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ETHICS AND CORPORATE GOVERNANCE IN INDIAN BANKING SECTOR

Submitted to:

Indian Institute of Banking and Finance

(Macro Research Proposal- 2017-18)

Submitted by:

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Executive Summary

Indian Institute of Management Lucknow

Executive Summary

Post the US financial crisis and subsequent meltdown in the financial markets and more recently back home, the Indian Banking system waking up to the reality check of huge bad loans on their Balance Sheet has raised serious questions over the quality of governance and reporting in these large banks. Given the importance of the banking sector in a savings driven economy like India, this study was taken to understand and estimate the level of ethical practices/ quality of reporting and internal Corporate Governance models banks follow. Also, there was a need to study that do our markets provide enough incentives and rewards to managers to practice full disclosures and not get into unethical practices and also adopt sound corporate governance models. The study made a humble attempt to measure the level of Corporate Governance and the Quality of Reporting in Indian Banks using some standard surrogates and also tries to read the market sentiments using the media (both electronic as well as social media) as a tool for investigating the market reaction.

Banks form a crucial link in a country's financial system and their robustness is imperative for the economy. The significant transformation of the banking industry in India is clearly evident from the metamorphism of the financial markets. Globalization has brought with it greater competition and consequently greater risks. In such scenario it becomes imperative to ensure a good ethical culture and a sound corporate governance system in the banking sector. After all the banks, who are the custodians of public deposits in a country like ours and where majority of the savings of the population flows to banks, have a very pivotal role in shaping the direction of the economy. Since major lending decisions are essentially taken by people at the top, it is very important to have the right people at the top who have demonstrated very high ethical behavior and display he highest level of integrity.

Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for a given situation. Ethics is the embodiment of moral values, which describes, what is right & what is wrong & what ought to

be. Further, the perceptions of ethical or unethical change at times because some values are dropped & some values are added over the period. In this broad sense ethics in business is simply the application of everyday moral or ethical norms to business. Core ethical values include honesty, integrity, fairness, responsible citizenship and accountability. It is relatively easy to identify unethical business practices. However, it is not always easy to create hard-and-fast definitions of good ethical practices. The complexities of operations and transactions that happen in the financial sector; making such demarcation become all the more difficult. They must also pay close attention to moral concerns in order to make the right ethical decisions on a day-to-day basis. The upholding of an ethical culture in banking is of critical interest to regulators, banks, employees and customers alike. Banking ethics are the moral or ethical principles that certain banks chose to abide by. There isn't an ethics ombudsman or a universal code of ethical conduct as such but a major role is played by the corporate governance; system and policies.

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making. Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency. In not just Indian but global scenario, the demand for providing clear and quality financial reports has gone up. It is essential to provide high-quality financial reporting to influence users in making investments decisions, and to enhance market efficiency. It includes not just the quantifiable aspects but also the necessary non- financial aspects as well. The higher the quality of financial reporting, the higher are the benefits to be achieved.

Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Corporate governance covers a range of issues such as protection of shareholders' rights, enhancing shareholders' value, Board issues including practices, the control systems, in particular internal control systems. As in any organization, good corporate governance in banks regulates the relationships between banks' stakeholders, their Boards and their management. It prevents the abuse of power and self-serving conduct, restricts imprudent and high risk behavior by bank managers, and resolves conflicts of interests between managers and board members on the one hand and shareholders and depositors on the other.

For the purpose of study, there was a three pronged approach:

1. Construction of a well-defined and acceptable Corporate Governance Index that would include consideration of following parameters/ surrogates.
    a) Level of Earnings Management (Discretionary Cash Accruals)
    b) Board of Directors/ Independent Directors
    c) Audit Committee/ Risk Management Committee
    d) Accounting Policies and Procedures
    e) Disclosure Norms/ Standards
    f) Cooperation between Board and Management/ Attendance in Board meetings
    g) Employee satisfaction etc
2. Construction of a rank based on Quality of Financial Reporting: The current study will depend on the following qualitative characteristics: relevance, faithful representation, understandability and comparability by totalize the scores on the related items and dividing it by the total number of items.
    a. **Relevance** is usually operationalized in terms of predictive and confirmatory value. IASB (International Accounting Standard Board) defines relevance as the capability of making a difference in decisions made by users on their capacity as capital providers
    b. **Faithful representation** means that all information listed in financial report must be represented faithfully, IASB, (2006) stated that in order to accomplish this; all information and economic phenomena listed in annual reports must be complete, accurate, neutral, and free from bias and errors.
    c. **Understandability:** Understandability is referred to the process of classifying,

characterizing, categorizing, then presenting the financial information clearly and concisely, for (IASB, 2008) understandability means assuring financial information transparency and clearness, this process needs referring to some financial measures.

d. **Comparability:** Comparability means the ability the information has in explaining and identifying similarities in and differences between two common sets or transactions of economic phenomena

e. **Timeliness**: The last enhancing qualitative characteristic discussed in the IASB (2010) conceptual framework is timeliness. The framework defines timeliness as having information available to decision makers before it loses its capacity to influence decisions

3. Evaluation of market reaction by conducting Sentimental Analysis on Indian Banks by using both electronic and social media. Also, a structured questionnaire was send to ex bankers, senior academicians in the field of banking to get a first-hand feedback about what they think about the whole issue of Ethical reporting in Banks and what they see are the real challenges related to the governance structure in the banking industry.

Brief Discussion about the results

On Corporate Governance Index, the results are in line with expectations. The banks who have scored the highest ranks are Kotak, HDFC Bank. On Quality of Financial reporting, the results are very encouraging. Most of the government owned banks score quite good marks; some even better than private banks. More or less the level of financial reporting has matured to a level whereby most of the banks are on same page when it comes to disclosures practices. Some public sector banks score low as compared some private sector banks. It is still an area of concern being that in terms of overall quality of reporting, Indian banks in general are far behind their global counterparts. The global banks after the meltdown have taken serious efforts to build the trust and confidence in the banking system which suffered a serious setback during the Lehman collapse. They are presenting the information about the performance in a more of discussion way, explaining each and every thing to shareholders both in terms of the current performance and risk but also what can be expected from them in near future. They have become extremely proactive in discussing all major risks the bank is exposed to with the shareholders.

Market Reaction: Sentiment Analysis was carried out both on Electronic media and Social Media to understand the market reaction and perception. Major Newspapers were dominated by bad news about the sector, although there was some good news too. Again private banks have done better in terms of media relations and the overall perception in the mind of people reflected in tweets and other social media posts.

Brief Recommendations

State owned banks need to pull up their socks in terms of better visibility in the media and creating a favorable image. Their reporting quality is as good as their private counterparts but the corporate governance structure is little weak. It is not just important to be ethically correct; people should believe in your ethical standards too.

Content

RESARCH METHODOLOGIES USED IN THE ENTIRE STUDY

The entire study was done keeping three questions in mind:

4. What is the level of Corporate Governance practices in Indian Banks?
5. What is the level of Quality of Financial Reporting in Indian Banks?
6. What is the response to news related to banking sector on Social Media?

The first 2 questions were basically used as a proxy for measuring level of Ethics in Indian Banking. And it was tested that whether factors like Corporate Governance and Quality of Reporting have any impact on market performance.

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   l) Disclosure Norms/ Standards
   m) Cooperation between Board and Management/ Attendance in Board meetings
   n) Employee satisfaction etc
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d. **Comparability:** Comparability means the ability the information has in explaining and identifying similarities in and differences between two common sets or transactions of economic phenomena

e. **Timeliness**: The last enhancing qualitative characteristic discussed in the IASB (2010) conceptual framework is timeliness. The framework defines timeliness as having information available to decision makers before it loses its capacity to influence decisions

3. **Evaluation of market reaction by conducting Sentimental Analysis on Indian Banks by using both electronic and social media**.
4. **Also, a structured questionnaire was send to ex bankers, senior academicians** in the field of banking to get a first-hand feedback about what they think about the whole issue of Ethical reporting in Banks and what they see are the real challenges related to the governance structure in the banking industry.

DETAILS ABOUT EACH METHODOLOGY

1. The Corporate Governance index used in our study

Using the working paper by Sarkar, J. et al (2012), we have prepared an index of corporate governance (CGI) for banks in India. The four main governance mechanisms considered in our CGI are as follows:

- Board of Directors
- Ownership Structure
- Audit Committee
- Auditor

There are several sub-items under each governance mechanism that have been considered. The scoring method and rationale is outlined below:

Item Name	Nature	Score Range	Scoring Method	Rationale Behind Scoring Method
1. Board size	Item Score	0-5	Increases from 1 to 5; decreases 6 onwards	Studies point out a non-linear relationship between board size and performance (Reference: De Andres and Vallelado (2008), using a two-step system estimator model, find an inverted U-shaped relationship between board size and firm performance.)
2. Percentage of outside directors	Item Score	0-5	Increases with increase	
3. Percentage of independent directors	Item Score		Same as above, so ignore it	Not used in our CGI
4. Presence of nominee directors	Item Score	0-5	0 if Yes; 5 if No	
5. Board chairman	Item Score	0 or 5	0 if Exec; 5 if Independent	CEO duality has been found to lead to under-performance
6. Presence of promoter on board	Item Score	0 or 5	0 if Yes; 5 if No	Possible conflict of interest

7. Total number of directorships held by independent directors	Item Score	0-5	Decreases with increase	Indicates busyness of the director and the consequent ability to be diligent
8. Number of board meetings held	Item Score	0-5	Increases with increase	Points to the seriousness of directors
9. %age of board meetings attended by independent directors	Item Score	0-5	Increases with increase	Points to the seriousness of independent directors
10. Percentage of independent directors who attended AGM	Item Score	0-5	Increases with increase	Points to the seriousness of independent directors
Bord of Directors	Governance Mechanism (Sub Index 1)	0-100	Calculation	
1. Percentage of promoter ownership	Item Score	0-5	Decreases with increase	Possible conflict of interest
2. Percentage of foreign institutional ownership	Item Score	0-5	Increases with increase	Greater FII ownership should be a bigger disciplining influence on the Board and the management
3. Percentage of domestic financial institution ownership	Item Score	0-5	Increases with increase	Greater institutional ownership should be a bigger disciplining influence on the Board and the management
4. Percentage of dispersed ownership	Item Score	0-5	Decreases with increase	Too may small owners cannot influence the workings of the Board and the management
O Ownership Structure	Governance Mechanism (Sub Index 2)	0-100	Calculation	
1. Size of audit committee	Item Score	0-5	Increases with increase	A bigger audit committee is expected to have more expertise and time to monitor the management
2. Percentage of independent directors	Item Score	0-5	Increases with increase	Avoidance of conflict of interest
3. Presence of executive dir ectors in audit committee	Item Score	0-5	Decreases with increase	Possible conflict of interest

4. Number of m ee tings held	Item Score	0-5	Increases with increase	Points to the seriousness with which the audit committee is doing its work
Audit Committee	Governance Mechanism (Sub Index 3)	0-100	Calculation	
1. Percentage of non-audit fees to total payment to auditors	Item Score	0-5	Decreases with increase	Possible conflict of interest
2. Top auditor in terms of audit fees	Item Score	0-5	Increase with auditor reputation	A top auditor is unlikely to be influenced / coerced by the management to sign off suspicious books
3. Top auditor in terms of audit clients	Item Score	0-5	Increase with auditor reputation	A top auditor is unlikely to be influenced / coerced by the management to sign off suspicious books
4. Change in auditor from last year	Item Score	0-5	5 if Yes; 0 if No	Rotation of auditor is expected to lead to fresh perspectives and possibility of unearthing suspicious transactions
Auditor	Governance Mechanism (Sub Index 4)	0-100	Calculation	

2. The QFR index used in our study

We have used the QFR index developed by Nijmegen Center for Economics (NiCE) which incorporates qualitative characteristics like relevance, faithful representation, understandability, comparability and timeliness. The index tries to operationalize and measure the quality component of a financial report which IASB and FASB stresses on. Relevance and faithful representation has been defined as fundamental qualitative characteristics, while understandability, comparability and timeliness have been defined as enhancing qualitative characteristics according to 'An improved Conceptual Framework for Financial Reporting' of the FASB and the IASB (2008). The rating occurs on a 5-point scale. The index is further described below –

S.N	Characteristic
Relevance – The capability of making a difference in the decisions made by users in their capacity as capital providers	
R1	It measures the extent to which annual reports provide forward-looking statements. The forward-looking statement usually describes management's expectations for future years of the company.
R2	It measures to what extent the annual reports disclose information in terms of business opportunities and risks
R3	It measures company's use of fair value
R4	It measures whether the annual report provides feedback information on how various market events and significant transactions affected the company

Faithful Representation - To faithfully represent economic phenomena that information purports to represent, annual reports must be complete, neutral, and free from material error	
F1	It measures whether the annual report explains the assumptions and estimates made clearly
F2	It measures whether the annual report explains the choice of accounting principles clearly
F3	It measures whether the annual report highlights the positive and negative events in a balanced way when discussing the annual results
F4	It measures the type of Auditor's report included in the annual report
F5	It measures whether the annual report extensively discloses information on corporate governance issues
Understandability – It is referred to, when the quality of information enables users to comprehend their meaning	
U1	It measures whether the annual report is well-organized
U2	It measures whether the notes to the balance sheet and the income statement are clear
U3	It measures whether the graphs and tables clarify the information presented
U4	It measures whether the use of language and technical jargon is easy to follow in the annual report
U5	It measures whether the annual report includes a comprehensive glossary
Comparability – It is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena	
C1	It measures to what extent the notes to changes in accounting policies explain the implications of the change
C2	It measures to what extent the notes to revisions in accounting estimates and judgments

	explain the implications of the revision
C3	It measures to what extent the company's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates
C4	It measures to what extent the results of current accounting period are compared with results in previous accounting periods
C5	It measures to what extent is the Information in the annual report is comparable to information provided by other organizations
C6	It measures to what extent the annual report presents financial index numbers and ratios
Timeliness – It means having information available to decision makers before it loses its capacity to influence decision	
T1	It measures the natural logarithm of amount of days it took for the auditor signed the auditors' report after book-year end

3. **SOCIAL MEDIA ANALYTICS: For the purpose of Sentiment analysis, microblogging** service Twitter has been used. Twitter is a social networking and microblogging service that allows users to post real time messages, called tweets. Tweets are short messages, restricted to 140 characters in length. Due to the nature of this microblogging service (quick and short messages), people use acronyms, make spelling mistakes, use emoticons and other characters that express special meanings.

The rationale for using a microblogging website and Twitter for doing the analysis are as under:

1. **Valuable source of people's opinion:**

Diverse people having diverse knowledge experiences express themselves on a microblogging website related to different topics which makes these sites a rich source of opinion people have about almost anything.

2. **Huge data on Twitter:**

Twitter boosts itself of having a vast amount of text posts and users. These users grow each day. The collected data from Twitter hence is large to do any analysis.

3. Twitter User's:

User's on twitter varies from a celebrity to politicians and from regular users to company representatives hence providing a chance to hear everyone's opinion from each strata and covering stakeholders. Even head of state like a country's president and prime minister are also present on Twitter.

4. Geography barrier is broken:

Audience and users on Twitter are from many part of the country. Since, internet is able to penetrate wide areas of our country, users are also from various parts of our country hence freeing from regional bias if any.

Methodology used:

1. Data collection
2. Pre-processing
3. Classification
4. Results

Data Collection

Authorized tweet related to the Bank was collected from Twitter. “Hashtags”, name of the bank and abbreviation of the bank is used to search relevant data from Twitter. Language for the study has been kept as English in the search criterion.

Pre-processing

Collected tweets are processed to:

a. Remove blank spaces
b. Replace @Username
c. Remove punctuations
d. Remove links
e. Remove tabs
f. Remove blank spaces at the beginning
g. Remove blank spaces at the end

Processed data is used to create a corpus via which word cloud is created.

Classification

Saif Mohammad’s NRC Emotion lexicon is implemented to data collected.

According to Mohammad, “the NRC emotion lexicon is a list of words and their associations with eight emotions:

a. anger,
b. fear,
c. anticipation,
d. trust,
e. surprise,
f. sadness,
g. joy, and
h. disgust

and two sentiments:

a. negative and
b. positive)”

4. **Lastly, there was a Questionnaire prepared and sent across to various experts in Banking industry to gather primary data. The same are attached.**

Kindly tick mark/ discuss for the following questions based on **QUALITY OF FINANCIAL REPORTING**

SR NO	QUESTIONS	PUBLIC SECTOR BANK		PRIVATE SECTOR BANK	
1	**The annual reports disclose forward looking information to help forming expectations and predictions concerning the future of the company**				
2	**No un-due delays in the presentation of financial reports**				
3	**The annual report provides feedback information on how various market events and significant transactions affected the company**				
4	**The annual report explains the assumptions and estimates made clearly; valid arguments provided to support the decision for certain assumptions and estimates in the annual report**				
5	**The annual report explains the choice of accounting principles clearly**				
6	**The annual report includes an unqualified auditor's report**				
7	**The annual report extensively discloses information on corporate governance issues**				
8	**The annual report presented in a well-organized manner**				
9	**Sources and level of expenditure can easily be understood**				
10	**Business assets are easy to be identified in terms of value and nature**				
11	**The presence of graphs and tables clarifies the presented information**				
12	**The use of language and technical jargon is easy**				

	to follow in the annual report				
13	**The notes to changes in accounting policies and estimates explain the implications of the change**				
14	**The company's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates**				
15	**Information in the annual report is comparable to information provided by other organizations**				

Kindly tick mark/ discuss for the following questions based on **CORPORATE GOVERNANCE**

SR NO	QUESTIONS	PUBLIC SECTOR BANK		PRIVATE SECTOR BANK	
1	**Is the Board size having a favourable impact for corporate governance?**				
2	**Does the percentage of outside directors impact the state of governance?**				
3	**Does the percentage of independent directors impact the state of governance?**				
4	**The Presence of promoter on board has a bearing on governance**				
5	**The Number of board meetings held is indicative of business administration**				
6	**The Percentage of board meetings attended by independent directors is reflective of business governance**				
7	**Will a higher percentage of promoter ownership have a bearing on governance?**				
8	**Would a higher percentage of foreign institutional ownership affect the administration?**				
9	**A higher percentage of dispersed ownership**				

	effects the business governance.				
10	**Does the size of audit committee influence the governance?**				
12	**The number of meetings held by Audit Committee is indicative of business governance.**				
13	**Does the percentage of non-audit fees to total payment to auditors, have a bearing on governance?**				
15	**Is the presence Top auditor in terms of audit clients reflective of a good business governance?**				
16	**Would there be an impact on business administration if there is a change in auditor from last year?**				

1

Chapter One

Quality of Financial Reporting

1 Chapter 1: QUALITY OF FINANCIAL REPORTING

1.1 What is QFR?

Financial reports provide a peek into the performance of a company and occupy an important position in the decisions taken by investors and creditors. They are instrumental in telling a company's story to the world. Financial reports primarily include a balance sheet, income statement and cash flow statement. In addition to these, a financial report also consists of a self-appraisal of the company along with its functional highpoints. All these reasons make the importance of an accurate financial report unquestionable.

In not just Indian but global scenario, the demand for providing clear and quality financial reports has gone up. Quality is often termed as a relational and not a physical attribute since it can’t be directly measured. It can only be compared in a relationship with something else. The degree to which reported earnings capture economic reality is called earnings quality (Parsons and Krishnan, 2006). Poor earnings quality coupled with weak governance mechanisms can adversely affect the reliability of financial statements for investors, weaken the link between earnings and firm valuation, and increase transaction costs in the capital market (Sarkar, Sarkar and Sen, 2008). It is essential to provide high-quality financial reports to influence users in making investments decisions and to enhance market efficiency. It includes not just the quantifiable aspects but also the necessary non-financial aspects as well. Better the quality of financial reporting, the higher are the benefits to be achieved by users.

Why QFR is more important for banks QFR acts as an effective tool for reducing information asymmetry between management and shareholders. In the case of banking, many prudential ratios like CRR and leverage ratios are derived from financial reporting. Any leeway in banking financial reporting can have a catastrophic impact on the financial markets as the recent US financial crisis has shown us. The crisis was marked by extreme use of historical accounting which impacted the timely recognition of losses. India has been dealing with something similar for the past 3-4 years. RBI carried out an expanded annual financial inspection in 2015-16 which identified top loss-making accounts and directed Indian banks to carry out proper provisioning. This led in mounting losses for the Indian banking sector. This extreme situation could have been avoided had banks followed proper recognition and asset classification in line with prudential norms.

To appreciate the importance of QFR in banks, we also need to take a look into the evolution of significant policies impacting banking business in India. These policies include both Government of India policies and RBI policies. Following economic reforms many policies like the establishment of DRT, CDR, SDR, SARFAESI Act, SMA recognition, etc. were implemented to identify and classify assets according to practical standards. However, this only led to a scenario where accounts were being ever-greened, and investors were not given a proper picture regarding the actual situation. Since loan quality is not observable, bankers can get involved in earnings management utilizing the lack of transparency in provisioning. QFR is important asit attains significance in banking since a well-functioning banking sector can result in efficient capital allocation in the market.

Financial reporting in India is also set to change to Ind AS standards, which eventually converge with IFRS. The objective of this Indian Accounting Standard (Ind AS) is to ensure that an entity's first Ind-AS financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that: (a) is transparent for users and comparable over all periods presented; (b) provides a suitable starting point for accounting in accordance with Ind-AS; and (c) can be generated at a cost that does not exceed the benefits (Mca.gov.in, 2018).While corporates in India have started implementing Ind AS standards from April 1, 2016, Indian banks have been given a permission to defer this transition till April 1, 2019. The eventual merger of accounting standards would provide benefits like reducing the distinctive reporting regulation between countries, reducing the cost of multinational company financial reporting, and reducing the cost of financial statement analysis (Yurisandi and Puspitasari, 2015).

Literature Review on QFR in general and then Banks in particular

Providing high-quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency (IASB, 2008). Despite the popular wisdom that earnings management exists in a country, it is remarkably difficult for researchers to document its existence convincingly

(Healy and Wahlen, 1999). Motivations for earnings management have been extensively covered in existing academic research. It has been suggested that earnings management is associated with gain maximization by sending positive signals to the market by executives (Jaggi and Tsui, 2007).

A research in Saudi public firms revealed four main incentives for Saudi managers to manage earnings – 'to increase the amount of remuneration,' 'to report a reasonable profit and avoid loss,' 'to obtain a bank loan' and 'to increase share price' (Habbash and Alghamdi, 2015). As far as the quality of financial reporting is concerned, many factors impacting it have been researched. Managerial ability is one such factor. A direct correlation is found between the quality of financial reporting and managerial ability (García-Meca and García-Sánchez, 2018). Managerial personal background also plays an important role in disclosure style with managers from finance and accounting and those with military experience favoring more precis disclosure and less earnings management (Bamber, Jiang and Wang, 2010). Jiang, Zhu and Huang, 2013 show that CEOs with financial experience tend to do less real earnings management. Also, the personality traits of managers have been studied, with overconfident managers found tending to delay loss recognition and generally using less conservative accounting (AHMED and DUELLMAN, 2012). Apart from individual impact, the relationship between board composition and earning timeliness has also been studied with results indicating that firms with a higher proportion of outside board members having a tendency of timely recognition of bad news in earnings (Beekes, Pope and Young, 2004).

As far as banking is concerned, current literature shows us that the impact of ownership structure influences bank accounting with public banks exhibiting more timely earnings decline and loan losses (Craig Nichols, Wahlen and Wieland, 2008). Leventis, Dimitropoulos and Owusu-Ansah, 2013 suggest that banks with effective governance structure recognize higher loan loss provisions and maintain higher levels of accounting conservatism. A study of Lebanese banking sector has also indicated that quality of financial reporting can be improved by having higher proportion of debt, higher ownership by shareholders and higher board size (Mahboub, 2017). Also according to Gras-Gil, Marin-Hernandez and Garcia-Perez de Lema, 2012, Spanish Banks having higher collaboration between internal and external auditors, have high quality financial reporting.

The QFR index used in our study

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Faithful Representation - To faithfully represent economic phenomena that information purports to represent, annual reports must be complete, neutral, and free from material error	
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F3	It measures whether the annual report highlights the positive and negative events in a balanced way when discussing the annual results

F4	It measures the type of Auditor’s report included in the annual report
F5	It measures whether the annual report extensively discloses information on corporate governance issues
Understandability – It is referred to, when the quality of information enables users to comprehend their meaning	
U1	It measures whether the annual report is well-organized
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U4	It measures whether the use of language and technical jargon is easy to follow in the annual report
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Comparability – It is the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena	
C1	It measures to what extent the notes to changes in accounting policies explain the implications of the change
C2	It measures to what extent the notes to revisions in accounting estimates and judgments explain the implications of the revision
C3	It measures to what extent the company’s previous accounting period’s figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates
C4	It measures to what extent the results of current accounting period are compared

	with results in previous accounting periods
C5	It measures to what extent is the Information in the annual report is comparable to information provided by other organizations
C6	It measures to what extent the annual report presents financial index numbers and ratios
Timeliness – It means having information available to decision makers before it loses its capacity to influence decision	
T1	It measures the natural logarithm of amount of days it took for the auditor signed the auditors' report after book-year end

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Chapter Two

Corporate Governance

1 Chapter 2: Corporate Governance in Indian Banking

1.1 What is Corporate Governance

While Corporate Governance is a framework to protect the interests of the minority shareholders, there is an increasing recognition that good corporate governance practices help a company's operating and market performance as well. According to some research, good Corporate Governance practices help firms conserve and make good use of their accumulated cash holdings (Dittmar and Mahrt-Smith, n.d.), while other authors have pointed out positive impact of Corporate Governance on quality of disclosures (Eng and Mak, 2003; Larcker, Richardson and Tuna, 2007).

"Corporate governance is not just corporate management, it is something much broader to include a fair, efficient and transparent administration to meet certain well-defined objectives. It is a system of structuring, operating and controlling a company with a view to achieve long-term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers,

and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs. When it is practiced under a well-laid out system, it leads to the building of a legal, commercial and institutional framework and demarcates the boundaries within which these functions are performed." (Corporate governance: Time for a Metamorphosis' The Hindu July 9, 1997.)

The Cadbury committee has also defined the term "Corporate Governance" and according to the committee, it means, "(It is) the system by which companies are directed and controlled." It may also be defined as a system of structuring, operating and controlling a company with the following specific aims:

(i) Fulfilling long-term strategic goals of owners;

(ii) Taking care of the interests of employees;

(iii) A consideration for the environment and local community;

(iv) Maintaining excellent relations with customers and suppliers;

(v) Proper compliance with all the applicable legal and regulatory requirements.

Adoption of good corporate governance practices is usually done with the aim of balancing the interests of the various stakeholders a firm has. Over-emphasis on meeting the needs (or interests) of one group may jeopardize not just the interests of the other groups but also the long-term survival of the firm itself. For instance, maximization of firm's profit at the cost of its customers and employees strips the firm of its long-term competitiveness in the market. Company management, therefore, needs to have multiple objectives as part the company's long-term and annual plans to ensure that all the stakeholders' interests are being taken care of. There is, however, a limit on the extent to which the management can be 'true' to all the different (and often conflicting) objectives. Good corporate governance practices, e.g., having an independent board of directors, aim to instill a mechanism of control in the way the company management would work and thereby ensure that it is true to its multiple stakeholders' interests.

A lot of research has dealt with the definition and / or composition of good Corporate Governance. Starting with Gompers, Ishii and Metrick, 2003, who looked at 24 governance rules and created a Governance Index to proxy for the level of shareholder rights at about 1,500 firms during the 1990s, others have tried to shorten the list (while retaining the explanatory power). For instance, Bebchuk, Cohen and Ferrell, 2008 zeroed in on 6 of the 24 factors studied by Gompers et al, and found these 6 to have sufficient ability to proxy for Corporate Governance.

Challenges faced

Some unique features of banks that make their corporate governance different from, and more complicated than, that of other firms are:

1. Financial statements of banks are quite complex a feature that makes it difficult for shareholders and investors to monitor managers, while simultaneously making it easier for managers and large investors to exploit the benefits of control.
2. Although information asymmetries exist in all sectors, evidence suggests that these asymmetries are larger with banks. In banking, loan quality is not readily observable and can be camouflaged for long periods. Moreover, banks can alter the risk composition of their assets more quickly than most non-financial industries, and banks can readily hide problems by extending loans to clients that cannot service previous debt obligations.
3. The capital structure of banks is unique in the sense that banks are highly leveraged. Bank balance sheets also display an asset-liability maturity mismatch, with liabilities being mainly short-term and assets that on average have longer maturities, thereby exposing them to greater risk.
4. Given the vulnerable position of depositors and the systemic importance of banks,

banks all over the world are very heavily regulated, with regulations being very wide in scope, covering activity restrictions (products, branches), prudential requirements (loan classification, reserve requirements, capital adequacy, etc.) and restrictions on concentration of ownership, entry, takeover, etc. These regulations often pose a hindrance to normal corporate governance mechanisms by which shareholders could control the management.

5. Banks in every country have access to government safety nets, which can weaken the incentive of shareholders and depositors to monitor the activities of bank management, a fact that can pose a great moral hazard.
6. State ownership of banks presents a problem for corporate governance since it creates a situation of conflict of interest between the state as a monitoring authority and as a regulatory authority. State ownership could also mean that the managing of the bank is handed to bureaucrats rather than professionals.
7. There could be a contagion effect resulting from the instability of one bank, which would affect a class of banks or even the entire financial system and the economy. The current global economic crisis grew out of a financial crisis, which in turn was a result of a banking crisis caused by excessive risk-taking and poor corporate governance.

Crucial nature of Board Composition

The current state of the world economy is in some measure attributable to the fact that bank boards did not properly discharge their duties in exercising oversight on managers engaging in high risk activities. The corporate governance of the financial sector clearly has important implications for the stability of the whole economy. The Basel Committee on Banking Supervision (under the aegis of the Bank for International Settlement) published guidelines on corporate governance in banks in 1999, and has continuously updated them. In India, the banking sector is also subject to a hoard of prying eyes in the form of numerous regulators and stake holders. An analysis of both frauds and the increasing non-performing assets (NPAs) suggests that the attention of banks has shifted significantly towards the blind chase of better market capitalization and monetary incentives. There seems to be deep erosion in values and governance, in PSBs in particular and the Indian financial system in general. A serious question is raised on what now seems a paradox: "A more robust and closely monitored system is flaw deficient and thus transparent". In this context the role of board has to be questioned.

Board members of banks need to be particularly conscious of their fiduciary duties – 'duty of care' and 'duty of trust' – to depositors because banks accept and manage other people's money. It is critical that their skills and knowledge be enhanced and upgraded by ongoing training programs (provided by, for example, Reserve Bank of India, Securities and Exchange Board of India, stock exchanges or professional associations such as Indian Banks' Association, the Indian Institute of Banking and Finance, etc.) that emphasize the professional, ethical and technical demands that the fiduciary duties impose upon a bank's board members. As stated earlier, due to complexities and uniqueness of the sector, there lies huge grey areas open for what we call as "managerial discretion" which may or may not be entirely ethical. Under certain circumstances, engaging in a small amount of such discretionary management alters a manager's beliefs about the appropriateness of the act, which may increase the likelihood of such acts.

Why is Corporate Governance more important for banks

Corporate Governance mechanisms like Ownership Structure, Board Structure, Audit Committee are employed to lessen the harmful effects of the Agency problem in a corporation. In the case of a Banking corporation, however, the Agency problem is more complex than in a non-banking corporation. The reasons for this are as follows:

- Regulation - Regulation, a transcendental feature of banking, alters the parameters of the agency relationship by introducing a third party—the regulator. This creates additional information asymmetries and associated agency problems. (Ciancanelli and Gonzalez, 2000)
- Capital structure of banks (funding through deposits and very high leverage); and
- The complexity and opacity of their business and structure (Haan and Vlaahu, 2016)

Because of the above reasons, valuation should not be the only metric to measure performance of banks. We need to think of other metrics like risk of failure and contribution to systemic risk should also be considered. (Haan and Vlaahu, 2016).

The following discussion draws heavily on Arun and Turner (2004). When we talk about CG in Banks in the context of India, there are two types of gaps in the literature: Research on CG in Banks suffers from lack of research in this area in general and in Banking corporations, in particular.

Economy / Corporation	Developed	Developing
Banking	Research started recently	Research started *very* recently
Non-banking	A lot of research	Research started recently

Although the subject of corporate governance in developing economies has recently received a lot of attention in the literature, the corporate governance of banks in developing economies has been almost ignored by researchers. Even in developed economies, the corporate governance of banks has only recently been discussed in the literature. The paper (Arun and Turner, 2004) shines light on some of the key concepts and issues for the corporate governance of banks in developing economies. Most of these considerations are applicable to the Indian context as well. The corporate governance of banks in developing economies is important for several reasons.

- First, banks have an overwhelmingly dominant position in developing-economy financial systems and are extremely important engines of economic growth
- Second, as financial markets are usually underdeveloped, banks in developing economies are typically the most important source of finance for most firms.

- Third, as well as providing a generally accepted means of payment, banks in developing countries are usually the main depository for the economy's savings.
- Fourth, many developing economies have recently liberalized their banking systems through privatization / disinvestments and reducing the role of economic regulation. Consequently, managers of banks in these economies have obtained greater freedom in how they run their banks.

The unique nature of a banking firm, whether in the developed or developing world, requires that a broad view of corporate governance, which encapsulates both shareholders and depositors, be adopted for banks. The nature of the banking firm is such that regulation is necessary to protect depositors as well as the overall financial system.

Drawing on Abdul Gafoor et al (2018), we get into some more detail on why the quality of corporate governance is especially important for banks in India. According to Basel Committee (2006), good corporate governance practice is an important element in attracting investors, and investors are willing to pay a premium of up to 25% for a well governed firm. India being a bank-based economy, the banking sector plays a major role in the economic growth of the country. The Indian banking system is expected to be the world's third biggest in the next decade. According to BCG Annual Benchmarking Report 2016, revenue of Indian banks increased from USD 11.8 billion in 2001 to USD 46.9 billion in 2010 and is expected to pool USD 400 billion revenue by 2026.

Literature review on Corporate Governance in general and on Banks in particular

As mentioned above, Corporate Governance as a topic has been studied widely in the recent past but not much research has been done in the Indian context on this subject. Various aspects of Corporate Governance, e.g., what constitutes good governance, how does it affect corporate performance, what is the mechanism that transmits the effect of good governance into good firm performance, etc., have been studied, but mostly in the US market.

Researchers have studied the linkage between Corporate Governance and firm performance by estimating regression equations with firm performance as dependent variable and using variables proxying for Corporate Governance as multiple independent variables, or by combining them into an index of Corporate Governance.

There is a dearth of studies on Corporate Governance and firm performance in the context of developing economies and especially in the Indian context. Even fewer studies address corporate governance in banks in developing countries and India. There are many different aspects of Corporate Governance that need to be studied in the Indian context. It will be interesting to see if the results of these studies produce results like the ones produced by studies done in the context of US companies.

Abdul Gafoor et al (2018) have taken a few parameters into account as independent variables while trying to understand the impact of corporate governance on the performance of Indian banks. According to the snapshot from their paper (see below), they have considered Board Size, Independent Director, CEO Duality, Board Meeting (number of), and Financial Expert (presence on board), as explanatory variables representing

Corporate Governance, while trying to understand its linkage to bank performance in India. It is clear that they have not considered ownership structure and quality of audit process and auditor as part of quality of corporate governance of banks in India.

Table 1 Description of variables.

Nature of variables	Name of variable	Description of variable
Panel A: Bank performance	ROA	Net income over total assets
	PAT	Net operating income minus the corporate tax paid to the government
Panel B: Board variables	Board size	Total number of directors serving on the board
	Independent director	The percentage of independent directors on the board
	CEO duality	Dummy variable 1 if dual, and 2 otherwise
	Board meeting	The number of board meetings during the financial year
	Fin: expert	The percentage of financial experts to board size
Panel C: Control variables	Bank size	Natural log of total assets
	Loan size	Total loan over total assets
	Capital size	Natural log of total capital

Note: Table 1 presents description of variables. Panel A presents the description of dependent variables, Panel B independent variables and Panel C control variables.

In the CGI for banks that we present below, and which is based on Sarkar et al (2012), we have considered additional factors like Ownership Structure and Audit. Our hope is that a more comprehensive set of parameters would be a more powerful representation of the quality of governance of a bank.

The Corporate Governance index used in our study

Using the working paper by Sarkar, J. et al (2012), we have prepared an index of corporate governance (CGI) for banks in India. The four main governance mechanisms considered in our CGI are as follows:

- Board of Directors
- Ownership Structure
- Audit Committee

- Auditor

There are several sub-items under each governance mechanism that have been considered. The scoring method and rationale is outlined below:

Item Name	**Nature**	**Score Range**	**Scoring Method**	**Rationale Behind Scoring Method**
Board size	Item Score	0-5	Increases from 1 to 5; decreases 6 onwards	Studies point out a non-linear relationship between board size and performance (Reference: De Andres and Vallelado (2008), using a two-step system estimator model, find an inverted U-shaped relationship between board size and firm performance.)
Percentage of ide directors	Item Score	0-5	Increases with increase	
Percentage of pendent directors	Item Score		Same as above, so ignore it	Not used in our CGI
Presence of inee directors	Item Score	0-5	0 if Yes; 5 if No	

5. Board chairman	Item Score	0 or 5	0 if Exec; 5 if Independent	CEO duality has been found to lead to under-performance
6. Presence of promoter on board	Item Score	0 or 5	0 if Yes; 5 if No	Possible conflict of interest
7. Total number of directorships held by independent directors	Item Score	0-5	Decreases with increase	Indicates busyness of the director and the consequent ability to be diligent
8. Number of board meetings held	Item Score	0-5	Increases with increase	Points to the seriousness of directors
9. %age of board meetings attended by independent directors	Item Score	0-5	Increases with increase	Points to the seriousness of independent directors
10. Percentage of independent directors who attended AGM	Item Score	0-5	Increases with increase	Points to the seriousness of independent directors
Bord of Directors	Governance Mechanism (Sub Index	0-100	Calculation	

	1)			
1. Percentage of promoter ownership	Item Score	0-5	Decreases with increase	Possible conflict of interest
2. Percentage of foreign institutional ownership	Item Score	0-5	Increases with increase	Greater FII ownership should be a bigger disciplining influence on the Board and the management
3. Percentage of domestic financial institution ownership	Item Score	0-5	Increases with increase	Greater institutional ownership should be a bigger disciplining influence on the Board and the management
4. Percentage of dispersed ownership	Item Score	0-5	Decreases with increase	Too may small owners cannot influence the workings of the Board and the management
O Ownership Structure	Governance Mechanism (Sub Index 2)	0-100	Calculation	
1. Size of audit	Item	0-5	Increases	A bigger audit committee is

committee	Score		with increase	expected to have more expertise and time to monitor the management
2. Percentage of independent directors	Item Score	0-5	Increases with increase	Avoidance of conflict of interest
3. Presence of executive directors in audit committee	Item Score	0-5	Decreases with increase	Possible conflict of interest
4. Number of meetings held	Item Score	0-5	Increases with increase	Points to the seriousness with which the audit committee is doing its work
Audit Committee	Governance Mechanism (Sub Index 3)	0-100	Calculation	
1. Percentage of non-audit fees to total payment to auditors	Item Score	0-5	Decreases with increase	Possible conflict of interest

2. Top auditor in terms of audit fees	Item Score	0-5	Increase with auditor reputation	A top auditor is unlikely to be influenced / coerced by the management to sign off suspicious books
3. Top auditor in terms of audit clients	Item Score	0-5	Increase with auditor reputation	A top auditor is unlikely to be influenced / coerced by the management to sign off suspicious books
4. Change in auditor from last year	Item Score	0-5	5 if Yes; 0 if No	Rotation of auditor is expected to lead to fresh perspectives and possibility of unearthing suspicious transactions
Auditor	Governance Mechanism (Sub Index 4)	0-100	Calculation	

Discussion of the results

Drawing again on Arun and Turner (2004), any proportion of ownership in a bank tends to modify the incentive structure in a manner which makes the managers do less than optimal for the stakeholders. In India, the partial divestment of public sector banks has not brought about any significant changes in the quality of corporate governance mechanisms. Despite a quarter century of financial reforms in India, the Government has still a major role in appointing members to bank boards. Furthermore, although the reforms have given the public sector banks greater autonomy in deciding the areas of business strategy such as opening branches and introduction of new products.

In the CGI created by us based on Sarkar et al (2012), we have used institutional ownership and dispersed ownership as two items under the Ownership sub-index. It may be worthwhile to incorporate government ownership in the CGI of Banks in a future study. Secondly, the issue of corporate governance of banks in developing economies gets complicated due to the activities of "distributional cartels" (Oman, 2001, p. 20). These cartels consist of corporate insiders who have very close links with or partially constitute the governing elite. The existence of such cartels will undermine the credibility of investor legal protection and may also prevent reform of the banking system. Unsurprisingly, good political governance can be considered as a prerequisite for good corporate governance (Oman, 2001, p. 31).

According to Ciancanelli and Gonzalez (2000), a theory of corporate governance in banking requires consideration of the following issues:

- Regulation as an external governance force separate and distinct from the market
- Regulation of the market itself as a distinct and separate dimension of decision making within banks
- Regulation as constituting the presence of an additional interest external to and separate from the firm's interest
- Regulation as constituting an external party that is in a risk sharing relationship with the individual bank firm

Theories of corporate governance in banking which ignores regulation will misunderstand the agency problems specific to banks. This may lead to prescriptions that amplify rather than reduce risk.

While we have used the IGIDR paper, Sarkar et al (2012), to create the CGI for Banks and then used this CGI to rank the different banks in India, it doesn't seem to have given the results we would expect. We need to find a way to incorporate the effect of regulation on the Corporate Governance in Banks and include it in the CGI.

Bank	CGI
Allahabad Bank	36
Andhra Bank	48
Axis Bank	60
Bandhan Bank	55
Bank of Baroda	39
Bank of India	47
Bank of Maharashtra	49
Catholic Syrian Bank	49
Central Bank of India	44
DCB Bank	50
Dena Bank	34
Dhanlaxmi Bank	51
HDFC Bank	67
ICICI Bank	69
IDBI Bank	47
IDFC Bank	56
Indian Bank	53
Indian Overseas Bank	42
IndusInd Bank	62
Karnataka Bank	49
Kotak Mahindra Bank	66
Lakshmi Vilas Bank	48

Nainital Bank	20
Oriental Bank of Commerce	33
Punjab & Sind Bank	43
Punjab National Bank	50
RBL Bank	60
South Indian Bank	44
State Bank of India	42
Syndicate Bank	50
UCO Bank	41
Union Bank of India	47
United Bank of India	38
Vijaya Bank	50

Table 1: CGI by Bank (sorted in alphabetical order of Bank name)

Bank	CGI
ICICI Bank	69
HDFC Bank	67
Kotak Mahindra Bank	66
IndusInd Bank	62
RBL Bank	60
Axis Bank	60
IDFC Bank	56
Bandhan Bank	55
Indian Bank	53
Dhanlaxmi Bank	51
DCB Bank	50

Punjab National Bank	50
Syndicate Bank	50
Vijaya Bank	50
Bank of Maharashtra	49
Catholic Syrian Bank	49
Karnataka Bank	49
Andhra Bank	48
Lakshmi Vilas Bank	48
Union Bank of India	47
Bank of India	47
IDBI Bank	47
South Indian Bank	44
Central Bank of India	44
Punjab & Sind Bank	43
State Bank of India	42
Indian Overseas Bank	42
UCO Bank	41
Bank of Baroda	39
United Bank of India	38
Allahabad Bank	36
Dena Bank	34
Oriental Bank of Commerce	33
Nainital Bank	20

Table 2: CGI by Bank (sorted in descending order of CGI rank)

3

Sentiment Analysis

1 Chapter 3: Sentiment Analysis

1.1 World-wide network popularly known as the internet is the most used source of information. Over the last decade, besides serving as a platform to get information from encyclopedia's like Wikipedia, company magazines, a new wave of companies focusing on content generated by users. Orkut, Facebook, Twitter, Instagram and YouTube has dominated customers interact businesses, most of the firms have also dominated the stock markets. Social networking sites, online forums and blogs are now more popular in shaping up potential customer's opinion especially dominated word-of-mouth (WOM) marketing. Traditional sources such as magazines, newspapers & television has lower influence especially on the younger generation. One of the strongest and positive influence have been the ability to influence market place via own personal opinion. Earlier an individual could only influence his family & friends and/or a limited circle, but today that circle has multiplied with the advent of social media.

Owing to the change in trend and empowering of one particular user, understanding a user's attitude towards a brand helps in understanding the organic growth and customer service provided by one particular brand. This has given rise to social media analytics. It is defined as the process of gathering data from stakeholder conversations on digital media and processing into structured insights leading to more information-driven business decisions and increased customer centrality for brands and businesses. It provides a wide range of data in already well established social science subjects such as political sciences and sociology, and social media sometimes is seen as a fundamental change in underlying assumptions of the social theory. Political scientists can follow unfolding political protest online and the exchange of information between communities of different languages.

Understanding attitude and opinion about marketing campaigns, political movements, social events, company strategies and product preferences is garnering increasing interest from the scientific community as it can open up exciting open encounters, and from the business world as it holds information about remarkable marketing fallouts and for possible financial market prediction. This new emerging field is called sentiment analysis and opinion mining. It involves discovering, retrieving and distilling opinions, data and information from the vast world of internet.

For the purpose of analysis, microblogging service Twitter has been used. Twitter is a social networking and microblogging service that allows users to post real time messages, called tweets. Tweets are short messages, restricted to 140 characters in length. Due to the nature of this microblogging service (quick and short messages), people use acronyms, make spelling mistakes, use emoticons and other characters that express special meanings.

The rationale for using a microblogging website and Twitter for doing the analysis are as under:

1. Valuable source of people's opinion:

Diverse people having diverse knowledge experiences express themselves on a microblogging website related to different topics which makes these sites a rich source of opinion people have about almost anything.

2. Huge data on Twitter:

Twitter boosts itself of having a vast amount of text posts and users. These users grow each day. The collected data from Twitter hence is large to do any analysis.

3. Twitter User's:

User's on twitter varies from a celebrity to politicians and from regular users to company representatives hence providing a chance to hear everyone's opinion from each strata and covering stakeholders. Even head of state like a country's president and prime minister are also present on Twitter.

4. Geography barrier is broken:

Audience and users on Twitter are from many part of the country. Since, internet is able to penetrate wide areas of our country, users are also from various parts of our country hence freeing from regional bias if any .

Methodology used:

1. Data collection
2. Pre-processing
3. Classification
4. Results

Data Collection

Authorized tweet related to the Bank was collected from Twitter. “Hashtags”, name of the bank and abbreviation of the bank is used to search relevant data from Twitter. Language for the study has been kept as English in the search criterion.

Pre-processing

Collected tweets are processed to:

a. Remove blank spaces
b. Replace @Username
c. Remove punctuations
d. Remove links
e. Remove tabs
f. Remove blank spaces at the beginning
g. Remove blank spaces at the end

Processed data is used to create a corpus via which word cloud is created.

Classification

Saif Mohammad’s NRC Emotion lexicon is implemented to data collected.

According to Mohammad, “the NRC emotion lexicon is a list of words and their associations with eight emotions:

a. anger,
b. fear,
c. anticipation,
d. trust,
e. surprise,
f. sadness,
g. joy, and
h. disgust

and two sentiments:

a. negative and
b. positive)”

Results

The emotions and sentiment data thus obtained can be used to compare across different banks.

Sentiment Analysis

1. Private banks have a more positive sentiment as compared to Government banks
a. SBI has the highest positive sentiment, when compared to all the banks
2. Government banks have a more negative sentiment as compared to public banks
a. Axis bank has the least negative sentiment, when compared to all the banks

Emotional Analysis

1. Private banks have a more disgust emotion as compared to Government banks
2. Private banks have a more anger emotion as compared to Government banks
3. Government banks have a higher anticipation emotion as compared to private banks

a. SBI has the highest anticipation emotion, when compared to all the banks

4. Private banks have a more trust emotion as compared to Government banks

a. Axis bank has the highest trust emotion, when compared to all the banks

Sarcasm, irony and humour are not captured in the sentiment and emotion analysis.

Size of the banks have not been taken into account.

Microblogging nowadays became one of the major types of the communication. It is identified as online word-of-mouth branding. The large amount of information contained in microblog-ging web-sites makes them an attractive source of data for opinion mining and sentiment analysis. Online opinion has the power to influence masses and in future, firms will be taking the public sentiment even more seriously.

Figure 1: State Bank of India

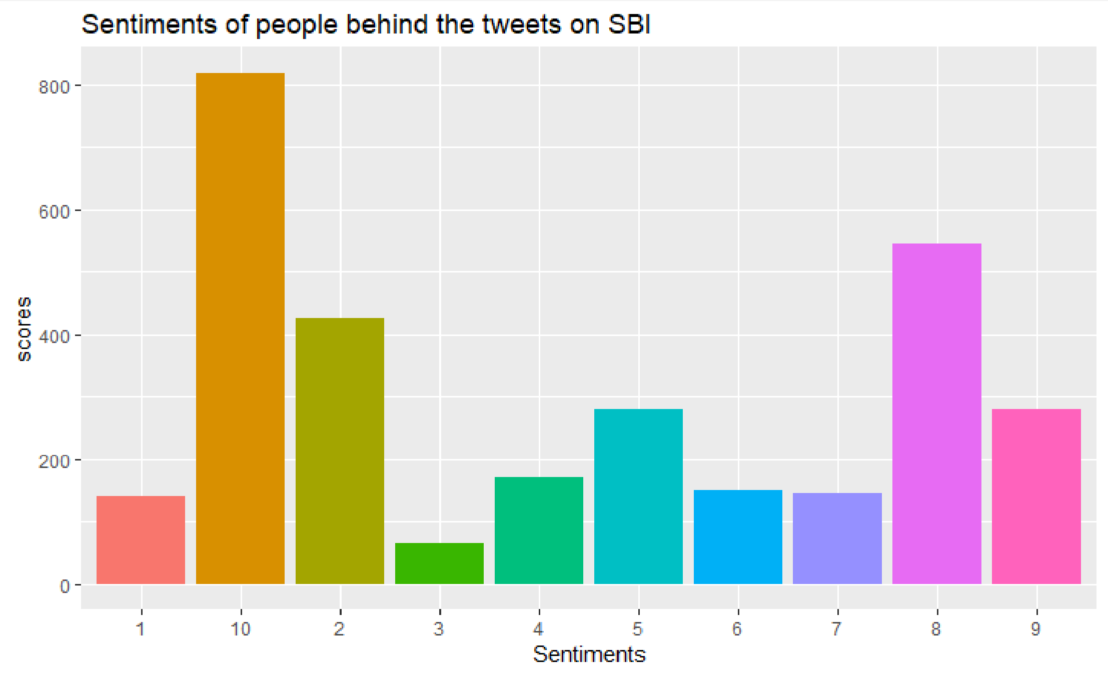

Figure 2: Allahabad Bank

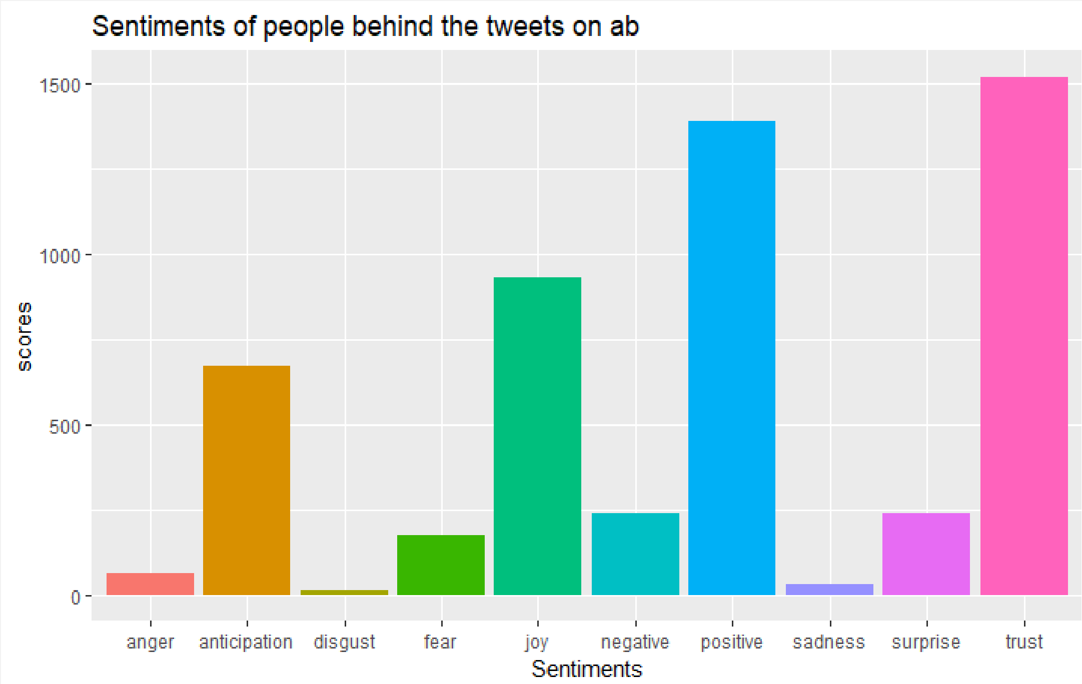

Figure 3: Andhra Bank

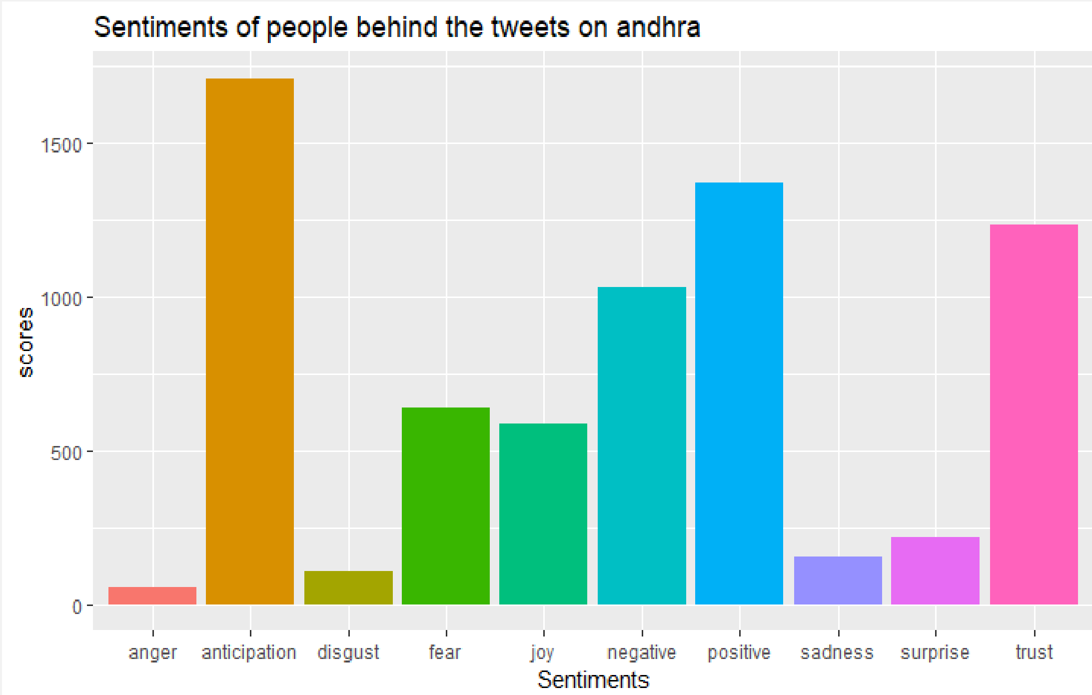

Figure 4: Bandhan Bank

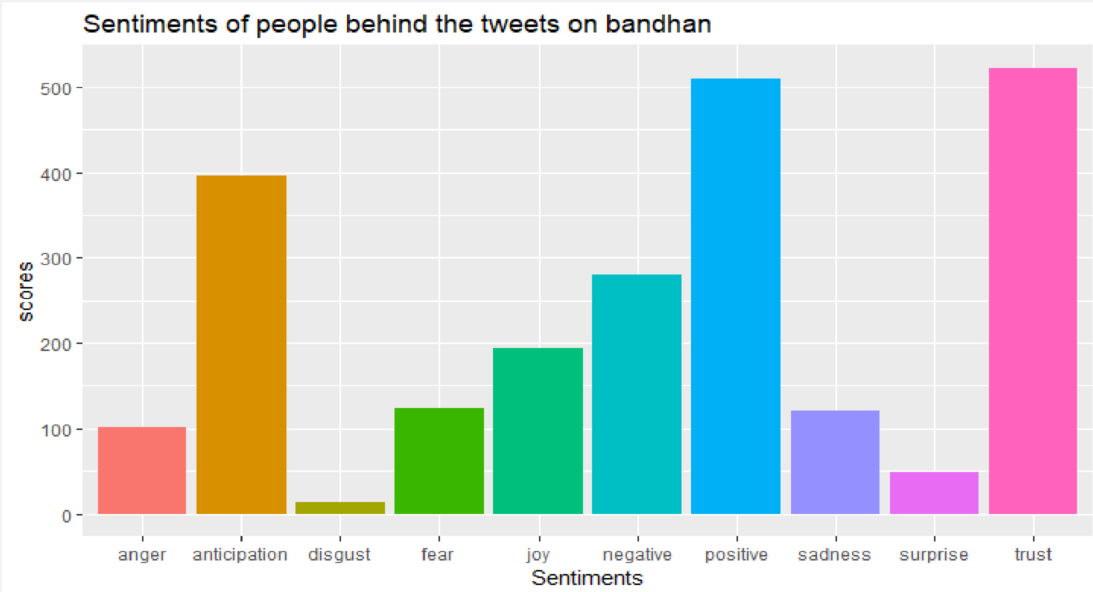

Figure 5: Bank of Maharashtra

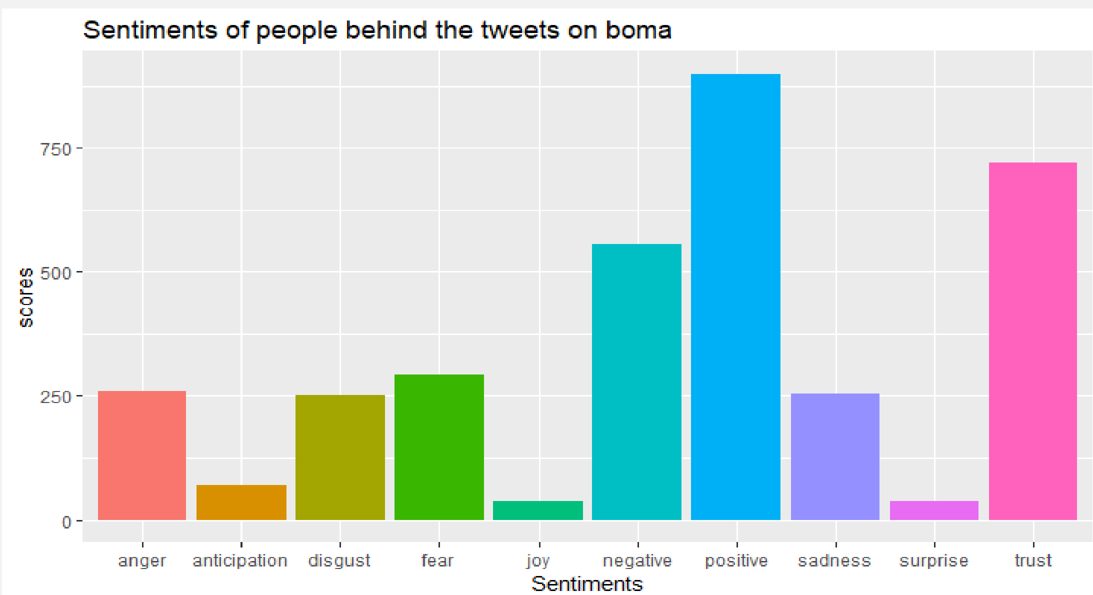

Figure 6: Bank of Baroda

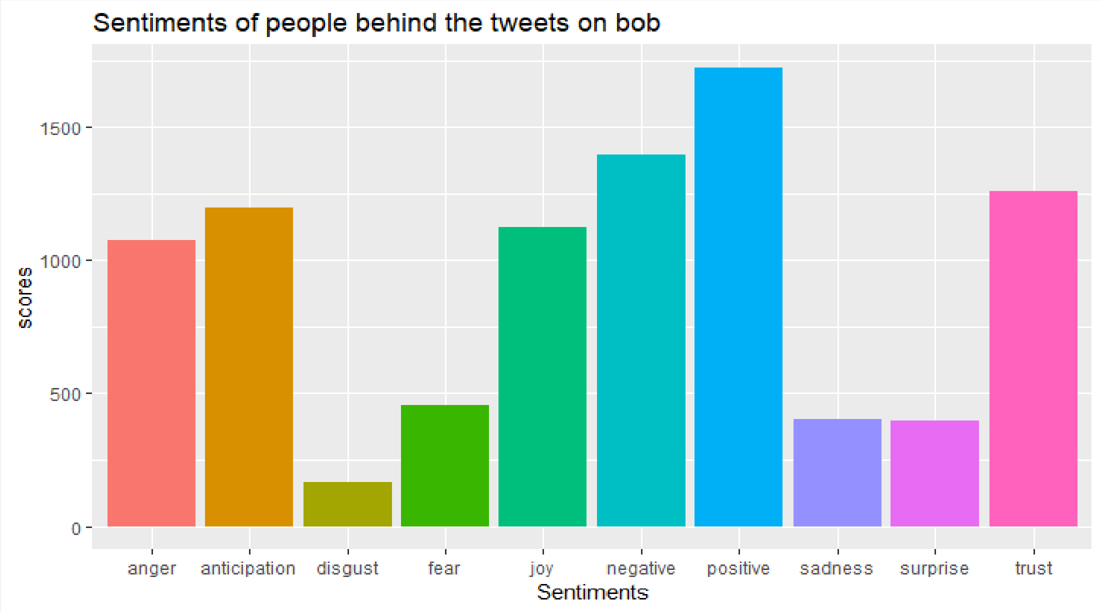

Figure 7: Canara Bank

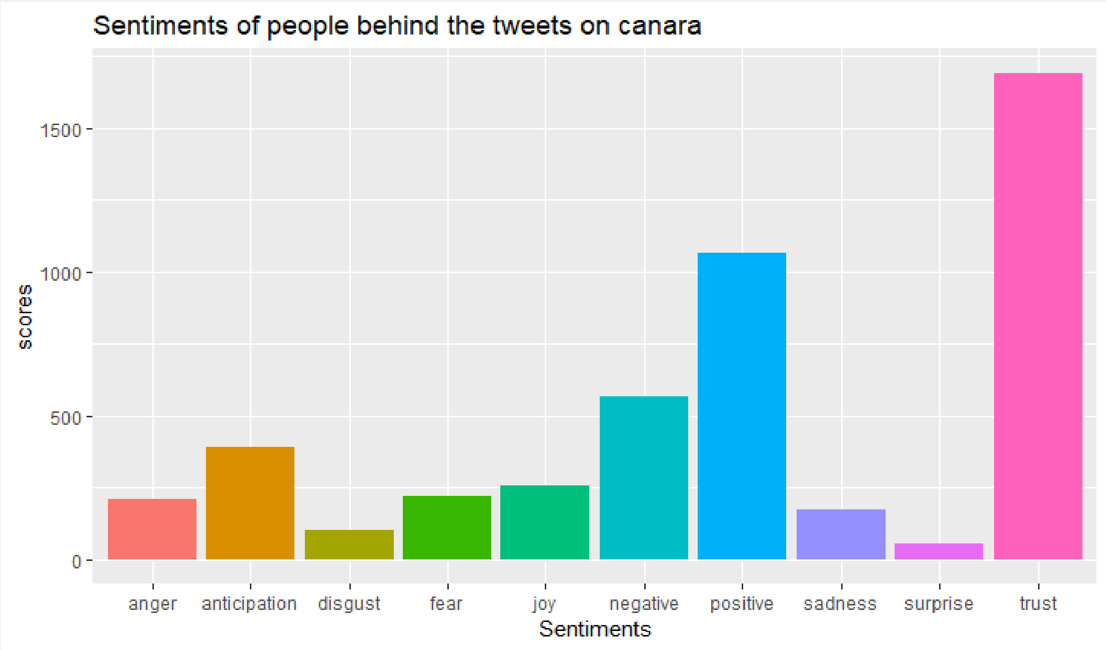

Figure 8: Central Bank

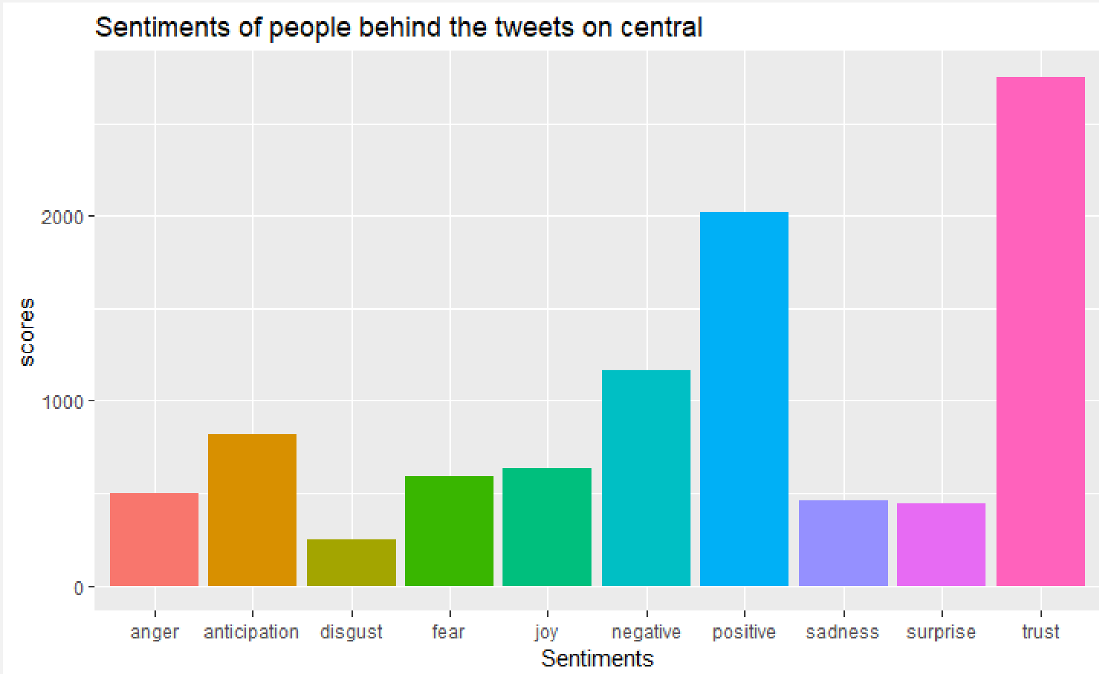

Figure 9: HDFC (Housing Development Finance Corporation) Bank

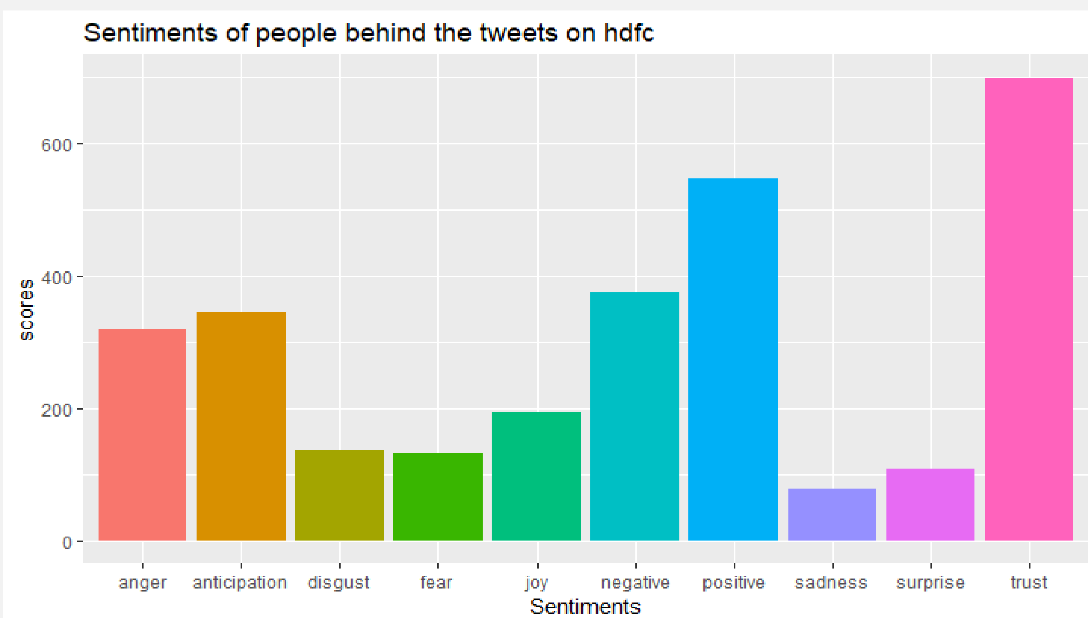

Figure 10: ICICI Bank

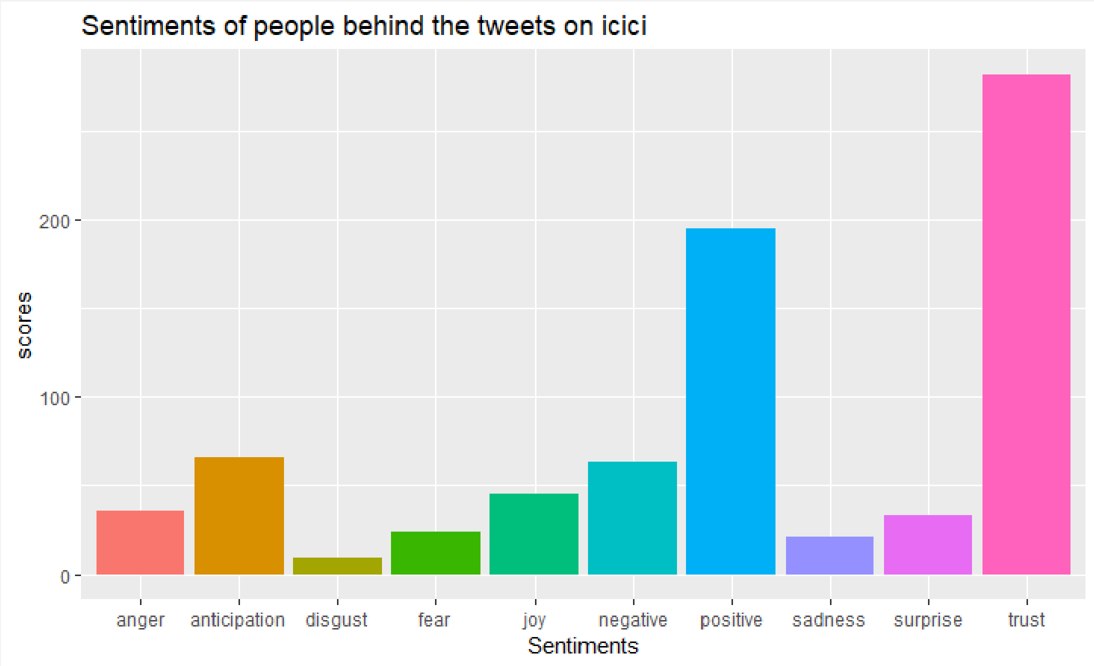

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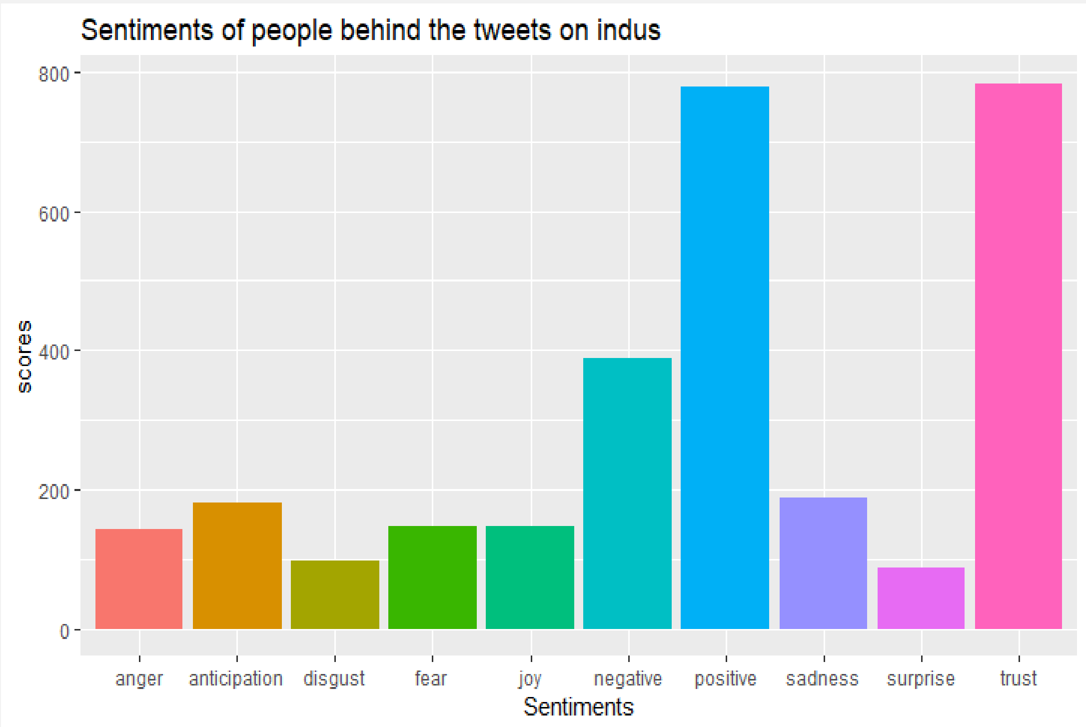
Figure 11: Indus Ind Bank



Bad News

https://www.livemint.com/Money/8OWtglSBsvG2bA7DtbmWbM/PNB-fraud-effect-Fear-over-public-sector-banks.html

PNB fraud effect: Fear over public sector banks

Public sector banks will now have to look back on every loan default above Rs50 crore and check whether the defaulter was genuinely stressed or just fooling them

Last Published: Wed, Feb 28 2018. 07 53 AM IS

https://www.livemint.com/Opinion/nioD0s2ZNJSsXxh2Nges4N/How-bad-are-our-public-sector-banks-Here-are-some-vital-sta.html

How bad are our public sector banks? Here are some vital stats

In the three years since RBI reviewed public sector banks' quality of assets, these lenders posted a ₹28,490 crore loss in 2015-16, a paltry profit of ₹474 crore in 2016-17 and a loss of ₹85,371 crore in 2017-18

Last Published: Tue, Jun 12 2018. 08 04 AM IST

https://www.thehindubusinessline.com/money-and-banking/after-posting-record-losses-is-there-a-glimmer-of-hope-for-psbs/article24081513.ece

After posting record losses, is there a glimmer of hope for PSBs?

NS Vageesh Updated on June 04, 2018

https://www.livemint.com/Opinion/arQr1ZUW9EI51qwmF7lqJN/The-status-of-public-sector-banks-in-India-today.html

The status of public sector banks in India today

Since RBI's asset quality review in second half of FY16, public sector banks have recorded close to ₹ 1.7 trillion in losses and almost ₹ 9 trillion in NPAs

Last Published: Sun, Aug 26 2018. 08 08 PM IST

https://www.bloombergquint.com/business/few-of-the-weaker-public-sector-banks-may-not-survive-on-their-own-says-ss-mundra

A Few Weaker Public Sector Banks May Not Survive On Their Own, Says SS Mundra

https://economictimes.indiatimes.com/wealth/personal-finance-news/public-sector-banks-are-much-easier-to-defraud-than-private-sector-ones-heres-the-proof/articleshow/65592437.cms

According the central bank's annual report, the number of cases on frauds reported by banks were generally hovering at around 4500 in the last 10 years before their increase to 5835 in 2017-18.

ET Online| Updated: Aug 29, 2018, 03.49 PM ..

https://www.bloombergquint.com/opinion/rbi-cracks-the-whip-on-private-banks#gs.6PWHLDs

RBI Cracks The Whip On Private Banks

BloombergQuintOpinion : **TT Ram Mohan**

https://www.moneylife.in/article/governor-patel-claimed-rbi-has-more-powers-over-private-banks-will-it-use-them-now/53600.html

Governor Patel claimed RBI has more powers over private banks. Will it use them now?

Moneylife Digital Team , 03 April 2018

https://www.business-standard.com/article/finance/performance-based-fund-infusion-for-public-sector-banks-unlikely-118092601258_1.html

Performance-based fund infusion for public sector banks unlikely

State-run banks may not get capital based on their performance and reform measures

Somesh Jha | New Delhi Last Updated at September 27, 2018 09:20 IST

https://www.business-standard.com/article/finance/after-dena-bank-more-psbs-may-be-told-to-stop-fresh-lending-118051400042_1.html

After Dena Bank, more PSBs may be told to stop fresh lending

Apart from Dena Bank, the credit and financial profiles of Bank of Maharashtra, Oriental Bank of Commerce, Allahabad Bank and UCO Bank are in bad shape - all these are under PCA, Abhijit Lele | **Mumbai Last Updated at May 14, 2018 07:44 IST**

https://www.business-standard.com/article/markets/psbs-lose-rs-1-trn-pnb-scam-erodes-investor-interest-spurred-by-recap-plan-118022100015_1.html

PSBs lose Rs 1 trn; PNB scam erodes investor

interest spurred by recap plan

The government's recapitalisation plan, announced on October 24, raised the PSU Bank Index to a high of Rs 3,965.60 by January 24, Advait Rao Palepu **| Mumbai Last Updated at February 21, 2018 07:05 IST**

https://www.business-standard.com/article/economy-policy/non-priority-sector-loans-worsen-npa-headache-for-public-sector-banks-118062801365_1.html

Non-priority sector loans worsen NPA headache for public sector banks

These bad debts constitute 23% of advances of 10 PSBs at the end of FY18, Ishan Bakshi **| New Delhi Last Updated at June 29, 2018 06:45 IST**

https://www.business-standard.com/article/finance/10-years-of-banking-sector-pvt-sector-gains-at-cost-of-public-sector-banks-118032201407_1.html

10 years of banking sector: Pvt sector gains at cost of public sector banks

In the fourth of a six-part series, we look at the turning points in the banking sector, Anup Roy **| Mumbai Last Updated at March 23, 2018 07:05 IST**

https://www.cnbc.com/2018/06/28/india-banking-crisis-experts-say-growth-opportunity-for-private-banks.html

India's massive state banks are in trouble. That's great news for some

- India's private sector banks could benefit from the struggles of the country's state lenders by taking away market share, according to experts.
- Private sector banks could take as much as 60 percent of the market share over the next 10 years, Sukumar Rajah from Franklin Templeton told CNBC.

https://www.moneycontrol.com/news/business/economy/21-psbs-lost-rs-25775-cr-in-bank-frauds-in-2017-18-rti-2576757.html

21 PSBs lost Rs 25,775 cr in bank frauds in 2017-18: RTI

The Punjab National Bank (PNB) had incurred the highest loss of Rs 6461.13 crore due to different cases of fraud during the fiscal that ended on March 31 this year, Chandrasekhar Gaud, who had filed the RTI with the Reserve Bank of India, told PTI.

PTI **@moneycontrolcom**

https://www.moneycontrol.com/news/business/companies/india-ratings-moodys-downgrade-punjab-national-bank-on-rs-13400-crore-loss-after-massive-fraud-2572281.html

India Ratings, Moody's downgrade Punjab National Bank on Rs 13,400-crore loss after massive fraud

Higher-than-expected deterioration in profitability in the short term, along with inability to shore up adequate capital, could further strain the standalone profile

and attract a negative rating action

Moneycontrol News **@moneycontrolcom**

https://www.business-standard.com/article/finance/morgan-stanley-downgrades-hdfc-bank-axis-bank-and-icici-bank-117032300292_1.html

Morgan Stanley downgrades HDFC Bank, Axis Bank and ICICI Bank

The brokerage shifts focus to small lenders with niche operations and good asset quality, Hamsini Karthik **| Mumbai Last Updated at March 23, 2017 23:46 IST**

https://economictimes.indiatimes.com/industry/banking/finance/banking/public-sector-banking-mess-is-here-to-stay-and-this-is-why/articleshow/63274984.cms

ET CONTRIBUTORS|

Mar 13, 2018, 08.50 AM IST

Good News

https://www.business-standard.com/article/economy-policy/private-retail-banks-put-up-good-show-117050600823_1.html

Private retail banks put up good show

Spike in provisions likely to be short-lived and could reverse for IndusInd Bank and YES Bank, Sheetal Agarwal **| Mumbai Last Updated at May 6, 2017 21:19 IS**

https://www.business-standard.com/article/finance/pnb-rs-113-bn-fraud-impact-56-customers-prefer-private-banks-to-govt-ones-118021600607_1.html

PNB Rs 114 bn fraud impact: 54% customers prefer private banks to govt ones

Amid the blame game between Punjab National Bank and other affected lenders, the elaborate web of deception has left bank customers perplexed

https://www.business-standard.com/article/economy-policy/demonetisation-impact-psb-stocks-cash-in-on-currency-purge-116112100025_1.html

Demonetisation impact: PSB stocks cash in on currency purge

Prices jump 6-22%; private lenders' shares slide 3-10%

Chandan Kishore Kant & **Abhijit lele** | Mumbai Last Updated at November 21, 2016 01:45 IST

https://economictimes.indiatimes.com/industry/banking/finance/banking/4-public-sector-banks-may-come-out-of-pca-shackles/articleshow/66550721.cms

4 public sector banks may come out of PCA shackles

By Dheeraj Tiwari, , ET Bureau|

Updated: Nov 09, 2018, 08.35 AM IST

https://economictimes.indiatimes.com/markets/expert-view/public-sector-banks-could-become-game-changers-this-year-ajaybagga/articleshow/65173546.cms

ET Now|Jul 28, 2018, 10.47 AM IST

https://economictimes.indiatimes.com/industry/banking/finance/banking/public-sector-banks-recover-bad-loans-worth-rs-2-33-lakh-crore-in-4-years-to-fy18-shiv-pratap-shukla/articleshow/67092647.cms

https://www.moneycontrol.com/news/business/companies/a-silver-lining-bank-of-india-first-public-sector-lender-to-break-the-rising-npa-jinx-in-fy18-2577815.html

A silver lining: Bank of India first public sector lender to break the rising NPA jinx in FY18, The bank made a stellar recovery of bad loans, to the tune of Rs 11,417 crore, in the fourth quarter

Beena Parmar **@BeenaParmar**

https://www.business-standard.com/article/markets/private-banks-beat-market-post-q3-results-117022700215_1.html

Private banks beat market post Q3 results, gain up to 32% , RBL Bank, DCB Bank, IndusInd Bank and Lakshmi Vilas rallied between 15% and 32% post Q3 results.

SI Reporter | Mumbai Last Updated at February 27, 2017 11:07 IST

https://www.business-standard.com/article/markets/5-public-sector-banks-hit-52-week-high-117042800301_1.html

5 public sector banks hit 52-week high, Andhra Bank, Canara Bank, Indian Bank, Oriental Bank and Vijaya Bank hit 52-week highs.

SI Reporter | Mumbai Last Updated at April 28, 2017 12:23 IST

https://www.firstpost.com/india/demonetisation-data-from-sbi-shows-how-public-sector-banks-are-saving-the-day-for-modi-govt-3112640.html

Demonetisation: Data from SBI shows how public sector banks are saving the day for Modi govt

India Shishir Tripathi and Pawas Kumar Nov 18, 2016 20:15:37 IST

Questionnaire on QFR

Kindly tick mark for the following questions based on

QUALITY OF FINANCIAL REPORTING

R O	QUESTIONS	PUBLIC SECTOR BANK		PRIVATE SECTOR BANK	
	The annual reports disclose forward looking information to help forming expectations and predictions concerning the future of the company	Yes	No	Yes	No
	No un-due delays in the presentation of financial reports	Yes	No	Yes	No
	The annual report provides feedback information on how various market events and significant transactions affected the company	Yes	No	Yes	No
	The annual report explains the assumptions and estimates made clearly; valid arguments provided to support the decision for certain assumptions and estimates in the annual report	Yes	No	Yes	No
	The annual report explains the choice of accounting principles clearly	Yes	No	Yes	No
	The annual report includes an unqualified auditor's report	Yes	No	Yes	No
	The annual report extensively discloses information on corporate governance issues	Yes	No	Yes	No
	The annual report presented in a well-organized manner	Yes	No	Yes	No

9		**Sources and level of expenditure can easily be understood**	Yes	No	Yes	No	
10		**Business assets are easy to be identified in terms of value and nature**	Yes	No	Yes	No	
11		**The presence of graphs and tables clarifies the presented information**	Yes	No	Yes	No	
12		**The use of language and technical jargon is easy to follow in the annual report**	Yes	No	Yes	No	
13		**The notes to changes in accounting policies and estimates explain the implications of the change**	Yes	No	Yes	No	
14		**The company's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates**	Yes	No	Yes	No	
15		**Information in the annual report is comparable to information provided by other organizations**	Yes	No	Yes	No	

Questionnaire on Corporate Governance

Kindly tick mark for the following questions based on CORPORATE GOVERNANCE

SR NO	QUESTIONS	PUBLIC SECTOR BANK		PRIVATE SECTOR BANK	
1	**Is the Board size having a favourable impact for corporate governance?**	Yes	No	Yes	No
2	**Does the percentage of outside directors impact the state of governance?**	Yes	No	Yes	No
3	**Does the percentage of independent directors impact the state of governance?**	Yes	No	Yes	No
4	**The Presence of promoter on board has a bearing on governance**	Yes	No	Yes	No
5	**The Number of board meetings held is indicative of business administration**	Yes	No	Yes	No
6	**The Percentage of board meetings attended by independent directors is reflective of business governance**	Yes	No	Yes	No
7	**Will a higher percentage of promoter ownership have a bearing on governance?**	Yes	No	Yes	No
8	**Would a higher percentage of foreign institutional ownership affect the administration?**	Yes	No	Yes	No
9	**A higher percentage of dispersed ownership effects the business**	Yes	No	Yes	No

		governance.				
10		**Does the size of audit committee influence the governance?**	Yes	No	Yes	No
12		**The number of meetings held by Audit Committee is indicative of business governance.**	Yes	No	Yes	No
13		**Does the percentage of non-audit fees to total payment to auditors, have a bearing on governance?**	Yes	No	Yes	No
15		**Is the presence Top auditor in terms of audit clients reflective of a good business governance?**	Yes	No	Yes	No
16		**Would there be an impact on business administration if there is a change in auditor from last year?**	Yes	No	Yes	No

DISCUSSION OF THE RESULTS AND RECOMMENDATIONS

1 Chapter 4: Discussions of the Results

1.1 **Ethics/ Quality of Financial Reporting in Indian Banking:** Ethical conduct on part of the bankers is something which is extremely important in the banking sector as the banks are institutional pillars of trust for the people at large. By acting as a custodian of public deposits, banks have to keep that "faith" alive and therefore have to be extremely careful when taking lending decisions as they are putting the hard earned savings of the common man into a risky business proposition. The upholding of an ethical culture in banking is of critical interest to regulators, banks, employees and customers alike. Banking ethics are the moral or ethical principles that certain banks chose to abide by. There isn't an ethics ombudsman or a universal code of ethical conduct as such but a major role is played by the corporate governance; system and policies.

In this study, we chose to measure the level of ethical standards by the level of transparency and timely disclosures in Financial Reporting and also by the Corporate Governance architecture of the Bank. These two variables are used widely for surrogating the Ethical standards as they are objective, quantifiable and are not very ambiguous in interpretation. Quality of disclosures was measured through a variable called Quality of Financing Reporting (QFR) and Corporate Governance was measured through a Corporate Governance Index (CGI). Both these two indicators namely Sysrust Framework for QFR and Sarkar et al score of CGI, are well cited in the academic literature and are quite robust models.

Since both QFR and CGI have a pre-construct bias, we decided to keep the findings little open ended and flexible. And to avoid too much objectivity in the results, we also carried out a Focused group discussion (FGD) with experts in the banking industry who have either retired from a bank or a policy maker or a researcher/ academician in this space. To carry out the FGD, a predefined template questionnaire was used to get the responses.

To sense the market perception and the image of banks, a response analysis was conducted by monitoring behavior on both print and social media. So, news related to Indian Banks at large; both good and bad were filtered out in the last 1 year and closely analyzed. Similarly tweets on the micro blogging site “twitter” were used to carry out a Sentiment Analysis so as to sense the mood of the people and what do they think about the banks in India.

We constructed a compound measurement tool to comprehensively assess the quality of financial reporting in terms of the underlying fundamental qualitative characteristics (i.e. relevance and faithful representation) and the enhancing qualitative characteristics (i.e. understandability, comparability, verifiability and timeliness) as defined in ‘An improved Conceptual Framework for Financial Reporting’ of the FASB and the IASB (2008). The operationalization of these qualitative characteristics results in a 21-item index. In our sample HDFC Bank scored the highest marks in the private banks and SBI scored the highest in government owned banks. The lowest scores in both the categories were for IndusInd Bank and Bank of India.

When it comes to QFR, and particularly related to “forward looking information”, Indian Banks have still a long way to go as compared to their global counterparts. Indian banks are quite comparable to global benchmarks when it comes to reporting as part of compliance requirement and standard reporting structures but I guess that’s not enough and banks need to get into more of an open discussion mode with the shareholders as to what they can expect from the bank in future. Any bank’s future performance is very closely related with the monetary policy direction given by the Central Bank and it would be really nice to read a detailed section on what the bank thinks about possible future economic scenarios and how the same can affect banks performance both positively and negatively.

The focus has to be more on "quality of information" rather than "quantity of information". Banks need to build back the trust which has recently taken a hit on account of the recent negative developments and to achieve that, a continuous dialogue and engagement with all major stake holders (including shareholders and customers) is extremely essential. A specific example in this case would be the need to discuss the reasons as to why the level of NPAs are alarmingly high, what is the bank doing about it and what could the shareholders expect on the trend in NPAs, going forward. How will a regulator driven intervention (like Insolvency and Bankruptcy Code) help in resolving this issue or at least slow down the slippages in asset quality in the future? Is the bank developing some "early warning signals" based models, to prevent sudden decline in asset quality in the future? The bank can also talk about some specific cases of loan gone bad and how recovery or restructuring is being initiated. It is supposed to be written in a language which is easy to understand by a common shareholder.

The comprehensive measurement tool constructed and used in the current study however, has several limitations relating to validity and reliability. Consistent with the definition of quality of financial reporting, i.e. decision usefulness, its validity should be established by comparing our measured results to the decision usefulness of financial reporting as perceived by stakeholders such as equity providers or lenders.

As a sample, I am putting here a snapshot from JP Morgan's Annual Report 2017

If you look at the Point I (2) and Point II (6), this is a perfect example of "meaningful engagement" with shareholders. Even in Section II, a discourse on Public Policy is extremely useful and a welcome step. Similarly, in the Annual Report of JPMC, every section starting from Segment wise performance to detail businesses wise information to compliance risk management, every sections ends with a sub section on Management Discussion and Analysis.

Discussion of Results on Corporate Governance

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance. As discussed earlier, a Corporate Governance Index is constructed for the current study. The index construction uses information on four important corporate governance mechanisms: the board of directors, the ownership structure, the audit committee, and the external auditor.

The ownership and control structure of a firm is the source of agency costs in firms and is at the root of all corporate governance problems. The role of ownership as a mitigating mechanism first came into focus in the context of agency costs arising from separation of ownership and control in widely held firms. In owner-controlled firms with concentrated ownership, while there may be separation of ownership and management, owners have strong incentives to monitor managers.

We construct the Corporate Governance Index in two steps. In the first step we construct a sub-index for each of the four corporate governance components namely, the Board

Index, the Ownership Index, the Audit Committee Index and the Auditor Index. In the second step we average the values of the four sub-indices to arrive at the overall Corporate Governance Index. To construct the Board Index, the Ownership Index, the Audit Committee Index and the Auditor Index we take the attributes within a specified governance mechanism and score each attribute on a scale of 0 to 5. We then aggregate the score across all the attributes within that specific governance mechanism, divide it by the maximum possible score and multiply it by 100.

In the current study, there are some abnormalities in the results, e.g., ICICI Bank appears at the top of the list even though we know of the big scandal that was unearthed about nine months ago. On the other hand, we see that the bottom of the list is dominated by state-owned banks and the top has banks like HDFC and Kotak. Drawing again on Arun and Turner (2004), here are some possible reasons as to why the results are not as expected. Firstly, any proportion of ownership in a bank tends to modify the incentive structure in a manner which makes the managers do less than optimal for the stakeholders. In India, the partial divestment of public sector banks has not brought about any significant changes in the quality of corporate governance mechanisms. Despite a quarter century of financial reforms in India, the state has still a major role in appointing members to bank boards. Furthermore, the reforms have given the public sector banks greater autonomy in deciding the areas of business strategy such as opening branches and introduction of new products.

In the CGI created by us based on Sarkar et al (2012), we have used institutional ownership and dispersed ownership as two items under the Ownership sub-index. It may be worthwhile to incorporate government ownership in the CGI of Banks in a future study. Secondly, the issue of corporate governance of banks in developing economies gets complicated due to the activities of “distributional cartels” (Oman, 2001, p. 20). These cartels consist of corporate insiders who have very close links with or partially constitute the governing elite. The existence of such cartels will undermine the credibility of investor legal protection and may also prevent reform of the banking system. Unsurprisingly, good political governance can be considered as a prerequisite for good corporate governance (Oman, 2001, p. 31).

Theories of corporate governance in banking which ignores regulation will misunderstand the agency problems specific to banks. This may lead to prescriptions that amplify rather than reduce risk. While we have used the IGIDR paper, Sarkar et al (2012), to create the CGI for Banks and then used this CGI to rank the different banks in India, it doesn't seem to have given the results we would expect. We need to find a way to incorporate the effect of regulation on the Corporate Governance in Banks and include it in the CGI.

In conclusion, what we can clearly see that even when banks are doing sincere efforts to make the boards more professional and independent of state intervention, reflected in improvement in CGI score over a period of time (done by various authors separately), the same is not enough and also if things have improved actually, then the same needs to be communicated more strongly and effectively. Incidents like PNB etc destroy the entire effort in just few days and banks go through a long painful process of building the trust once again, brick by brick. Also, the fact that customers (read depositors and borrowers) in developing markets like India (where financial literacy is still poor) really don't care much about the overall governance issue, the composition of the Board, the quality of independent directors, structure of the Audit Committee. Therefore, the banks may become complacent about conveying it to the stakeholders and it is only when negative news surfaces, and when the media starts talking about it; people take note of such things.

If we look at market response to Corporate Governance, it is difficult to segregate as to how much valuation of banks is coming from financial performance and how much of valuation is coming from non-financial issues like Board structure. For the purpose of record, SBI, largest government bank trades at 22 times the recent EPS (PNB at 24) and HDFC trades at 28 times and Kotak trades at 47 times the most recent EPS. So, we can see that market reactions are not very useful indicators for measuring the impact of a higher or a lower CG Index. The MAAR (market adjusted asset return) for banks is also quite high as compared to market as a whole and many good performing banks are generating abnormal rate of return although their governance practice is largely questionable in the light of serious governance violation issues recently. But having said that, we can't undermine the importance of a strong board structure in the banks to safeguard the interests of the depositor and make sure that the bankers don't indulge in excessive risk taking behavior.

Discussion of Results on Media Response (Electronic and Social Media)

Having seen that stock markets really don't care much about governance structure of banks, we turn now to the popular platform like electronic and social media. To start with electronic media, we fetch "all banking news" in the recent past and categorize them into two categories- good news, Bad news based on some key words. What we observe that media has been quite reasonable when it comes to presenting an unbiased set of information to the public at large. Again, as expected, bad news gets more eyeballs and probably that's the reason, media has reported little more of bad news than they should have been doing actually. What came out very clearly that the media has not been able to do its job properly when it comes to educating the masses about the banking issues. The scams and bad incidents are "sensationalized" more and people is largely left to "discover" on their own as to what is the "real truth".

Coming to the news related to "public" vs "private" banks, government owned banks need to seriously work on the "public relations" and "image building" as the state owned banks need to understand that people at large read newspapers and they form opinion based on what they read. So, they can't ignore the media. We also understand that state run banks have not been used to these "media friendly approaches" for decades in the past but that has to change now for better brand building and image of the bank.

On social media, using sentiment analysis by running searches through key words, reaction of people to banks were also tracked. In Sentiment Analysis, Private banks have a more positive sentiment as compared to Government banks although SBI has the highest positive sentiment, when compared to all the banks. Government banks have a more negative sentiment as compared to public banks and Axis bank has the least negative sentiment, when compared to all the banks

When we did Emotional Analysis; we found that Private banks have a more disgust emotion as compared to Government banks and Private banks have a more anger emotion as compared to Government banks. Also, Government banks have a higher anticipation emotion as compared to private banks where in SBI has the highest anticipation emotion, when compared to all the banks. Private banks have a more trust emotion as compared to Government banks where in Axis bank has the highest trust emotion, when compared to all the banks.

The message is very clear. Digital Marketing is the way forward and some banks have understood this but some are still figuring out whether it is the right path or not. More and more people will switch to digital platforms, more and more customers will vent their frustration related to a bank service on social media platforms than just grudging about it at home. They will not go to the branch, or pick a phone and call the customer service desk, they will not also write an email and wait till infinity for a reply on that, they will just “tweet” a bad experience with the bank and get the desired attention. It is therefore recommended that banks should have a third party digital marketing partner so that the Banks can continue to focus on their core functions of lending and leave this small job to the service provider, who is an expert in this domain.

The Focus Group Discussion/ The Questionnaire

A set of questions were prepared on both Quality of Reporting and Governance Structure of banks and were discussed with ex bankers, academicians in the area of banking and financial markets, ex- policy makers and researchers. Although there were set of some objective questions but it was addressed through a more informal discussion mode. Some of the major highlights of the discussion were:

Government owned banks are seen as more trust worthy and their board structure and composition and qualifications of nominees are world class. Private banks had a good reputation but got seriously damaged due to the flak received by RBI on three or four major occasions. All such incidents have shaken the trust and confidence in the private sector banks in a large way. The perception largely is that if state owned banks have too much of intervention by the state, private sector banks have some bigger than life" individuals who take the entire bank for a ride in pursuing their own personal interests.

On quality of reporting, the larger consensus was that most banks need to significantly improve that and learn it from global bank reports but given the developing stage of our banks, the current practice were seen as reasonable. Most of them liked the current format of the Annual Report and various sections and sub sections. They also prefer single end of the year reporting rather than four quarters as they believe banking is a more stable industry where things don't change significantly in 3 months. Almost everyone wanted to see a much larger section on "Management Discussion and Analysis". They also felt that the quality of disclosures improved significantly during Rajan's tenure. Some of them even felt that it was during Rajan's tenure that the skeletons (read NPAs) actually started coming out from the cupboard. A common feeling was that the state run banks have lost many good people and talent to private banks and that has to be reduced/ prevented in future.

On technology adoption and digital marketing, there was a clear consensus that it is the way forward and whether one likes or not, it is the Twitters and Facebooks where the "image is built or compromised".

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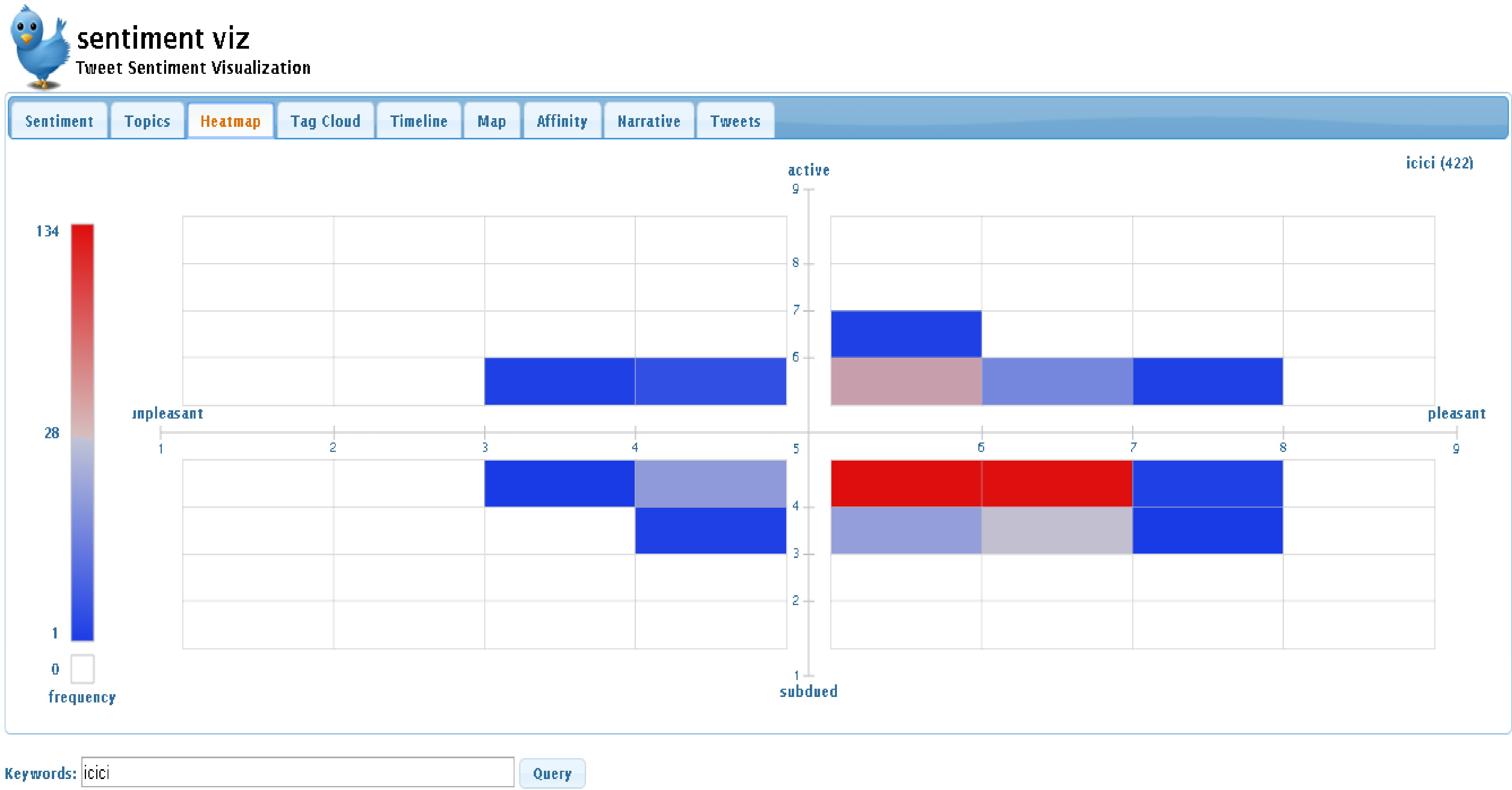
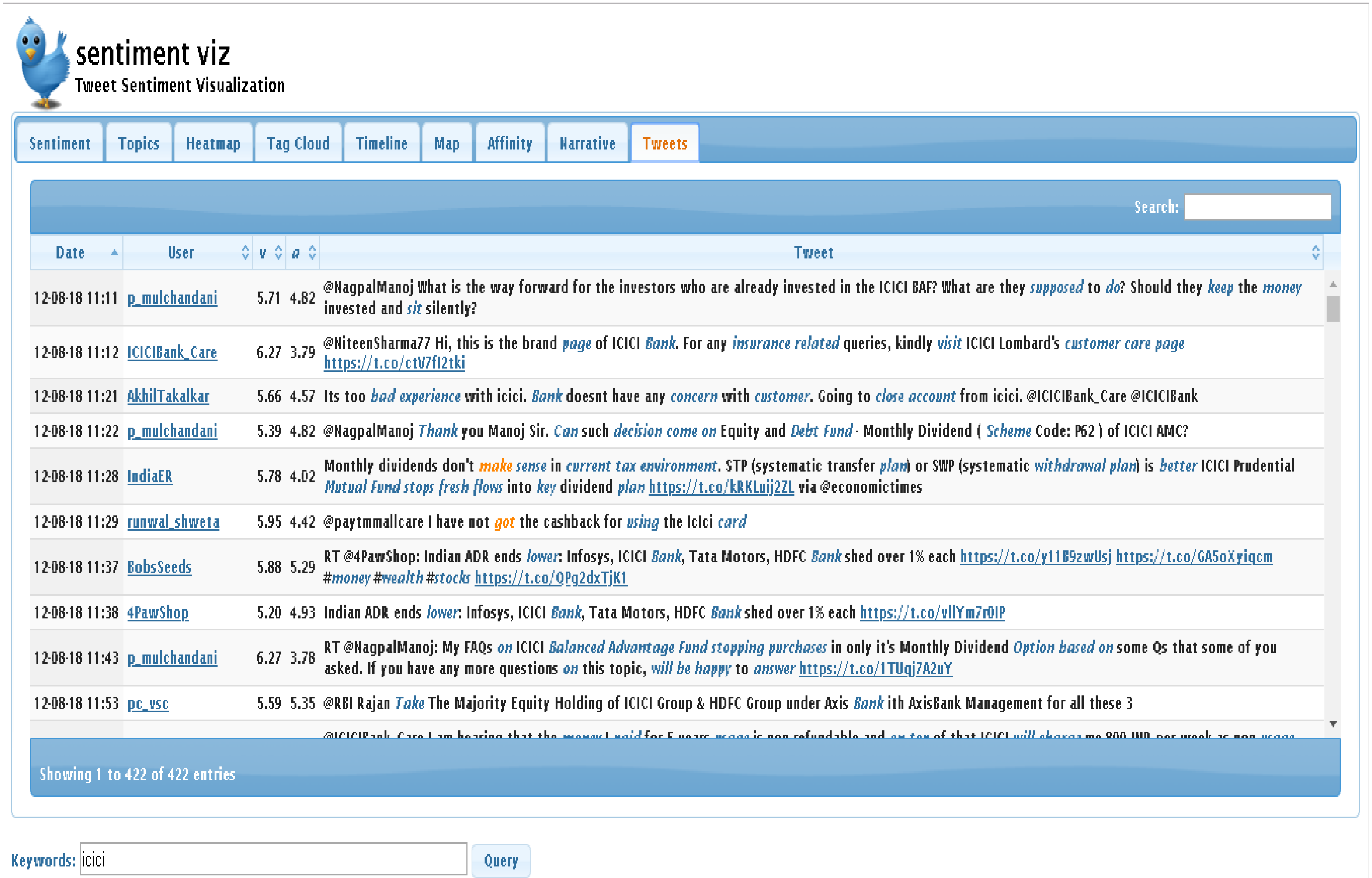
ICICI BANK SENTIMENT VISUALIZATION ANALYSIS OUTPUT




sentiment viz
Tweet Sentiment Visualization

Sentiment | Topics | Heatmap | Tag Cloud | Timeline | Map | Affinity | Narrative | Tweets

Search:

Date	User	v	a	Tweet
12-08-18 11:11	p_mulchandani	5.71	4.82	@NagpalManoj What is the way forward for the investors who are already invested in the ICICI BAF? What are they supposed to do? Should they keep the money invested and sit silently?
12-08-18 11:12	ICICIBank_Care	6.27	3.79	@NiteenSharma77 Hi, this is the brand page of ICICI Bank. For any insurance related queries, kindly visit ICICI Lombard's customer care page https://t.co/ctV7fl2tki
12-08-18 11:21	AkhilTakalkar	5.66	4.57	Its too bad experience with icici. Bank doesnt have any concern with customer. Going to close account from icici. @ICICIBank_Care @ICICIBank
12-08-18 11:22	p_mulchandani	5.39	4.82	@NagpalManoj Thank you Manoj Sir. Can such decision come on Equity and Debt Fund - Monthly Dividend (Scheme Code: P62) of ICICI AMC?
12-08-18 11:28	IndiaER	5.78	4.02	Monthly dividends don't make sense in current tax environment. STP (systematic transfer plan) or SWP (systematic withdrawal plan) is better ICICI Prudential Mutual Fund stops fresh flows into key dividend plan https://t.co/kRKLuij2ZL via @economictimes
12-08-18 11:29	runwal_shweta	5.95	4.42	@paytmmallcare I have not got the cashback for using the Icici card
12-08-18 11:37	BobsSeeds	5.88	5.29	RT @4PawShop: Indian ADR ends lower: Infosys, ICICI Bank, Tata Motors, HDFC Bank shed over 1% each https://t.co/y11B9zwUsj https://t.co/GA5oXyiqcm #money #wealth #stocks https://t.co/QPg2dxTjK1
12-08-18 11:38	4PawShop	5.20	4.93	Indian ADR ends lower: Infosys, ICICI Bank, Tata Motors, HDFC Bank shed over 1% each https://t.co/vllYm7r0IP
12-08-18 11:43	p_mulchandani	6.27	3.78	RT @NagpalManoj: My FAQs on ICICI Balanced Advantage Fund stopping purchases in only it's Monthly Dividend Option based on some Qs that some of you asked. If you have any more questions on this topic, will be happy to answer https://t.co/1TUqj7A2uY
12-08-18 11:53	pc_vsc	5.59	5.35	@RBI Rajan Take The Majority Equity Holding of ICICI Group & HDFC Group under Axis Bank ith AxisBank Management for all these 3

Showing 1 to 422 of 422 entries

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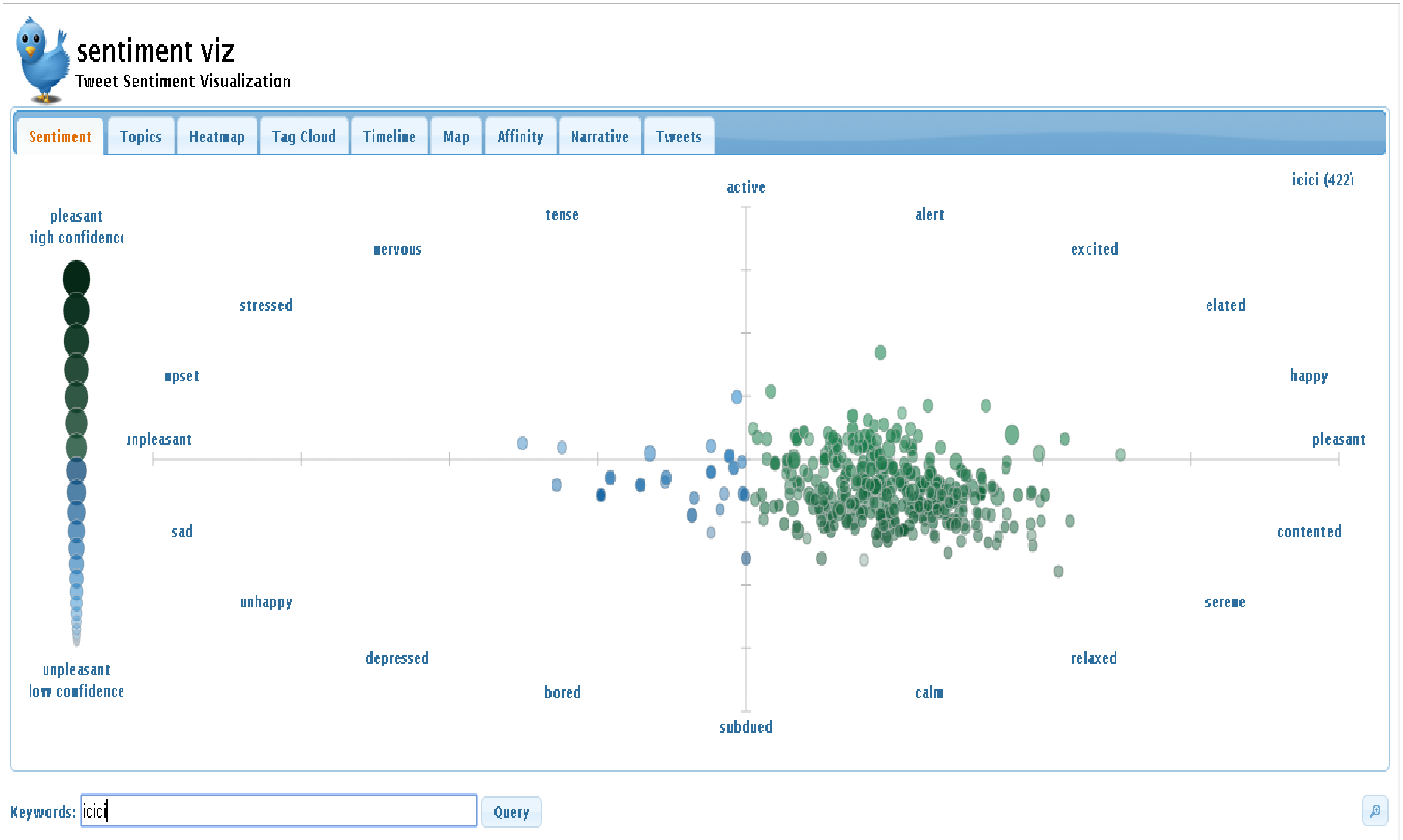
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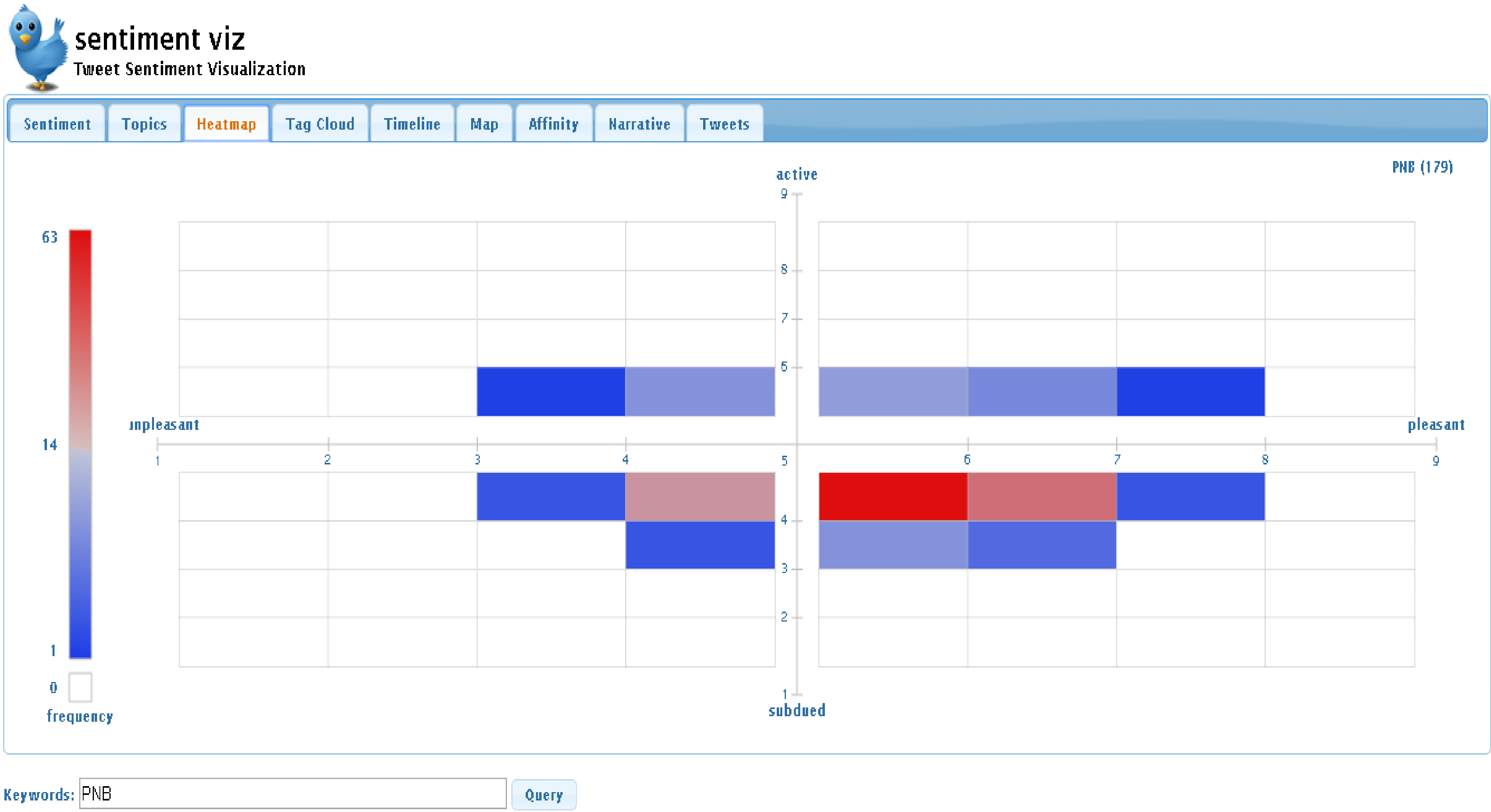
PUNJAB NATIONAL BANK SENTIMENT VISUALIZATION ANALYSIS OUTPUT

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PNB (179)
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nervous
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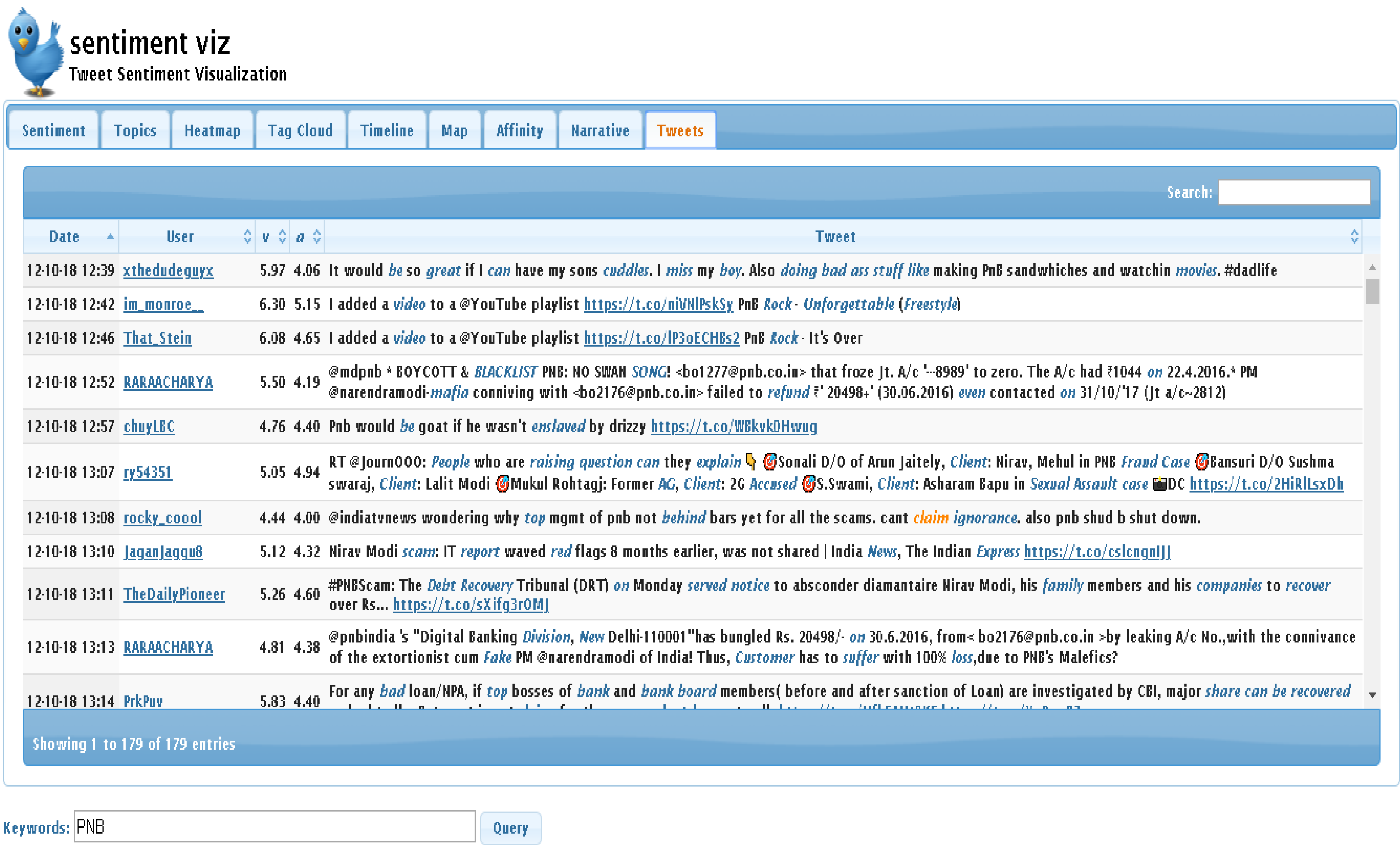

Date	User	v	a	Tweet
12-10-18 12:39	xthedudeguyx	5.97	4.06	It would be so great if I can have my sons cuddles. I miss my boy. Also doing bad ass stuff like making PnB sandwhiches and watchin movies. #dadlife
12-10-18 12:42	im_monroe__	6.30	5.15	I added a video to a @YouTube playlist https://t.co/niVNlPskSy PnB Rock - Unforgettable (Freestyle)
12-10-18 12:46	That_Stein	6.08	4.65	I added a video to a @YouTube playlist https://t.co/lP3oECHBs2 PnB Rock - It's Over
12-10-18 12:52	RARAACHARYA	5.50	4.19	@mdpnb * BOYCOTT & BLACKLIST PNB: NO SWAN SONG! <bo1277@pnb.co.in> that froze Jt. A/c '--8989' to zero. The A/c had ₹1044 on 22.4.2016.* PM @narendramodi-mafia conniving with <bo2176@pnb.co.in> failed to refund ₹' 20498+' (30.06.2016) even contacted on 31/10/'17 (Jt a/c--2812)
12-10-18 12:57	chuyLBC	4.76	4.40	Pnb would be goat if he wasn't enslaved by drizzy https://t.co/WBkvk0Hwug
12-10-18 13:07	ry54351	5.05	4.94	RT @Journ000: People who are raising question can they explain 👇 🎯Sonali D/O of Arun Jaitely, Client: Nirav, Mehul in PNB Fraud Case 🎯Bansuri D/O Sushma swaraj, Client: Lalit Modi 🎯Mukul Rohtagj: Former AG, Client: 2G Accused 🎯S.Swami, Client: Asharam Bapu in Sexual Assault case 🎬DC https://t.co/2HiRlLsxDh
12-10-18 13:08	rocky_coool	4.44	4.00	@indiatvnews wondering why top mgmt of pnb not behind bars yet for all the scams. cant claim ignorance. also pnb shud b shut down.
12-10-18 13:10	JaganJaggu8	5.12	4.32	Nirav Modi scam: IT report waved red flags 8 months earlier, was not shared | India News, The Indian Express https://t.co/cslcngnlJJ
12-10-18 13:11	TheDailyPioneer	5.26	4.60	#PNBScam: The Debt Recovery Tribunal (DRT) on Monday served notice to absconder diamantaire Nirav Modi, his family members and his companies to recover over Rs... https://t.co/sXifg3rOMJ
12-10-18 13:13	RARAACHARYA	4.81	4.38	@pnbindia 's "Digital Banking Division, New Delhi-110001"has bungled Rs. 20498/- on 30.6.2016, from< bo2176@pnb.co.in >by leaking A/c No.,with the connivance of the extortionist cum Fake PM @narendramodi of India! Thus, Customer has to suffer with 100% loss,due to PNB's Malefics?
12-10-18 13:14	PrkPuv	5.83	4.40	For any bad loan/NPA, if top bosses of bank and bank board members(before and after sanction of Loan) are investigated by CBI, major share can be recovered