



ISSN: 0976-3031

Available Online at <http://www.recentscientific.com>

CODEN: IJRSFP (USA)

*International Journal of Recent Scientific Research*  
Vol. 9, Issue, 4(G), pp. 26001-26014, April, 2018

**International Journal of  
Recent Scientific  
Research**

DOI: 10.24327/IJRSR

## Research Article

# CORPORATE GOVERNANCE STRUCTURAL DYNAMICS IN INDIAN PRIVATE SECTOR BANKS

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SOMS, IGNOU

DOI: <http://dx.doi.org/10.24327/ijrsr.2018.0904.1974>

### ARTICLE INFO

#### Article History:

Received 8<sup>th</sup> January, 2018  
Received in revised form 21<sup>st</sup>  
February, 2018  
Accepted 05<sup>th</sup> March, 2018  
Published online 28<sup>th</sup> April, 2018

### ABSTRACT

Corporate Governance has gained utmost importance in the corporate world after the mega failure of companies like Enron. Following which countries have begun to make stringent laws and rules to monitor CG practices. Likewise in India especially in banking sectors the Companies Act (2013), RBI and SEBI norms have specific regulations with respect to CG. This study has been carried out to analyze the CG practices in terms of structural dynamics like board and its functionalities.

#### Key Words:

Board, Board Committees, Board meetings,  
Women in board, Board leadership

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## INTRODUCTION

Corporate Governance (CG) has a unique and important place for the companies and different stakeholders. It leads to a greater accountability, better system of internal control and better profit margins for the company. CG can provide proper incentives for the board and management that match the objectives, which are in the interest of the company and the shareholders. It ensures greater security to the investment of the shareholders. Good governance is conclusively the indicator of personal beliefs and values that configure the organizational beliefs, values and actions of its Board. The Board, which is a main functionary is primary responsible to ensure the value creation for its stakeholders. In the absence of clarity on designated role and powers of the Board, it weakens the accountability mechanism that subsequently, threatens the achievement of organizational goals. Therefore, the key requirement of good governance is the clarity on part of identification of powers, responsibilities, roles and accountability of top position holders, including the Board, the Chairman of the Board and the CEO. In such cases, role of the Board should be clearly documented in a Board Charter, which can be followed throughout.

This paper strives to analyse the structural dynamics of CG especially in terms of the statutory requirements for Indian banks. It covers eight private sector banks of India.

## Statutory Provisions

As per Chapter IV of SEBI (LODR) Regulations, 2015, an optimum combination of executive and non-executive directors is required with at least one woman director in board and majority of directors need to be from Non-Executive (i.e., 50% or more). In case the Chairman of the board is a Non-executive director then at least 33% of the board of directors shall comprise of Independent Directors. On the other hand when the Chairman is not a regular Non-executive Director, then at least 50% of the board of directors shall comprise of Independent Directors. Although in cases where the regular Non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, then at least 50% of the board of directors of the listed entity shall consist of Independent Directors.

The Companies Act, 2013 stipulates that at least one third of all Directors of the listed companies must be independent directors, whereas under the SEBI listing agreement under Clause 49 does not specify any specific requirement for the percentage of independent directors where the Board has an executive Chairman.

The world over there is an increasing trend of diversifying the board by opting Directors from diverse backgrounds. A well-structured and diversified board brings a variety of skill sets

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and cognitive processes which can catalyse change as well as identify and address new opportunities. In this context, one of the critical diversity measures is gender participation in decision making. This critical measure can be measured by the participation of the women in boards. Simultaneously Sec. 149 of the Companies Act, 2013 stipulates that all listed companies, there should be at least one women director in the board.

An active board is a pre requisite for efficient running the company and productive output, the pro activity of the board can be measured by the number of board meetings held and the participation of the board members.

Under the Clause 49 and the provisions of the Companies Act, 2013, the number of committees varies widely. But Audit and Remuneration committees are mentioned in Clause 49.

For a company to be run efficiently there should be set processes to address the CG issues. The CG issues should be decided in a transparent and nonpartisan way. (One way to ensure this is that the committees which have been entrusted these issues should consist of independent directors). During recent times few of the issues which have been plaguing the financial sector are a.) excessive remuneration to the executives b.) Increased risk in the financial products sold c.) opaque nature of information provided by firms and d.) grievance redressal of the shareholders. One of the ways to address these issues is to have various board committees looking and addressing these issues and to ensure transparency, the members of these board committees should be independent directors of the board.

### Present Study

The review of existing literature on the impact of CG on firm's performance gives a mixed result. Moreover, there is no Indian study till date which has focused on the said topic post amendments of the Companies Act, 2013. Hence, there is a need was felt to carry out an in-depth study especially in Indian financial institutions.

In order to assess the impact of CG on the performance of FIs we have undertaken the following processes

1. Analysis of the structural dynamics of the board attributes which are the main drivers of CG practices;
2. Construction of an index to measure CG practices as envisaged in the Companies Act, 2013 and SEBI (LODR) Guidelines, 2015. based on the fact that the main driver of CG;
3. Assessment of impact of CG on financial performance of the FIs.

In this paper we are only highlighting on the analysis of the structural dynamics of the board attributes which are the main drivers of CG practices in Indian financial institutions.

### Sample Selection

In the present study we have selected eight sample FIs consisting of eight private sector banks The basic criteria for selecting the banks were:

1. Listed on the stock exchange;
2. Highest and lowest market capitalization in the list of top ten FIs in particular category like public sector banks, private sector banks.

### Data Sources

For the purpose of this study, majorly data were collected from the annual reports of the respective FIs, websites of NSE, BSE and RBI from its database on Indian banks. The timeframe of analysis was from FY 2011-12 to 2015-16.

In the following paragraphs we will be representing the findings bank wise covering following dimensions of CG practices in the banks as per statutory requirements.

1. The Bank's Philosophy on Code of Governance
2. Board of Directors/ Board Issues
3. Board Structure, Strength and Size
4. Distribution of the Board
5. Women Participation in the Board
6. Board Meetings
7. Committees of the Board

### Axis Bank

Axis Bank is the third largest of the private-sector banks in India offering a comprehensive suite of financial products. The bank has its headquarters in Ahmedabad.

### The Bank's Philosophy on Code of Governance

#### The Bank's policy on CG has been

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

### Board of Directors/ Board Issues

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table 1*.

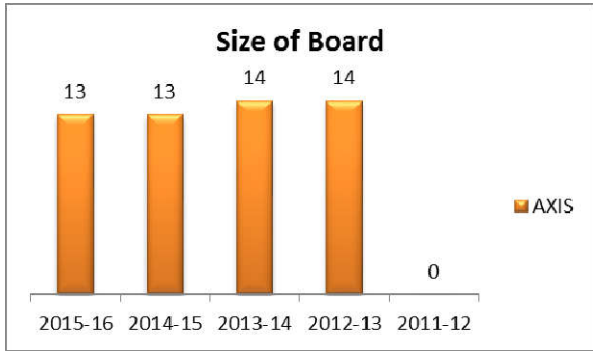
**Table 1** Board Structure, Strength and Size of AB

Particulars	2015-16	2014-15	2013-14	2012-13
Total No. of Directors	13	13	14	14
Non-Executive ( excluding Chairman)	7	6	6	6
Independent Non Executive	8	7	7	7
Women Non-Executive	2	2	2	1
Foreign Non Executive	0	0	0	0
Executive (excluding Chairman)	5	6	7	7
Women Executive	1	1	1	1
Foreign Executive	0	0	0	0
No. of Board meetings	5	7	6	11
Is the Chairman Executive?	YES	YES	YES	YES

### Board Structure, Strength and Size

The composition of the Board of Directors of the Bank is governed by the relevant provisions of the Companies Act, 2013, the Rules made there under, the Banking Regulation Act, 1949 and revised Clause 49 of the Listing Agreement relating to CG.

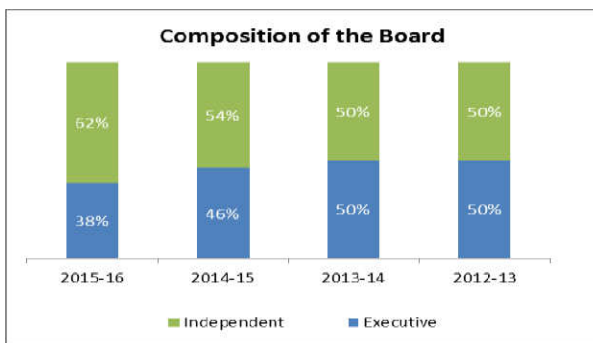
**Composition of the Board**



**Chart 1** Number of Board Members of AB

The Board of AB on average consists of 13 to 14 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

**Distribution of the Board**



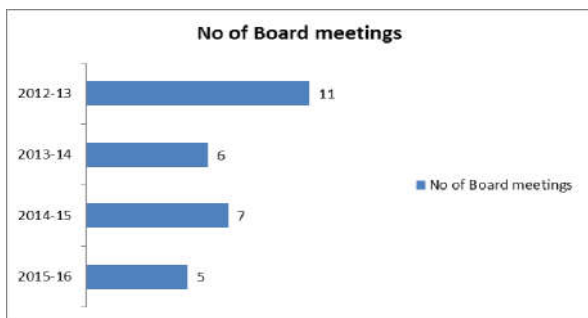
**Chart 2** Distribution of Executive, Non-executive and Independent Board Members of AB

The percentage of non-executive directors in the board of AB range from 50 % to 62 % during 2012-13 to 2015-16 which is in accordance with Sec. 149 (4).

**Women Participation in the Board**

The Board of AB is having two to three woman director on its board from 2012-13 to 2015-16.

**Board Meetings**



**Chart 3** Number of Board meetings held in AB

The board of AB on average is holding five to eleven board meeting every year from 2012-13 to 2015-16.

**Committees of the Board**

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and

Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.

**Audit Committee**

In case of AB, the number of audit committee meetings held was on average eleven to fifteen per year.

**Remuneration Committee**

In case of AB the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2012-13 to 2015-16, thereby complying with the mandatory requirements.

**Risk Management Committee**

AB has complied with these requirements from 2012-13 to 2015-16, which is clearly evident from the fact that on average four to five meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

**Stakeholder Relationship Committee**

In case of AB, the committee has been constituted as per the mandatory requirement and on average has held two to five meetings per year from 2012-13 to 2015-16.

**CSR Committee**

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee was formed by the board of AB from 2014-15.

**Dhanlaxmi Bank Ltd. (DB)**

DB was established on 14 November 1927 at Thrissurcity, Kerala. with a capital of ₹11,000 and 7 employees. It became a Scheduled Commercial Bank in the year 1977.

**The Bank's Philosophy on Code of Governance**

The Bank's CG ensures high standards of transparency, accountability, ethical operating practices, professional management thereby enhancing shareholder's value of protecting the interest of the stakeholders such as depositors, customers, creditors, suppliers and employees. The Bank is committed to highest standards of CG by ensuring integrity in financial reporting, disclosure of material information, continuous improvement of internal controls and sound investor relations.

**Board of Directors/ Board Issues**

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in Table 4.

**Board Structure, Strength and Size**

The composition of the Board of Directors of the Bank is governed by the relevant provisions of the Companies Act, 2013, the Rules made there under, the Banking Regulation Act, 1949 and revised Clause 49 of the Listing Agreement relating to CG.

**Table 2** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Board of AB

Particulars	Audit Committee				Nomination and Remuneration Committee				Risk management Committee			
	2015-16	2014-15	2013-14	2012-13	2015-16	2014-15	2013-14	2012-13	2015-16	2014-15	2013-14	2012-13
No. of members	3	4	4	4	5	4	4	4	5	6	5	5
No. of ID	3	4	4	4	5	4	4	4	4	5	4	4
No of ED	0	0	0	0	0	0	0	0	1	1	1	1
No. of meetings	15	11	11	12	7	4	5	6	5	4	5	5

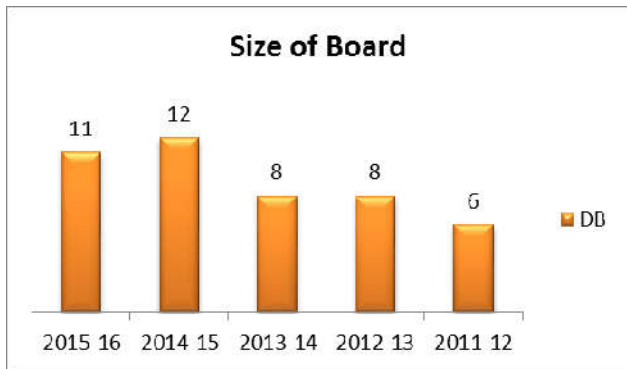
**Table 3** Stakeholders Relationship Committee and CSR Committee of AB

Particulars	Stakeholders Relationship Committee				CSR Committee			
	2015-16	2014-15	2013-14	2012-13	2015-16	2014-15	2013-14	2012-13
No. of members	3	3	3	3	3	3	3	0
No. of ID	2	2	2	2	2	2	2	0
No of ED	1	1	1	1	1	1	1	0
No. of meetings	3	2	5	4	3	2	0	0

**Table 4** Board structure, Strength and Size of DB

Particulars	2015-16	2014-15	2013-14	2012-13
Total No. of Directors	12	11	14	11
Non-Executive ( excluding Chairman)	3	3	6	5
Independent Non Executive	6	5	5	4
Women Non-Executive	0	1	1	0
Foreign Non Executive	0	0	0	0
Executive (excluding Chairman)	2	2	2	1
Women Executive	1	1	1	0
Foreign Executive	0	0	0	0
No. of Board meetings	10	12	12	16
Is the Chairman Executive?	YES	YES	YES	YES

**Composition of the Board**



**Chart 4** Number of Board Members of DB

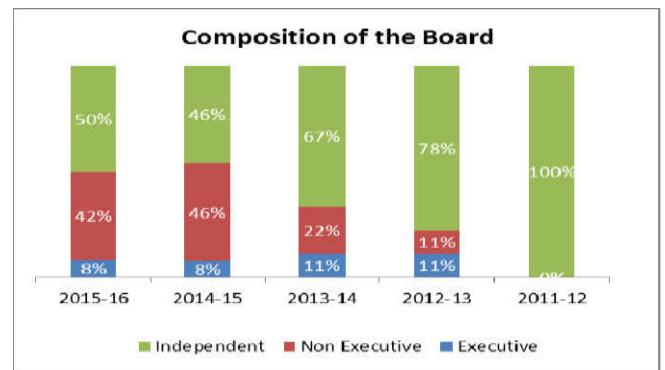
The Board of DB on average consists of 11 to 14 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

**Distribution of the Board**

The percentage of non executive directors in the board of DB range from 89 % to 92 % during 2012-13 to 2015-16 which is in accordance with Sec. 149 (4).

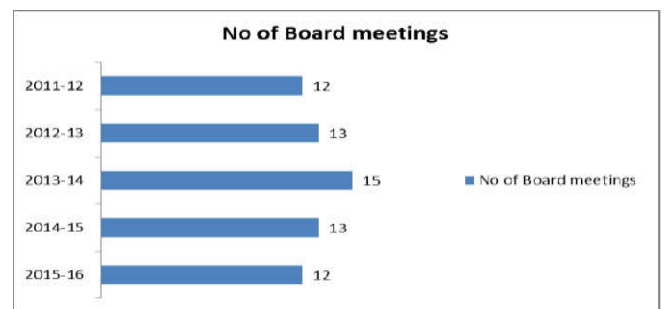
**Women Participation in the Board**

The Board of DB is having one woman director on its board from 2012-13 to 2015-16 excepting 2013-14. .



**Chart 5** Distribution of Executive, Non-executive and Independent Board Members of DB

**Board Meetings**



**Chart 6** Number of Board meetings held in DB

The board of DB on average is holding ten to sixteen board meetings every year from 2012-13 to 2015-16.

**Committees of the Board**

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee (Table 5).

**DCB Bank Ltd. (DCB)**

DCB is a private sector scheduled commercial bank in India.

**The Bank's Philosophy on Code of Governance**

The Bank continues to believe strongly in adopting and adhering to the best CG practices and benchmarking itself against the industry's best practices.

**Table 5** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Board of DB

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	6	5	6	4	6	4	2	4	2	4	5	5	6	4	5
No. of ID	4	3	4	3	4	4	2	4	2	4	2	2	3	2	2
No of ED	2	2	2	1	2	0	0	0	0	0	3	3	3	2	3
No. of meetings	8	9	12	12	8	4	0	1	1	4	4	4	4	4	4

Note: \* It includes nominees of GOI and RBI

**Audit Committee**

In case of DB, the number of audit committee meetings held was on average eight to twelve per year.

**Remuneration Committee**

In case of DB the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

**Risk Management Committee**

DB has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

**Stakeholder Relationship Committee**

In case of DB, the committee has been constituted as per the mandatory requirement and on average have held on an average three to four meetings per year from 2011-12 to 2015-16.

**CSR Committee**

The board of DB has not constituted a CSR committee till 2015-16.

**Table 6** Stakeholders Relationship Committee and CSR Committee of DB

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	3	4	3	4	N	N	N	N	N
No. of ID	2	1	2	1	2	N	N	N	N	N
No of ED	2	2	2	1	2	A	A	A	A	A
No. of meetings	4	3	3	4	4	N	N	N	N	N

It is the Bank's ongoing endeavour to achieve the highest levels of governance as a part of its responsibility towards the shareholders and other stakeholders. Transparency and integrity continue to be the cornerstones for good governance, and the Bank is strongly committed to these principles for enhancing the stakeholders' value.

**Board of Directors/ Board Issues**

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in Table 7.

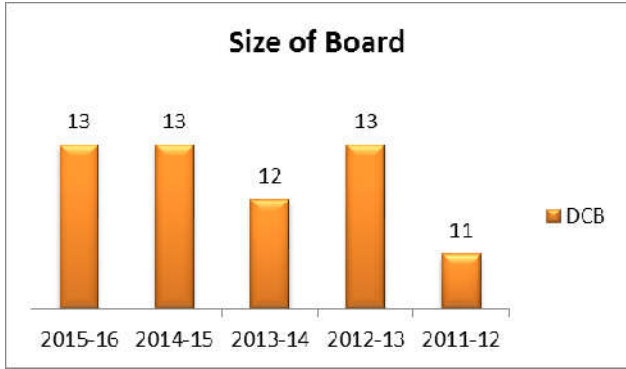
**Board Structure, Strength and Size**

The composition of the Board of Directors of the Bank is governed by the relevant provisions of the Companies Act, 2013, the Rules made there under, the Banking Regulation Act, 1949 and revised Clause 49 of the Listing Agreement relating to CG.

**Table 7** Board Structure, Strength and Size of DCB

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	13	13	12	13	11
Non-Executive (excluding Chairman)	11	12	10	11	9
Independent Non Executive	10	10	10	12	8
Women Non-Executive	1	1	0	0	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	1	1	1	1	1
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	7	12	6	8	11
Is the Chairman Executive?	NO	NO	NO	NO	NO

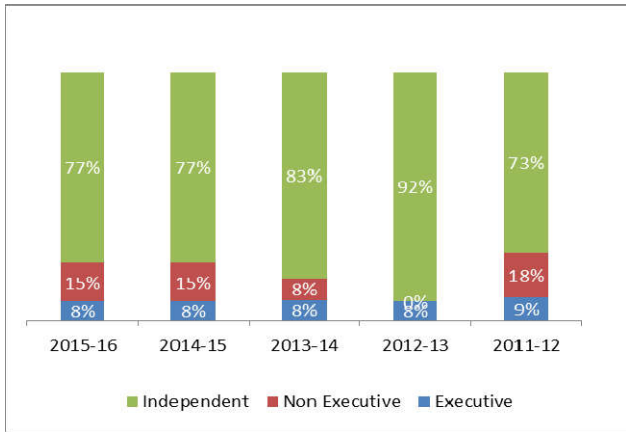
**Composition of the Board**



**Chart 7** Number of Board Members of DCB

The Board of DCB on average consists of 11 to 13 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

**Distribution of the Board**



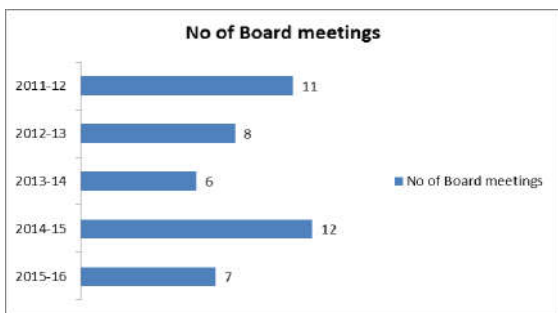
**Chart 8** Distribution of Executive, Non-executive and Independent Board Members of DCB

The percentage of non executive directors in the board of DCB range from 91 % to 92 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

**Women Participation in the Board**

The Board of DCB is having one woman director on its board from 2012-13 to 2015-16 excepting 2012-13 and 2013-14. .

**Board Meetings**



**Chart 9** Number of Board meetings held in DCB

The board of DCB on average is holding six to twelve board meetings every year from 2011-12 to 2015-16.

**Committees of the Board**

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.

**Table 8** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Board of DCB

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members*	5	5	4	4	5	4	4	4	4	3	5	5	5	5	6
No. of ID	4	5	4	4	5	3	4	4	4	3	4	4	5	4	4
No of ED	1	0	0	0	0	1	0	0	0	0	1	1	0	1	1
No. of meetings	8	7	6	6	6	3	6	5	5	3	4	4	7	4	3

Note: \* It includes nominees of GOI and RBI

**Audit Committee**

In case of DCB, the number of audit committee meetings held was on average six to eight per year.

**Remuneration Committee**

In case of DCB the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2014-15 and in the year 2015-16, there was one executive director along with three non executive directors.

**Risk Management Committee**

DCB has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four to seven meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

**Table 9** Stakeholders Relationship Committee and CSR Committee of DCB

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	3	4	3	7	5	5	6	5	N	N
No. of ID	3	4	3	6	5	3	4	3	N	N
No of ED	0	0	0	1	0	1	1	1	N	N
No. of meetings	4	4	4	4	4	2	0	1	N	N

**Stakeholder Relationship Committee**

In case of DCB, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year from 2011-12 to 2015-16.

**CSR Committee**

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee was formed by the board of DCB from 2013-14.

**HDFC Bank Ltd. (HDFC)**

**The Bank’s Philosophy on Code of Governance**

The Bank believes in adopting and adhering to the best recognized CG practices and continuously benchmarking itself against each such practice. The Bank understands and respects its fiduciary role and responsibility towards its shareholders and strives hard to meet their expectations.

The Bank believes that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value. The Bank has infused the philosophy of CG into all its activities. The philosophy on CG is an important tool for shareholder protection and maximization of their long term values. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures, credibility, sustainability etc. serve as the means for implementing the philosophy of CG in letter and spirit.

**Board of Directors/ Board Issues**

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table 10*.

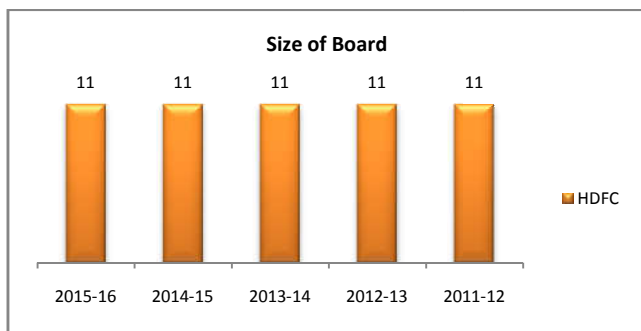
**Table 10** Board Structure, Strength and Size of HDFC

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	11	11	11	11	11
Non-Executive ( excluding Chairman)	6	5	5	5	5
Independent Non Executive	7	6	6	6	6
Women Non-Executive	2	2	1	1	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	4	5	5	5	5
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	7	10	8	6	6
Is the Chairman Executive?	YES	YES	YES	YES	YES

**Board Structure, Strength and Size**

The composition of the Board of Directors of the Bank is governed by the relevant provisions of the Companies Act, 2013, the Rules made there under, the Banking Regulation Act, 1949 and revised Clause 49 of the Listing Agreement relating to CG.

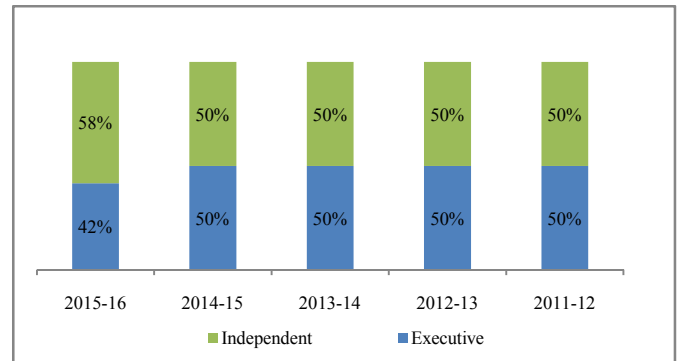
**Composition of the Board**



**Chart 10** Number of Board Members of HDFC

The Board of HDFC on average consists of 11 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

**Distribution of the Board**



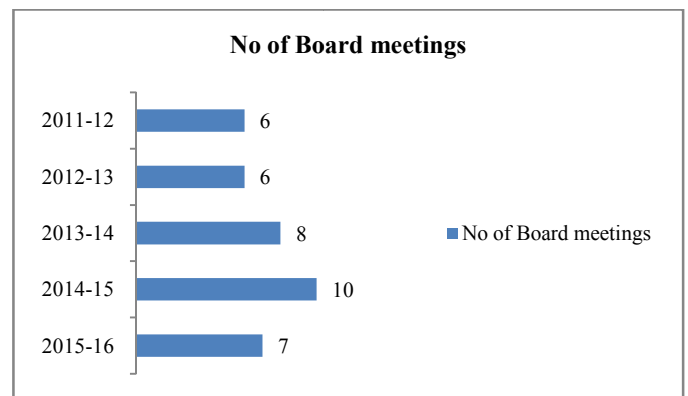
**Chart 11** Distribution of Executive, Non-executive and Independent Board Members of HDFC

The percentage of non-executive directors in the board of HDFC range from 50 % to 68 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

**Women Participation in the Board**

The Board of HDFC is having one to two woman director on its board from 2011-12 to 2015-16.

**Board Meetings**



**Chart 12** Number of Board meetings held in HDFC

The board of HDFC on average is holding six to ten board meeting every year from 2011-12 to 2015-16.

**Committees of the Board**

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.

**Table 11** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Board of HDFC

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	4	4	4	5	4	3	4	4	4	5	5	5	5	5
No. of ID	4	4	4	4	5	4	3	4	4	4	3	3	3	3	3
No of ED	0	0	0	0	0	0	0	0	0	0	2	2	2	2	2
No. of meetings	9	8	8	5	7	9	3	7	10	3	5	5	7	6	5

**Audit Committee**

In case of HDFC, the number of audit committee meetings held was on average five to nine on an average per year in the period 2011-12 to 2015-16.

**Remuneration Committee**

In case of HDFC the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

**Risk Management Committee**

HDFC has complied with these requirements from 2012-13 to 2015-16, which is clearly evident from the fact that on average three to four meetings of the committee were held annually and the composition of the committee for all the years is such that, it can effectively gauge the risk inherent in operations and external risks.

**Table 12** Stakeholders Relationship Committee and CSR Committee of HDFC

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	4	4	4	4	5	5	5	5	0
No. of ID	3	3	3	2	2	3	3	3	3	0
No of ED	1	1	1	2	2	2	2	2	2	0
No. of meetings	7	5	4	6	5	3	4	3	0	0

**Stakeholder Relationship Committee**

In case of HDFC, the committee has been constituted as per the mandatory requirement and on average have held four to seven meetings per year from 2011-12 to 2015-16.

**CSR Committee**

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee was formed by the board of AB from 2011-12.

**ICICI Bank Ltd. (ICICI)**

ICICI Bank was established by the Industrial Credit and Investment Corporation of India (ICICI), an Indian financial institution, as a wholly owned subsidiary in 1994. The parent company was formed in 1955 as a joint-venture of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to Indian industry. It is an Indian multinational banking and financial services

company headquartered in Mumbai with its registered office in Vadodara.

**The Bank's Philosophy on Code of Governance**

ICICI Bank's CG philosophy encompasses regulatory and legal requirements, which aims at a high level of business ethics, effective supervision and enhancement of value for all stakeholders. The CG framework adopted by the Bank already encompasses significant portion of the recommendations contained in the 'CG Voluntary Guidelines 2009' issued by the Ministry of Corporate Affairs, Government of India.

**Board of Directors/ Board Issues**

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in Table 13.

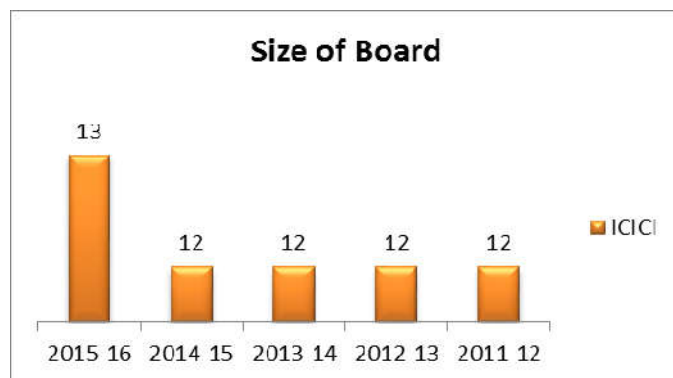
**Table 13** Board Structure, Strength and Size of ICICI

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	13	12	12	12	12
Non-Executive (excluding Chairman)	7	7	7	7	7
Independent Non Executive	7	7	7	7	7
Women Non-Executive	0	0	0	1	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	5	4	4	4	4
Women Executive	2	1	1	1	1
Foreign Executive	0	0	0	0	0
No. of Board meetings	10	7	6	5	6
Is the Chairman Executive?	YES	YES	YES	YES	YES

**Board Structure, Strength and Size**

ICICI Bank has a broad-based Board of Directors, constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in accordance with good CG practices.

**Composition of the Board**

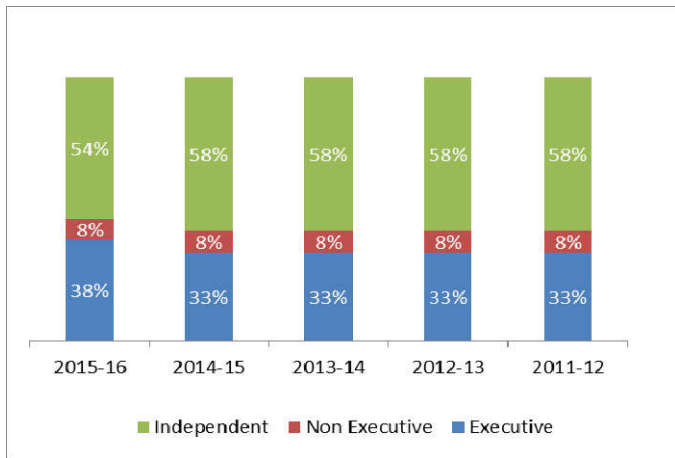


**Chart 13** Number of Board Members of ICICI



The Board of ICICI on average consists of 12 to 13 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

**Distribution of the Board**



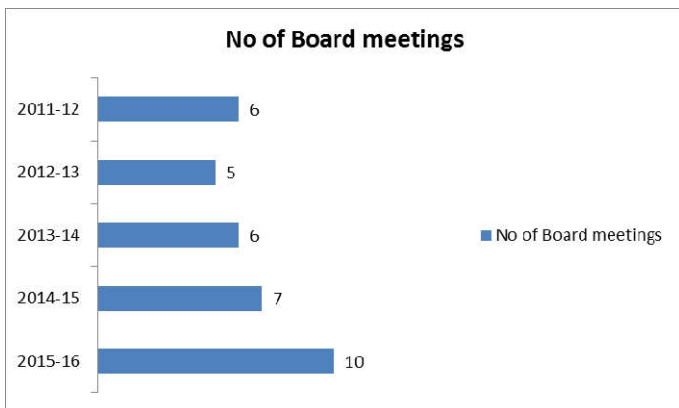
**Chart 14** Distribution of Executive, Non-executive and Independent Board Members of ICICI

The percentage of non executive directors in the board of ICICI range from 62 % to 67 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

**Women Participation in the Board**

The Board of ICICI is having one to two woman director on its board from 2011-12 to 2015-16.

**Board Meetings**



**Chart 15** Number of Board meetings held in ICICI

The board of ICICI on average is holding five to ten board meeting every year from 2011-12 to 2015-16.

**Committees of the Board**

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.

**Audit Committee**

In case of ICICI, the number of audit committee meetings held was on average six to eight per year.

**Remuneration Committee**

In case of ICICI the Remuneration Committee consists of only non executive directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

**Risk Management Committee**

ICICI has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average six to seven meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

**Stakeholder Relationship Committee**

In case of ICICI, the committees has been constituted as per the mandatory requirement and on average have held four meetings per year from 2012-13 to 2015-16.

**CSR Committee**

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee was formed by the board of ICICI from 2011-12 to 2015-16.

**Karnataka Bank Ltd. (KB)**

Karnataka Bank was incorporated on 18 February 1924, and commenced business on 23 May 1924. Its founders established it at Mangalore, a coastal town in the Dakshina Kannada district of Karnataka.

**The Bank’s Philosophy on Code of Governance**

The basic philosophy of CG in the Bank is the application of the best management practices that provide stability and growth to the enterprise, transparency, accountability, disclosures and value creation. Bank believes that good governance practices ultimately secure the goal of turning the Bank into a value driven organization. Bank's philosophy of CG has been embedded in its Mission statement which reads as under:

“To be a technology savvy, customer centric progressive Bank with a national presence, driven by the highest standards of CG and guided by sound ethical values”.

**Board of Directors/ Board Issues**

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in Table 16.

**Table 14** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of ICICI

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	4	4	4	4	3	3	3	3	3	7	7	6	6	5
No. of ID	4	4	4	4	4	3	3	3	3	3	5	5	5	5	4
No of ED	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1
No. of meetings	8	6	6	8	7	8	5	5	3	5	7	6	6	7	6

**Table 15** Stakeholders Relationship Committee and CSR Committee of ICICI

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	3	3	3	3	3	4	4	4	4	4
No. of ID	2	2	2	2	2	2	2	3	3	3
No of ED	1	1	1	1	1	1	1	1	1	1
No. of meetings	4	4	4	4	4	3	3	2	2	2

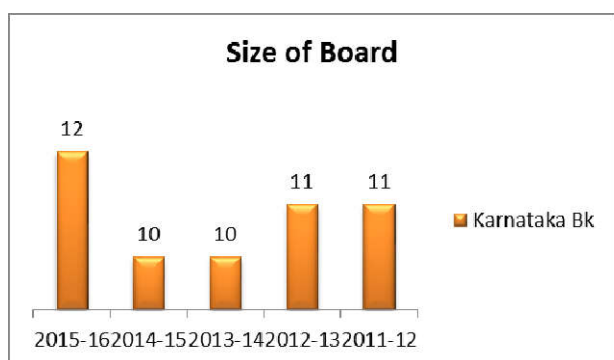
**Table 16** Board Structure, Strength and Size of KB

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	12	10	10	11	11
Non-Executive ( excluding Chairman)	9	9	9	10	10
Independent Non Executive	9	9	9	10	10
Women Non-Executive	1	1	1	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	2	0	0	0	0
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	13	16	14	15	14
Is the Chairman Executive?	YES	YES	YES	YES	YES

**Board Structure, Strength and Size**

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.

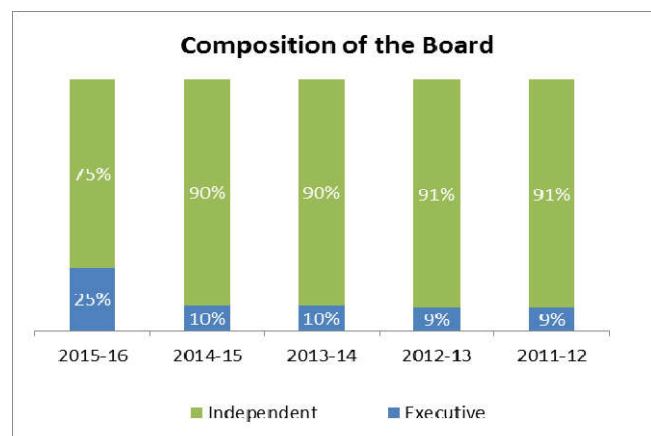
**Composition of the Board**



**Chart 16** Number of Board Members of KB

The Board of KB on average consists of 10 to 12 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

**Distribution of the Board**



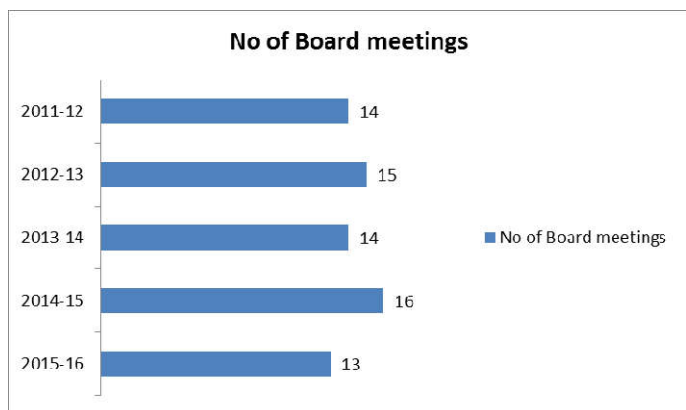
**Chart 17** Distribution of Executive, Non-executive and Independent Board Members of KB

The percentage of non executive directors in the board of KB range from 75% to 91 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

**Women Participation in the Board**

The Board of KB is having one woman director on its board from 2013-14 to 2015-16.

**Board Meetings**



**Chart 18** Number of Board meetings held in KB

The board of KB on average is holding thirteen to sixteen board meetings every year from 2011-12 to 2015-16.

**Committees of the Board**

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.

**Table 17** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of KB

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	5	5	5	4	5	5	6	5	4	4	4	6	5	5
No. of ID	4	5	5	5	3	5	5	6	4	3	4	4	5	4	4
No of ED	0	0	0	0	1	0	0	0	1	1	0	0	1	1	1
No. of meetings	8	10	9	10	8	2	5	1	1	2	4	4	4	4	6

**Audit Committee**

In case of KB, the number of audit committee meetings held was on average eight to ten per year.

**Remuneration Committee**

In case of KB the Remuneration Committee consists of only non executive directors for the period 2011-12 to 2015-16 excepting in the year 2012-13 and 2011-12.

**Table 18** Stakeholders Relationship Committee and CSR Committee of KB

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	3	3	4	3	3	3	3	N	N	N
No. of ID	3	3	3	2	2	2	2	N	N	N
No of ED	0	0	1	1	1	1	1	N	N	N
No. of meetings	2	2	2	2	2	2	2	A	A	A

**Risk Management Committee**

KB has complied with these requirements from 2011-12 to 2015-16, which is clearly evident from the fact that on average four to six meetings of the committee were held annually and the composition of the committee for all the years is such that , it can effectively gauge the risk inherent in operations and external risks.

**Stakeholder Relationship Committee**

In case of KB, the committee has been constituted as per the mandatory requirement and on average has held two meetings per year from 2011-12 to 2015-16.

**CSR Committee**

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee was formed by the board of KB from 2014-15.

**Kotak Mahindra Bank Ltd. (KMBL)**

Established in 1985 by Uday Kotak, is an Indian financial services conglomerate. In February 2003, Kotak Mahindra Finance Ltd. (KMFL), the Group's flagship company, received a banking license from the Reserve Bank of India (RBI). With this, KMFL became the first non-banking finance company in India to be converted into a bank.

**The Bank's Philosophy on Code of Governance**

The Bank believes in adopting and adhering to the best standards of CG to all the stakeholders. The Bank's CG is, therefore based on the following principles

- Appropriate composition, size of the Board and commitment to adequately discharge its responsibilities and duties.
- Transparency and independence in the functions of the Board.
- Independent verification and assured integrity of financial reporting.
- Adequate risk management and Internal Control.
- Protection of shareholders' rights and priority for investor relations.
- Timely and accurate disclosure on all matters concerning operations and performance of the Bank.

The Bank's philosophy on CG enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealing with the shareholders, employees, the government and other parties. The Bank understands and respects its fiduciary role and responsibility to shareholders.

**Board of Directors/ Board Issues**

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in Table 19.

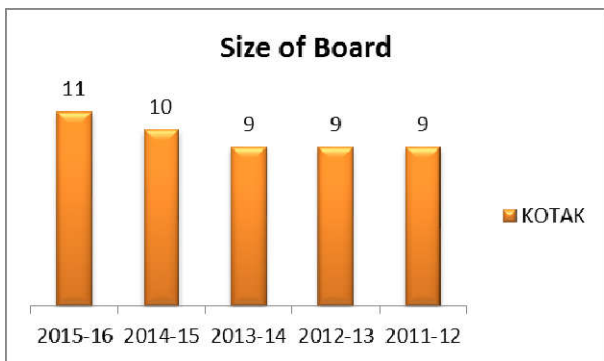
**Board Structure, Strength and Size**

The Bank has a broad-based Board of Directors, constituted in compliance with the Banking Regulation Act, 1949, the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in accordance with good CG practices.

**Table 19** Board Structure, Strength and Size of KMBL

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	11	10	9	9	9
Non-Executive ( excluding Chairman)	7	6	5	5	5
Independent Non Executive	8	7	6	6	6
Women Non-Executive	1	1	0	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	3	4	4	4
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	8	10	6	6	6
Is the Chairman Executive?	NO	NO	NO	NO	NO

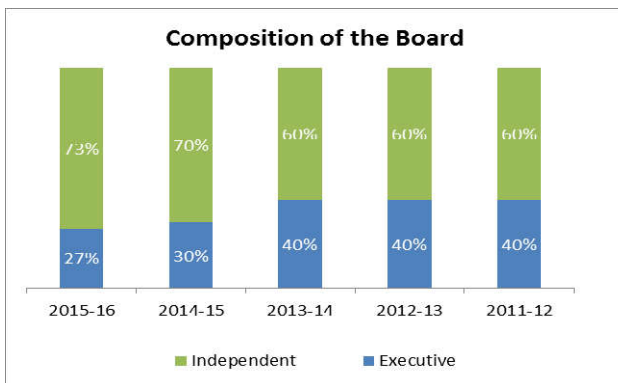
**Composition of the Board**



**Chart 19** Number of Board Members of KMBL

The Board of KMBL on average consists of 9 to 11 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

**Distribution of the Board**



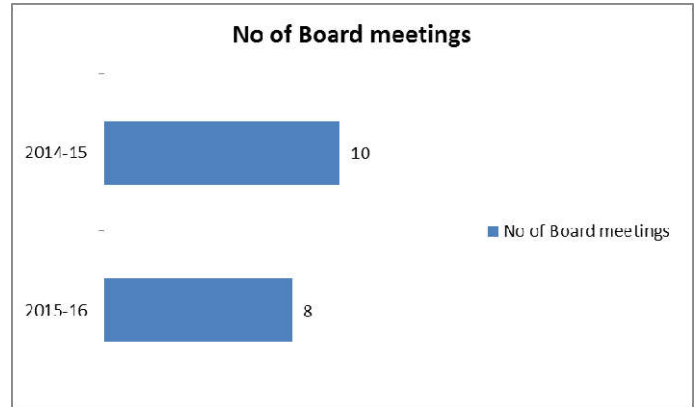
**Chart 20** Distribution of Executive, Non-executive and Independent Board Members of KMBL

The percentage of non executive directors in the board of KMBL range from 60% to 73 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

**Women Participation in the Board**

Accordingly The Board of KMBL is having one woman director on its board from 2014-15 to 2015-16.

**Board Meetings**



**Chart 21** Number of Board meetings held in KMBL

The board of KMBL on average is holding six to ten board meetings every year from 2011-12 to 2015-16.

**Committees of the Board**

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.

**Audit Committee**

In case of KMBL, the number of audit committee meetings held was on average eight to ten per year.

**Remuneration Committee**

In case of KMBL the Remuneration Committee consists of only non executive directors for the period 2011-12 to 2015-16.

**Risk Management Committee**

KMBL had no meetings of risk management committee in the years 2011-12 to 2013-14, however had three meetings in 2014-15 and four meetings in 2015-16.

**Stakeholder Relationship Committee**

In case of KMBL, the committee has been constituted as per the mandatory requirement and on average have held one to four meetings per year from 2011-12 to 2015-16.

**CSR Committee**

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee was formed by the board of KMBL from 2013-14.

**Lakshmi Vilas Bank Ltd. (LVBL)**

LVBL was founded in 1926 by a group of seven businessmen of Karur under the leadership of Shri V.S.N. Ramalinga Chettiar. Their objective was to cater to the financial needs of people in and around Karur who were occupied in trading businesses, industry and agriculture.

**Table 20** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of KMBL

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	3	3	3	3	3	3	3	3	4	4	4	4	4	0	0
No. of ID	3	3	3	3	3	3	3	3	4	4	2	2	2	0	0
No of ED	0	0	0	0	0	0	0	0	0	0	2	2	2	0	0
No. of meetings	9	10	8	8	9	23	4	1	2	1	3	4	0	0	0

**Table 21** Stakeholders Relationship Committee and CSR Committee of KMBL

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	4	4	4	4	4	3	3	3	0	0
No. of ID	2	2	2	2	1	2	2	2	0	0
No of ED	2	2	2	2	3	1	1	1	0	0
No. of meetings	3	4	3	1	3	1	2	0	0	0

The bank was incorporated on November 3, 1926 under the Indian Companies Act, 1913, and obtained the certificate to commence business on November 10, 1926.

**The Bank’s Philosophy on Code of Governance**

CG of the Bank continues to rest on the fundamental pillar of high ethical values, designed to enhance and protect the interests of all the stakeholders.

**Board of Directors/ Board Issues**

The various aspects of the Board of Directors Viz. board structure, board strength and size, board diversity and number of board meetings and few other relevant particulars are examined in the following paragraphs and presented in *Table 22*.

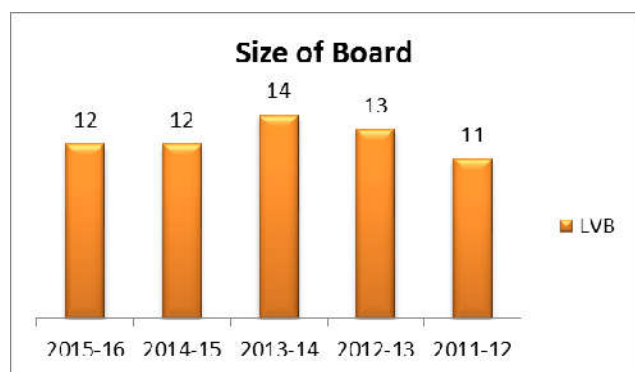
The composition of the Board of Directors of the Bank is governed by the Banking Regulation Act, 1949 and Clause 49 of the Listing Agreement.

**Composition of the Board**

The Board of LVBL on average consists of 11 to 14 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

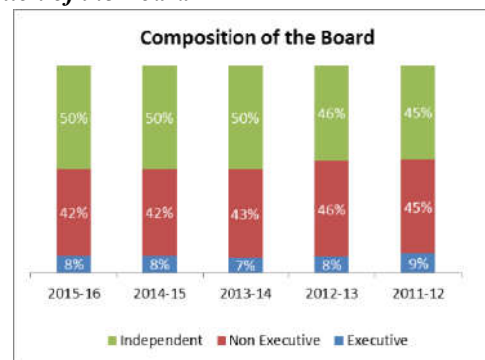
**Table 22** Board Structure, Strength and Size of LVBL

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	12	12	14	13	11
Non-Executive (excluding Chairman)	11	11	12	11	10
Independent Non Executive	6	6	7	6	5
Women Non-Executive	1	1	0	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	0	0	1	1	0
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	12	14	18	15	11
Is the Chairman Executive?	YES	YES	NO	NO	YES



**Chart 22** Number of Board Members of LVBL

**Distribution of the Board**



**Chart 23** Distribution of Executive, Non-executive and Independent Board Members of LVBL

The percentage of non executive directors in the board of LVBL range from 91% to 93 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

### Women Participation in the Board

The Board of LVBL is having one woman director on its board from 2014-15 to 2015-16.

### Board Meetings

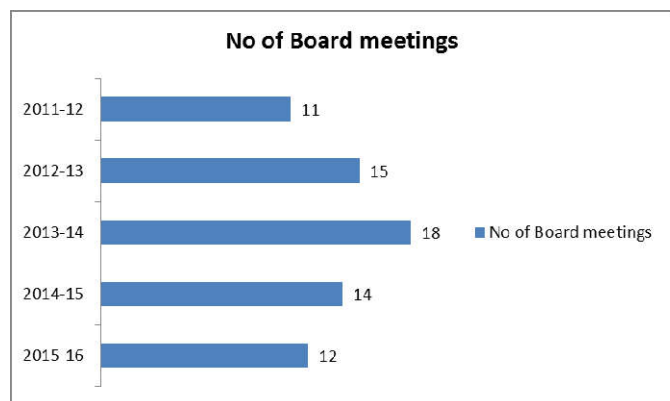


Chart 24 Number of Board meetings held in LVBL

The board of LVBL on average is holding eleven to eighteen board meetings every year from 2011-12 to 2015-16.

### Committees of the Board

For the efficient discharge of duties entrusted to the board, the board is empowered to set up various committees of the board members itself viz. the Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and CSR Committee.

Table 23 Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Board of LVBL

Particulars	Audit Committee					Nomination and Remuneration Committee					Risk management Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	12	12	14	13	11	4	6	6	NA	NA	6	5	8	6	7
No. of ID	11	11	12	11	10	3	3	3	NA	NA	2	2	4	3	1
No of ED	6	6	7	6	5	0	1	0	NA	NA	2	1	0	2	1
No. of meetings	1	1	0	0	0	5	5	6	NA	NA	4	4	3	4	5

Table 24 Stakeholders Relationship Committee and CSR Committee of LVBL

Particulars	Stakeholders Relationship Committee					CSR Committee				
	2015-16	2014-15	2013-14	2012-13	2011-12	2015-16	2014-15	2013-14	2012-13	2011-12
No. of members	5	3	4	5	5	5	1	2	4	5
No. of ID	2	1	2	2	1	3	1	1	2	3
No of ED	0	0	0	0	0	NA	NA	NA	NA	NA
No. of meetings	3	4	4	3	4	NA	NA	NA	NA	NA

### Audit Committee

In case of LVBL, the number of audit committee meetings held was one in the years 2014-15 and 2015-16. In the years 2011-2 to 2013-14 , no meetings were held.

### Remuneration Committee

In case of LVBL the Remuneration Committee consists of only non executive directors in the years 2013-14 and 2015-16.

### Risk Management Committee

LVBL had three too five meetings of risk management committee during the period 2011-12 to 2015-16.

### Stakeholder Relationship Committee

In case of LVBL, the committee has been constituted as per the mandatory requirement and on average has held three to four meetings per year from 2011-12 to 2015-16.

### CSR Committee

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee was formed by the board of LVBL from 2011-12.

## CONCLUSION

The structural dynamics of board during sample period that the CG practices in the private sector banks are in line with the statutory requirements. The banks having highest market capitalization consistently show better CG practices with least variation. One of the reasons for overall improvement in CG practice after 2012-13 has been the promulgation of the Companies Act, 2013 which had made certain parameters of the present CG practices as mandatory. The CG in private sector banks is enforced through board and various committees of the board. Overall it can be concluded that the structural dynamics of CG especially the board of the sample private sector banks are in conformity with the statutory requirements and are having fairly well CG practices.

## References

- Annual Reports of the 8 sample banks
- Companies Act, 2013
- www.sebi.gov.in
- www.rbi.org.in