ABSTRACT

Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed. The study aim to shows the impact of corporate governance disclosure practices in Punjab National Bank. The objective of the research paper is to evaluate the corporate governance practice in banking sector particularly in Punjab National Bank and corporate governance practices in banking sector has been discussed.

Keywords: Banking Sector; Corporate Governance; Punjab National Bank

INTRODUCTION

Honestly speaking the concept of Corporate governance is broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed. Structure of corporate governance identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholder and includes the rules and procedures for making decisions in corporate affairs. Corporate governance includes the processes through which corporations' objectives are set and pursued in the context of the social, regulatory and market environment.

OBJECTIVE OF THE STUDY

1. To Study and understand the concept of corporate governance.
2. The primary objective is to examine the practice of corporate governance in Punjab National Bank.
3. To study the various issues taken into account in the code of conduct for the corporate Governance in Punjab National Bank.

DATA AND METHODOLOGY

This study is primarily qualitative in nature and do not uses any quantitative tool to analyses the data. Secondary data have been used for the study. Various journals, articles, websites, annual reports, books, newspapers and magazine have been used to assess information.

Definition of Corporate Governance

The Cadbury Committee (1992) in its report conceptualized corporate governance “as the system by which the companies are directed and controlled”.

Confederation of Indian Industry Code (1998)“Corporate governance deals with laws, procedure, practices and implicit rules that determine a company's ability to take managerial decisions vis-a-vis its stakeholders. There is a global consensus about the objective of good Corporate governance-maximising long-term shareholder value and thereby maximizing corporate value”.

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Principles of Corporate Governance

The Cadbury and Organisation for Economic Co-operation and Development (OECD) reports present general principles around which businesses are expected to operate to assure proper governance. The Sarbanes-Oxley Act, informally referred to as Sarbox or Sox, is an attempt by the federal government in the United States to legislate several of the principles recommended in the Cadbury and OECD reports.

Transparency in Dealings and Disclosures: 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.

Integrity and Ethical behavior: Integrity should be a fundamental requirement in choosing corporate officers and board members. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making.

Rights and Equitable Treatment of Shareholders: Organizations should respect the rights of shareholders and help shareholder to exercise those rights. They can help shareholders exercise their rights by openly and effectively communicating information and by encouraging shareholders to participate in general meetings.

Interests of other Stakeholders: Organizations should recognize that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, creditors, suppliers, local communities, customers, and policy makers.

Role and Responsibilities of the Board: The board needs sufficient relevant skills and understanding to review and challenge management performance. It also needs adequate size and appropriate levels of independence and commitment.

Corporate Governance Practices in Banking

It is worldwide true that Corporate Governance is practiced in all the Banks in all its functional areas through high standards of accountability, transparency, social responsiveness, operational efficiencies and best ethical business practices. Hence, the Banks are committed to all the stakeholders of the Bank to protect their interests and for maximizing the shareholders’ value. The Banks have well defined policies and guidelines for ensuring compliance of the Regulatory requirements.

Indicators of Good Corporate Governance

To attain the level of Good Corporate Governance involves a commitment of a company to run its businesses in a legal, ethical and transparent manner. A dedication must come from the very top and permeate throughout the organization. Corporate governance is a voluntarily phenomenon. Law and regulations can, at best, define the basic framework – boundary conditions that cannot be crossed. The report is structure according to the different elements of corporate governance: 1) The Board of Directors, 2) Auditors, 3) Regulatory Agencies, and 4) External Institutions.

Corporate Governance Practice in Punjab National Bank

Profile of Punjab National Bank

PNB, is one of the largest nationalized banks, has continued to provide prudent and trustworthy banking services to its customers. The Bank enjoys strong fundamentals, large franchise value and good brand image. With more than 120 years of strong existence and 6081 total branches including 5 foreign branches, 6940 ATMs, Punjab National Bank is serving more than 8.9 crore esteemed customers. To meet the growing aspirations of the people and compete in these tough conditions, the Bank offers wide range of products and services.
Board of Directors

The bank believes that at the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the company. The Bank expects all Directors and members of the Core Management to exercise good judgment, to ensure the interests, safety and welfare of customers, employees and other stakeholders and to maintain a cooperative, efficient, positive, harmonious and productive work environment and business organization. The Directors and members of the Core Management must act honestly and with due diligence while discharging duties of their office.

Audit Committee of the Board (ACB): The Audit Committee of the Board (ACB) has been constituted by the Bank as per the guidelines of Reserve Bank of India/ Government of India and Listing Agreement with Stock Exchanges. The main functions of the Committee are as under:-

- Providing direction and overseeing the total audit function of the Bank including the organization, operationalisation, quality control of internal audit and follow up on the statutory/external audit of the Bank and inspections of RBI.
- To interact with Statutory Central Auditors in respect of approval of quarterly/annual Financial Statements and Reports and also follow up on all the issues raised in the Long Form Audit Report.
- To review the internal inspection/Audit function of the Bank – the system, its quality and effectiveness in terms of follow up.
- Overseeing the Bank’s financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and
- To review, with the Management, the Annual Financial Statements before submission to the Board for approval.
- To act as per provisions of the Listing Agreement and in line with the RBI guidelines.

Risk Management Committee: The Bank has constituted the Risk Management Committee:

- To guide CRMC, ALCO & ORMC on any issue of importance for risk management and to oversee the functioning of these committees for effective coordination.
- Approving Market Risk Management processes (including people, systems, operations, limits and controls) pertaining to various risk areas viz. credit, market, operational and Pillar II risks.
- Approval of any other action necessary to comply with requirements set forth in Risk Management Policy/RBI guidelines or otherwise required for managing any risk.

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, on-receipt of interest on bonds/declared dividends, etc. Out of 57 complaints received from the shareholders during the financial year13-14, 56 were redressed and one complaint was outstanding as on 31.03.2014.

Remuneration Committee: The Committee decides entitlement of incentive for CMD & EDs of the Bank employees so that they can avail the financial benefit.

Customer Service Committee: The Customer Service Committee has been constituted to discharge the following functions:

- Formulation of a Comprehensive Deposit Policy.
- Issues such as the treatment on death of a depositor for operations of his account.
Product approval process regarding its suitability and appropriateness

Annual Survey of depositor satisfaction.

Triennial audit of such services.

Monitoring the implementation of awards under the Banking Ombudsman Scheme.

Information Technology Committee of the Board: The Committee has been constituted to study various aspects of Information Security & Information Technology and suggest appropriate measures to strengthen the same in the Bank. The various IT initiatives including the IT Policies and IT Expenditure Budget and report on installation and functioning of ATMs are being placed in the quarterly meetings of IT Committee of the Board for information/discussion/guidance/approval.

Management Committee (Mc): The Committee considers following matters which are beyond the discretionary powers of CMD/Head Office Credit Approval Committee (HOCAC) III:-

a) Sanctioning of credit proposals (funded & non funded).
b) Loan compromise/write-off proposals.
c) Proposal for approval of capital and revenue expenditure.
d) Proposals relating to acquisition and hiring of premises including deviation from norms for acquisition and hiring of premises.
e) Filing of suits/appeals, defending them etc.
f) Investments in Government and other approved securities, shares and debentures of companies including underwriting.

SUMMARY AND CONCLUSION

Corporate governance in Punjab national bank is subject to the legitimate initiation through proper mechanism. Ultimately it is the matter of numerous stakeholders whose interest is attached with functioning of Punjab national bank. Therefore to ensure the well functioning of Punjab national bank it is compulsory to adopt the core principle of corporate governance.

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