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Implementation of Corporate Governance and PerformanceofNSE ListedSelectedPrivate Sector Banks in India

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Abstract
The competitive scenario prevailed at domestic and international business environment force all the stake holders for every organization to pip in to the detail of their performance and current status. Appropriately implementation of Corporate Governance addresses the quality operation and good governance in any organization for continuing the association of stakeholders. "Corporate Governance deals with laws, procedures, practices and implicit rules that determine A Company's ability to take informed managerial decisions vis-à-vis its claimants – in particular, its shareholders, creditors, customers, the State and employees. There is a global consensus about the objective of 'good' corporate governance: maximizing long-term shareholder value". Corporate Governance is about promoting corporate fairness, transparency and accountability. The main objective the present study is to find out the appropriate implementation of Corporate Governance in Indian private banks with reference to HDFC Bank Ltd., ICICI Bank Ltd., Axis Bank Ltd., Kotak Mahindra Bank Ltd. And IFBC Bank Ltd. and Compare the findings with their profitability performance. The entire study is based on secondary data. The data has been collected from published annual reports of last 2 years on their websites. For evaluation purpose, this research paper divided into three parts. Based on different elements of and with the help of secondary data, this work has analyzed and evaluated the practice of corporate governance in four NSE Listed Private Sector Banks. In the first part, the concepts of corporate governance like evolution of corporate governance in Indian scenario, role and importance of corporate governance in banking sector has been discussed. The second part analyses the practice of corporate governance as determined in four NSE Listed Private Sector Banks with the help of elements like board practices, stakeholders and transparent disclosure of information and third part of the paper gives findings of the study. The findings suggest that good governance resulted through appropriate implementation of corporate governance in Indian Private Banks leads to increase in their profit.

Key Words: Business Environment, Corporate Governance, profitability Performance
JEL Classification: G3, G21, G38, G39

Introduction

Corporate Governance may be defined as a set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders. It is the system by which companies are directed and controlled. It is about promoting corporate fairness, transparency and accountability. In other words, 'good corporate governance' is simply 'good business'. It ensures: adequate disclosures and effective decision making to achieve corporate objectives, transparency in business transactions, statutory and legal compliances, protection of shareholders' interests and commitment to values and ethical conduct of business for all its stakeholders. The aim of "Good Corporate Governance" is to ensure commitment of the board in managing the company in a transparent manner for maximizing long-term value of the company for its shareholders and all other partners. It integrates all the participants involved in a process, which is economic, and at the same time social. The root of the word governance is from 'gubernate', which means to steer. Corporate Governance would mean to steer an organization in the desired direction. The responsibility to steer lies with the board of directors/governing board. Governance is concerned with the intrinsic nature, purpose, integrity and identity of an organization with primary focus on entity's relevance, continuity and fiduciary aspects. The primary participants in a corporation are shareholders, management-led by the CEO and the Board of Directors. There are other participants as well such as the employees, customers, suppliers, creditors and the community. Keeping in view the interest of various stakeholders in a company, corporate governance is concerned with effective management of relationships. It requires the formulation of the value framework, the ethical framework and the moral framework which will guide the decision-making process. Various Committees have given Code of Corporate Governance like Confederation of Indian Industry (CII) Desirable Corporate Governance Code, Corporate Governance Code given by the Kumar Mangalam Birla Committee set up by the SEBI, Task Force on Corporate Excellence through Governance given by the Department of Company Affairs (DCA) under the chairmanship of Dr. P.L. Sanjeev Reddy, Secretary, DCA and Corporate Governance Code given by the N.R. Narayan Murthy Committee set up by the SEBI in the year 2002. The recent statute Companies Act, 2013 has added some provisions in Clause 49 and it is included in this research.

Literature Review

The issue of corporate governance arises from the agency theory that clearly defines the ownership of a corporate body is separated from its management and control (Berle& Means, 1932). A corporate governance framework should protect shareholders' right, such as voting right, right to elect board member, right to get relevant information, interact and communicate with the management, equitable treatment of all shareholders (Tricker, 1984).

Adhikari, (2008), claimed that corporate governance is a system of leadership and control of the company and its foreseeable sustainability. According to Sapkota (2008), corporate governance framework ensures to establish the strategic objectives of the company and the means to attain and monitor these objectives. Corporate governance in banking industry is more important than other industries, particularly in less-developed countries because economic development and growth is dependent to a large extent on well-functioning, stable and soundly managed banking system (Islam, et.al. 2009).

Banking business is highly regulated businesses and oversight by the government and regulator. Banks are the important factors of economic reforms and development of the country (Gorkhali, 2010). Alexander (2004), reported that best corporate governance practices will enable banks to get easy access in the capital market and decrease the cost of capital and protect the rights of minority shareholders including foreign shareholders. Kharouf, (2000), argued that an entity is affected by the relationship among the participants in the system of governance. Controlling shareholders can significantly influence corporate behavior. However, all shareholders should able to get effective redress for violation of their rights and prohibits insider trading and abusive dealing in their personal interests.

According to Arun and Turner (2004), corporate governance of banks in developing economies is important for several reasons. First, banks have dominant position in developing-economy financial systems and are important engines of economic growth. Second, banks in developing economies are typically the most important source of finance for the majority of firms. Third, banks in developing countries are usually the main depository for the economy's savings.

Fourth, many developing economies have recently liberalized their banking systems through privatization/disinvestments and reducing the role of economic regulation. Consequently, managers of banks in these economies have obtained greater freedom in how they run their banks.

Poor corporate governance of banks can drive the market to lose confidence in the ability of a bank then it leads to economic crisis in a country and invite systemic risk (García-Marco & Robles-Fernández, 2008). In contrast, good corporate governance strengthens property rights, minimise transaction cost and the cost of capital, and leads to capital market development (Claessens& Fan, 2002). Corporate Governance aims to minimize the chances of corruption, malpractices, financial frauds and misconduct of management (Ubha, 2007).

Disclosure and transparency are key pillars of a corporate governance framework in banking industry because they provide all the stakeholders with the information necessary to judge whether their interests are being taken care of (Katrodia, 2010). Bank, being the responsible corporate citizen understands its commitments towards stakeholders and society at large. The strategies of Bank includes to nurture and grow a sustainable business far beyond profit making or being the best and seek to create a value for a variety of stakeholders including shareholders, employees, customers, creditors, communities and the natural environment (CBC, Annual Report, 2010).

Objective of the Study

- To evaluate the implementation of corporate governance practice in banking sector through a case study of four NSE Listed Private Sector Banks.
- To compare the implementation of corporate governance practice in banking sector and financial performance of these banks.

Research Methodology

The Study is based on NSE Listed four Private Sector Banks like HDFC Bank Ltd., ICICI Bank Ltd., Axis Bank Ltd. And Kotak Mahindra Bank Ltd. The entire study is based on secondary data and the data has been collected from published annual reports of last 2 years on their websites.

Definition of Corporate Governance

"Corporate Governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company".

Report of N. R. Narayana Murthy Committee on Corporate Governance constituted by SEBI (2003)

"Corporate Governance is the application 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".

Institute of Company Secretaries of India

Conceptualization

According to James D. Wolfensohn, President of World Bank, "Corporate Governance is about promoting corporate fairness, transparency and accountability".

Confederation of Indian Industry (CII) – Desirable Corporate Governance Code defined Corporate Governance as follows:

"Corporate Governance deals with laws, procedures, practices and implicit rules that determine a company's ability to take informed managerial decisions vis-à-vis its claimants – in particular, its shareholders, creditors, customers, the State and employees. There is a global consensus about the objective of 'good' corporate governance: maximizing long-term shareholder value".

The Kumar Mangalam Birla Committee constituted by SEBI has observed that:

"Strong corporate governance is 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".

The Principles of Corporate Governance evolved by the ICSI are as under:

Sustainable development of all stakeholders; Effective management and distribution of wealth; Discharge of social responsibility; Application of best management practices; Compliance of law in letter and spirit; and Adherence to ethical standards

Corporate Governance Code given by the Confederation of Indian Industry (CII):

Confederation of Indian Industry (CII) took a special initiative on Corporate Governance, the first institution initiative in Indian Industry. The objective was to develop and promote a code for Corporate Governance to be adopted and followed by Indian companies, whether in the private sector, the public sector, banks or financial institutions, all of which are corporate entities. The final draft of the said Code was widely circulated in 1997. In April, 1998, the code was released and it was called Desirable Corporate Governance Code with 16 Recommendations.

Following CII's initiative, the Securities and Exchange Board of India (SEBI) set up a committee under the chairmanship of Kumar Mangalam Birla to promote and raise standards of corporate governance. This report was the first formal and comprehensive attempt to evolve a Code of Corporate Governance, in the context of prevailing conditions of governance in Indian Companies, as well as the state of capital markets at that time. The committee felt that some of the recommendations are absolutely essential for the framework of corporate governance and virtually form its core, while others could be considered desirable. The recommendations of the Kumar Mangalam Birla committee, led to inclusion of Clause 49 in the listing agreement in the year 2000. These recommendations aimed at improving the standards of Corporate Governance, are divided into mandatory and non-mandatory recommendations. The said recommendations have been made applicable to all listed companies with the paid up capital of Rs. 3 Crores and above or net worth of Rs. 25 Crores or more at any time in the history of the company. The ultimate responsibility for putting the recommendations into practice lies directly with the Board of Directors and the management of the company. A summary of the Report is reproduced hereunder:

(1) Board Size:
The Board should have an optimum combination of Executive and Non Executive Directors with not less than 50 per cent of the Board consisting of non-executive directors. In the case of Non-executive chairman, at least one-third of the Board should consist of independent directors and in the case of an executive Chairman, at least half of the Board should consist of independent directors.

(2) Appointment of Nominee Directors
Financial Institutions should appoint nominee Directors selective basis and nominee Director should have same responsibility, be subject to the same discipline and be accountable to the shareholders and the same manner as any other Director of the company.

(3) Non-executive chairman:
Non-executive chairman should be entitled to maintain chairman's office at the expense of the company and also allowed reimbursement of expenses incurred in performance of his duties.

(4) Audit Committee:
A qualified and independent audit committee should be set up by Board of Directors of a company.
Composition of audit committee:

- The audit committee should have minimum three members, all being non-executive directors, with the majority being independent, and with at least one director having financial and accounting knowledge
- The chairman of the committee should be an independent director
- The chairman should be present at Annual General Meeting to answer shareholder queries
- The audit committee should invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meeting of the committee but on occasions it may also meet without the presence of any executives of the company. Finance director and head of internal audit and when required, a representative of the external auditor should be present as invitees for the meetings of the audit committee
- The Company Secretary should act as the secretary to the committee

Frequency of Meeting:

- The audit committee should meet at least thrice a year. One meeting must be held before finalization of annual accounts and one necessarily every six months.

Quorum:

- The quorum should be either two members or one-third of the members of the audit committee, whichever is higher and there should be a minimum of two independent directors.

(5) Shareholders/Investors' Grievance Committee:
Shareholders/Investors' Grievance Committee of Directors – The Board should set up a committee in specifically look into shareholder issues including share transfers and redressal of shareholders' complaints.

(6) General Body Meetings – Details if the last three AGMs should be furnished.

(7) Disclosures – Details of non compliance by the company including penalties and strictures imposed by the stock exchange, SEBI or any statutory authority on any matter related to capital markets during the last three years must be disclosed to the shareholders.

(8) Means of Communication – Half-yearly report to be sent to each household of shareholders, details of the mode of dissemination of quarterly result and presentations made of institutional investors to be disclosed and the statement of management discussion and analysis to be included in the report.

(9) General shareholder information – Various specified matter of interest to be included in the Annual Report.

(10) Auditor's Certificate on Corporate Governance:
Auditor's Certificate on Corporate Governance – There should be auditor's certificate on corporate governance in the annual report as an annexure to the Director's Report.

(11) Companies should consolidated accounts in respect of all subsidiaries in which they hold 51 per cent or more of the capital.

(12) Information like quarterly results, presentation made by the companies to analyst may be put on company's web-site or may be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own web-site.

(13) Shareholders to use the forum of General Body Meetings for ensuring that the company is being properly stewarded for maximizing the interest of the shareholders.

(14) A Board Committee under the chairmanship of a non-executive director should be formed to specifically look into the redressing of shareholder complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

(15) Half-yearly declaration of financial performances including summary of the significant events in last six-months, should be sent to each household of shareholder.

(16) The Institutional shareholder should

- Take active interest in composition of Board of Directors
- Be vigilant
- Maintain regular and systematic contact at senior level for exchange of views on management, strategy, performance and the quality of management.
- Ensure that voting intentions are translated into practice.
- Evaluate the corporate governance performance of the company.

Corporate Governance in Banking Sector

Banks are large institutions with a range of delivery models with interplay of products and services. Most important is the human resource element where standardization is difficult to enforce. Software and hardware may function in a similar fashion within the given framework and set of instructions but human resources have mind to different call in a similar set of situations. It is very difficult to comprehend human mind and bring about standardization in their actions. But there are set rules and conditions laid down in banks that bind the behavior of the employees. Its enforcement needs constant monitoring and checks and balances to ensure that they conform to the rule book. Here comes the role of Administration. Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole. Poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to their potential impact on any applicable deposit insurance systems and the possibility of broader macroeconomic implications, such as contagion risk and impact on payment systems. In addition, poor corporate governance can lead markets to lose confidence in the ability of a bank to properly manage its assets and liabilities, including deposits, which could in turn trigger a bank run or liquidity crisis. Indeed, in addition to their responsibilities to shareholders, banks also have a responsibility to their depositors.

From a banking industry perspective, corporate governance involves the manner in which the business and affairs of banks are governed by their boards of directors and senior management, which affects how they function:

Set corporate objectives for the banks are: Operate the bank's business on a day-to-day basis; Meet the obligation of accountability to their shareholders and take into account the interests of other recognized stakeholders; Align corporate activities and behavior with the expectation that banks will operate in a safe and sound manner, and in compliance with applicable laws and regulations; and Protect the interests of depositors.

Implementation of Corporate Governance in Four NSE Listed Private Sector Banks

1. Implementation of Corporate Governance in HDFC Bank Ltd.

Board of Directors

The composition of the Board of Directors of the Bank ("Board") is governed by the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 and the listing requirements of the Indian Stock Exchanges where the securities issued by the Bank are listed. The Board has eleven (11) Directors as on March 31, 2015. The Bank has five (5) independent directors and six (6) non-independent directors. None of the Directors on the Board is a member of more than ten (10) Committees and Chairman of more than five (5) Committees across all the companies in which he / she is a Director. As required by the listing agreement all the Directors have made necessary disclosures regarding Committee positions occupied by them in other companies. None of the directors is related to each other.

Board Meetings

During the year under review, ten (10) Board Meetings were held. The meetings were held on April 22, 2014, May 16, 2014, May 19, 2014, June 25, 2014, July 15, 2014, July 21, 2014, October 21, 2014, January 28, 2015, February 14, 2015 and March 31, 2015.

Attendance at Last AGM

All the directors of the Bank who were on the Board of the Bank as on the date of previous Annual General Meeting held on June 25, 2014 attended the Annual General Meeting, except Mr. Bobby Parikh.

Remuneration of Directors

Managing Director and other Executive Directors:The remuneration of Managing irector and Executive Director have been approved by the Reserve Bank of India (RBI) and as per the provisions of Clause 49 of CG.All the non-executive directors other than the Chairperson receive remuneration only by way of sitting fees for each meeting of the Board and its various committees. No stock options are granted to any of the non-executive directors.

Composition of Committees of Directors and Attendance at the Meetings

The Board has constituted various Committees of Directors to take informed decisions in the best interest of the Bank. These Committees monitor the activities falling within their terms of reference. Some of the Committees of the Board were reconstituted during the year. The Board's Committees are as follows:

Audit Committee

The Audit Committee of the Bank comprises of 4 members . The Committee is chaired by an independent director. The Company Secretary of the Bank, acts as the secretary of the Committee. The Committee met eight (8) times during the year. The meetings of the Committee were held on April 21, 2014, June 25, 2014, July 14, 2014, July 21, 2014, October 20, 2014, January 28, 2015, February 14, 2015 and March 31, 2015. The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement.

The other committees are like:

Nomination Committee - The meetings of the Committee were held on June 25, 2014, July 21, 2014 and September 15, 2014.

Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee, earlier named as the Investor Grievance (Share) Committee approves and monitors transfer, transmission, splitting and consolidation of shares and considers requests for dematerialization of shares. Allotment of shares to the employees on exercise of stock options granted under the various Employees Stock Option Schemes which are made in terms of the powers delegated by the Board in this regard, are placed before the Committee for ratification. The Committee also monitors redressal of complaints from shareholders relating to transfer of shares, non-receipt of Annual Report, dividends etc. The powers to approve share transfers and dematerialization requests have been delegated to executives of the Bank to avoid delays that may arise due to non-availability of the members of the Committee. The Committee met five (5) times during the year. The meetings of the Committee were held on April 22, 2014, July 15, 2014, October 21, 2014, January 28, 2015 and March 31, 2015.

Risk Policy and Monitoring Committee

The Risk Policy and Monitoring Committee has been formed as per the guidelines of Reserve Bank of India on Asset Liability Management / Risk Management Systems. The Committee develops Bank's credit and market risk policies and procedures, verifies adherence to various risk parameters and prudential limits for treasury operations and reviews its risk monitoring system. The Committee also ensures that the Bank's credit exposure to any one group or industry does not exceed the internally set limits and that the risk is prudentially diversified. The meetings of the Committee were held on April 22, 2014, June 25, 2014, July 15, 2014, October 21, 2014 and January 28, 2015.

Credit Approval Committee

The Credit Approval Committee approves credit exposures, which are beyond the powers delegated to executives of the Bank. This facilitates quick response to the needs of the customers and speedy disbursement of loans. The Committee met nine (9) times during the year. The meetings of the Committee were held on May 9, 2014, June 25, 2014, July 15, 2014, September 22, 2014, October 21, 2014, December 16, 2014, January 28, 2015, February 14, 2015 and March 31, 2015.

Premises Committee

The Premises Committee approves purchases and leasing of premises for the use of Bank's branches, back offices, ATMs and residence of executives in accordance with the guidelines laid down by the Board. The Committee met six (6) times during the year. The meetings of the Committee were held on April 22, 2014, June 25, 2014, July 15, 2014, October 21, 2014, January 28, 2015 and March 31, 2015.

Fraud Monitoring Committee

Pursuant to the directions of the RBI, the Bank has constituted a Fraud Monitoring Committee, exclusively dedicated to the monitoring and following up of cases of fraud involving amounts of ` 1 crore and above. The objectives of this Committee are the effective detection of frauds and immediate reporting of the frauds and actions taken against the perpetrators of frauds to the concerned regulatory and enforcement agencies.. The Committee met four (4) times during the year.

Customer Service Committee

The Customer Service Committee monitors the quality of services rendered to the customers and also ensures implementation of directives received from the RBI in this regard. The Committee met four (4) times during the year.

Corporate Social Responsibility (CSR) Committee

The Board has constituted a CSR Committee with 5 members and they meet 4 times in a year.

The Board has also formed Review Committee for Willful Defaulters' Identification and another committee called Review Committee for Non-Cooperative Borrowers.

General Body Meetings (During the three previous financial years)

The 18th, 19th and 20th Annual General Meetings of the Bank were held at Birla MatushriSabhagar, 19, New Marine Lines, Mumbai 400 020 at 2.30 p.m. on July 13, 2012, June 27, 2013 and June 25, 2014 respectively. No special resolution was passed at the 18th Annual General Meeting. One special resolution was passed at the 19th Annual General Meeting and eight special resolutions were passed at the 20th Annual General Meeting.

Compliance with Mandatory Requirements

The Bank has complied with all the mandatory requirements of the Code of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India.

2. Implementation of Corporate Governance in ICICI Bank Ltd.

Bank has followed the provisions of clause 49 like Composition, Meeting and Attendance of Board Meeting, Audit Committee, Stakeholder's Relationship Committee, Remuneration Committee, Customer Services Committee, Risk Management Committee, Annual General Meeting, CEO and CFO Certifiation and disclosure of code of conduct.

Corporate Social Responsibility Committee (CSR)

The Bank's CSR Committee comprises three independent Directors and the Managing Director & CEO of the Bank, and is chaired by an independent Director.

Average net profit of the company for last three financial years

The average net profit of the Company for the last three financial years calculated as specified by the Companies Act, 2013 was 85.79 billion.

Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

The prescribed CSR expenditure requirement for FY2015 is 1.72 billion.

Details of CSR spent during the financial year
(a) Total amount to be spent for the financial year Total amount spent towards CSR during FY2015
was 1.56 billion.
(b) Amount unspent, if any Amount unspent was 0.16 billion.
In case the company has failed to spend the 2% of the average net profits of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report. The amount spent was 1.56 billion, marginally lower than 2% of average net profits of the last three financial years. The lower spend vis-à-vis the budget was due to lower than budgeted fund requirement from implementing agencies and lower than anticipated direct spends.
A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company. The CSR Committee hereby confirms that the implementation and monitoring of CSR activities is in compliance with CSR objectives and the CSR Policy of the company.

3. Implementation of Corporate Governance in Axis Bank Ltd.

Philosophy on Code of Governance

The Bank's policy on Corporate Governance has been:

I. To enhance the long-term interest of its shareholders, provide good management, adopt prudent risk management techniques and comply with the required standards of capital adequacy, thereby safeguarding the interest of its other stakeholders such as depositors, creditors, customers, suppliers and employees.

II. To institutionalize accountability, transparency and equality of treatment for all its stakeholders, as central tenets of good corporate governance and to articulate this approach in its day-to-day functioning and in dealing with all its stakeholders.

Board of Directors:

The composition of the Board of Directors of the Bank is governed by the relevant provisions of the Companies Act, 2013, the Rules made thereunder, the Banking Regulation Act, 1949 and revised Clause 49 of the Listing Agreement relating to Corporate Governance. The Bank's Board has an optimum combination of executive and non-executive Directors. The Board presently comprises of 13 Directors and it provides diverse combination of professionalism, knowledge, expertise and experience as required in the banking business. The Board has 7 Independent Directors constituting more than one-half of its total membership strength and three women Directors.

Audit Committee

The Committee discussed with the statutory auditors, the key highlights of the quarterly and annual financial results of the Bank, before recommending the same to the Board of Directors of the Bank for its approval. In all, 11 meetings of the Audit Committee were held during the year 2014-15.

Risk Management Committee

The committee comprises of six members along with the chairman and it meets 4 times in a financial year 2014-15

Shareholders/Investors Grievance Committee

The primary objective of the Stakeholders Relationship Committee of the Board of Directors of the Bank is to look into the redressal of grievances of security holders of the Bank, inter alia relating to non-receipt of dividend/interest, refund order/redemption, transfer/transmission, non-receipt of annual report and other grievances. In all, 4 meetings of the Stakeholders Relationship Committee were held during the year 2014-15 and it comprises of six members along with the chairman.

Nomination and Remuneration Committee

The Bank had constituted separate committees addressing the HR/Remuneration and Nomination/ Governance process of the Bank. In view of provisions of the Companies Act, 2013 and revised

Clause 49 of the Listing Agreement, which provided for a single Nomination & Remuneration Committee, it was decided to merge the HR and Remuneration Committee of the Board and the Nomination Committee of the Board into a single committee to be called as Nomination and Remuneration Committee of the Board of Directors. It comprises of four members including the chairman and four meetings have been held in a financial year 2014-15.

Corporate Social Responsibility (CSR) Committee

CSR committee comprises of four members including chairman and it meets two times in a year.

Grievance Redressal Committee

The Board has constituted a Grievance Redressal Committee which comprises of four memebers including chairperson of the meeting. **No meeting of the Committee was held during the year.**

Meeting of Independent Directors

The Independent Directors of the Bank met on 31st March 2015 without the presence of the MD & CEO, the Whole-time Directors, the non-independent Directors and the Management Team of the Bank. 5 out of the 7 Independent Directors attended the said meeting in person, while two Independent Directors participated through video conference. The Independent Directors discussed the matters as required under the relevant provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement and conveyed their views to the Board of Directors of the Bank.

Disclosure in terms of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Bank takes all necessary measures to ensure a harassment-free workplace and has instituted an Internal Complaints Committee for redressal of complaints and to prevent sexual harassment. During the year, the Bank has received 34 complaints relating to sexual harassment out of which 28 complaints have been disposed off and balance 6 complaints are being investigated.

Whistleblower Policy & Vigil Mechanism

A central tenet in the Bank's Policy on Corporate Governance is commitment to ethics, integrity, accountability and transparency. To ensure that the highest standards are maintained in these aspects on an on-going basis and to provide safeguards to various stakeholders, the Bank has formulated a Whistleblower Policy and Vigil Mechanism which is in compliance with the relevant provisions of Section 177 of the Companies Act, 2013 and revised Clause 49 (II)(F) of the Listing Agreement.

General Board Meeting

It provides the information of last three AGM and the details of resolution and Postal Ballot including declaration of dividend and transfer of unclaimed dividend amount to Investor Education and Protection Fund.

Disclosures

Bank has provided all the disclosures as per the Clause 49.

Compliance

The Bank has complied with the mandatory requirements regarding the Board of Directors, Audit Committee, other Board Committees and other provisions as prescribed under revised Clause 49 of the Listing Agreement.

The Bank has also adopted and complied with the non-mandatory requirements like maintenance of Chairman's Office by Non-executive Chairman at the Bank's expense and reimbursement of expenses incurred by Non- executive Chairman in performance of his duties, moving towards a regime of unqualified financial statements, appointing separate individuals to the post of Chairman and Managing Director, and reporting by the Internal Auditor directly to the Audit Committee of the Board of Directors.

The Bank has obtained a certificate from M/s S. R. Batliboi& Co. LLP, Chartered Accountants, Mumbai (Membership No. 301003E) confirming that the Bank has complied with the mandatory

requirements as stipulated under revised Clause 49 of the Listing
annexed to the Director's Report.

Code of Conduct

The Board of Directors of the Bank has formulated and adopted a Code of Conduct which is applicable to all the Directors and Members of the Senior Management of the Bank. The said Code has been hosted on the website of the Bank.

A certificate issued by the Managing Director & CEO of the Bank confirming that all the Directors and Members of the Senior Management of the Bank have complied with the said Code is annexed to this Report.

It also provides the details of General Shareholder Information and their Shareholdings.

4. Implementation of Corporate Governance in Kotak Mahindra Bank Ltd.

Board of Directors

Composition, Meeting and Attendance

Composition of Board

The composition of the Board of Directors of the Bank is governed by the Banking Regulation Act, 1949 and Clause 49 of the Listing Agreement. As on 31st March 2015, the Board of Directors, comprising a combination of executive and non-executive Directors, consists of ten members, of whom seven are non-executive Directors. The Chairman of the Board was a Non-Executive Director and five out of ten Directors were independent. The Board mix provides a combination of professionalism, knowledge and experience required in the banking industry. The responsibilities of the Board inter alia include formulation of policies, taking new initiatives, performance review, monitoring of plans, pursuing of policies and procedures.

Board Meeting

During the year under review, ten meetings of the Board of Directors were held on 30th April 2014, 9th May 2014, 16th July 2014, 8th August 2014, 7th September 2014, 22nd October 2014, 20th November 2014, 7th January 2015, 20th January 2015 and 13th March 2015. The maximum time gap between any two meetings was not more than four months. The average duration of the board meetings held is approximately three hours.

Committees of the Board Of Directors

The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. The Audit Committee and Stakeholders Relationship Committee have been constituted in accordance with the guidelines issued by the Reserve Bank of India, Securities and Exchange Board of India read with requirements of the Companies Act, 2013. Besides the above, the Board has also set up other committees such as Nomination & Remuneration Committee, Share Transfer and Routine Transactions Committee (START), Management Committee, Premises Committee, Asset Liability Committee (ALCO), Investment Committee, Risk Management Committee, Information Technology Committee, First Tier Audit Committee, Customer Services Committee, Committee on Frauds and Corporate Social Responsibility Committee.

Audit Committee

The Audit Committee of the Bank comprises of three members, with any two forming the quorum. All the members of the Committee are Non-Executive Directors and two out of the three members are Independent Directors. All the members of the Committee are financially literate within the meaning of the Clause 49 of the listing agreement and one member possesses accounting and financial management expertise. The Company Secretary acts as the Secretary to the Committee. The Chairman of the Audit Committee was present at the last Annual General Meeting to answer the queries of the shareholders. During the year, ten meetings of the Committee were held on 30th April 2014, 1st May 2014, 9th June 2014, 16th July 2014, 17th July 2014, 21st October 2014, 20th November 2014, 24th

Financial Performance of Selected NSE Listed Private Sector Banks

Name of Bank	EPS (in Rs.)		Net Profit (In Crore)		ROA		Market Price Per Share (In Rs.)		Book Value Per Share (In Rs.)		ROE		DPS (In Rs.)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
HDFC Bank Limited	42.15	35.47	10,215.92	8,478.38	2.02%	2.00%	1,022.70	748.8	247.39	181.23			8	6.9
ICICI Bank Limited	19.13	16.93	111.75	98.10	1.86%	1.76%	384.05	259.91	138.74	126.80	15.00%	14.90%	5	4.6
Axis Bank Limited	30.85	26.45	7357.82	6217.67	1.83%	1.78%	654.90	407.35	188.47	162.69	18.57%	18.23%	4.6	[illegible]
Kotak Mahindra Bank Limited	39.4	32.1	3045	2465	2.00%	1.80%	1,313.25	802.6	286.80	247..60	14.80%	14.00%		

Findings

Here from the analysis of the implementation of Corporate Governance code it was found that HDFC Bank has followed the Corporate Governance Code of Clause 49 and it financial result shows that Net Profit after Tax, Market Value Per Share and EPS has shown growth rate. Bank's profit before tax was 15,328.7 crore, an increase of 20.0% over the year ended March 31, 2014. After providing for income tax of ` 5,112.8 crore, the net profit for year ended March 31, 2015 was 10,215.9 crore, up 20.5%, over the year ended March 31, 2014. Return on average net worth was 20.4% while the basic earnings per share increased from 35.5 to 42.2 per equity share.

ICICI Bank has also followed Corporate Governance Code except CSR Amount unspent was 0.16 billion. Bank's Profit after tax increased by 13.9% from 98.10 billion in fiscal 2014 to 111.75 billion in fiscal 2015. The increase in profit after tax was mainly due to a 15.6% increase in net interest income and a 16.8% increase in non-interest income offset, in part, by a 11.5% increase in non-interest expenses and a 48.5% increase in provisions and contingencies (excluding provisions for tax).

From the analysis of Implementation of Corporate Governance Code it was found that Axis Bank has followed Corporate Governance Code. Bank has formed the GrivanceRedressal Committee but No meeting of the Committee was held during the year. Bank continued to show a healthy growth in both business and earnings, with a net profit of 7,357.82 crores for the year ended 31st March 2015, registering a growth of 18.34% over the net profit of `6,217.67 crores last year.

From the research of the implementation of Corporate Governance code it was revealed that Kotak Mahindra Bank has followed the Corporate Governance Code of Clause 49 and it financial result shows that Net Profit after Tax, Market Value Per Share and EPS has shown growth rate. Kotak Mahindra banks' Current year's Net Profit is 3045 Cr. has shown a growth rate of 24 % as compared to last year.

So, the above research of selected NSE Listed five Private Sector Bank shows that if Bank follows the Corporate Governance Code then it Provides impact on their Financial Performance because failure in this direction attracts heavy penalty, loss of reputation and that affects the valuation and financial performance of a bank.

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