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# AN ANALYTICAL STUDY ON EFFECTS OF CORPORATE GOVERNANCE DISCLOSURE TO FINANCIAL PERFORMANCE

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## ABSTRACT

*This paper attempts to study the legal requirement comply by the two banking units (ICICI & HDFC) according to various laws. This study will give insight in to the corporate governance disclosure practice followed by both the bank which is require to be understand by stakeholder as well as shareholder to measures the overall efficiency of the organization. Moreover, it can also give the insight into the improvement of the financial performance of the organization.*

## KEYWORDS

ICICI, HDFC, disclosure practice.

## INTRODUCTION

Modern day business has always suffered from dilemma of the sole goal of profit maximization or other goals like personal interests of managers. Values & ethics are loosing its existence in run for profit. So, good corporate governance practices are necessary to focus the board's attention towards rules, regulations, laws, policies, ethics, social responsibility etc. Good Corporate Governance encompasses all actions aimed at providing its citizens good quality of life. It relates with a code of conduct which the management of a company observes while exercising its power. In this context, the Indian Banking sector has a special role to play, not because of the critical nature of the business, but because it is a sector that has large public ownership. The data contained in the Corporate Governance Report of the banks are results of the combined effect of Clause 49 of Listing Agreement of SEBI, Accounting Standards and conventions, Companies Act 1956, Banking Regulation Act 1949 and Companies Philosophy & code of conduct. Corporate Governance is about commitment to values and ethical business conduct. CG is necessary for maintaining public trust & to achieve business success. CG includes corporate policies & the manner in which it deals with various stakeholders. Here the researcher has tried to analyses CG Practices with regard to various stakeholders' interest.

### ICICI

ICICI Bank is India's largest private sector bank and second largest overall in terms of assets. It was promoted in 1994 by ICICI, an Industrial development financial institution. A new generation bank, ICICI Bank started with all the latest technologies to hit the Indian banking industry in the second half of the nineties. All its branches are fully computerized with the state-of-the-art technology and systems, networked through VSAT technology. The bank is connected to the SWIFT international network. The bank is also keen to offer its services to the Indian agricultural sector. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management. ICICI Bank is also the largest issuer of credit cards in India. ICICI Bank has got its equity shares listed on the stock exchanges at Kolkata and Vadodara, Mumbai and the National Stock Exchange of India Limited, and its ADRs on the New York Stock Exchange (NYSE).

### HDFC

It is the first Private Bank in India to receive a principle approval from the Reserve Bank of India to set up a bank in the private sector banks in India as part of the RBI's liberalization policy of the Indian Banking Industry. It was promoted by House Development Finance Corporation (HDFC) & incorporated in August 1994 as HDFC Bank Limited. The Bank has a network of 1725 branches in 771 cities across India. All branches are linked on an online real-time basis. Customers in over 500 locations are also serviced through Telephone Banking. The Bank also has a network of 3898 ATMs across India. HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank's branches have online connectivity

## RESEARCH METHODOLOGY

In this study the focus is to make comparison between two banking units. So as to analyze the extent of Corporate Governance Disclosure Practices of both the banks. Various tools and techniques are used for assessing Corporate Governance Disclosure Practices in both the banks. The data has been collected from the published annual report of 5 years, i.e. from 2005 to 2009. There are many techniques used to analyze Corporate Governance Disclosure Practices like:

- Item wise disclosure of CG
- Comparative financial statements

The detail regarding each of the above devices is discussed in following pages.

### ITEM WISE DISCLOSURE OF CG

In order to discuss the concept of CG in Banking Industry, the annual reports of two banks for the year 2006-07 to 2008-09 have been analyzed. After scanning of annual report of these banks, 27 mandatory items, other non-mandatory items & other expected items of disclosure through CG has been identified. It is in relation to these items that the disclosure level of CG has been studied. The items of disclosure is based on Clause 49 of Listing Agreement & some expected disclosures are based on the recommendation of some authority like ICSI etc & at the rational of researcher at stakeholder's view point. The items wise disclosure has been calculated by the ratings. For the compliance of mandatory requirements 1 point is assigned, for the compliance of non-mandatory requirements 2 points are assigned, for the compliance of expected items 3 points are assigned & for the non-compliance in each case 0 point is assigned

TABLE 1: ITEM WISE DISCLOSURE OF CORPORATE GOVERNANCE OF ICICI BANK

Sr. No.	Disclosure of Bank in Different Years in Score	2004-05	2005-06	2006-07	2007-08	2008-09	Mean
<b>A</b>	<b>Disclosure of Mandatory Items</b>						
1	Corporate Governance Philosophy	1	1	1	1	1	1
2	Composition of BOD and Category of Directors	1	1	1	1	1	1
3	Disclosure on number of meetings held and information thereof.	1	1	1	1	1	1
4	Attendance particulars of last AGM	1	1	1	1	1	1
5	Declaration revealing that the number of posts held do not exceed the stipulated norms.	0	0	0	0	0	0
6	List of companies where the Board also hold position.	0	0	0	0	0	0
7	Compliance of minimum requirements of the number of independent directors in the committee.			1	1	1	1
8	Chairman is independent director	1	1	1	1	1	1
9	Compliance of minimum requirement of the number of meetings of the committee.	1	1	1	1	1	1
10	Information regarding the literacy and expertise of the team members.	0	0	0	0	0	0
11	Information regarding participation of head of finance, chief internal auditor in the meetings.	0	0	0	0	0	0
12	Permission to obtain information from outside council or other expert at the company's expense.	1	1	1	1	1	1
13	Information regarding number of meetings held and attendance for the meetings.	1	1	1	1	1	1
14	Disclosure of remuneration policy.	1	1	1	1	1	1
15	Details of remuneration to all directors, as per format in the report.	1	1	1	1	1	1
16	Information regarding number of meetings held and attendance thereof.	1	1	1	1	1	1
17	Information regarding nature of complaints and queries received and disposed, item wise.	1	1	1	1	1	1
18	Name of non-executive directors heading the committee and the name and designation of the compliance officer.	1	1	1	1	1	1
19	General body meetings and information thereof.	1	1	1	1	1	1
20	Disclosure on materially significant related party transaction.	1	1	1	1	1	1
21	Details of non-compliance by the company, penalties and strictures imposed on the company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets during the last three years.	1	1	1	1	1	1
22	Means of communication.	1	1	1	1	1	1
23	Shareholders information.	1	1	1	1	1	1
24	Code of conduct/ethics	1	1	1	1	1	1
25	Policy prohibiting insider trading	1	1	1	1	1	1
26	A whistle blower policy	1	1	1	1	1	1
27	CEO/ CFO certification.	1	1	1	1	1	1
<b>B</b>	<b>Disclosure of non-mandatory requirements</b>						
28	The company has set up a remuneration committee comprising of : -At least 3 non-executive directors -Compliance of the provision of independent director as chairman of the committee.	2	2	2	2	2	2
29	Chairmen of board is not an executive chairman.	2	2	2	2	2	2
30	Quarterly financial report is made available to shareholders by way of newspaper and website.	2	2	2	2	2	2
31	Postal ballot.	2	2	2	2	2	2
32	Audit qualification by continuous best audit practice.	0	0	0	0	0	0
33	Training of board members.	0	0	0	0	0	0
34	Office space for non-executive chairman.	0	0	0	0	0	0
35	Separation of the role of the CEO & Chairman.	2	2	2	2	2	2
36	Segment wise operational performance.	2	2	2	2	2	2
37	Disclosure regarding compliance/non-compliance of non-mandatory requirements.	0	0	0	0	0	0
38	Mechanism for evaluating non-executive Board Members.	0	0	0	0	0	0
<b>C</b>	<b>Expected Items of Disclosure</b>						
39	Functions of Board	0	0	0	0	0	0
40	Date of Appointment of Director	0	0	0	0	0	0
41	Retirement age/Tenure of Directors.	0	0	0	0	0	0
42	Relationship with other directors	0	0	0	0	0	0
43	Shareholding of the directors	3	3	3	3	3	3
44	Information on scheduling & selection of agenda items.	0	0	0	0	0	0
45	Duration of gap between two meetings	0	0	0	0	0	0
46	Procedure of board & committee meetings	0	0	0	0	0	0
47	Formation of committees :						
	• Corporate Governance committee	0	0	0	0	0	0
	• Ethics committee	0	0	0	0	0	0
	• Nomination committee	0	0	0	0	0	0
	• Investment committee	0	0	0	0	0	0
	• Management committee	0	0	0	0	0	0
	• Research & Development committee	0	0	0	0	0	0
	• Miscellaneous	3	3	3	3	3	3
48	Code of conduct for directors/ senior management personnel			3	3	3	3
49	Corporate governance rating	0	0	0	0	0	0
50	Insider trading code	3	3	3	3	3	3
51	Audit committee report	0	0	0	0	0	0
52	Investors' grievance committee report	0	0	3	3	3	3
53	Top 10 shareholders of the company	3	3	3	3	3	3
54	Electronic clearing service (ECS)Mandate	3	3	3	3	3	3
55	Award for corporate governance	0	0	0	0	0	0
		57	57	57	57	57	57

Source: Annual Report



TABLE 2: ITEM WISE DISCLOSURE OF CORPORATE GOVERNANCE OF HDFC BANK

Sr. No	Disclosing Banks in different Years in score	2004-05	2005-06	2006-07	2007-08	2008-09	Mean
<b>A</b>	<b>Disclosure of Mandatory Items</b>						
1	Corporate Governance Philosophy	1	1	1	1	1	1
2	Composition of BOD and Category of Directors	1	1	1	1	1	1
3	Disclosure on number of meetings held and information thereof.	1	1	1	1	1	1
4	Attendance particulars of last AGM	1	1	1	1	1	1
5	Declaration revealing that the number of posts held do not exceed the stipulated norms.	1	1	1	1	1	1
6	List of companies where the Board also hold position.	1	1	1	1	1	1
7	Compliance of minimum requirements of the number of independent directors in the committee.	1	1	1	1	1	1
8	Chairman is independent director	1	1	1	1	1	1
9	Compliance of minimum requirements of the number of meetings of the committee.	1	1	1	1	1	1
10	Information regarding the literacy and expertise of the team members.	1	1	1	1	1	1
11	Information regarding participation of head of finance, chief internal auditor in the meetings.	1	1	1	1	1	1
12	Permission to obtain information from outside council or other expert at the company's expense.	1	1	1	1	1	1
13	Information regarding number of meetings held and attendance for the meetings.	1	1	1	1	1	1
14	Disclosure of remuneration policy.	1	1	1	1	1	1
15	Details of remuneration to all directors, as per format in the report.	1	1	1	1	1	1
16	Information regarding number of meetings held and attendance thereof.	1	1	1	1	1	1
17	Information regarding nature of complaints and queries received and disposed, item wise.	1	1	1	1	1	1
18	Name of non-executive directors heading the committee and the name and designation of the compliance officer.	1	1	1	1	1	1
19	General body meetings and information thereof.	1	1	1	1	1	1
20	Disclosure on materially significant related party transaction.	1	1	1	1	1	1
21	Details of non-compliance by the company, penalties and strictures imposed on the company by stock exchange or SEBI or any statutory authority, on any matter related to capital markets during the last three years.	1	1	1	1	1	1
22	Means of communication.	1	1	1	1	1	1
23	Shareholders information.	1	1	1	1	1	1
24	Code of conduct/ethics	1	1	1	1	1	1
25	Policy prohibiting insider trading	1	1	1	1	1	1
26	A whistle blower policy	1	1	1	1	1	1
27	CEO/ CFO certification.	1	1	1	1	1	1
<b>B</b>	<b>Disclosure of non-mandatory requirements:</b>						
28	The company has set up a remuneration committee comprising of : -At least 3 non-executive directors -Compliance of the provision of independent director as chairman of the committee.	2	2	2	2	2	2
29	A chairman of board is not an executive chairman.	2	2	2	2	2	2
30	Quarterly financial report is made available to shareholders by way of newspaper and website.	0	0	0	0	0	0
31	Postal ballot.	2	2	2	2	2	2
32	Audit qualification by continuous best audit practice.	2	2	2	2	2	2
33	Training of board members.	2	2	2	2	2	2
34	Office space for non-executive chairman.	2	2	2	2	2	2
35	Separation of the role of the CEO & Chairman.	2	2	2	2	2	2
36	Segment wise operational performance.	2	2	2	2	2	2
37	Disclosure regarding compliance/non-compliance of non-mandatory requirements.	2	2	2	2	2	2
<b>C</b>	<b>Expected Items of Disclosure</b>						
39	Functions of Board	3	3	3	3	3	3
40	Date of Appointment of Director	0	0	0	0	0	0
41	Retirement age/Tenure of Directors.	0	0	0	0	0	0
42	Relationship with other directors	0	0	0	0	3	0.6
43	Shareholding of the directors	3	3	3	3	3	3
44	Information on scheduling & selection of agenda items.	0	0	0	0	0	0
45	Duration of gap between two meetings	0	0	0	0	0	0
46	Procedure of board & committee meetings	0	0	0	0	0	0
47	Formation of committees :						
	• Corporate Governance committee	0	0	0	0	0	0
	• Ethics committee	0	0	0	0	0	0
	• Nomination committee	3	3	3	3	3	3
	• Investment committee	0	0	0	0	0	0
	• Management committee	0	0	0	0	0	0
	• Research & Development committee	0	0	0	0	0	0
	• Miscellaneous	3	3	3	3	3	3
	• Risk Management Committee	3	3	3	3	3	3
48	Code of conduct for directors/ senior management personnel	3	3	3	3	3	3
49	Corporate governance rating	3	3	3	3	3	3
50	Insider trading code	3	3	3	3	3	3
51	Audit committee report	0	0	0	0	0	0
52	Investors' grievance committee report	3	3	3	3	3	3
53	Top 10 shareholders of the company	3	3	3	3	3	3
54	Electronic clearing service (ECS)Mandate	3	3	3	3	3	3
55	Award for corporate governance	0	0	0	3	0	0.6
		78	78	78	81	81	79.2

Source: Annual Reports

**INFERENCES**

It is clear from the above table that HDFC Bank discloses more items than ICICI Bank. HDFC Bank has disclosed all required items while ICICI Bank needs to disclose more items for better disclosure. There are 27 items of information which have been fully disclosed by HDFC Bank and 23 items of information which have been fully disclosed by ICICI Bank for all five years of the study. There are 9 items disclosed by HDFC Bank & 5 items disclosed by ICICI Bank which are in nature of non-mandatory. There are 11 expected items are disclosed by HDFC Bank whereas the ICICI Bank has disclosed 7 items.

**1. DISCLOSURE ABOUT CORPORATE GOVERNANCE CODE**

The disclosure of corporate governance code reflects the commitment of the management towards the performance of its duties for the steady growth of the company and enhancing shareholders' value. Both the banks have developed corporate governance philosophy and the mean disclosure of this item is fully disclosed for the years of study.

**2. DISCLOSURE ABOUT BOARD OF DIRECTORS**

The disclosure about BODs requires certain items such as constitution of board, composition of board, profile of the directors, function of board, date of appointment of the director, training of Board members, retirement age or tenure of directors, relationship with other directors, shareholdings of the directors details of Board meetings, attendance of directors, relationship with other directors etc. The first three items are amongst the mandatory requirements and disclosed by HDFC Bank whereas ICICI Bank has not disclosed the profile of the directors. The remaining items are among the non-mandatory and expected items in which certain items are disclosed and certain not.

**3. DISCLOSURE ABOUT SPECIALIZED BOARD COMMITTEES**

There are many items disclosed by both the banks, like names of committees, its members, number of meetings during the year, head of the committee, attendance of directors etc. But in audit committee there is one of the requirements for members is that minimum one person must possess qualification in the area of accounting and finance. But ICICI has mentioned this detail.

**4. DISCLOSURE ABOUT ANNUAL GENERAL MEETING**

Day, date, time and venue of AGM have been disclosed by both banks. Since the disclosure of these items is compulsory as per the companies Act 1956, so the disclosure score is 100 percent.

**5. DISCLOSURE ABOUT CAPITAL RELATED MATTERS**

Both the banks disclose listing with various stock exchanges and their stock code has been given by both the banks for all the years of study. Date of listing is given by both the banks. Both the banks have disclosed 11 & 12 matters regarding shareholders of ICICI & HDFC respectively.

**6. DISCLOSURE ABOUT SHARES**

Out of 6 items included under this head, 2 items i.e. distribution pattern of shares and categories of shareholders have been reported by both the banks. Data about shareholding patterns of both the banks has been disclosed with the percentage and number of shareholders. Both the banks have given information regarding Registrar and transfer agent and share transfer system.

**7. MISCELLANEOUS DISCLOSURE**

Out of the 3 items included under this head, 1 item of auditor certificate of corporate governance compliance has been given by both the banks for all years, since this disclosure is compulsory as per clause 49 of the Listing Agreement of SEBI, so the disclosure is 100 percent. Director responsibility statement is also attached.

**8. NON-MANDATORY DISCLOSURE**

Out of 10 non-mandatory disclosures, HDFC Bank has disclosed 9 items and ICICI Bank has disclosed 5 items.

As per Clause 49 of Listing Agreement of SEBI both the banks have disclosed mandatory, non-mandatory, some expected requirement of CG. In this study the score of total disclosure is 78.67 & 55 of respectively.

From this above analysis, it is obvious that both the banks in India have started evolving the concept of CG and are following the regulatory framework of Companies Act, Banking Regulation Act, SEBI and other regulatory bodies. But as per above ratings of score the HDFC Bank has followed better CG Practices than ICICI Bank.

**COMPARATIVE STUDY OF FINANCIAL STATEMENTS**

In these statements, the financial data for two or more years are presented in adjacent columns so that it may provide a true perspective in order to facilitate comparison. The objective of comparative financial statements is to ascertain the changes occurring year by year in each item of assets, liabilities & net worth shown in the financial statements of a business firm and whether such changes are favorable or adverse. There are two types of comparative statements:

- Comparative Balance Sheet
- Comparative Income Statement

**COMPARATIVE BALANCE SHEET**

Comparative Balance Sheet is the study of the trend of the same items, group of items and computed items in two or more balance-sheets of the same business enterprise on different dates. The study of comparative balance-sheet helps in framing an opinion about the progress of an enterprise. Comparative balance-sheets of ICICI Bank & HDFC Bank for the period of 2006-07 to 2008-09 are given in table respectively.

**TABLE 3: COMPARATIVE BALANCE SHEET OF ICICI BANK FOR THE PERIOD 2005 - 2009**

(Rs. in crore)					
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Capital and Liabilities</b>					
Capital	1086	1239	1249	1463	1463
Reserves and surplus	11813	21316	23414	45385	48420
Deposits	99818	165083	230510	244431	218348
Borrowings	33544	38521	51256	65648	673234
Other liabilities & Provisions	21396	25228	38229	42895	43795
<b>Total Capital and Liabilities</b>	<b>167657</b>	<b>251387</b>	<b>344658</b>	<b>399793</b>	<b>379310</b>
<b>Assets</b>					
Cash & balance with RBI.	6345	8343	18407	29378	17536
Balance with banks & money at call & short notice	6586	8106	18414	8664	12430
Investment	50488	71548	91257	111454	103058
Advances	91406	146163	195866	225614	218310
Fixed assets	4038	3980	3924	4107	3802
Other assets	8704	12657	16490	20575	24164
<b>Total Assets</b>	<b>167657</b>	<b>251387</b>	<b>344658</b>	<b>399793</b>	<b>379310</b>

Source: Annual Reports

**The Table 3 reveals that:**

1. The total fund from all the sources were Rs 167657 crore, 251389 crore, 344658 crore, 399793 crore, and 379310 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The total fund is continuously increasing from 2004-05 to 2007-08. But there is little decrease in 2008-09. As the decrease is minor, it can be said that ICICI Bank has been making satisfactory progress as regards to total sources of fund.
2. The main source of funds is deposits. The amount of deposit was Rs 99818 crore, 165083 crore, 230510 crore, 244431 crore, 218348 crore for 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The trend is increasing during the period of 2004-05 to 2007-08. There is little decrease in 2008-09. Still it can be said that the bank is getting good amount of deposits.
3. The capital is showing increasing trend but not much drastic increase is there. The increase in capital is negligible. It was Rs 1084 crore, 1239 crore, 1249 crore, 1463 crore, 1463 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.
4. The reserve & surplus increased greatly during the period of study. The reason may be the increase in profit. It was Rs 11813 crore, 21316 crore, 23414 crore, 45358 crore, 48420 crore for 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.
5. Borrowing & other liability is also showing increasing trend. The borrowings were Rs 33544 crore, 38521 crore, 51256 crore, 65648 crore, 67324 crore for 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The other liabilities were Rs 21396 crore, 25228 crore, 38229 crore, 42895 crore, 43795 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.
6. Looking at the application of fund, it is found that the most important use has been investment and advances. Advances were Rs 91406 crore, 146163 crore, 195866 crore, 225614 crore, 218310 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The amount of investments were Rs 50488 crore, 71548 crore, 195866 crore, 225614 crore, 218310 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. Investments and advances are increased that means the bank can earn good amount of income from the two sources.
7. The amount of cash & reserve with RBI shows increasing trend which will increase bank's creditability. It was Rs 6345 crore, 8344 crore, 18407 crore, 29378 crore, 17536 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. There is decrease in 2008-09 which give negative impact. Investment & advances are increased that means the bank can earn good amount of income from both the two sources.
8. There is increase & decrease in Money at call & short notice. So, it can said that the liquidity position of the bank is unstable. It was Rs 6586 crore, 8106 crore, 18414 crore, 8664 crore, 12430 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.
9. There is increase & decrease in fixed assets during the period of study whereas other assets shows increasing trend. The fixed assets were Rs 4038 crore, 3980 crore, 3924 crore, 4107 crore, 3802 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The other assets were Rs 8704 crore, 12658 crore, 16490 crore, 20575 crore, 24164 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.

From the above analysis it is clear that during the period of 2004-05 to 2007-08 the bank is showing progressive trend, but in 2008-09 the position of bank is weak compare to other years.

**TABLE 4: COMPARATIVE BALANCE SHEET OF HDFC BANK FOR THE PERIOD 2005 TO 2009**

(Rs. in crore)					
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Capital and Liabilities</b>					
Capital	310	313	319	354	425
Equity Share Warrant	-	-	-	-	401
Reserve & Surplus	4210	4986	6114	11143	14221
Employee stock option outstanding	0.4	0.07	-	-	5
Deposits	36354	55797	68298	100769	142811
Borrowings	4790	2858	2815	4595	2686
Subordinate debt	500	1702	-	-	-
Other liability & Provisions	5263.6	7848.03	13689	16316	22721
<b>Total Capital and Liabilities</b>	<b>51429</b>	<b>73506</b>	<b>91235</b>	<b>133177</b>	<b>183270</b>
<b>Assets</b>					
Cash & balances with RBI	2650	3307	5075	12553	13527
Balances with bank & money at call & short notice	1824	3612	3971	2225	3979
Investment	19350	28394	30565	49394	58818
Advances	25566	35061	46945	63427	98883
Fixed assets	708	855	967	1175	1707
Other assets	1330	2277	3712	4403	6356
<b>Total Assets</b>	<b>51429</b>	<b>73506</b>	<b>91235</b>	<b>133177</b>	<b>183270</b>

Source: Annual Reports

**The Table 4 reveals that:**

1. The total fund from all the sources were Rs 51429 crore, 73506 crore, 91235 crore, 133177 crore, and 183270 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The total fund is continuously increasing from 2004-05 to 2008-09. It can be said that HDFC Bank has been making satisfactory progress as regards to total sources of funds.
2. The main source of funds is deposits. The amount of deposit was Rs 36354 crore, 55797 crore, 68298 crore, 100769 crore, 142811 crore for 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The trend is increasing during the period of study. It is good sign for the bank.
3. The capital is showing increasing trend. It was Rs 310 crore, 313 crore, 319 crore, 354 crore, 425 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. In 2004-05, 2005-06 & 2008-09 the bank has given shares as employee stock option. The amount is 40 lacs, 7 lacs & 5 crore respectively. Here it can be said that the bank is having good H R Policy.
4. The reserve & surplus increased during the period of study. The reason may be the increase in profit. It was Rs 4210 crore, 4986 crore, 6114 crore, 11143 crore, 14221 crore for 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.
5. There is increase & decrease in borrowings. It were Rs 4790 crore, 2858 crore, 2815 crore, 4595 crore, 2686 crore for 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.
6. Other liabilities are also showing increasing trend. It were Rs 5264 crore, 7849 crore, 13689 crore, 16316 crore, 22721 crore for 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.
7. Looking at the application of fund, it is found that the most important use has been investment and advances. Advances were Rs 25566 crore, 35061 crore, 46945 crore, 63427 crore, 98883 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The amount of investments were Rs 19350 crore, 28394 crore, 30565 crore, 49394 crore, 58818 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. Investments and advances are increased that means the bank can earn good amount of income from the two sources.
8. The amount of cash & reserve with RBI shows increasing trend which will increase bank's creditability. It was Rs 2650 crore, 3307 crore, 5075 crore, 12553 crore, 13527 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.
9. There is increase & decrease in Money at call & short notice. So, it can said that the liquidity position of the bank is unstable. It was Rs 1824 crore, 3612 crore, 3971 crore, 2225 crore, 3979 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively.

10. There is increase in fixed assets & other assets during the period of study. The fixed assets were Rs 708 crore, 855 crore, 967 crore, 1175 crore, 1707 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The other assets were Rs 1330 crore, 2277 crore, 3712 crore, 4403 crore, 6356 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively

From the above analysis it is clear that the financial position of the bank is healthy & good.

#### COMPARISON OF INCOME STATEMENT

The Comparative Profit & Loss a/c or Income Statement shows the operational results of business for a number of accounting periods. So that change in absolute figures from one period to another period may be stated in terms of money, value & percentages. The comparative P & L A/C is helpful in deriving meaningful conclusions regarding changes in sales variables, cost of goods sold, different expenses etc.

TABLE 5: COMPARATIVE P&L A/C OF ICICI BANK FOR THE PERIOD 2004-05 TO 2008-09

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Income</b>					
Interest earned	9410	14306	21996	30788	31093
Other income	3416	4181	6928	8810	7604
<b>Total income</b>	<b>12826</b>	<b>18487</b>	<b>28924</b>	<b>39599</b>	<b>38696</b>
<b>Expenditure</b>					
Interest expended	6571	9597	16358	23484	22726
Operating expenses	3178	5001	6691	8154	7045
Provision & contingencies	1072	1348	2764	3803	5167
<b>Total expenditure</b>	<b>10821</b>	<b>15946</b>	<b>25813</b>	<b>35441</b>	<b>34938</b>
<b>Profit &amp; loss</b>					
Net profit for the year	2005	2540	3110	4158	3758
Profit brought forward	53	188	293	998	2436
<b>Total profit /loss</b>	<b>2058</b>	<b>2728</b>	<b>3404</b>	<b>5156</b>	<b>6194</b>
<b>Appropriations – transfers</b>					
Transfer to Statutory Reserve	547	636	780	1040	940
Transfer to Capital Reserve	165	68	121	127	818
Transfer to Revenue & other reserve	90	1320	-	-	-
Transfer to Investment Fluctuation Reserve	-	590	-	-	-
Transfer from Investment fluctuation Reserve	-	(1320)	-	-	-
Transfer to Special Reserve	250	275	450	175	250
Proposed Equity Share Dividend	723	759	1228	1224	1225
Corporate Dividend Tax	95	106	153	149	151
Balance Carried Over to Balance-Sheet	188	293	998	2436	2810
<b>Total</b>	<b>2058</b>	<b>2727</b>	<b>3404</b>	<b>5156</b>	<b>6194</b>

Source: Annual Reports

#### The Table 5 reveals that:

1. The total income of bank includes interest income & other income. Both the income shows increasing trend. It was 12826 crore, 18487 crore, 28924 crore, 39599 crore, 38696 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. Out of total, income the major portion is of interest income during the period of study. More than half amount of total income was in form of interest income. The interest income was 77.10% in 2004-05, 73.15% in 2005-06, 76.05% in 2006-07, 78.50% in 2007-08, 79.56% in 2008-09.
2. The amount of total expenditure of bank includes interest expense, operating expense & provision & contingencies. The total expenditure shows increasing trend. It were Rs10821 crore, 15946 crore, 25813 crore, 35441 crore, 34938 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The major expense of bank is interest expense during the period of study. More than half amount of total expense was in form of interest expense. The interest expense was 60.72% in 2004-05, 60.18% in 2005-06, 63.37% in 2006-07, 66.26% in 2007-08, and 65.06% in 2008-09.
3. Looking at net profit, the trend is increasing during the period 2004-05 to 2007-08. In 2008-09 it shows decreasing trend. It was Rs 2005 crore in 2004-05, Rs. 2540 crore in 2005-06, Rs. 3110 crore in 2006-07, Rs. 4158 crore in 2007-08, Rs. 3758 in 2008-09. The reason for the decrease in net profit of 2008-09 compare to its previous years decrease in total income. But the total profit increased about three times during the period of study. It was Rs. 2058 crore in 2004-05 which reaches to Rs. 6194 crore in 2008-09.
4. The total profit of each year is distributed among various reserves like, statutory reserve, capital reserve, special reserve, investment fluctuation reserve. The remaining profit is transferred to proposed equity share dividend, & corporate dividend tax. After all these provisions the remaining amount is carried over Balance Sheet. In 2005-06 there was withdrawal from investment fluctuation reserve.

After all the above analysis it can be concluded that the bank is having good profit earning capacity.



TABLE 6: COMPARATIVE P&amp;L A/C OF HDFC BANK FOR THE PERIOD OF 2004-05 TO 2008-09

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Income</b>					
Interest earned	3093	4475	6648	10115	16332
Other income	651	1124	1516	2283	3291
<b>Total income</b>	<b>3745</b>	<b>5599</b>	<b>8164</b>	<b>12398</b>	<b>19623</b>
<b>Expenditure</b>					
Interest expended	1316	1930	3179	4887	8911
Operating expenses	1085	1691	2421	3756	5533
Provision & Contingencies	678	1108	1422	2175	2934
<b>Total expenditure</b>	<b>3079</b>	<b>4728</b>	<b>7023</b>	<b>10808</b>	<b>17378</b>
<b>Profit</b>					
Net Profit	666	871	1141	1590	2245
Profit brought forward	405	602	1455	1932	2575
Transfer from Investment Fluctuation Reserve	-	484	-	-	-
<b>Total</b>	<b>1071</b>	<b>1957</b>	<b>2596</b>	<b>3522</b>	<b>4820</b>
<b>Appropriation</b>					
Transfer to Statutory Reserve	166	218	385	398	561
Proposed dividend	140	172	223	301	425
Tax on dividend	19	24	38	51	72
Transfer to general reserve	67	87	114	159	224
Transfer to capital reserve	-	-	-	-	94
Transfer to investment reserve account	75	-	-	39	(14)
Balance carried over to Balance-Sheet	602	1455	1932	2575	3456
<b>Total</b>	<b>1071</b>	<b>1957</b>	<b>2596</b>	<b>3522</b>	<b>4820</b>

Source: Annual Reports

**The Table 6 reveals that:**

1. The total income of bank includes interest income & other income. The total income shows increasing trend. It was Rs.3793 crore, Rs. 5599 crore, Rs. 8164 crore, Rs. 12398 crore, 19623 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. Out of total, income the major portion is of interest income during the period of study. More than half amount of total income was in form of interest income. The interest income was 82.59% in 2004-05, 79.92% in 2005-06, 81.43% in 2006-07, 81.53% in 2007-08, 83.32% in 2008-09.
2. The amount of total expenditure of bank includes interest expense, operating expense & provision & contingencies. The total expenditure shows increasing trend. It were Rs 3079 crore, 4728 crore, 7022 crore, 10808 crore, 17378 crore in 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 respectively. The major expense of bank is interest expense during the period of study. About average 40% of total expense was in form of interest expense. The interest expense was 60.72% in 2004-05, 60.18% in 2005-06, 63.37% in 2006-07, 66.26% in 2007-08, and 65.06% in 2008-09.
3. Looking at net profit, the trend is increasing year by year. It was Rs 666 crore in 2004-05, Rs. 871 crore in 2005-06, Rs. 1141 crore in 2006-07, Rs. 1590 crore in 2007-08, Rs. 2245 in 2008-09. The total profit also increased about four times during the period of study. It was Rs. 1071 crore in 2004-05 which reaches to Rs. 4820 crore in 2008-09.
4. The total profit of each year is distributed among various reserves like, statutory reserve, capital reserve, special reserve, investment fluctuation reserve. The remaining profit is transferred to proposed equity share dividend, & corporate dividend tax. After all these provisions the remaining amount is carried over Balance Sheet. In 2008-09 there was withdrawal from investment fluctuation reserve.

After all the above analysis it can be concluded that the bank is having good profit earning capacity.

**CONCLUSION**

As we have already made an elaborate discussion on the various issues pertaining good CG, Clause 49 of Listing Agreement, the role of BODs, banks industry in India, particularly two private sector banks, their disclosures practices & financial performance. Now, here with below an attempt is made to highlight the main findings of the present investigation.

ICICI Bank has followed almost all mandatory requirements of Clause 49 of Listing Agreement except the declaration of the list of companies where the board hold position, information regarding literacy & expertise of directors, whereas the non-mandatory requirements are very rarely disclosed by it. Expected disclosures are also very rarely disclosed and over all.

HDFC Bank has disclosed of all mandatory item. It also disclosed almost all non-mandatory items & expected item. The overall score of CG disclosure practices test is 79.67

It is found from the annual report that HDFC Bank has also mentioned one separate section regarding key comparatives between US & Indian corporate governance practices as it is listed in NYSE. It includes certain standards of corporate governance that must be followed by NYSE listed companies and the cases where the Indian corporate governance rules under Clause 49 differ from those in the NYSE's listed company.

From the item wise disclosure score it is clear that HDFC Bank is having good disclosure practices then ICICI Bank. An examination of above stated paragraphs it reveals that HDFC Bank discloses more items of corporate governance with compare to ICICI Bank and therefore, the financial performance is also better than ICICI Bank during the period of study.

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