms. And for its effective implementation Bank has an efficient Board which constitutes Independent Directors, the separation of the Board's supervisory role from the management and the structure based on Board Committees, which are chaired by independent Directors, to keep an eye on significant issues.

Code of Commitment

ICICI Bank follows a voluntary Code, which sets minimum standards of banking practices when they are dealing with individual customers.

Philosophy on Code of Corporate Governance

ICICI Bank's Corporate Governance philosophy encapsulates regulatory, legal requirements and also several voluntary practices which aim at a high level of business ethics for safeguarding the interest of all related stakeholders. The Corporate Governance framework followed by the Bank also includes significant portion of the recommendations given by the Corporate Governance Enactments and initiating regulatory bodies.

Code of Conduct and Business Ethics

ICICI Group expects all its employees, officers and directors to act in accordance with high professional and ethical standards.

Whistle Blower Policy

ICICI Bank has also introduced a Whistle Blower Policy. As per this policy, employees of ICICI group are free to raise issues related to accounting policies and procedures related to any area or item and report them back to the Audit Committee through specific channels. This system has been communicated to the employees through Bank's intranet.

Audit Committee

The Audit Committee provides direction to the audit function and monitors the quality of internal and statutory audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointment and removal of central and branch statutory auditors and chief internal auditor and fixation of their remuneration, approval of payment to statutory auditors for other permitted services rendered by them, review of functioning of Whistle Blower Policy, review of the quarterly and annual financial statements before submission to the Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with inspection and audit reports and reports of statutory auditors, review of the findings of internal investigations, review of statement of significant related party transactions, review of management letters/letters on internal control weaknesses issued by statutory auditors, reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for the purposes other than those stated in the document notice and the report submitted by the monitoring agency, monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take steps in this matter, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults, if any, in payment to stakeholders. The Audit Committee is also empowered to appoint/oversee the work of any registered public accounting firm, establish procedures for receipt and treatment of complaints received regarding accounting and auditing matters and engage independent counsel as also provide for appropriate funding for compensation to be paid to any firm/advisors. In addition, the Audit Committee also exercises oversight on the regulatory compliance function of the Bank. The Audit Committee is also empowered to approve the appointment of the CFO (i.e., the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.

Board of Directors

ICICI Bank has a broad-based Board of Directors, constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 1956 and listing agreements entered into with stock exchanges, and in accordance with good Corporate Governance practices. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The Board has constituted ten committees, namely, Audit Committee, Board Governance, Remuneration & Nomination Committee, Corporate Social Responsibility Committee, Credit Committee, Customer Service Committee, Fraud Monitoring Committee, Information Technology Strategy Committee, Risk Committee, Share Transfer & Shareholders'/Investors' Grievance Committee and Committee of Executive Directors. These Board Committees other than the Committee of Executive Directors currently consist of majority of independent Directors and most of the Committees are chaired by independent Directors.

Corporate Social Responsibility Committee

The Board of Directors at its Meeting held on October 30, 2009 constituted the Corporate Social Responsibility Committee. The Committee is empowered to review the corporate social responsibility initiatives undertaken by the ICICI Group and the ICICI Foundation for Inclusive Growth, make recommendations to the Board with respect to the corporate social responsibility initiatives, policies and practices of the ICICI Group and to review and implement, if required, any other matter related to corporate social responsibility initiatives as recommended/ suggested by RBI or any other body.

Board Governance

The functions of the Committee include recommendation of appointments to the Board, evaluation of the performance of the Managing Director & CEO and whole time Directors on predetermined parameters, recommendation to the Board of the remuneration (including performance bonus and perquisites) to whole time Directors, approval of the policy for and quantum of bonus payable to the members of the staff, framing of guidelines for the Employees Stock Option Scheme and recommendation of grant of ICICI Bank stock options to the employees and whole time Directors of ICICI Bank and its subsidiary companies.

Table - 2
Item Wise Disclosure of Corporate Governance Practices in ICICI Bank during the period from 2014 to 2017

Sr. No	Disclosure of Bank in Different Years in Score	2014	2015	2016	2017
A	Disclosure of Mandatory				
	Items				
1	Corporate Governance Philosophy	1	1	1	1
2	Composition of BOD and Category of Directors	1	1	1	1
3	Disclosure on number of meetings held and information thereof.	1	1	1	1
4	Attendance particulars of last AGM	1	1	1	1
5	Compliance of minimum requirements of the number of independent directors in the committee.	1	1	1	1
6	Chairman is independent director	1	1	1	1
7	Compliance of minimum requirement of the number of meetings of the committee.	1	1	1	1
8	Permission to obtain information from outside council or other expert at the company's expense.	1	1	1	1
9	Information regarding number of meetings held and attendance for the Meetings.	1	1	1	1

10	Disclosure of remuneration Policy.	1	1	1	1
11	Details of remuneration to all Directors, as per format in the report.	1	1	1	1
12	Information regarding number of meetings held And attendance thereof.	1	1	1	1
13	Information regarding nature of complaints and queries received and Disposed, item wise.	1	1	1	1
14	Name of non-executive directors heading the committee and the name and designation of the Compliance officer.	1	1	1	1
15	General body meetings and information thereof	1	1	1	1
16	Disclosure on materially significant Related party transaction.	1	1	1	1
17	Details of non-compliance by the company, penalties and strictures imposed on the company by Stock exchange or SEBI or Any statutory authority, on Any matter related to capital markets during the last Three years.	1	1	1	1
18	Means of communication.	1	1	1	1
19	Shareholders information.	1	1	1	1
20	Code of conduct/ethics	1	1	1	1
21	Policy prohibiting insider trading	1	1	1	1
22	A whistle blower policy	1	1	1	1
23	CEO/CFO certificate	1	1	1	1
B	Disclosure of non- mandatory Requirements				
24	The company has set up are remuneration committee	2	2	2	2
25	Chairmen of board is not an executive chairman	2	2	2	2
26	Quarterly financial reports made available to share holders by way of news paper and website	2	2	2	2
27	Postal ballot	2	2	2	2
28	Separation of the role of the CEO and chairman	2	2	2	2
29	Segment wise operational performance	2	2	2	2
C	Expected items of Disclosure				
30	Functions of board	1	1	1	1
31	Date of appointment of director	1	1	1	1
32	Retirement age/ tenure of directors.	1	1	1	1
33	Relationship with other directors	1	1	1	1
34	Shareholding of the directors	3	3	3	3
35	Formation of committees:				
	Corporate Governance committee	1	1	1	1
	Ethics committee	1	1	1	1
	Nomination committee	3	3	3	3
	Investment committee	1	1	1	1
	Management committee	1	1	1	1
	Research and Development Committee	1	1	1	1
	Miscellaneous	3	3	3	3
	Risk management committee	3	3	3	3
36	Code of conduct for directors/senior management personnel	3	3	3	3
37	Corporate governance rating	3	3	3	3
38	Insider trading code	3	3	3	3
39	Audit committee report	0	0	0	0
40	Investor's grievance committee report	3	3	3	3
41	Top 10 shareholder of the company	3	3	3	3
42	Electronic clearing service mandate	3	3	3	3
43	Award for corporate governance	0	0	0	0
	Total	74	74	74	74

(Source: Annual Reports of ICICI Bank during the Period from 2014 to 2017.)

It is clear from the above table - 2 that ICICI Bank disclosed more items then during the period from 2014 to 2017. There are 43 items of information which have been fully disclosed by ICICI Bank.

4. Findings

The major findings of the research paper are as follows:

- There is proper network of accountability relationship between Board of Directors, shareholders and auditors.

- Corporate governance of ICICI Bank is very effective in protecting shareholders interest.
- ICICI Bank is continuously making progress during the period from 2014 to 2017.
- Adoption of good corporate governance practices provides stability and growth.
- ICICI Bank has followed almost all mandatory requirements of Clause 43 of Listing Agreement except the declaration of the list of companies where the board hold position, information regarding literacy and expertise of directors, whereas the non-mandatory requirements are very rarely disclosed by it.

- Number of branches of the bank was increased from 3753 in the year 2014 to 4850 in the year 2017.
- Number of employees also increased from 72226 in the year 2014 to 81129 in the year 2017.
- Profit of the bank also shows fluctuating trend during the period from 2014 to 2017 from Rs. 98.10 billion to Rs.98.01 billion.

- It should form corporate governance committee and R&D committee.

5. Suggestions

The major suggestions of the research paper are as follows:

- The board should have core group of professionally acclaimed non- executive directors who understand their dual role of appreciating the issues put forward by management.
- The Audit committee report should be disclosed.
- Banks should constitute of ethics committee and investment committee for effective governance.
- It should constitute corporate governance committee, nomination committee, R&D committee.

6. Conclusion

Although, ICICI Bank has adopted corporate governance with the adoption of code of conduct for directors and senior management personnel and for prevention of insider trading, policy on risk assessment and minimizing procedures. The ICICI Bank has also adopted, integrity pact to enhance transparency in business, whistle blower policy, conduct discipline and appeal rules for employees. This shows good sign of the bank.

From the study, it concludes that ICICI is having highest growth of net profit. ICICI should try to maintain this profitability hence management should try to reduce its current liabilities also. Now it is becoming the today's oath to implement standard practices on "Good Corporate Governance" for ICICI bank to improve their administration, business and control system and as a result this will ensure them a competitive edge in the changed scenario under open market economy.

References

1. Bandyopadhyaya, Ashok 2008, Good Cooperative Governance-Corporate Governance in Cooperatives, Background Paper, FWBUCB, Kolkata.
2. Bhalla, GS 2005 Condition of Indian Peasantry, National Book Trust, India, Delhi.
3. C. Newquist(2007), Corporate Governance : A Financial Perspective, Jaico Publishing House, Mumbai.
4. Dave, G. L., Manisha, Corporate Governance: the role of accounting professionals, Indian journal of accounting, vol. xxxii, june 2002.
5. Kothari C. R. (2004), Research Methodology, Age International Publisher's Pvt. Ltd., New Delhi.
6. Maheshwari,S.N.(2007), Management Accounting and Financial Control, Sultan Chand and sons, New Delhi.
7. Saravanavel, P.(2006), Research Methodology, Kitab Mahal, Allahabad.
8. Sharma, K. R., Accounting and corporate governance, Indian journal of accounting, vol xxxi, Dec. 2000.
9. The Institute of Company Secretaries of India (2003), Corporate Governance— Modules of Best Practices^ Taxman Publication, New Delhi.
10. Agrawal Nitin, Corporate Governance – Recent Challenges in clause- 49, The Chartered Accountant, September – 2005.
11. Annual Reports of the ICICI Bank Ltd.
12. Bhasin Madnlal, Corporate Governance scenario in the Asian countries: The challenges of increasing transparency, Amity Business School, June-2008.
13. www.icicibank.com
14. www.icsi.edu
15. www.corpgov.net
16. www.moneycontrol.com
17. www.ecgi.org
18. www.rbi.in