

## Structural Dynamics of Boards in Indian Public Sector Banks

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### ABSTRACT

*In the light of the Companies act, 2013 , RBI and SEBI norms with respect to corporate governance in banks , a need was felt to analyse the structural dynamics of board in Indian public sector banks. This study has been carried out in eight public sector banks of India. The major dimensions on the study focused on: a. the Bank's Philosophy on Code of Governance b. Board of Directors/ Board Issues c. Board Structure, Strength and Size d. Distribution of the Board e. Women Participation in the Board f. Board Meetings g. Committees of the Board. By analyzing the structural dynamics of the sample banks' boards individually, it was observed that the CG practices in the public sector banks are improving and following the statutory requirements. 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.*

**Key words:** Board, Board Committees, Board meetings, Women in board, Board leadership

### Introduction

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 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 corporate governance issues. The corporate governance 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.

In the light of above, in this paper we are going to discuss about a.) board structure b.) committees of the board of the sample Indian public sector banks.

## **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 public 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.

- a. The Bank's Philosophy on Code of Governance
- b. Board of Directors/ Board Issues
- c. Board Structure, Strength and Size
- d. Distribution of the Board
- e. Women Participation in the Board
- f. Board Meetings
- g. Committees of the Board

### I. State Bank of India (SBI)

Founded in 1806, Bank of Calcutta was the first bank established in India and over a period of time evolved into State Bank of India (SBI). SBI represents a sterling legacy of over 200 years. It is the oldest commercial bank in the Indian subcontinent.

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

State Bank of India is committed to the best practices in the area of Corporate Governance, in letter and in spirit. The Bank believes that good Corporate Governance is much more than complying with legal and regulatory requirements. Good governance facilitates effective management and control of business,

enables the Bank to maintain a high level of business ethics and to optimize the value for all its stakeholders. The objectives can be summarized as:

- To protect and enhance shareholder value.
- To protect the interest of all other stakeholders such as customers, employees and society at large.
- To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned.
- To ensure accountability for performance and customer service and to achieve excellence at all levels.
- To provide corporate leadership of highest standard for others to emulate.

#### **The Bank is committed to**

- Ensuring that the Bank's Board of Directors meets regularly, provides effective leadership and insights in business and functional matters and monitors Bank's performance.
- Establishing a framework of strategic control and continuously reviewing its efficacy.
- Establishing clearly documented and transparent management processes for policy development, implementation and review, decision-making, monitoring, control and reporting.
- Providing free access to the Board to all relevant information, advices and resources as are necessary to enable it to carry out its role effectively.

- Ensuring that the Chairman has the responsibility for all aspects of executive management and is accountable to the Board for the ultimate performance of the Bank and implementation of the policies laid down by the Board.
- The role of the Chairman and the Board of Directors are also guided by the SBI Act, 1955 with all relevant amendments.
- Ensuring that a senior executive is made responsible in respect of compliance issues with all applicable statutes, regulations and other procedures, policies as laid down by the GOI/RBI and other regulators and the Board, and reports deviations, if any.

#### **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*.

#### **Board Structure, Strength and Size**

##### ***Central Board of SBI***

State Bank of India was formed in 1955 by an Act of the Parliament, i.e., The State Bank of India Act, 1955. A Central Board of Directors was constituted according to the Act. The Bank's Central Board draws its powers from and carries out its functions in compliance with the provisions of SBI Act & Regulations 1955. Its major roles include, among others:

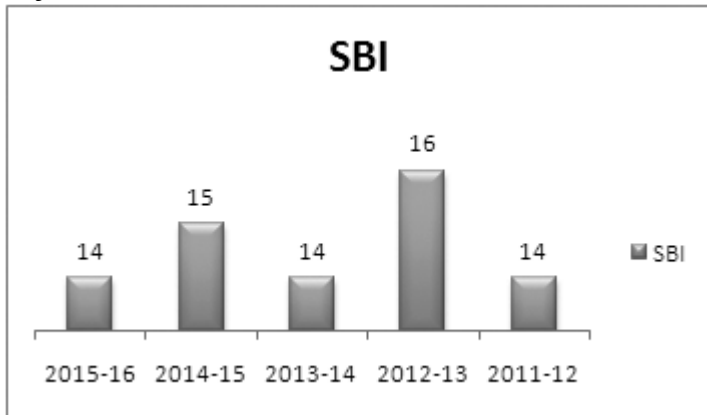
- Overseeing the risk profile of the Bank;
- Monitoring the integrity of its business and control mechanisms;
- Ensuring expert management, and
- Maximising the interests of its stakeholders.

The Central Board is headed by the Chairman, appointed under section 19(a) of SBI Act; four Managing Directors are also appointed members of the Board under section 19(b) of SBI Act. The Chairman and Managing Directors are whole time Directors.

**Table 1:** Board Structure, Strength and Size of SBI

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	14	15	14	16	14
Non-Executive (excluding Chairman)	5	6	7	7	6
Independent Non Executive	4	4	4	4	4
Women Non-Executive	1	0	0	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	4	4	2	4	3
Women Executive	1	1	1	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	12	12	12	13	12
Is the Chairman Executive?	Yes	Yes	Yes	Yes	Yes

### **Composition of the Central Board**

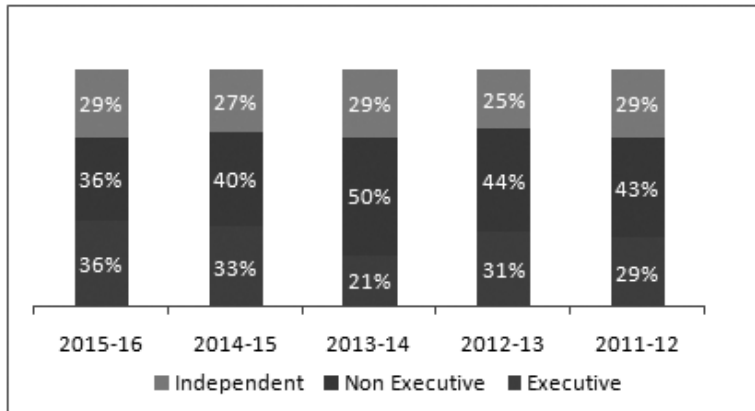


**Chart 1:** Number of Central Board Members of SBI

The Central Board of SBI on average consists of 14 to 16 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013 which stipulates a maximum of 15 directors provided that a company may appoint more than 15 directors after passing a special resolution.

### **Distribution of the Board**

The percentage of non-executive director's range from 65 % to 79 % during 2011-12 to 2015-16 which is in accordance with the Act.



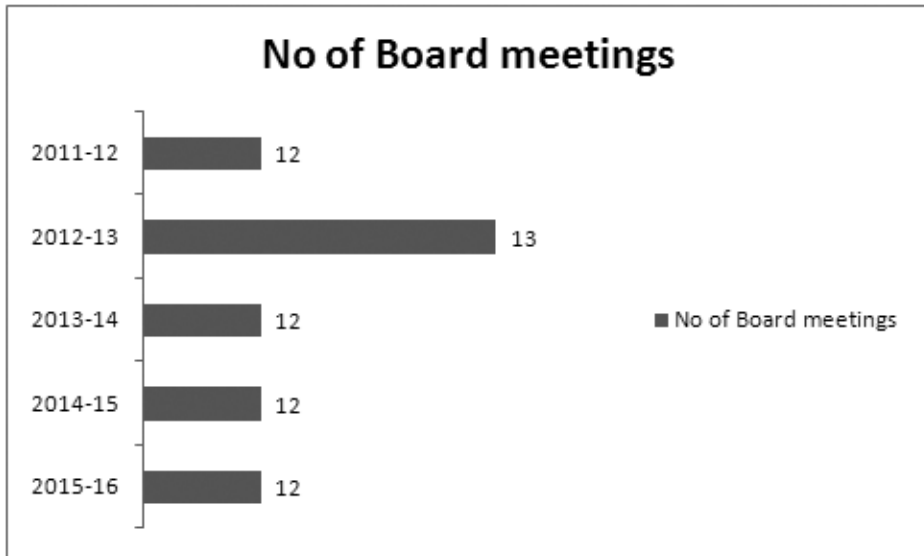
**Chart 2:** Distribution of Executive, Non-executive and Independent Board Members of SBI

**Women Participation in the Board**

The Central Board of SBI is having at least one woman director on its board since the commencement of this Act i.e. from 2013-

14 onwards. Prior to commencement of this Act the SBI board was not having any woman director for the year 2011-12 and 2012-13.

**Board Meetings**



**Chart3:** Number of Central Board meetings held in SBI

The central board of SBI on average is holding its board meeting every month, which is a sign of pro active management

implying that the constant engagement of the board will lead to less number of corporate governance issues.

### 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 2: Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of SBI**

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*	8	8	8	8	7	4	4	4	4	4	8	8	7	7	8
No. of ID	6	6	6	6	5	4	4	4	4	4	4	4	4	4	4
No of ED	2	2	2	2	2	0	0	0	0	0	2	2	2	2	2
No. of meetings	11	11	10	10	9	1	1	1	1	1	4	4	4	6	4

Note: \* includes two nominees of GOI and RBI

#### **Audit Committee**

In case of SBI, the number of audit committee meetings held was on an average ten per year.

directors and half of them are independent directors for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

#### **Remuneration Committee**

In case of SBI the Remuneration Committee consists of only non executive

In case of SBI, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

**Table 3 : Stakeholders Relationship Committee and CSR Committee of SBI**

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	7	6	6	5	6	7	NA	NA	NA
No. of ID	3	4	4	4	3	4	4	NA	NA	NA
No of ED	2	3	2	2	2	2	3	NA	NA	NA
No. of meetings	4	4	4	4	4	4	2	NA	NA	NA

#### **Stakeholder Relationship Committee**

### ***Risk Management Committee***

SBI 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.

### ***CSR Committee***

As per the provisions of the Sec 135 of the Companies Act, 2013, the CSR committee held three meetings on average per year and the committee constituted four ID and two EDs, which is in line with the mandatory requirements.

## **II. UNITED BANK OF INDIA (UBI)**

United Bank of India is an Indian government-owned financial services company headquartered in Kolkata. The bank was set up in 1950.

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

In United Bank of India, the fundamental philosophy of Corporate Governance is guided by the Bank's obligations to its responsibilities and value creation through effective management and control. The Bank's policies and practices are not only consistent with statutory requirements, but also all-encompassing to honour its commitments to take the organization to the next level.

The Bank defines Corporate Governance as a systematic process by which an organization is directed and controlled to

maintain a set of well defined ethical standards and at the same time enhance its wealth generating capacity. The Board is collectively responsible for ensuring that Corporate Governance process is structured to direct Bank's actions, assets and resources to achieve this purpose while complying with Governance Codes.

The Bank on one hand is extremely mindful about Shareholders' values while on the other hand responsibly upholds the needs of the economy, national priorities and corporate growth. It recognizes high standards of ethical values, financial discipline and integrity in achieving excellence in all fields of activities. The Bank seeks to proclaim corporate excellence by –

- ❖ Upholding Shareholders' values within the established principles and legal framework of the Nation;
- ❖ Clear statement of Board Processes and Board's relationship with the executive Management;
- ❖ Framing transparent corporate strategies, effective policies, efficient procedures, rigid ethical standards, strict legal responsibilities and fostering overall professional approach;
- ❖ Extending best of facilities and services to the customers;
- ❖ Proclaiming congenial environment for employees, customers and the society at large;
- ❖ Ensuring pro-active management, free from any bias.



Bank considers itself a Trustee to the Stakeholders and acknowledges the fiduciary responsibility towards them by creating and safeguarding their wealth. The fundamental drivers of sustainable performance are safety, security, respect, excellence and teamwork.

### 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 *Table4*.

**Table4 :** Board Structure, Strength and Size of UBI

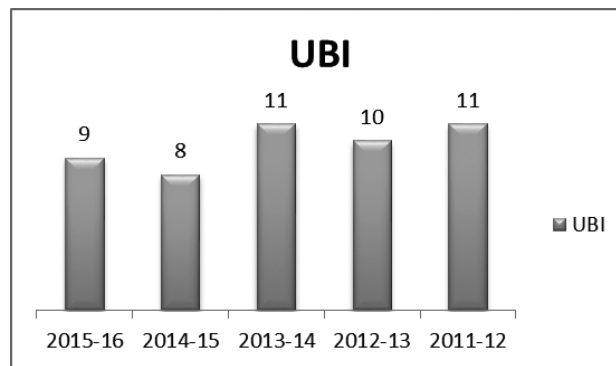
Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	9	8	11	10	11
Non-Executive ( excluding Chairman)	2	2	3	2	3
Independent Non Executive	4	3	6	6	6
Women Non-Executive	1	2	2	1	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	2	2	2	2	1
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	10	9	14	14	11
Is the Chairman Executive?	YES	YES	YES	YES	YES

### Board Structure, Strength and Size

The Board is constituted in accordance with The Banking Companies (Acquisition

& Transfer of Undertakings) Act, 1970 and Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970.

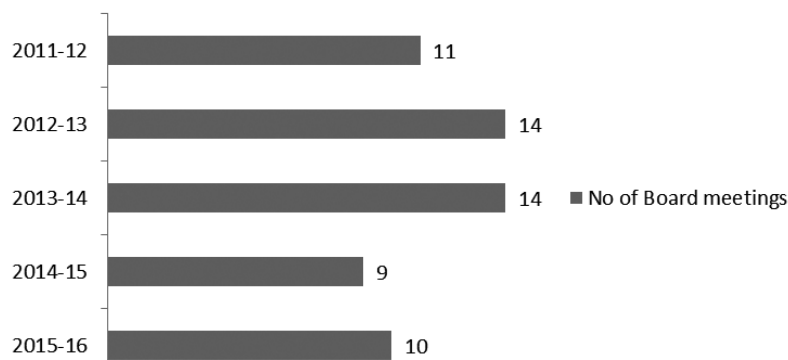
### Composition of the Board



**Chart4 :** Number of Board Members of UBI

The Board of UBI on average consists of 8 to 11 members, which is in line with the Sec. 149 (1) of the Companies Act, 2013.

In the board of UBI, the percentage of non executive directors range from 62 % to 82 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

**Board Meetings****No of Board meetings****Chart 6:** Number of Board meetings held in UBI**Women Participation in the Board**

The Board of UBI is having at least one woman director on its board from 2011-12 to 2015-16.

The board of UBI on average is holding its board meeting nine to fourteen every month, which is a sign of proactive management implying that the constant engagement of the board will lead to less number of corporate governance issues.

**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. (See Table-5)

**Table 5 :** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of UBI

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*	7	5	9	9	7	5	4	4	4	4	NA	4	3	5	4
No. of ID	6	4	7	7	6	5	4	4	4	4	NA	2	2	3	2
No of ED	1	1	2	2	1	0	0	0	0	0	NA	2	1	2	2
No. of meetings	9	10	12	9	11	1	1	1	1	1	NA	3	2	4	4

Note: \* includes nominees of GOI and RBI

**Audit Committee**

In case of UBI, the number of audit committee meetings held was at least nine per year.

**Remuneration Committee**

In case of UBI the Remuneration Committee consists of non-executive directors only for the period 2011-12 to 2015-16, thereby complying with the mandatory requirements.

**Risk Management Committee**

UBI has complied with the requirements w.r.t risk management committee from 2011-12 to 2014-15.

**Stakeholder Relationship Committee**

In case of UBI, the committee has been constituted as per the mandatory

**III. STATE BANK OF MYSORE (SBM)**

State Bank of Mysore is a nationalized bank in India, with headquarters at Bengaluru. It is one of the five associate banks of State Bank of India. It was established in the year 1913 as The Bank of Mysore Ltd.

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

State Bank of Mysore, as an organization driven by values, is committed to pursue objectives that are in the interests of the Bank, Shareholders and all stake holders and the society at large, in consonance with best practices. The Bank believes that Corporate Governance facilitates effective management and better internal controls.

**Table 6 :** Stakeholders Relationship Committee and CSR Committee of UBI

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	5	4	5	NA	NA	NA	NA	NA
No. of ID	3	2	3	2	2	NA	NA	NA	NA	NA
No of ED	2	1	2	2	1	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	4	NA	NA	NA	NA	NA

**Table 7 :** Board Structure, Strength and Size of SBM

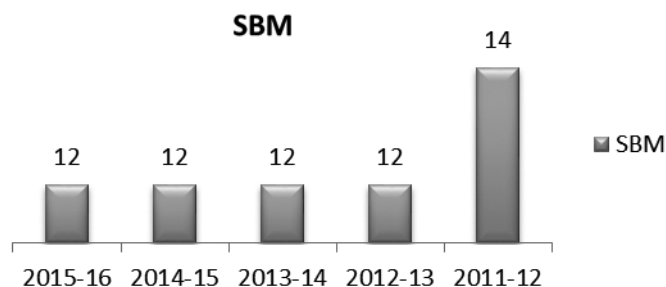
Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	12	12	12	12	14
Non-Executive ( excluding Chairman)	3	3	3	3	4
Independent Non Executive	6	6	6	6	6
Women Non-Executive	0	0	0	1	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	3	3	3	4
Women Executive	1	1	1	0	1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

### 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*.

The Board is constituted in accordance with The Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 and Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970.

#### Composition of the Board

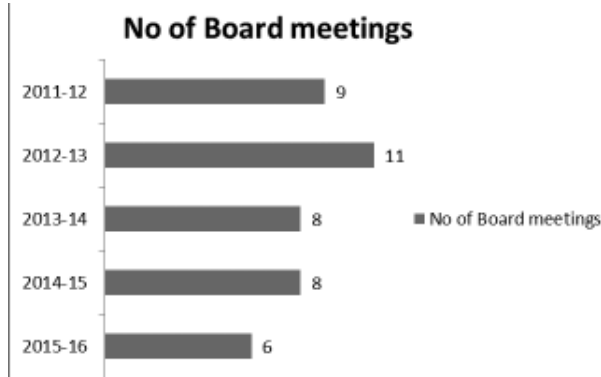


**Chart 7:** Number of Board Members of SBM

The Central Board of SBM on average consists of 12 to 14 members, which is in line with the Sec. 149 (1).

The percentage of non executive directors in the board of SBM range from 67 % to 69 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

#### Board Meetings



**Chart 9 :** Number of Board meetings held in SBM

The board of SBM on average is holding its board meeting on an average 6 to 11 every year from 2011-12 to 2015-16.

#### Women Participation in the Board

The Board of SBM is having at least one woman director on its board since 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*).

**Table 8:** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of SBM

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	4	4	NA	NA	NA	NA	4	4	4	4	5
No. of ID	3	3	3	3	3	2	NA	NA	NA	NA	2	2	2	2	2
No of ED	0	0	0	0	1	0	NA	NA	NA	NA	2	2	2	2	2
No. of meetings	NA	NA	NA	NA	8	1	NA	NA	NA	NA	6	6	6	8	9

Note: \* includes two nominees of GOI and RBI

#### **Audit Committee**

In case of SBM, the number of audit committee meetings held was 8 in the year 2011-12. The information for the years 2012-13 to 2015-16 are not available in the Annual reports.

#### **Remuneration Committee**

In case of SBM the Remuneration Committee consists of only non executive directors in the year 2015-16. For the

period 2011-12 to 2014-15, information not available in the annual reports.

#### **Risk Management Committee**

SBM 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.

**Table 9 :** Stakeholders Relationship Committee and CSR Committee of SBM

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	NA	NA	NA	NA	NA	NA
No. of ID	2	2	2	2	NA	NA	NA	NA	NA	NA
No of ED	1	1	1	1	NA	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	NA	NA	NA	NA	NA	NA

**Stakeholder Relationship Committee**

In case of SBM, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

**CSR Committee**

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

**IV.PUNJAB AND SINDH BANK (PSB)**

PSB is a government-owned bank (79.62%), with headquarters in New Delhi. The bank was set up On 24 June 1908.

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

The Bank shall continue its endeavor to enhance its shareholder's value by protecting their interest by ensuring performance at all levels, and maximizing returns with optimal use of resources in its pursuit of excellence. The Bank shall

comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. The Bank believes in setting high standards of ethical values, transparency and a disciplined approach to achieve excellence in all its sphere of activities. The Bank is also committed to follow the best practices. The Bank shall strive hard to best serve the interests of its stakeholders comprising shareholders, customers, Government and society at large.

**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 *Table10*.

**Table10 :** Board Structure, Strength and Size of PSB

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	10	9	13	11	10
Non-Executive ( excluding Chairman)	2	2	2	2	2
Independent Non Executive	5	5	8	7	6
Women Non-Executive	1	1	1	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	2	1	2	1	1
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	9	9	16	11	9
Is the Chairman Executive?	YES	YES	YES	YES	YES

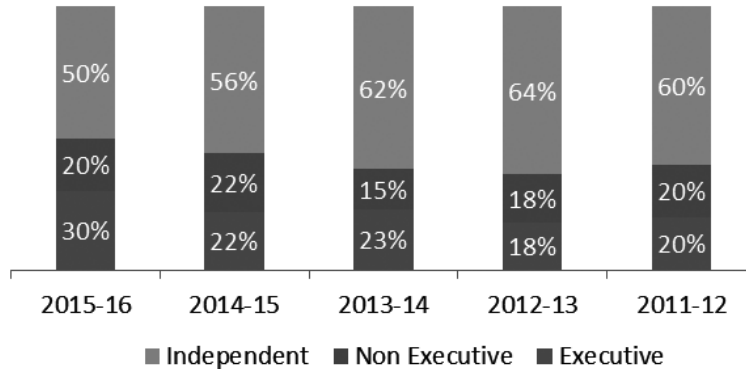
The composition of Board of Directors of the Bank is governed by the provisions of the Banking Regulation Act, 1949, the Banking

Companies (Acquisition and Transfer of Undertakings) Act, 1980, as amended and the Nationalized Banks

Management and Miscellaneous Provisions Scheme, 1980, as amended.

The Board of PSB on average consists of 9 to 13 members, which is in line with the Sec. 149 (1) of the Companies Act, 201.

#### *Distribution of the Board*



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

The percentage of non-executive directors in the board of PSB range from 70 % to 82 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

The board of PSB on average is holding its board meeting nine to twelve every year, which is a sign of proactive management implying that the constant engagement of the board will lead to less number of corporate governance issues.

#### *Women Participation in the Board*

The Board of PSB is having one woman director on its board since 2013-14.

**Table 11:** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of PSB

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	6	5	5	4	4	4	4	4	6	5	6	5	5
No. of ID	4	4	4	4	4	4	4	4	4	4	4	3	3	3	3
No of ED	1	1	2	1	1	0	0	0	0	0	2	2	3	2	2
No. of meetings	7	8	8	8	7	1	1	1	1	1	4	4	4	4	4

Note: \* includes nominees of GOI and RBI

**Audit Committee**

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

**Remuneration Committee**

In case of PSB 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**

PSB 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.

**Table12 : Stakeholders Relationship Committee and CSR Committee of PSB**

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	4	4	4	4	NA	NA	NA	NA	NA
No. of ID	2	2	2	2	2	NA	NA	NA	NA	NA
No of ED	3	2	2	2	2	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	4	NA	NA	NA	NA	NA

**Stakeholder Relationship Committee**

In case of PSB, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

**CSR Committee**

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

**V. PUNJAB NATIONAL BANK (PNB)**

Punjab National Bank is an Indian multinational banking and financial services company. It is a state-owned corporation based in New Delhi. The bank was founded in 1894.

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

PNB's Corporate Governance philosophy stems from the belief that corporate governance is an integral element for improving efficiency and growth of the organization with overall objective of enhancing investor and other stakeholders' confidence. As a Bank PNB is committed to good corporate practices based on conscience, openness, fairness, professionalism and accountability. PNB's Board of Directors, guided by the mission statement, and formulates strategies and policies focusing on value optimization for all stakeholders like customers, shareholders and the society at large.



**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 *Table13*.

**Table 13 :** Board Structure, Strength and Size of PNB

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	11	10	15	12	12
Non-Executive ( excluding Chairman)	3	3	6	4	4
Independent Non Executive	4	4	5	4	5
Women Non-Executive	1	1	1	0	0
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	2	3	3	2
Women Executive	1	0	0	1	1
Foreign Executive	0	0	0	0	0
No. of Board meetings	13	11	13	12	13
Is the Chairman Executive?	YES	YES	YES	YES	YES

**Board Structure, Strength and Size**

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

The Board of PNB on average consists of 10 to 15 members, which is in line with the Sec. 149 (1).

The percentage of non executive directors in the board of PNB range from 64 % to 73 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4).

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

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	4	7	8	7	4	2	4	4	4	6	4	6	9	6
No. of ID	4	3	4	5	5	4	2	4	4	4	2	1	2	5	3
No of ED	1	1	3	3	2	0	0	0	0	0	4	3	4	4	3
No. of meetings	5	11	13	8	11	1	1	1	2	1	4	4	4	4	4

Note: \* includes nominees of GOI and RBI

**Women Participation in the Board**

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

The board of PNB on average is holding its board meeting eleven to thirteen every year.

**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 14).

**Audit Committee**

In case of PNB, the number of audit committee meetings held was on average five to thirteen per year.

**Remuneration Committee**

In case of PNB 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**

PNB 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.

**Table 15 : Stakeholders Relationship Committee and CSR Committee of PNB**

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	3	NA	NA	NA	NA	NA
No. of ID	1	0	1	0	0	NA	NA	NA	NA	NA
No of ED	3	3	3	3	2	NA	NA	NA	NA	NA
No. of meetings	6	6	6	6	6	NA	NA	NA	NA	NA

**Stakeholder Relationship Committee**

In case of PNB, the committee has been constituted as per the mandatory requirement and on average have held six meetings per year.

**CSR Committee**

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

**VI. DENA BANK (DB)**

Dena Bank headquartered in Mumbai, is owned by the Government of India, The bank was founded in 1938 and the Indian government nationalized it in 1969.

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

Governance philosophy is based on application of best management practices which will facilitate effective management and control of business. This enables the Board and the Senior Management of the Bank to take decisions adhering to ethical standards, transparency, accountability, responsibility and financial stability. The Bank believes that Corporate Governance is closely linked to its core values and is associated with ethical practices, concern for its employees, extending quality service to its customers, striving to meet the shareholders expectations and societal aspirations. This optimizes the

value for all its stakeholders which includes not only the Board of Directors and the Senior Management but also the Shareholders, Customers, Employees and the society at large.

### **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 16:** 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

### **Board Structure, Strength and Size**

The Board had constituted Management Committee as per provisions of Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970/ 1980.

The percentage of non executive directors in the board of PSB range from 69 % to 82 % during 2012-13 to 2015-16 which is in accordance with Sec. 149 (4).

### **Women Participation in the Board**

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

The board of DB on average is holding its board meeting ten to sixteen every year, which is a sign of pro-active management implying that the constant engagement of the board will lead to less number of corporate governance issues.

### 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).

**Table 17:** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central 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	4	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: \* includes nominees of GOI and RBI

#### Audit Committee

In case of DB, the number of audit committee meetings held was on average of 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.

**Table 18 :** 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	NA	NA	NA	NA	NA
No. of ID	2	1	2	1	2	NA	NA	NA	NA	NA
No of ED	2	2	2	1	2	NA	NA	NA	NA	NA
No. of meetings	4	3	3	4	4	NA	NA	NA	NA	NA

### **Stakeholder Relationship Committee**

In case of DB, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

### **CSR Committee**

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

## **VII.CENTRAL BANK OF INDIA (CBI)**

Central Bank of India, a government-owned bank, is one of the oldest and largest commercial banks in India. It is based in Mumbai.

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

Thrust of the Corporate Governance of the Bank is to enhance shareholders' value

by pursuing ethical practices in the conduct of its business and maintaining high standard of disclosure and transparency. The Bank has adopted best practices, and standards of governance are monitored by various Committees of the Board. The Board, the Executives and other functionaries have distinctly demarcated roles in achieving the Corporate goals – improved performance and enhanced shareholders' 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 19*.

**Table 19 : Board Structure, Strength and Size of CBI**

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	13	14	13	10	13
Non-Executive ( excluding Chairman)	3	3	3	2	3
Independent Non Executive	6	6	6	5	6
Women Non-Executive	1	1	1	0	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	4	3	2	3
Women Executive	0	0	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	13		15	13	13
Is the Chairman Executive?	YES	YES	YES	YES	YES

### **Board Structure, Strength and Size**

The Bank is constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (as amended from time to time). The general superintendence, direction and management of the affairs and business of

the Bank is vested in the Board of Directors presided over by the Chairman and Managing Director.

The composition of the Board of Directors of the Bank is governed by the provisions of the Banking Regulation Act, 1949, the Banking Companies (Acquisition and

Transfer of Undertakings) Act, 1970 as amended and the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, as amended.

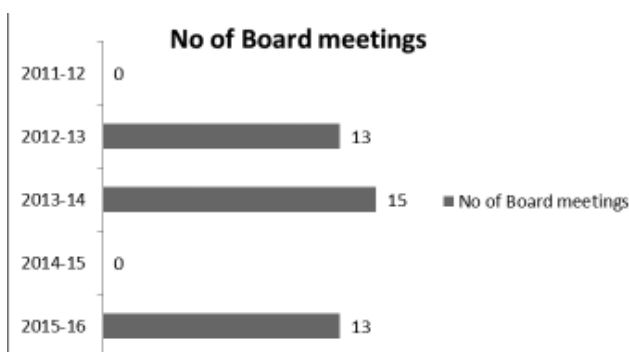
The percentage of non executive directors in the board of CBI range from 64 % to

70 % during 2012-13 to 2015-16 which is in accordance with Sec. 149 (4).

### **Women Participation in the Board**

The Board of CBI is having one woman director on its board from 2011-12 to 2015 -16 excepting 2012-13.

### **Board Meetings**



**Chart 21** : Number of Board meetings held in CBI

The board of CBI on average is holding its board meeting thirteen to fourteen every year, which is a sign of pro active management implying that the constant engagement of the board will lead to less number of corporate governance issues.

### **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 20*).

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

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	6	7	5	5	4	2	0	2	4	8	4	3	4	8
No. of ID	4	4	4	4	4	4	2	0	2	4	8	4	3	4	8
No of ED	1	2	3	1	1	0	0	0	0	0	0	0	0	0	0
No. of meetings	15	4	8	9	15	4	2	2	2	4	NA	NA	NA	NA	NA

Note: \* includes nominees of GOI and RBI

### ***Audit Committee***

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

### ***Remuneration Committee***

In case of CBI 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***

CBI has not held any meeting of the risk management committee during the period 2011-12 to 2015-16

**Table 21:** Stakeholders Relationship Committee and CSR Committee of CBI

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	5	5	5	5	NA	NA	NA	NA	NA
No. of ID	2	2	2	2	2	NA	NA	NA	NA	NA
No of ED	3	3	3	3	3	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	4	NA	NA	NA	NA	NA

### ***Stakeholder Relationship Committee***

In case of CBI, the committee has been constituted as per the mandatory requirement and on average have held four meetings per year.

### ***CSR Committee***

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

## **VIII. BANK OF BARODA (BOB)**

Bank of Baroda is an Indian state-owned banking and financial services company headquartered in Vadodara (earlier known as Baroda) in Gujarat, India. It is the second largest bank in India, next to State Bank of India.

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

The Bank shall continue its endeavor to enhance its shareholders' value by protecting their interest by ensuring

performance at all levels and maximizing returns with optimal use of resources in pursuit of excellence. The Bank shall comply with not only the statutory requirements but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. The Bank believes in setting high standards of ethical values, transparency and disciplined approach to achieve excellence in all its sphere of activities.

The Bank is also committed to follow the best international practices. The Bank shall strive hard to serve the interests of its stakeholders comprising shareholders, customers, Government, employees, creditors and society at large.

### **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*.

**Table 22 :** Board Structure, Strength and Size of BOB

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Total No. of Directors	10	8	10	13	13
Non-Executive ( excluding Chairman)	2	2	2	4	5
Independent Non Executive	4	3	4	5	5
Women Non-Executive	1	1	0	0	1
Foreign Non Executive	0	0	0	0	0
Executive (excluding Chairman)	3	2	3	3	2
Women Executive	0	1	0	0	0
Foreign Executive	0	0	0	0	0
No. of Board meetings	13	18	20	17	17
Is the Chairman Executive?	NO	YES	YES	YES	YES

### Board Structure, Strength and Size

The composition of Board of Directors of the Bank is governed by the provisions of The Banking Regulation Act, 1949, The Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, as amended and The Nationalized Banks (Management & Miscellaneous Provisions) Scheme, 1970, as amended.

The percentage of non-executive directors in the board of BOB range from 60 % to

72 % during 2011-12 to 2015-16 which is in accordance with Sec. 149 (4) of the Companies Act, 2013.

### Women Participation in the Board

The Board of BOB is having one woman director on its board from 2011-12 TO 2015-16 excepting years 2012-13 and 2013-14 to 2015 -16.

The board of BOB on average is holding its board meeting thirteen to sixteen every year, which is a sign of pro-active

**Table 23:** Audit Committee, Nomination and Remuneration Committee and Risk Management Committee of Central Board of BOB

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	6	6	6	6	5	2	4	4	4	5	4	5	5	4
No. of ID	4	4	3	3	4	5	2	4	4	4	2	2	1	1	1
No of ED	1	2	3	3	2	0	0	0	0	0	3	2	4	4	3
No. of meetings	12	11	12	11	11	2	1	1	2	1	5	2	4	4	4

Note: \* includes nominees of GOI and RBI



management implying that the constant engagement of the board will lead to less number of corporate governance issues.

### 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

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

### Remuneration Committee

In case of BOB 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

BOB has complied with these requirements from 2011-12 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.

**Table 24:** Stakeholders Relationship Committee and CSR Committee of BOB

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	5	6	5	NA	NA	NA	NA	NA
No. of ID	2	2	2	2	2	NA	NA	NA	NA	NA
No of ED	2	2	3	3	2	NA	NA	NA	NA	NA
No. of meetings	4	4	4	4	4	NA	NA	NA	NA	NA

### Stakeholder Relationship Committee

In case of BOB, the committee has been constituted as per the mandatory requirement and on average have held three to four meetings per year.

### CSR Committee

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

### CONCLUSION

It can be inferred from the structural dynamics of board during sample period that the CG practices in the public sector banks are improving and following the statutory requirements. The CG practices of the banks having large capital are relatively stable over the period of time and not much variation is seen. This can be

explained by the fact that large banks have well established internal control mechanisms and there prevail a regulatory oversight from multiple agencies on these banks. The banks having highest market capitalization such as SBI, PNB, BOB and UBI 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 public sector banks is enforced through board and various committees of the board. The selection to the board and committees is governed in a manner which is semi rigid as a consequence the management is not able to influence the functioning of the board and committees. Thereby preserving the independence of the board and committees from the executive which results in better and improved CG practices.

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