



A STUDY OF BANK EMPLOYEES' PERCEPTION TOWARDS CORPORATE GOVERNANCE

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ABSTRACT :

The purpose of the study is to analyse the perception of bank employees towards corporate governance. The gathered data are analysed using SPSS in order to develop a thorough and insightful understanding about the current study. Furthermore, the results of the study can be beneficial for business students in addition to managers, practitioners and employees in developing a better understanding about the concept of corporate governance. For achieving and maintaining public trust and confidence in the banking system, effective corporate governance practices are necessary. The system may collapse if good corporate governance practices are not followed in any organization as what happened in Satyam, InfoTech. Bank should take all the measures to ensure good corporate governance practices. The results of the study suggest that banks should initiate more seminars and workshops in order to highlight the relevance of corporate governance so that bank employees can easily understand the role of corporate governance.



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KEYWORDS : Corporate Governance, Banks, Perception,

INTRODUCTION

Corporate governance is related to the practices, duties and responsibilities exercised by the governing body of institutions. It comprises of the board of directors and executive managers and it aims at establishing strategic plans, ascertaining goals are achieved as planned and resources are used properly, and managing risks appropriately (Calder, 2003). The Organisation of Economic Cooperation and Development (OECD) has highlighted that proper corporate governance helps in enhancing economic growth and efficiency as well as strengthening shareholders' trust. Study like Davies (2006) states that employees are a major stakeholder in every company, since their skills and experience are needed for the firm's success. Similarly, Botha (2011) also stresses that employees should be aware of their company's corporate governance systems as well as its objectives and directions because employees' involvement contributes significantly to the improvement of the business and create confidence in the promotion of corporate governance principles in the workplace. The relation between employees and managers within the organisation is the proper tool to gain a considerable alignment of corporate governance theory (Child and Rodrigues, 2004).

STATEMENT OF THE PROBLEM

It is important to have a corporate governance even if it is any sector. Without corporate governance, any organisation cannot think of surviving. The system may collapse if good corporate

governance practices are not followed in any organization. So, it is very important to know the perception of the employees of the organisation about corporate governance. In the present study, an attempt has been made to know the perception of bank employees towards corporate governance.

RESEARCH OBJECTIVES

The main objective is to study the perception of the bank employees towards corporate governance along with the following:

- To study the awareness about corporate governance among employees of selected banks.
- To evaluate the various attributes of good corporate governance in selected banks.
- To know about the recent actions taken in banking industry for good corporate governance.

Methodology and Data

To fulfil the objectives of the present study the primary data has been used. The data has been collected with the help of a questionnaire. For the study, bank employees of Kurukshetra district are concerned population. Convenient sampling method is used to collect data from the population. Personal contacts were made to each of the respondents and to set the questionnaire filled. One Hundred and Twenty-Three (123) respondents were involved in the study. The demographic characteristics of respondents can be found in **Table 1**.

Table 1: Sample Characteristics of Respondents

Variables	Frequency	Percent (%)
Age: 20-30 years	56	45.5
30-40 years	34	27.6
40-50 years	15	12.3
Above 50 years	18	14.6
Gender: Male	100	81.3
Female	23	18.7
Tenure: Newly Joined	20	16.3
1-5 years	51	41.5
5-10 years	17	13.7
More than 10 years	35	28.5
Total Number of Respondents (N=123)		

Table 1 shows the distribution of respondents in terms of their demographic characteristics. The analysis showed that, the majority of respondents were within the age bracket of 20 to 30 years (45.5%); 27.6 percent were within the age range of 30 to 40 years; 14.6% were of the age range of above 50 years while 12.3 percent were within the age range of 40 to 50 years. In terms of gender, 81.3 percent were males while 18.7 percent were females. The analysis of tenure also showed that, 41.5 percent had worked for 1 to 5 years; 28.5 percent had worked for more than 10 years; 16.3 percent were newly joined and 13.7 percent had worked for 5 to 10 years.

Analysis and Interpretation of Data

Concept of Corporate Governance:

According to table 2, 72.4% of respondents opine that corporate governance is mix of (a), (b) and (c), 14.6% of respondents think that (a) corporate governance is the system by which business corporation are directed and controlled, 10.6% of respondents say that (c) corporate

Table 2: Frequency Distribution on Corporate Governance Concept

Option	Frequency	Percent
The system by which business corporation are directed and controlled.	18	14.6
The distribution of rights and responsibilities among different participants in the corporation.	3	2.4
The structure through which the company objectives, policies and procedures are set.	13	10.6
Mix of a), b) and c).	89	72.4
Total	N=123	100

governance is the structure through which the company objectives, policies and procedures are set and 2.4% of respondents think that (b) corporate governance is the distribution of rights and responsibilities among different participants in the corporation. It shows that most of the bank employees ponder over that corporate governance is mix of (a), (b) and (c).

Awareness of Corporate Governance:

Table 3: Frequency Distribution of Awareness about Corporate Governance

Option	Frequency	Percent
Very Good	21	17.1
Good	60	48.8
Average	40	32.5
Bad	2	1.6
Very Bad	0	0
Total	N=123	100

As per the table 3, 48.8% of respondents have good awareness about the concept of corporate governance, 17.1% of respondents have very good awareness, 32.5% of respondents have average and 1.6% of respondents have bad awareness about the concept of corporate governance. It shows that overall most of the bank employees have good awareness about the concept of corporate governance.

Perception towards Corporate Governance:

The table 4 reveals that "Board members understand their responsibilities" is having highest mean (4.5772). It shows that most of the respondents perceived that board members understand their responsibilities well. The mean of the statement "Management provides timely

Table 4: Descriptive Statistics on Perception towards Corporate Governance

Sr. No.	Statement	Mean	S. Deviation
1.	Board members understand their responsibilities.	4.5772	0.54334
2.	Management provides timely information regarding policies and procedures of the bank.	4.4634	0.56238
3.	All the queries and complaints regarding policies and procedures of the bank are answered timely.	4.4146	0.61307
4.	The responsibilities of the management and staff are well defined and clear.	4.3821	0.62095
5.	Compensation package is based on financial performance of the bank.	3.5772	1.11626
6.	Reward received by the employees is based on their contribution to the efficiency of the work.	3.5285	0.96092

information regarding policies and procedures of the bank” is 4.4634. It indicates that most of the respondents opined that management provides all possible information well in time to their employees. The mean of the statement “All queries and complaints regarding policies and procedures of the bank are answered timely” is 4.4146 indicating thereby that any kind of complaints and queries are well handled. “The responsibilities of the management and staff are well defined and clear” with mean 4.3821 highlight that there is clear cut distinction of responsibilities between management and staff. The least mean of the statement “Compensation package is based on financial performance of the bank” (3.5772) and “Reward received by the employees is based on their contribution to the efficiency of the work” (3.5285) reveal that compensation package and rewards are based on financial performance. However, all the statements have mean score more than 3 which indicate that employees well understand corporate governance.

Attributes of Good Corporate Governance:

High level of disclosure, appropriate governance structure, adequate committee structure, means of communication, shareholding patterns and presence of a strong and independent board of directors are the important attributes of good corporate governance.

Table 5: Descriptive Statistics of Attributes of Good Corporate Governance

Sr. No.	Variables	Mean	S. Deviation
1.	High level of disclosure	4.1626	0.81355
2.	Appropriate governance structure	4.1138	0.71521
3.	Adequate committee structure	4.0569	0.77142
4.	Means of communication	4.4065	0.75571
5.	Shareholding patterns	3.8699	0.94052
6.	Presence of a strong and independent Board of Directors	3.9593	0.85314

High level of disclosure, appropriate governance structure, adequate committee structure and means of communication are having mean score more than 4 indicating thereby that these are the important attributes of good corporate governance. Shareholding patterns and presence of a strong and independent board of directors are also having mean score more than 3 so that these are also the important attributes of good corporate governance. Thus, it can be concluded that all the above attributes cannot be ignored from good corporate governance point of view.

Recent Actions for Good Corporate Governance:

Introduction of Non-Executive members on the board, Constitution of various committees, Introduction of Citizen Charter in banks and Implementation of “Know Your Customers”

Table 6: Descriptive Statistics of Recent Actions taken for Good Corporate Governance

Sr. No.	Variables	Mean	S. Deviation
1.	Introduction of Non-Executive members on the board	4.1951	0.84600
2.	Constitution of various committees	4.3171	0.69326
3.	Introduction of Citizen Charter in banks	4.2276	0.76622
4.	Implementation of “ Know Your Customers” concept	4.4472	0.65541

notions are the recent initiatives taken by the government for good corporate governance. All these measures have mean score more than 4 indicating thereby that respondents like all these measures and hopeful that these measures will improve the governance practices in the corporate.

CONCLUSION

The existence of a good corporate governance system is vital for the progress of any organisation. The key aim of the study is to investigate the perception of bank employees towards corporate governance. The gathered data are analysed using SPSS in order to develop a thorough and insightful understanding about the current study. Furthermore, the results of the study can be beneficial for business students in addition to managers, practitioners and employees in developing a better understanding about the concept of corporate governance. The results of the study indicate that corporate governance is a system by which business corporations are directed and controlled; the distribution of rights and responsibilities among different participants in the corporation and the structure through which the company objectives, policies and procedures are set. Bank employees have good awareness about the concept of corporate governance. The board members understand their responsibilities, management provides timely information regarding policies and procedures of the bank, all queries and complaints regarding policies and procedures of the bank are answered timely, the responsibilities of the management and staff are well defined and clear, compensation package is based on financial performance of the bank and reward received by the employees is based on their contribution to the efficiency of the work. The analysis shows that the means of communication, high level of disclosure, appropriate governance structure, adequate committee structure, shareholding patterns and presence of a strong and independent board of directors are the important attributes of good corporate governance. Furthermore, know your customers, introduction of Non-Executive members on the board, constitution of various committees and introduction of citizen charter in banks are the recent initiatives taken by the government to ensure good corporate governance. The study suggests that banks should initiate more seminars and workshops in order to highlight the relevance of corporate governance so that bank employees can easily understand the role of corporate governance. Latest initiatives taken by government for good corporate governance should be properly implemented.

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