Corporate Governance Practices in Banking Sector: A Case Study of Punjab National Bank

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ABSTRACT

Banks and financial institutions have been making pivotal contributions over the years to nation’s economic growth and development. Government-owned (Public Sector) banks have played a major role in economic development. During the last few years, these institutions are slowly getting “corporatized” and consequently corporate governance issues in banks assumes greater significance in the coming years. Considering the importance of the practice of corporate governance in the banking sector and how it helps banking industry in India in terms of bringing more transparency and overall growth of banking sector, Punjab National Bank has been taken as sample bank for the study and tried to analyse to what extent corporate governance norms is being implemented in Punjab National Bank, one of the largest bank in public sector. The corporate governance practices of Punjab National Bank are analysed using the annual reports from 2001-02 to 2012-13. The corporate governance practices are analysed with respect to shareholding pattern, board composition, various mandatory and non-mandatory committees like audit committee, remuneration committee, and shareholders’ and customers’ complaints. The study concluded by saying that overall corporate governance practices of Punjab National Bank are good. The implementation of corporate governance norms is increasing year on year which is a sign of good governance.

Keywords----- Clause 49, Corporate Governance, Punjab National Bank, Shareholding Pattern.

I. INTRODUCTION

Corporate governance importance arises in modern corporations due to the separation of management and ownership control in the organizations. The interests of shareholders are conflicting with the interests of managers. The principal agent problem is reflected in the management and direction related problems due to the differential interests of firm’s stakeholders. Zingales (1998) defines corporate governance as “allocation of ownership, capital structure, managerial incentive schemes, takeovers, board of directors, pressure from institutional investors, product market competition, labour market competition, organisational structure, etc., can all be thought of as institutions that affect the process through which quasi-rents are distributed”. Garvey and Swan (1994) assert that “governance determines how the firm’s top decision makers (executives) actually administer such contracts”. Shleifer and Vishny (1997) define corporate governance as “the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment”. The Organisation for Economic Cooperation and Development (OECD) in 1999 defined corporate governance as “Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.”

Corporate governance for banking organizations is arguably of greater importance than for other companies, given the crucial financial intermediation role of banks in an economy. The importance of financial systems for economic development is well recognized worldwide (King and Levine, 1993b; Levine, 1997; Levine and Zervos, 1998; Rajan and Zingales, 1998) as well as in India (RBI, 2000; Bhattacharya and Sivasubramanian, 2003). Banks are the backbone of financial systems and play an important role in economic development. They act as intermediaries in channelizing funds from surplus units to deficit units. An efficient banking system has significant positive externalities, which increases the efficiency of economic transaction in general. Banks lubricate the wheels of the real economy, are the conduits of monetary policy transmission and constitute the economy’s payment and settlement system. Banks are interconnected in diverse, complex and oftentimes
opaque ways underscoring their “contagion” potential. If a
corporate fails, the fallout can be restricted to the
stakeholders. If a bank fails, the impact can spread
rapidly through to other banks with potentially serious
consequences for the entire financial system and the
macro economy (Subbarao, 2011).

The global policy formulation on this issue can be
 traced to the industrialized countries. Blue Ribbon
Commission of US, Cadbury Committee from UK, and
many stock exchanges around the world started flouting
governance principles and the World Bank and OECD
tried to give all the principles in a comprehensive
framework. India started its ground work for corporate
governance principle implementation after many years of
the implementation of Codes of Best Practices developed
the Cadbury Committee, 1991. Considerable attention
has been given to corporate governance in India in recent
years. In addition to the Advisory Group chaired by Dr.
R.H. Patil (RBI, 2001) and Consultative Group of
Directors of Banks’ Financial Institutions (Ganguly
Group, RBI, 2002), several official Committees have
already gone into the issues relating to corporate
governance and have given their Reports. These include
the Committee chaired by Shri Kumar Mangalam Birla
(SEBI, 1999), the Task Force on Corporate Excellence
through Governance (GOI, 2000), Naresh Chandra
Committee on Corporate Audit and Governance(SEBI,
2002), Naresh Chandra Committee-II on Regulation of
Private Companies and Partnership (GOI, 2003) and
Narayana Murthy Committee on Corporate Governance
(SEBI, 2003). Malegam Committee has gone into
disclosure norms for offer documents (SEBI, 2004) that
would also contribute towards improving corporate
governance in the country. Preceding these official
committees, the industry association, CII, had itself
provided a Code in 1998 (RBI, 2004).

R.H.Patil committee reviewed the governance
models of East Asian countries, U.S., U.K., and other
European countries. The committee has observed that
since most of the Indian companies belong to the
“insider” model of East Asia i.e. dominance of
family/promoter ownership and control, it is essential to
bring quick reforms in the corporates/banks/financial
institutions/public sector enterprises to make them more
autonomous and professional (RBI, 2001). The Group
looked into public sectors banks and noted that the first
important step to improve governance mechanism in
these units is to transfer the actual governance functions
from the concerned administrative ministries to the
boards and also strengthen them by streamlining the
appointment process of directors. Furthermore, as a part
of strengthening the functioning of their boards, banks
should appoint a risk management committee of the
board in addition to the three other board committees
viz., audit, remuneration and appointment committees.
Taking this move further, the Ganguly Consultative
Group looked into the functioning of the Boards viz-a-viz
compliance, transparency, disclosures, audit committees
and suggested measures for making the role of the Board
of Directors more effective (Gopinath, 2004).

II. LITERATURE REVIEW

Shleifer and Vishny (1997)[1] provide a
comprehensive overview of the literature on corporate
governance. Their study portrays corporate governance
as a solution to a principal-agency problem: corporate
governance mechanisms are necessary because conflicts
of interest are inherent between principals (owners) and
agents (management) when the ownership and control of
a firm are separate. Corporate governance mechanisms
are the economic and legal means created by the firm to
mitigate this inherent problem of ownership-control, or
principal-agency. The corporate governance structure
therefore provides a framework within which corporate
objectives are set and performance is monitored, and it
provides assurance to investors that they will receive a
return on their investment.

Boubakri (2003)[2] examine the corporate
governance features of newly privatized firms in Asia
and documents how their ownership structure evolves
after privatization. The results suggest that, on the one
hand, privatization leads to a significant improvement in
profitability, while, on the other hand, it creates value for
shareholders.

Joh (2003)[3] presents evidence on corporate
governance and firm profitability from Korea before the
economic crisis and finds that the weak corporate
governance system offered few obstacles against
controlling shareholders expropriation of minority
shareholders. In fact, weak corporate governance
systems allowed poorly managed firms to stay in
business and resulted in inefficiency of resource
allocation, despite low profitability over the years.

Barth, Nolle, Phumiwasana and Yago[4],
studied the relationship between the appropriate
structure, scope, and degree of independence of banking
supervision and bank performance measured by bank
profitability for 55 countries in all regions of the world
and across all income levels. Their results indicate a
weak influence for the structure of supervision on bank
performance. Study found some evidence that a single
-supervisor system enhances bank performance.

Anderson and Campbell (2003)[5] investigate
corporate governance activity at Japanese banks. The
results indicate that there does not exist any relation
between bank performance and non-routine turnover of
bank presidents, in the pre-crisis (1985-90) period,
although there is an observed significant relationship
between turnover and performance in the post-crisis
(1991-96) period.

Andres and Valledado (2008)[6] have examined
the corporate governance in banking: the role of the
board of directors. They pointed out that bank board
composition and size are related to directors’ ability to
monitor and advice management and that larger and not
excessively independent board might prove more
efficient in monitoring and advising functions, and create
more value. Boards of directors are responsible for
overseeing management activities and protecting
stockholders’ interests.

Yamaoka (2002)[7] in its comparative study of
Japanese and Korean banks found that different
corporate governance approaches are followed by their
banking systems. While the Korean government has placed a high priority on increasing shareholder value in banks, the Japanese government appears to be less focused on this issue. He also stated that the Korean banks have at least half of their boards constituted by outside directors, while outside directors have minimal presence in Japanese banks.

Pati (2006)[8] conducted a study on the impact of corporate governance policies on the performance of all scheduled Indian commercial Banks. Study analyzed governance status in Indian banking using various governance variables. The period of the study is from 1998-99 to 2004-05. Study found qualitative changes in disclosure practices, profits and NPAs in Indian banking, post implementation of recommendations of Advisory Group (2001). Statistically there are significant correlations of governance with important financial variables.

Banerjee (2005)[9] highlighted the issue that the various Government policies that can mitigate informational asymmetry and transaction costs of banks can improve banks’ governance. For the purpose of his study he took 27 Indian Public Sector Banks and various issues relating to corporate governance in public sector banks. Out of these, one being the ownership structure in the Public sector banks, and other relating to non performing assets/loans that has become a major cause of concern to policy makers in banks has been reflected upon in the paper. In India, Government is the owner, manager, semi-regulator or even at times a super regulator of public sector banks. Rights of the private shareholders are considerably curtailed; composition of the board also does not follow corporate governance framework, and no significant concentrated ownership to counter the government. This puts RBI in the role of the majority stakeholder as well as the role of the regulator thus making it more liable to form policies that would help the banks in which it holds the stake. Insipite of such tight Government regulation, banks are able to efficiently manage the risk in the form of NPAs. Net NPAs as a percentage of Net Advances for all public sector banks has come down over the years. Even NPAs from priority sector lending has fallen.

Das and Ghosh (2004)[10] examined the issue of corporate governance in the Indian banking system, covering period 1996-2003. It seeks to explore the link between CEO turnover and bank performance. Results suggest that (a) CEO turnover is lower in banks with better performance; (b) bigger banks as well as those with higher non-performing loans have lower CEO turnover; (c) inadequate capital position being associated with higher CEO turnover; (d) listing of public sector banks is associated with lower CEO turnover; (e) for old private banks NPAs did matter but for new private banks and foreign banks quality of asset is important; (f) capital adequacy matters for public and old private banks but have little influence on new private and foreign banks; (g) size of bank matters only for public banks.

III. RESEARCH OBJECTIVES

The proposed study aims to study the level of corporate governance in Punjab National Bank and will attempt to develop some insight into the array of issues that need to be taken into consideration if bank is to achieve a reasonable degree of performance especially when the competition is wide open and the number of options for the clients are increasing.

Main focus of the study is:

- To examine the compliance of the bank with respect to mandatory and non-mandatory requirements of corporate governance practices under Clause 49 of Listing agreement of SEBI.
- To examine the board composition, participation of executive and non-executive directors in various committees of the bank such as audit committee, remuneration committee, and investors’ grievance committee.

IV. METHODOLOGY

The study is based on secondary data for the purpose of assessing the level of corporate governance. The period considered for the study is from 2002 till 2013. The fundamental reason behind selecting 2001-2002 as the starting year of study is that SEBI initiated clause 49 of listing agreement in 2001, after which few new clauses were added, recommended by various committees in its revised clause 49 of listing agreement. Considering this, the 2001-2013 annual report of the bank would provide some useful insight about the present state of corporate governance practices and disclosure norms to evaluate the structure and procedure of corporate governance adopted by the bank commitment to adhere it in their annual report. As a result study has been conducted based on statutory and non-mandatory requirements stipulated by the original and revised clause 49 of the listing agreement and provisions required by the Banking Act.

Profile of Punjab National Bank

Punjab National Bank is an Indian financial services company based in New Delhi, India. Founded in 1894, the bank has over 6,300 branches and over 7,900 ATMs across 764 cities. It serves over 80 million customers[11]. Punjab National Bank is one of the Big Four banks of India, along with State Bank of India, ICICI Bank and Bank of Baroda. It is the third largest bank in India in terms of asset size (billion by the end of FY 2012-13). The bank has been ranked 248th biggest bank in the world by the Bankers’ Almanac. PNB has a banking subsidiary in the UK (PNB International Bank, with seven branches in the UK), as well as branches in Hong Kong, Kowloon, Dubai and Kabul. It has representative offices in Almaty (Kazakhstan), Dubai, Shanghai (China), Oslo (Norway) and Sydney (Australia). In Bhutan it owns 51% of Druk PNB Bank, which has five branches. PNB owns 20% of Everest Bank, which has 50 branches in Nepal. Lastly, PNB owns 84% of JSC (SB) PNB Bank in Kazakhstan, which has four branches.
Chart (1) shows the performance of Punjab National Bank for throughout the study period. Total deposits of the bank are increasing from 64,123 crores in 2001-02 to 391,560 crores in 2012-13. Similarly, total advances of the bank have increased from 34,369 crores in 2001-02 to 308,725 crores in 2012-13. Growth of total income is almost steady from 7,626 crores in 2001-02 to 46,109 crores in 2012-13.

**Corporate Governance Practices in Punjab National Bank**

The main objective of the bank is to continue to remain dynamic to the ever changing needs of the customers. The bank philosophy is that proper Corporate Governance facilitates effective management and control of business and ethics and to optimize the value for all its stakeholders. The principles of Corporate Governance basically require the commitment of the Bank to attain high standard of transparency, accountability, responsibility and financial stability with the ultimate objective of building up values to the stakeholders. The objectives are: enhancing the shareholders’ value within the principles of ethics and legal framework of the country; to protect interest of shareholders and other stakeholders including customers, employees and society at large; and to ensure transparency and integration in communication and to make available full, accurate and clear information to all concerned.

V. **DATA ANALYSIS**

After getting the corporate governance attributes from bank’s annual reports, the analysis is prepared in two separate parts: a) Shareholding pattern in Punjab National Bank and b) Key governance parameters and their compliance status in the bank.

- **Share holding pattern**

Timely and accurate discloser of information regarding the financial situation, performance, ownership and Governance of the company is an important part of Corporate Governance. It improves public understanding of the structure, activities and policies of the organization. Consequently, the organization is able to attract investors and enhance the trust and confidence of the stakeholders. Government ownership of banks is a common feature in India. The reason for such ownership may include solving the severe informational problems inherent in developing financial systems, aiding the development process or supporting vested interests and distribution cartels. With a government owned bank, the severity of the conflict between depositors and managers very much depends upon the credibility of the government. Given a credible government and political stability, there will be little conflict as the government ultimately granted deposits.

| Table 1: Shareholding Pattern of Punjab National Bank (in per cent) |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Promoter's Holding |         |          |          |          |          |          |          |          |          |          |          |          |
| Indian (GOI)      | 100      | 80       | 80       | 57.8     | 57.8     | 57.8     | 57.8     | 57.8     | 57.8     | 58       | 56.1     | 57.8     |
| Foreign           |          |          |          |          |          |          |          |          |          |          |          | 7         |
| Sub Total: A      | 100      | 80       | 80       | 57.8     | 57.8     | 57.8     | 57.8     | 57.8     | 57.8     | 58       | 56.1     | 57.8     |
| Non Promoter's Holding |          |          |          |          |          |          |          |          |          |          |          | 7         |

**Institutional Investors**

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<tbody>
<tr>
<td>Mutual Funds and UTI</td>
<td>4.5</td>
<td>1.6</td>
<td>4.36</td>
<td>9.18</td>
<td>8.46</td>
<td>6.36</td>
<td>5.54</td>
<td>3.03</td>
<td>4.5</td>
<td>3.17</td>
<td>3.18</td>
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<tr>
<td>Banks,FinancialInstitutions,Insurance Companies</td>
<td>0.83</td>
<td>0.42</td>
<td>2.07</td>
<td>3.36</td>
<td>7.41</td>
<td>10.2</td>
<td>15.5</td>
<td>15.2</td>
<td>12.9</td>
<td>18.6</td>
<td>15.7</td>
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</table>
Table 1 shows the ownership pattern of Punjab National Bank. Government of India has the highest portion in the bank though it has gradually reduced its shareholding from 100 per cent in 2001-02 to 57.87 per cent in 2012-13, followed by Foreign Institutional Investors (FIIs) and Domestic Institutional Investors (DIIs). There is a gradually increase in the share of DIIs. Comparatively public has less portion and corporate has nominal shareholding in the bank.

Table 2 shows that the composition of the board of directors is adequate as per clause 49 for the entire study period. The number of the board members and board meetings are almost consistent and much higher than the prescribed limit. So far as the attendance is concerned approximately 90 percent of the board members attended almost all the meetings held which is a good sign of corporate governance. The Board functions either as a fullBoard or through various committees constituted to oversee specific operational areas. The practice of dual charge Managing Director and Chairman is seen in the bank as it can help to remove the rivalry between the two positions and ensure governance function independently.

### Board Governance

The Board of the bank is constituted in accordance with the relevant provisions of The Banking Regulation Act, 1949, The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended and The Nationalized Banks (Management & Miscellaneous Provisions) Scheme, 1970, as amended.

Table 2: Board Governance Index of Punjab National Bank

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<tbody>
<tr>
<td>Board Size</td>
<td>11</td>
<td>13</td>
<td>13</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>14</td>
<td>13</td>
<td>12</td>
<td>12</td>
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<tr>
<td>Proportion of NED in BOD (%)</td>
<td>36.36</td>
<td>53.85</td>
<td>53.85</td>
<td>66.67</td>
<td>70.00</td>
<td>80.00</td>
<td>90.00</td>
<td>78.57</td>
<td>76.92</td>
<td>72.73</td>
<td>75.00</td>
<td>66.67</td>
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<tr>
<td>CEO/Chairman Duality</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Board Meetings</td>
<td>18</td>
<td>17</td>
<td>13</td>
<td>16</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>18</td>
<td>14</td>
<td>15</td>
<td>13</td>
<td>12</td>
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<tr>
<td>Attendance Ratio of All Directors (%)</td>
<td>91.60</td>
<td>83.90</td>
<td>88.61</td>
<td>89.27</td>
<td>92.00</td>
<td>93.89</td>
<td>90.20</td>
<td>88.83</td>
<td>88.37</td>
<td>89.53</td>
<td>93.42</td>
<td>90.67</td>
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Source: Annual report, various issues

Audit Committee of the Board(ACB)
The Audit Committee is constituted as per RBI guidelines and complies with the provisions of Clause 49 of the Listing Agreement to the extent that they do not violate the directives/guidelines issued by RBI. As per Clause 49, the audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors. The audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings.
Table 3: Audit Committee Index of Punjab National Bank

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<tr>
<td>Directors</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>8</td>
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<tr>
<td>Proportion of ID in Committee (%)</td>
<td>40.00</td>
<td>40.00</td>
<td>40.00</td>
<td>40.00</td>
<td>40.00</td>
<td>33.33</td>
<td>42.86</td>
<td>33.33</td>
<td>33.33</td>
<td>42.86</td>
<td>37.50</td>
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<tr>
<td>No. of Meetings</td>
<td>8</td>
<td>12</td>
<td>11</td>
<td>11</td>
<td>9</td>
<td>12</td>
<td>12</td>
<td>14</td>
<td>10</td>
<td>11</td>
<td>11</td>
<td></td>
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<tr>
<td>Attendance of all Directors (%)</td>
<td>89.29</td>
<td>76.67</td>
<td>89.09</td>
<td>89.29</td>
<td>84.62</td>
<td>92.50</td>
<td>83.82</td>
<td>80.95</td>
<td>85.26</td>
<td>86.76</td>
<td>80.88</td>
<td>86.05</td>
</tr>
</tbody>
</table>

Source: Annual report, various issues

Table 3 shows that the composition of the audit committee of the board is always more than the minimum requirement and has gone up during the study period starting from 2001-02 to 2012-13. But the bank is not fulfilling the two-third requirement of Independent directors. The number of board meetings held increased till 2009-10 but it decreased in the last three years. The percentage of attendance was highest in 2006-07 with 92.5 per cent of the members of the audit committee attending the meetings of the audit committee. In the remaining years, the attendance percentage ranged between 81 percent and 89 per cent respectively.

- Remuneration Committee
  Formation of remuneration committee in a bank is a non-mandatory requirement of the Clause 49 of the Listing Agreement. Board may set up a Remuneration Committee to determine company’s policy on specific remuneration packages for executive directors including pension rights and any compensation payment. It was constituted for evaluating the performance of whole time directors of the bank in connection with the payment of incentives, as per the scheme advised by Government of India.

In public sector banks, Government of India announced Performance Linked Incentives for Whole Time Directors of Public Sector Banks vide Notification No.F No.20/1/2005-BO.I dated 9th March, 2007. Remuneration Committee decides the entitlement of Performance Linked Incentive in terms of guidelines issued by the Central Government. However, Executive Directors draw salary as fixed by the Government of India. The remuneration of the Chairman & Managing Director and the Executive Directors is fixed by the Government of India. The Bank does not pay remuneration to the Non-Executive Directors except sitting fees fixed by Government of India, for attending the meetings of the Board or its sub-committees.

Table 4: Remuneration Committee Index of Punjab National Bank

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<tbody>
<tr>
<td>Existence of Remuneration Committee</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
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<tr>
<td>Remuneration to Whole time Directors of the Board (in Lacs)</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>14</td>
<td>14</td>
<td>43</td>
<td>39</td>
<td>46</td>
<td>59</td>
<td>58</td>
<td>80</td>
</tr>
<tr>
<td>Net Profit (in Lacs)</td>
<td>5632</td>
<td>8422</td>
<td>11087</td>
<td>14101</td>
<td>14393</td>
<td>15400</td>
<td>20487</td>
<td>30908</td>
<td>39053</td>
<td>44335</td>
<td>48841</td>
<td>47476</td>
</tr>
<tr>
<td>Remuneration to Whole time Directors to Net Profit (%)</td>
<td>0.016</td>
<td>0.011</td>
<td>0.009</td>
<td>0.007</td>
<td>0.009</td>
<td>0.009</td>
<td>0.021</td>
<td>0.012</td>
<td>0.011</td>
<td>0.013</td>
<td>0.011</td>
<td>0.016</td>
</tr>
</tbody>
</table>

Source: Annual report, various issues
Table 4 shows that Punjab National Bank constituted remuneration committee from the financial year 2006-07. As can be seen from the table, after the formation of the committee, the remuneration of whole-time directors gone up many folds as they received performance linked incentives. The remuneration paid to whole-time directors is almost negligible to the net profits of the bank.

- **Transparency and Disclosures**

Transparency and disclosures are the main pillars of governance framework to all the stakeholders. In less developed countries government ownership and direction of lending in priority sector lender is the feature. So banks’ governance practices are vital in such economies. Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company’s financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

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<tr>
<td>Training of Board Members</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
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<tr>
<td>Whistle Blower Policy</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
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<td>N</td>
<td>N</td>
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<td>Y</td>
</tr>
</tbody>
</table>

Source: Annual report, various issues

Table 5 shows that the Punjab National Bank is implementing the provisions of corporate governance and disclosure in the important and confidential information. Earlier bank was not disclosing the details of mandatory and non-mandatory norms it is following, but after 2005-06, there is detailed disclosure. Similarly, from last two years bank has implemented the whistle blower policy of its own which is a good indicator of corporate governance.

- **Shareholders / Investors Grievance Committee of the Board**

SIGCB Committee monitors shareholders’ grievances received by the Bank the Share Transfer Agent (STA) and redressal of shareholders and investors complaints regarding transfer of shares, non-receipt of annual report, and on-receipt of interest on bonds/declared dividends, etc.

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Received during the Year</td>
<td>947</td>
<td>7134</td>
<td>3349</td>
<td>2724</td>
<td>34111</td>
<td>4,012</td>
<td>3466</td>
<td>609</td>
<td>454</td>
<td>398</td>
<td>421</td>
<td>122</td>
</tr>
<tr>
<td>Redressed during the Year</td>
<td>912</td>
<td>7134</td>
<td>3349</td>
<td>2724</td>
<td>34111</td>
<td>4,012</td>
<td>3464</td>
<td>609</td>
<td>454</td>
<td>397</td>
<td>420</td>
<td>120</td>
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<tr>
<td>Pending at the end of the Year</td>
<td>35</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>2</td>
<td>Nil</td>
<td>Nil</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Customers Complaints/Request</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Pending in the Beginning of the Year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>55</td>
<td>244</td>
<td>160</td>
<td>615</td>
<td>227</td>
<td>336</td>
<td>301</td>
</tr>
<tr>
<td>Received during the Year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17988</td>
<td>20,380</td>
<td>51885</td>
<td>50213</td>
<td>51100</td>
<td>52934</td>
<td>54545</td>
</tr>
<tr>
<td>Redressed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17799</td>
<td>20,464</td>
<td>51430</td>
<td>50601</td>
<td>50991</td>
<td>52969</td>
<td>54610</td>
</tr>
</tbody>
</table>
Table 6 shows that during the study period, the shareholders complaints have reduced and SIGCB committee is resolving almost all the complaints received. Out of 122 complaints received from the shareholders during the financial year 2012-13, 120 were redressed and two complaints were outstanding as on 31.03.2013. Thus 99.50% of the complaints were resolved.

In order to ensure customer service of a high order, the Bank has taken concerted efforts to train the staff on the operational and behavioural aspects. Periodical reviews and other measures are being taken on an on-going basis for improvement of customer service to minimize the inflow of complaints. The complaints received by the Bank are analysed and effective measures are undertaken to avoid recurrence of the same. 301 customer complaints were outstanding at the beginning of FY2012-13. 54545 complaints were received during FY13 and 54610 complaints were disposed off, including those pending from the previous year. Thus 99.50% of the complaints were resolved. 236 complaints were pending at the end of the year.

VI. MAJOR FINDINGS AND CONCLUSION

The study found that, the PNB is implementing almost all the provisions of corporate governance according to the Clause 49 and the RBI/GOI directions. It is found that Punjab National Bank, the country’s one of largest commercial bank in the public sector, is performing well. The study found that the PNB conducted different board meetings regularly to provide effective leadership, functional matters and monitors bank’s performance. It is found that the PNB established clear documentation and transparent management processes for policy development, implementation, decision making, monitoring, control and reporting. Bank is good in on the disclosure of the statement of company philosophy on code of governance. Regarding the structure and strength of the board, the bank for all the years has sufficiently disclosed the composition of board of directors and composition is well within norms.

Disclosure of remuneration policy and remuneration of directors during the years was good and disclosed. From the year 2006-07 onwards disclosure on remuneration committee is given in the annual report. Composition of audit committee is as per the clause but it lacks independency as two-third of the members of the committee is not independent directors.

Shareholders/investors grievance committee is disclosing the information in the annual report. Shareholders’ complaints and customers’ complaints are given proper attention and being timely redressed. The bank is good in disclosing the information treated to mandatory and non-mandatory implementation, training of board members, whistle blower policy etc.

REFERENCES


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