A study on invest-worthiness of few selected Indian banks with specific emphasis on their financials and corporate governance practices

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Abstract

Both financial statement analysis and corporate governance practices should be properly scrutinized to decide invest worthiness of stock. Implementation of sound corporate governance practices is inevitable when ownership is separated from control in any organization. Corporate governance in banks is crucial as apart from shareholders' wealth maximization, bank has to protect its depositor's hard-earned money. The objectives of the study are to analyse the financial performances of selected Indian banks, to discuss the corporate governance practices of selected Indian Banks and to rank the banks on the basis of their holistic performances. The proposed study has combined explanatory and empirical research. The duration of five financial years, from 2011-12 to 2015-16 have been taken into account. The banks listed in the BANKEX [BSE] up to March 2016 have been selected on the basis of their free float market capitalization. The research work has incorporated the necessary information inputs from the statutory and non-statutory disclosure provided by the banks in the public domain in the form of their quarterly, half early and annual reports.

Keywords: Corporate Governance, Board, Board Independence, Corporate Governance Disclosure Index, Audit Committee, Board Meetings.

1. Introduction

Investors provide adequate emphasis on financial statement analysis to analyse invest worthiness of a banking stock. The purpose is to judge the fundamental strength of bank. In order to perform a fundamental study, EIC analysis is mandatory where performance of economy, industry and bank have to be closely monitored. But alone financials data cannot provide meaningful insight about the performance of bank. Corporate governance1 practices followed by banks are to be scrutinized apart from analyzing financial performances in order to analyse investment potential of a bank. The proposed study will measure the financial performances and corporate governance practices of selected Indian Banks and rank them on the basis of their holistic performances.

[1] Corporate governance is required when there is a separation between ownership and control. As per the **Cadbury Committee**, *'Corporate Governance is the system by which companies are directed and controlled'*

2. Survey of existing literature

Hossain and Reaz (2007) indicated that the voluntary information such as corporate social disclosure, corporate governance and risk related voluntary information had been disclosed in the annual reports of the Indian banks to an acceptable level. According to Narwal (2007) Indian banks should concentrate more on education, balanced growth, health, environmental marketing and customer satisfaction as part of their Corporate Social Responsibility activities. Prior and Argandona (2008) opined those banks and financial institutions were putting corporate responsibility into practice by using financial initiatives such as microcredit, microfinance schemes, ethical, social, environmental funds, low-income banking to ensure removal of barriers to credit access. Arora and Kumar (2009) opined that in the year 2008 when failures of banks and financial institutions fueled credit and liquidity crisis across the globe, the core reasons were attributed to greed, wrong selling, rogue trading, technological advancement, rapid expansion of banking operations, growing vulnerability of financial institutions, increasing complexity of banking and financial products, poor risk modelling etc.

2. Research gap

Several research publications are available highlighting financial performance analysis of Indian banks. Multiple intellectual outputs are prevalent focusing on corporate governance practices of Indian banks. There is a dearth of research work where banks are being ranked after taking into account both the financial performance as well as corporate governance practices. Investors can use it as basis to judge invest- worthiness of banking stock.

4. Objectives of study

The objectives of the present study are as follows -

- To analyse the financial performances of selected Indian Banks.
- To analyse the corporate governance practices of selected Indian Banks.
- To rank the banks on the basis of their holistic performances.

5. Research design

Research design incorporates methodology, period of the study, sample size, sources of data and research variables used.

5.1 Methodology: The proposed study has combined explanatory and empirical research.

5.2 Period of the study: In this research work, the duration of five financial years, from 2011-12 to 2015-16 have been taken into account.

5.3 Samples of the study: The banks listed in the BANKEX [BSE] up to March 2016 have been selected on the basis of their free float market capitalization. All the listed banks in BANKEX are divided in two groups - public sector banks (PSBs) and private sector banks. Five Public sector banks have been considered such as State Bank of India, Punjab National Bank, Bank of Baroda, Bank of India and Canara Bank. Seven private sector banks are taken into account such as Axis Bank, Federal Bank, HDFC Bank, ICICI Bank, IndusInd Bank, Kotak Mahindra Bank and Yes Bank.

5.4 Sources of Data: The research work has incorporated the necessary information inputs from the statutory and non-statutory disclosure provided by the banks in the public domain in the form of their quarterly, half early and annual reports.

5.5 Variables Used: 12 variables have been used for the study. Income, return on asset, net NPA, return on equity and earnings per share are used as the indicator of financial performance. Corporate governance disclosure index, shareholding pattern, board size, board independence, capital adequacy ratio, independence of internal audit committee and number of board meetings in a year are considered as the measurement of corporate governance practices.

6. Financial performance analysis of banks

Income, local ownership, return on asset, net NPA, return on equity and earnings per share are taken into consideration for measuring financial performance. Table 1 shows ranking of banks on the basis of their average income. Table 2 shows ranking of banks on the basis of their average return on asset. Table 3 shows ranking of banks on the basis of their average net non-performing asset. Table 4 shows ranking of banks on the basis of their average return on equity. Table 5 shows ranking of banks on the basis of their average earnings per share.

Table 1: Ranking of Banks for Average Income

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average income (Rs Crore)	Rank
Group 1 - PSU Banks							
SBI	120872.9	135,691.94	154,903.72	174,972.96	191,843.67	155657.038	1
PNB	40678.73	46,109.25	47,799.96	52,206.09	54,301.37	48219.08	2
BOB	33096.05	38,827.28	43,402.45	47,365.55	49,060.14	42350.294	3
CB	33778.22	37,230.94	43,480.37	48,300.29	48,897.36	42337.436	4
BOI	31801.18	35,674.97	42,201.94	47,662.61	45,449.01	40557.942	5
Group 2 - Private Banks							
ICICI	41045.41	48,421.30	54,606.02	61,267.27	68,062.49	54680.498	1
HDFC	33657.82	41,917.50	49,055.18	57,466.26	70,973.17	50613.986	2
Axis	274,14.86	33,733.68	38,046.38	43,843.64	50,359.50	41495.8	3
Yes	7164.48	9,551.43	11,702.93	13,618.46	16,245.59	11656.578	4
Kotak Mahindra	7157.58	9,203.15	10,166.83	11,748.32	18,996.42	11454.46	5
IndusInd	6370.98	8,346.19	10,144.06	12,095.84	14,877.61	10366.936	6
Federal	60,90.74	6,832.01	7,639.93	8,297.77	8,531.07	7825.195	7
Combined Group 1 and Group 2 Banks							
SBI	120872.9	135,691.94	154,903.72	174,972.96	191,843.67	155657.038	1
ICICI	41045.41	48,421.30	54,606.02	61,267.27	68,062.49	54680.498	2

HDFC	33657.82	41,917.50	49,055.18	57,466.26	70,973.17	50613.986	3
PNB	40678.73	46,109.25	47,799.96	52,206.09	54,301.37	48219.08	4
BOB	33096.05	38,827.28	43,402.45	47,365.55	49,060.14	42350.294	5
CB	33778.22	37,230.94	43,480.37	48,300.29	48,897.36	42337.436	6
Axis	274,14.86	33,733.68	38,046.38	43,843.64	50,359.50	41495.8	7
BOI	31801.18	35,674.97	42,201.94	47,662.61	45,449.01	40557.942	8
Yes	7164.48	9,551.43	11,702.93	13,618.46	16,245.59	11656.578	9
Kotak Mahindra	7157.58	9,203.15	10,166.83	11,748.32	18,996.42	11454.46	10
IndusInd	6370.98	8,346.19	10,144.06	12,095.84	14,877.61	10366.936	11
Federal	60,90.74	6,832.01	7,639.93	8,297.77	8,531.07	7825.195	12

Source: *Computed by self from Annual Reports of the respective banks*

Interpretation: The earning of bank is considered a major variable in most studies examining disclosure variability. Du Plessis et al. (2005); Hashim and Devi (2007); Jo and Kim (2007) said that improper governance indicates poor earnings. Table 1 shows State Bank of India enjoys the first position among Public Sector Undertaking Banks followed by Punjab National Bank and Bank of Baroda in terms of average income. The public sector undertaking bank with the least average income is Bank of India. ICICI Bank is the topper among private sector banks which is followed by HDFC Bank and Axis Bank. The private sector bank with the least average income is Federal Bank. State Bank of India occupies the first position in combined group and it is followed by ICICI Bank and HDFC Bank. Federal Bank gets last position in the combined group. Public sector undertaking banks are enjoying edge with respect to its private peers in terms of average income.

Table 2: Ranking of Banks for Average Return on Asset

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Return on Asset	Rank
Group 1 - PSU Banks							
SBI	0.88	0.97	0.65	0.68	0.46	0.728	1
PNB	1.19	1	0.64	0.53	-0.61	0.55	2
BOB	1.24	0.9	0.75	0.49	-0.78	0.52	3
CB	0.95	0.77	0.54	0.55	-0.52	0.458	3
BOI	0.72	0.65	0.51	0.27	-0.94	0.242	4
Group 2 - Private Banks							
HDFC	1.77	1.9	2	2.02	1.92	1.922	1
Kotak Mahindra	2.2	2.1	2.1	1.98	1.19	1.914	2
IndusInd	1.57	1.63	1.81	1.9	1.91	1.764	3
Axis	1.68	1.7	1.78	1.83	1.72	1.742	4
ICICI	1.5	1.7	1.78	1.86	1.49	1.666	5

Yes	1.5	1.57	1.61	1.71	1.78	1.634	6
Federal	1.41	1.35	1.2	1.32	0.57	1.17	7
Combined Group 1 and Group 2 Banks							
HDFC	1.77	1.9	2	2.02	1.92	1.922	1
Kotak Mahindra	2.2	2.1	2.1	1.98	1.19	1.914	2
IndusInd	1.57	1.63	1.81	1.9	1.91	1.764	3
Axis	1.68	1.7	1.78	1.83	1.72	1.742	4
ICICI	1.5	1.7	1.78	1.86	1.49	1.666	5
Yes	1.5	1.57	1.61	1.71	1.78	1.634	6
Federal	1.41	1.35	1.2	1.32	0.57	1.17	7
SBI	0.88	0.97	0.65	0.68	0.46	0.728	8
PNB	1.19	1	0.64	0.53	-0.61	0.55	9
BOB	1.24	0.9	0.75	0.49	-0.78	0.52	10
CB	0.95	0.77	0.54	0.55	-0.52	0.458	11
BOI	0.72	0.65	0.51	0.27	-0.94	0.242	12
Source: *Computed by self from Annual Reports of the respective banks.*							

Interpretation: Olayiwola (2016) established return on asset has a functional relationship to banking governance practices. Table 2 shows State Bank of India enjoys the first position among Public Sector Undertaking banks followed by Punjab National Bank, Bank of Baroda and Canara Bank. The public sector bank with the least average return on asset is Bank of India. HDFC Bank is the topper among private sector banks which is followed by Kotak Mahindra bank and IndusInd Bank. The private sector bank with the least average return on asset is Federal Bank. HDFC Bank occupies the first position in combined group and it is followed by Kotak Mahindra bank and IndusInd Bank. Bank of India gets last position in the combined group. Private sector banks are clearly enjoying edge with respect to its public sector peers in terms of average return on asset.

Table 3: Ranking of Banks for Average Net Non-Performing Assets

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Net NPA	Rank
Group 1 - PSU Banks							
Bank of Baroda	0.54	1.28	1.52	1.87	5.06	2.054	1
State Bank of India	1.82	2.1	2.57	2.12	3.81	2.484	2
Canara Bank	1.73	2.57	1.98	2.65	6.42	3.07	3
Bank of India	1.46	2.06	2	3.36	7.79%	3.33	4
Punjab National Bank	1.52	2.35	2.85	4.06	8.61	3.878	5
Group 2 - Private Banks							
Yes Bank	0.05	0.01	0.05	0.12	0.29	0.104	1
HDFC Bank	0.18	0.2	0.27	0.25	0.28	0.236	2
IndusInd Bank	0.27	0.31	0.33	0.31	0.36	0.316	3
Axis Bank	0.25	0.32	0.4	0.44	0.7	0.422	4
Kotak Mahindra Bank	0.5	0.6	0.9	0.8	0.9	0.74	5
Federal Bank	0.53	0.98	0.74	0.73	1.64	0.924	6
ICICI Bank	0.62	0.64	0.82	1.4	2.7	1.236	7
Combined Group 1 and Group 2 Banks							
Yes	0.05	0.01	0.05	0.12	0.29	0.104	1
HDFC	0.18	0.2	0.27	0.25	0.28	0.236	2
IndusInd	0.27	0.31	0.33	0.31	0.36	0.316	3

Axis	0.25	0.32	0.4	0.44	0.7	0.422	4
Kotak Mahindra	0.5	0.6	0.9	0.8	0.9	0.74	5
Federal	0.53	0.98	0.74	0.73	1.64	0.924	6
ICICI	0.62	0.64	0.82	1.4	2.7	1.236	7
BOB	0.54	1.28	1.52	1.87	5.06	2.054	8
SBI	1.82	2.1	2.57	2.12	3.81	2.484	9
CB	1.73	2.57	1.98	2.65	6.42	3.07	10
BOI	1.46	2.06	2	3.36	7.79%	3.33	11
PNB	1.52	2.35	2.85	4.06	8.61	3.878	12
Source: *Computed by self from Annual Reports of the respective bankS.*							

Interpretation: Zagorchev & Gao (2015) said that banking governance and non-performing assets move in the opposite direction. Table 3 shows Bank of Baroda enjoys the first position among Public Sector Undertaking banks followed by State Bank of India and Canara Bank in NPA management. The public sector bank with the highest Non-Performing Asset is Punjab National Bank. Yes Bank is the topper among private sector banks which is followed by HDFC bank and IndusInd Bank in management of stressed assets. The private sector bank with the highest Non-Performing Asset is ICICI Bank. The Yes Bank occupies the first position in combined group and the Yes Bank is followed by HDFC bank and IndusInd Bank in NPA management. Punjab National Bank gets last position in the combined group. Private sector banks are doing much better in terms of NPA management.

Table 4: Ranking of Banks for Average Return on Equity

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Returnto Equity	Rank
Group 1 - PSU Banks							
PNB	18.52	15.19	9.69	8.12	17.08	13.72	1
SBI	14.36	15.94	10.49	11.17	7.74	11.94	2
CB	18.75	14.03	10.59	11.06	-10.69	8.748	3
BOB	19.04	14.59	13	9.21	-13.42	8.484	4
BOI	15.63	13.62	11.82	6.7	-19.63%	5.628	5
Group 2 - Private Banks							
Yes	23.1	24.8	25	19	19.9	22.36	1
HDFC	18.37	20.07	20.88	20.36	17.97	19.53	2
Axis	21.22	20.51	18.23	18.57	17.49	19.204	3
IndusInd	17.75	18.45	17.48	18.59	16.78	17.81	4
Kotak Mahindra	15.4	15.6	14	14.8	11	14.16	5
ICICI	11.1	12.9	13.7	14.3	11.3	12.66	6
Federal	14.37	14.03	12.8	13.77	6.01	12.196	7
Combined Group 1 and Group 2 Banks							
Yes Bank	23.1	24.8	25	19	19.9	22.36	1
HDFC Bank	18.37	20.07	20.88	20.36	17.97	19.53	2
Axis Bank	21.22	20.51	18.23	18.57	17.49	19.204	3
IndusInd Bank	17.75	18.45	17.48	18.59	16.78	17.81	4
Kotak Mahindra	15.4	15.6	14	14.8	11	14.16	5
Punjab National	18.52	15.19	9.69	8.12	17.08	13.72	6

ICICI	11.1	12.9	13.7	14.3	11.3	12.66	7
Federal	14.37	14.03	12.8	13.77	6.01	12.196	8
SBI	14.36	15.94	10.49	11.17	7.74	11.94	9
CB	18.75	14.03	10.59	11.06	-10.69	8.748	10
BOB	19.04	14.59	13	9.21	-13.42	8.484	11
BOI	15.63	13.62	11.82	6.7	-19.63%	5.628	12
Source: *Computed by self from Annual Reports of the respective banks.*							

Interpretation: Okoye et al (2020) said quality of banking governance practice significantly affect return on equity. Table 4 shows Punjab National Bank enjoys the first position among Public Sector Undertaking Banks followed by State Bank of India and Canara Bank. The public sector bank with the least average return on equity is Bank of India. Yes Bank is the topper among private sector banks which is followed by HDFC bank and Axis Bank. The private sector bank with the least average return on equity is Federal Bank. Yes Bank occupies the first position in combined group and it is followed by HDFC Bank and Axis Bank. Bank of India gets last position in the combined group. Private sector banks are clearly enjoying edge with respect to its public sector peers in terms of average return on equity.

Table 5: Ranking of Banks for Average Earnings per Share

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Earnings Per Share	Rank
Group 1 - PSU Banks							
SBI	184.31	210.06	156.76	17.55	12.98	116.332	1
PNB	154.02	139.52	93.91	16.91	20.82	76.708	2
BOB	127.84	108.84	107.38	15.83	-23.89	67.2	3
CB	74.1	64.83	54.48	58.59	-53.61	39.678	4
BOI	48.98	47.79	44.74	26.57	-83.01	17.014	5
Group 2 - Private Banks							
Axis	102.94	119.67	132.56	31.18	34.59	84.188	1
Yes	27.9	36.5	44.9	49.3	60.6	43.84	2
HDFC	22.11	28.49	35.47	42.15	48.84	35.412	3
IndusInd	17.2	21.83	26.85	33.99	39.68	27.91	4
Federal	45.41	49	9.81	11.75	2.77	23.748	5
Kotak Mahindra	12.3	14.7	16.1	19.7	18.9	16.34	6
ICICI	11.22	14.44	17	19.32	16.75	15.746	7
Combined Group 1 and Group 2 Banks							
SBI	184.31	210.06	156.76	17.55	12.98	116.332	1
Axis	102.94	119.67	132.56	31.18	34.59	84.188	2
PNB	154.02	139.52	93.91	16.91	-20.82	76.708	3
BOB	127.84	108.84	107.38	15.83	-23.89	67.2	4
Yes	27.9	36.5	44.9	49.3	60.6	43.84	5
CB	74.1	64.83	54.48	58.59	-53.61	39.678	6
HDFC	22.11	28.49	35.47	42.15	48.84	35.412	7
IndusInd	17.2	21.83	26.85	33.99	39.68	27.91	8
Federal	45.41	49	9.81	11.75	2.77	23.748	9
BOI	48.98	47.79	44.74	26.57	-83.01	17.014	10

Kotak Mahindra	12.3	14.7	16.1	19.7	18.9	16.34	11
ICICI	11.22	14.44	17	19.32	16.75	15.746	12
Source: *Computed by self from Annual Reports of the respective banks.*							

Interpretation: Earnings per Share is measured as profit after tax divided by number of outstanding shares. Oluwole (2021) said banking governance practices is one of the major factors influencing earnings per share. Table 5 shows State Bank of India enjoys the first position among Public Sector Undertaking banks followed by Punjab National Bank and Bank of Baroda. The public sector bank with the least average earnings per share is Bank of India. Axis Bank is the topper among private sector banks which is followed by Yes bank and HDFC Bank. The private sector bank with the least average earnings per share is ICICI Bank. State Bank of India occupies the first position in combined group and it is followed by Axis Bank and Punjab National Bank. ICICI Bank gets last position in the combined group. Public sector banks are clearly enjoying edge with respect to its private sector peers in terms of average earnings per share.

7. Analysis of corporate governance practices of banks

Corporate governance disclosure index, local ownership, board size, board independence, capital adequacy ratio, independence of internal audit committee and number of board meetings in a year are considered as the key variables of corporate governance practices. Table 6 shows ranking of banks on the basis of their corporate governance disclosure index. Table 7 shows ranking of banks on the basis of their local ownership. Table 8 shows ranking of banks on the basis of their average board size. Table 9 shows ranking of banks on the basis of their average board independence. Table 10 shows ranking of banks on the basis of their average capital adequacy ratio. Table 11 shows ranking of banks on the basis of their average audit committee independence. Table 12 shows ranking of banks on the basis of their average number of board meetings.

Table 6: Ranking of Banks for Corporate Governance Disclosure Index

Sl. No	Banks	Total Score	Corporate Governance Disclosure Index	Rank
Group 1 - PSU Banks				
1	Bank of Baroda	249	93.96	2
2	Bank of India	238	89.81	5
3	Canara Bank	244	92.08	3
4	Punjab National Bank	250	94.34	1
5	State Bank of India	242	91.32	4
Group 2 - Private Banks				
1	Axis Bank	248.5	93.77	6
2	Federal Bank	240	90.56	7
3	HDFC Bank	260.5	98.83	3
4	ICICI Bank	257	96.98	4
5	IndusInd Bank	262	98.87	2
6	Kotak Mahindra Bank	262.5	99.06	1
7	Yes Bank	251.5	94.9	5
Combined Group 1 and Group 2 Banks				
1	Kotak Mahindra Bank	262.5	99.06	1
2	IndusInd Bank	262	98.87	2
3	HDFC Bank	260.5	98.83	3

4	ICICI Bank	257	96.98	4
5	Yes Bank	251.5	94.9	5
6	Punjab National Bank	250	94.34	6
7	Bank of Baroda	249	93.96	7
8	Axis Bank	248.5	93.77	8
9	Canara Bank	244	92.08	9
10	State Bank of India	242	91.32	10
11	Federal Bank	240	90.56	11
12	Bank of India	238	89.81	12
Source: *Computed by self from Annual Reports of the respective banks.*				

Interpretation: Table 6 shows Punjab National Bank enjoys the first position among Public Sector Undertaking banks followed by Bank of Baroda and Canara Bank. The public sector undertaking bank with the least corporate governance disclosure index is

Bank of India. Kotak Mahindra Bank is the topper among private sector banks which is followed by IndusInd Bank and HDFC Bank. The private sector bank with the least corporate governance disclosure index is Federal Bank. Kotak Mahindra Bank occupies the first position in combined group and it is followed by IndusInd Bank and HDFC Bank. Bank of India gets last position in the combined group. Private Banks are enjoying edge with respect to its public sector peers in terms of corporate governance disclosure index.

Table 7: Ranking of Banks for Average Local Ownership

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Local Ownership	Rank
Group 1 - PSU Banks							
Bank of India	84.88	86.08	89.46	91.26	100	90.336	1
Canara Bank	85.44	87.74	90.87	89.29	92.16	89.1	2
State Bank of India	88.61	86.68	87.96	85.84	88.81	87.58	3
Bank of Baroda	85.98	82.85	83.9	83.05	88.13	84.782	4
Punjab National Bank	82.6	82	82.8	83.77	89.62	84.158	5
Group 2 - Private Banks							
Kotak Mahindra Bank	68.93	66.1	62.17	60.22	55.77	62.638	1
Federal Bank	61.92	48.4	49.06	60.02	57.77	55.434	2
Yes Bank	48.11	50.45	61.34	54.37	58.2	54.494	3
Axis Bank	58.27	50.71	47.61	49.38	55.39	52.272	4
HDFC Bank	51.18	48.85	48.58	48.27	48.79	49.134	5
IndusInd Bank	49.44	46.09	43.35	43.53	44.79	45.44	6
ICICI Bank	36.84	32.54	30.67	29.48	35.32	32.97	7
Combined Group 1 and Group 2 Banks							
Bank of India	84.88	86.08	89.46	91.26	100	90.336	1
Canara Bank	85.44	87.74	90.87	89.29	92.16	89.1	2
State Bank of India	88.61	86.68	87.96	85.84	88.81	87.58	3
Bank of Baroda	85.98	82.85	83.9	83.05	88.13	84.782	4
Punjab National Bank	82.6	82	82.8	83.77	89.62	84.158	5
Kotak Mahindra Bank	68.93	66.1	62.17	60.22	55.77	62.638	6
Federal Bank	61.92	48.4	49.06	60.02	57.77	55.434	7

Yes Bank	48.11	50.45	61.34	54.37	58.2	54.494	8
Axis Bank	58.27	50.71	47.61	49.38	55.39	52.272	9
HDFC Bank	51.18	48.85	48.58	48.27	48.79	49.134	10
IndusInd Bank	49.44	46.09	43.35	43.53	44.79	45.44	11
ICICI Bank	36.84	32.54	30.67	29.48	35.32	32.97	12
Source: *Computed by self from Annual Reports of the respective banks*							

Interpretation: Shareholding pattern shows holding of stakes between domestic and foreign investors. Domestic ownership or local ownership includes public ownership, institutional ownership and Government ownership. Stiglitz and Weiss (1981), Greenwald and Stiglitz (1986) said that public financial institutions are required due to failures in financial and credit markets. Table 7 shows Bank of India enjoys the first position among Public Sector Undertaking banks followed by Canara Bank and State Bank of India in domestic ownership. The public sector undertaking bank with the least average local ownership is Punjab National Bank. Kotak Mahindra bank is the topper among private sector banks which is followed by Federal bank and Yes Bank. The private sector bank with the least average local ownership is ICICI Bank. Bank of India occupies the first position in combined group and it is followed by Canara Bank and State Bank of India. ICICI Bank gets last position in the combined group.

Table 8: Ranking of Banks for Average Board Size

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Board Size	Rank
Group 1 - PSU Banks							
SBI	14	16	17	14	14	15	1
Bank of India	11	13	13	12	11	12	2
Canara Bank	11	12	13	10	12	11.6	3
Punjab National Bank	12	12	15	8	11	11.6	3
Bank of Baroda	13	13	10	8	10	10.8	4
Group 2 - Private Banks							
Axis Bank	11	14	14	13	13	13	1
ICICI Bank	12	12	12	12	13	12.2	2
HDFC Bank	11	11	11	11	11	11	3
Federal Bank	8	10	10	10	10	9.6	4
Kotak Mahindra Bank	9	9	9	10	11	9.6	4
IndusInd Bank	9	10	9	8	8	8.8	5
Yes Bank	7	7	8	10	11	8.6	6
Combined Group 1 and Group 2 Banks							
State Bank of India	14	16	17	14	14	15	1
Axis Bank	11	14	14	13	13	13	2
ICICI Bank	12	12	12	12	13	12.2	3
Bank of India	11	13	13	12	11	12	4
Canara Bank	11	12	13	10	12	11.6	5

Punjab National Bank	12	12	15	8	11	11.6	5
HDFC Bank	11	11	11	11	11	11	6
Bank of Baroda	13	13	10	8	10	10.8	7
Federal Bank	8	10	10	10	10	9.6	8
Kotak Mahindra Bank	9	9	9	10	11	9.6	8
IndusInd Bank	9	10	9	8	8	8.8	9
Yes Bank	7	7	8	10	11	8.6	10
Source: *Computed by self from Annual Reports of the respective banks*							

Interpretation: Saibaba (2013) indicated that in the Indian context, valuation of company and board size are moving in the same direction. Larger board size may minimize the overlapping of functions. Table 8 shows State Bank of India enjoys the first position among Public Sector Undertaking banks followed by Bank of India and Canara Bank. The public sector undertaking bank with the least average board size is Bank of Baroda. Axis Bank is the topper among private sector banks which is followed by ICICI bank and HDFC Bank. The private sector bank with the least average board size is Yes Bank. State Bank of India occupies the first position in combined group and it is followed by Axis Bank and ICICI Bank. Yes Bank gets last position in the combined group. Public Sector Undertaking banks are enjoying edge with respect to its private peers in terms of average board size.

Table 9: Ranking of Banks for Average Board Independence

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Board Independence	Rank
Group 1 - PSU Banks							
PNB	0.75	0.666667	0.733333	0.625	0.636364	0.682273	1
BOB	0.769231	0.692308	0.6	0.625	0.6	0.657308	2
Bank of India	0.727273	0.615385	0.615385	0.583333	0.545455	0.617366	3
SBI	0.571429	0.5625	0.588235	0.642857	0.642857	0.601576	4
Canara Bank	0.545455	0.5	0.538462	0.6	0.5	0.536783	5
Group 2 - Private Banks							
Federal Bank	0.75	0.8	0.8	0.8	0.8	0.79	1
Yes Bank	0.714286	0.571429	0.625	0.7	0.545455	0.631234	2
ICICI Bank	0.666667	0.666667	0.666667	0.583333	0.538462	0.624359	3
IndusInd	0.555556	0.6	0.555556	0.625	0.625	0.592222	4
Axis Bank	0.545455	0.5	0.5	0.538462	0.615385	0.53986	5
Kotak Mahindra	0.555556	0.555556	0.555556	0.5	0.454545	0.524242	6
HDFC Bank	0.545455	0.545455	0.545455	0.454545	0.454545	0.509091	7
Combined Group 1 and Group 2 Banks							
Federal Bank	0.75	0.8	0.8	0.8	0.8	0.79	1
PNB	0.75	0.666667	0.733333	0.625	0.636364	0.682273	2
BOB	0.769231	0.692308	0.6	0.625	0.6	0.657308	3
Yes Bank	0.714286	0.571429	0.625	0.7	0.545455	0.631234	4
ICICI Bank	0.666667	0.666667	0.666667	0.583333	0.538462	0.624359	5
Bank of India	0.727273	0.615385	0.615385	0.583333	0.545455	0.617366	6
SBI	0.571429	0.5625	0.588235	0.642857	0.642857	0.601576	7
IndusInd	0.555556	0.6	0.555556	0.625	0.625	0.592222	8

Axis Bank	0.545455	0.5	0.5	0.538462	0.615385	0.53986	9
Canara Bank	0.545455	0.5	0.538462	0.6	0.5	0.536783	10
Kotak Mahindra	0.555556	0.555556	0.555556	0.5	0.454545	0.524242	11
Source: *Computed by self from Annual Reports of the respective banks.*							

Interpretation: Board independence measures proportion of independent directors with respect to board size. Jensen & Meckling (1976); Fama & Jensen (1983); Majeed et al.(2020) opined that larger proportion of outside directors is a driving force to improve performance. Table 9 shows Punjab National Bank enjoys the first position among Public Sector Undertaking banks followed by Bank of Baroda, Bank of India and State Bank of India. The public sector bank with the least board independence is Canara Bank. Federal Bank is the topper among private sector banks which are followed by Yes Bank and ICICI Bank. The private sector bank with the least board independence is HDFC Bank. Federal Bank occupies the first position in combined group and it is followed by Punjab National Bank, Bank of Baroda and Yes Bank. HDFC Bank gets last position in the combined group.

Table 10: Ranking of Banks for Average Capital Adequacy Ratio

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Capital Adequacy Ratio	Rank
Group 1 - PSU Banks							
BOB	14.67	13.3	12.28	12.6	13.17	13.204	1
SBI	13.86	12.92	12.44	12	13.12	12.868	2
PNB	12.63	12.72	11.52	12.21	11.28	12.072	3
Canara Bank	13.76	12.4	10.63	10.56	11.08	11.686	4
Bank of India	11.95	11.02	9.97	10.73	12.01%	11.14	5
Group 2 - Private Banks							
ICICI Bank	18.52	18.74	17.7	17.02	16.4	17.676	1
Kotak Mahindra	17.5	16	18.8	17.2	16.3	17.16	2
Yes Bank	17.9	18.3	14.4	15.6	16.5	16.54	3
HDFC Bank	16.52	16.8	16.07	16.8	15.5	16.338	4
Axis Bank	13.66	17	16.07	15.09	15.29	15.422	5
Federal Bank	16.64	14.73	15.14	15.46	13.93	15.18	6
IndusInd Bank	13.85	15.36	13.83	12.09	15.5	14.126	7
Combined Group 1 and Group 2 Banks							
ICICI Bank	18.52	18.74	17.7	17.02	16.4	17.676	1
Kotak Mahindra	17.5	16	18.8	17.2	16.3	17.16	2
Yes Bank	17.9	18.3	14.4	15.6	16.5	16.54	3
HDFC Bank	16.52	16.8	16.07	16.8	15.5	16.338	4
Axis Bank	13.66	17	16.07	15.09	15.29	15.422	5
Federal Bank	16.64	14.73	15.14	15.46	13.93	15.18	6
IndusInd Bank	13.85	15.36	13.83	12.09	15.5	14.126	7
BOB	14.67	13.3	12.28	12.6	13.17	13.204	8
SBI	13.86	12.92	12.44	12	13.12	12.868	9
PNB	12.63	12.72	11.52	12.21	11.28	12.072	10
Canara Bank	13.76	12.4	10.63	10.56	11.08	11.686	11

Bank of India	11.95	11.02	9.97	10.73	12.01%	11.14	12
Source: *Computed by self from Annual Reports of the respective banks.*							

Interpretation: Capital adequacy ratio is computed as tier I2 plus tier II3 capital divided by risk weighted asset. Al-Tamimi and Fakhri (2013) established that ROA and capital adequacy are directly related. Berger and Bouwman (2013) opined that higher level of capital adequacy ratio has increased bank's probability of survival during financial crisis. Beltratti and Stulz (2012) and Demirguc-Kunt, Detragiache and Merrouche (2013) established that banks with higher capital adequacy ratio have a better stock-market performances during the recession and slow down. Table 10 shows Bank of Baroda enjoys the first position among Public Sector Undertaking banks followed by State Bank of India and Punjab National Bank. The public sector bank with the least average capital adequacy ratio is Bank of India. ICICI Bank is the topper among private sector banks which are followed by Kotak Mahindra bank and Yes Bank. The private sector bank with the least average capital adequacy ratio is IndusInd Bank. ICICI Bank occupies the first position in combined group and it is followed by Kotak Mahindra bank and Yes Bank. Bank of India gets last position in the combined group. Private sector banks are clearly enjoying edge with respect to its public sector peers in terms of average capital adequacy ratio.

Table 11: Ranking of Banks for Average Audit Committee Independence

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Audit Committee independence	Rank
Group 1 - PSU Banks							
SBI	0.7143	0.75	0.75	0.75	0.75	0.74286	1
PNB	0.7143	0.625	0.5714	0.75	0.8	0.69214	2
Bank of Baroda	0.667	0.57	0.5	0.667	0.8	0.6408	3
Bank of India	0.667	0.5714	0.5714	0.5714	0.8	0.63624	4
Canara Bank	0.667	0.667	0.5714	0.5714	0.625	0.62036	5
Group 2 - Private Banks							
Federal Bank	1	1	1	1	1	1	1
HDFC Bank	1	1	1	1	1	1	1
ICICI Bank	1	1	1	1	1	1	1
IndusInd Bank	1	1	1	1	0.8	0.96	2
Axis Bank	0.75	0.75	0.75	0.8	1	0.81	3
Yes Bank	0.75	0.75	0.75	0.75	0.8	0.76	4
Kotak Mahindra	0.667	0.667	0.667	0.667	0.667	0.667	5
Combined Group 1 and Group 2 Banks							
Federal Bank	1	1	1	1	1	1	1
HDFC Bank	1	1	1	1	1	1	1
ICICI Bank	1	1	1	1	1	1	1
IndusInd Bank	1	1	1	1	0.8	0.96	2
Axis Bank	0.75	0.75	0.75	0.8	1	0.81	3
Yes Bank	0.75	0.75	0.75	0.75	0.8	0.76	4

[2] Tier I capital includes paid up equity capital as well as reserve and surplus.
[3] Tier II capital includes hidden/undisclosed reserve, cumulative perpetual preference share, revaluation reserve, general provision, subordinated debt (long term unsecured loan), hybrid debt equity instruments such as convertible bond, redeemable cumulative preference share etc.

SBI	0.7143	0.75	0.75	0.75	0.75	0.74286	5
PNB	0.7143	0.625	0.5714	0.75	0.8	0.69214	6
Kotak Mahindra	0.667	0.667	0.667	0.667	0.667	0.667	7
Bank of Baroda	0.667	0.57	0.5	0.667	0.8	0.6408	8
Bank of India	0.667	0.5714	0.5714	0.5714	0.8	0.63624	9
Canara Bank	0.667	0.667	0.5714	0.5714	0.625	0.62036	10
Source: *Computed by self from Annual Reports of the respective banks*							

Interpretation: Bédard & Gendron (2010), Li et al. (2012) and Hamdan et al. (2013) said that size of audit committee is directly related on earnings quality. Bigger audit committee implies it comprises of members with diverse knowledge, vast experience and expertise. Hence committee is able to perform its responsibility of monitoring the financial practices more effectively and efficiently. Table 11 shows State Bank of India enjoys the first position among Public Sector Undertaking Banks followed by Punjab National Bank and Bank of Baroda. The public sector undertaking bank with the least average audit committee size is Canara Bank. Federal Bank, HDFC Bank and ICICI Bank are the toppers among private sector banks which are followed by IndusInd bank and Axis Bank. The private sector bank with the least average audit committee independence is Kotak Mahindra Bank. Federal Bank, HDFC Bank and ICICI Bank occupy the first position in combined group and it is followed by IndusInd bank and Axis Bank. Canara Bank gets last position in the combined group. Private banks are clearly enjoying edge with respect to its private sector peers in terms of average internal audit committee independence.

Table 12: Ranking of Banks for Average Number of Board Meetings

Banks	2011-12	2012-13	2013-14	2014-15	2015-16	Average Earnings Per Share	Rank
Group-1 PSU Banks							
Bank of Baroda	17	17	20	18	13	17	1
Canara Bank	15	13	16	13	14	14.2	2
Bank of India	14	12	12	15	14	13.4	3
Punjab National Bank	13	12	13	11	13	12.4	4
State Bank of India	12	13	12	12	12	12.2	5
Group-2 Private Banks							
Federal Bank	9	9	11	9	9	9.4	1
Axis Bank	10	11	6	7	5	7.8	2
HDFC Bank	6	6	8	10	7	7.4	3
IndusInd Bank	7	7	7	6	9	7.2	4
Kotak Mahindra	6	6	6	10	8	7.2	4
ICICI Bank	6	5	6	7	10	6.8	5
Yes Bank	4	5	5	4	4	4.4	6
Combined Group I and Group II Banks							
Bank of Baroda	17	17	20	18	13	17	1
Canara Bank	15	13	16	13	14	14.2	2
Bank of India	14	12	12	15	14	13.4	3
PNB	13	12	13	11	13	12.4	4
State Bank of India	12	13	12	12	12	12.2	5
Federal Bank	9	9	11	9	9	9.4	6

Axis Bank	10	11	6	7	5	7.8	7
HDFC Bank	6	6	8	10	7	7.4	8
IndusInd Bank	7	7	7	6	9	7.2	9
Kotak Mahindra	6	6	6	10	8	7.2	9
ICICI Bank	6	5	6	7	10	6.8	10
Yes Bank	4	5	5	4	4	4.4	11
Source: *Computed by self from Annual Reports of the respective banks*							

Interpretation: Adams and Ferreira (2012) opined that though directors' attendance behaviour is affected by various nonregulatory incentives, the regulatory pressure provides the main motivation for directors to attend sufficient number of board meeting. Table 12 shows Bank of Baroda enjoys the first position among Public Sector Undertaking banks followed by Canara Bank and Bank of India. The public sector bank with the least average number of board meetings is State Bank of India. Federal Bank is the topper among private sector banks which is followed by Axis Bank and HDFC Bank. The private sector bank with the least average number of board meetings is Yes Bank. Bank of Baroda occupies the first position in combined group and it is followed by Canara Bank and Bank of India. Yes Bank gets last position in the combined group. Public sector undertaking banks are clearly enjoying edge with respect to its private sector peers in terms of average number of board meetings in a year.

8. Overall ranking

Overall ranking of the banks has been done on the basis of their individual ranks on each of 12 performance variables. Table 13 shows overall ranking of banks on the basis of 5 financial and 7 governance variables. For the purpose of analysis, individual rank got by the banks is allotted again and total of that score is calculated. Thereafter the average score is calculated and on the basis of this average, overall ranks are given to the banks from smallest to largest, group wise and jointly. The bank with the least average has been awarded first rank and so on.

Table 13: Overall Ranking

Name	CGDI	AI	ALO	ABS	ABI	AROA	ANPA	ACAR	AROE	AAC	AEPS	ABM	Total	Average	Rank
	Group 1 - PSU Banks														
SBI	4	1	3	1	4	1	2	2	2	1	1	5	27	2.25	1
BOB	2	3	4	4	2	3	1	1	4	3	3	1	31	2.58	2
PNB	1	2	5	3	1	2	5	3	1	2	2	4	31	2.58	2
CB	3	4	2	3	5	3	3	4	3	5	4	2	41	3.41	3
BOI	5	5	1	2	3	4	4	5	5	4	5	3	46	3.83	4
	Group 2 - Private Banks														
HDFC	3	2	5	3	7	1	2	4	2	1	3	3	36	3	1
Axis	6	3	4	1	5	4	4	5	3	3	1	2	41	3.42	2
Yes	5	4	3	6	2	6	1	3	1	4	2	6	43	3.58	3
KM	1	5	1	4	6	2	5	2	5	5	6	4	46	3.83	4
ICICI	4	1	7	2	3	5	7	1	6	1	7	5	49	4.08	5
IndusInd	2	6	6	5	4	3	3	7	4	2	4	4	50	4.17	6
FB	7	7	2	4	1	7	6	6	7	1	5	1	54	4.5	7
	Combined Group 1 and Group 2 Banks														
HDFC	3	3	10	6	12	1	2	4	2	1	7	8	59	4.92	1
Axis	8	7	9	2	9	4	4	5	3	3	2	7	63	5.25	2
Yes	5	9	8	10	4	6	1	3	1	4	5	11	67	5.58	3
SBI	10	1	3	1	7	8	9	9	9	5	1	5	68	5.66	4
ICICI	4	2	12	3	5	5	7	1	7	1	12	10	69	5.75	5
PNB	6	4	5	5	2	9	12	10	6	6	3	4	72	6	6
BOB	7	5	4	7	3	10	8	8	11	8	4	1	76	6.33	7
Kotak	1	10	6	8	11	2	5	2	5	7	11	9	77	6.42	8
IndusInd	2	11	11	9	8	3	3	7	4	2	8	9	77	6.42	8
FB	11	12	7	8	1	7	6	6	8	1	9	6	82	6.83	9
CB	9	6	2	5	10	11	10	11	10	10	6	2	92	7.66	10
BOI	12	8	1	4	6	12	11	12	12	9	10	3	100	8.33	11

Interpretation: Table 13 shows in Group 1 banks, State Bank of India leads with average of 2.25, followed by the Bank of Baroda and Punjab National Bank where both the banks have secured second position with an average of 2.58. The bank at last rank in public sector banks is Bank of India with the average score of 3.83. In Group 2 banks, HDFC Bank leads with the average of 3 followed by Axis Bank [3.42] and Yes Bank [3.58]. The bank at last position stands Federal Bank with the score of 4.5. In combined group, the HDFC is leading with the average of 4.92 followed by Axis Bank [5.25] and Yes Bank [5.58]. The bank stood at last is Bank of India with an average of 8.33.

9. Conclusion

After taking into consideration both financial as well as governance parameters, it has been observed that HDFC bank is doing the best among the selected sample. Axis Bank is securing the second position. State Bank of India is no doubt leading among PSU banks but its rank is 4th in the combined group of PSU and Private Banks. So, it can be concluded that investors can put their hard-earned money in the stock of HDFC Bank, Axis Bank, Yes Bank and State Bank of India for their long-term wealth maximization purpose.

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