IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Financial Transparency in Corporate Governance of the Banking Sector: A Case Study of Financial Performance of HDFC and SBI

[1]Sonia, [2] Dr Gurminder Kaur Arora

[1]Research Scholar, [2]Associate Professor,

[1]Amity University, Gurugram, India

[2] Sri Guru Gobind Singh College of Commerce, University of Delhi, India

Introduction: Financial transparency in the banking sector refers to the timely disclosure of accurate and relevant qualitative as well as quantitative financial information to stakeholders in accordance with various accounting standards and generally accepted principles, allowing them to make informed decisions about the organization's financial condition, risk-taking, overall performance, and management. It plays a vital role in the overall corporate governance mechanism and protecting the interest of the stakeholders.

Purpose: The paper aims to research the role of financial transparency and disclosure of corporate governance in the selected private and public sector banks and find its impact on their financial performance.

Research Design: The study is based on secondary data collected from various sources, such as annual reports, the CMIE database, and Prowess IQ.

To determine the financial transparency, disclosure, and level of corporate governance, a scorecard is created using the RBI guidelines, the Companies Act 2013, Revised Clause 49 of the listing agreement, and various other mandatory and non-mandatory financial reporting and corporate governance guidelines, while keeping various accounting standards and generally accepted principles in mind. Financial transparency in selected scheduled commercial banks is measured using various indicators and parameters. The higher the score a bank has, the greater is its level of financial transparency and corporate governance. Financial performance of banks is measured by five performance indicators namely, return on assets (ROA), return on equity (ROE), net interest margin (NIM), profit per employee (PPE), and net non-performing assets (NPA).

The data is analysed using MS Excel and SPSS.

Research limitations/implications: The paper is both descriptive as well as analytical in nature, supported by sufficient data and empirical findings. The Indian Banking Industry is very dynamic, constantly going through changes such as mergers and acquisitions, and is facing several challenges relating to financial transparency and corporate governance. The present study provides useful insights into the impact of financial transparency and corporate governance mechanisms of the selected bank's performance.

Index Terms **- Corporate Governance, Financial Transparency, Banking, ROA, ROE, NIM, PPE and NPA, Score.**

Introduction:

Corporate governance refers to the way in which a corporate entity is governed. According to Merendino (2013), the term corporate governance is emanated from two Latin words "Corpus" and "Gubernare" wherein "corpus" means "corporate body" and gubernare means holding a rudder. Thus, corporate governance means governing the affairs of a corporate entity.

James D Wolfensohn, President of World Bank defines the term as

"Corporate Governance is about promoting corporate fairness, transparency and accountability".

In relation to corporate governance, the word "transparent" refers to financial statements of high quality with proper disclosure of all material facts relevant to the stakeholders. Financial transparency doesn't merely refer to the documentation of books of accounts but a proper statement of the financial position of a company, stating a true and fair position by providing all the material facts, qualitative and quantitative information in a standardised manner, on a timely basis so that it can be properly understood by the stakeholders and help them in decision making.

While policies and documentation are unquestionably important, they are insufficient to ensure good governance. Companies' actions to promote corporate transparency and accountability speak louder than words. Corporate governance isn't a mathematical formula that can be applied and a result produced. In reality, it is a practical and behavioral system strategy that can be adopted and executed for the benefit and well-being of shareholders, a greater and timely return for investors and creditors, and the honour of social responsibility among stakeholders.

Banking institutions differ from other corporate entities in numerous aspects, making corporate governance of banks unique and crucial. If a corporation fails in corporate governance, the consequences are limited to the stakeholders; but, if a banking institution fails, the damage can spread swiftly across other banks and financial institutions, with major consequences for the financial system as a whole. Banking institutions are undoubtedly the solid backbone of every economy. This results in a country's economic stability, which corresponds positively with the smooth operation of its banking system. As a result, financial transparency and corporate governance is extremely important in the case of banking organisations.

Banks are different from other financial institutions because of its capital structure which is unique in two ways viz the equity of the banks comes from depositors and bond holders rather than just the shareholders and bank holds non-liquid assets in the form of loans. Banks have obligations in the form of deposits, which they issue to creditors or depositors, resulting in the creation of liquidity for the economy. A mismatch between deposits and liabilities leads to a depositors' collective action programme. With the externalities effect, this can lead to a bank's failure.

A bank's structure can never be long-lasting if it is free, unaccountable, and poorly governed. Rapid technical advancements, as well as the continued globalization, economic development and the political environment, have prompted national and international policymakers to place a larger emphasis on banking regulation and oversight in recent years Indian banking sector has witnessed lot of corporate failures, scams and scandals in recent years. Both private and public-sector banks have undergone a drastic failure of corporate governance mechanisms due to lack of financial transparency, leading to distrust among the depositors and other stakeholders. Some scams in the banking sector due to lack of financial transparency and resulting corporate governance failure are summarized in Table 1 below:

Table 1: Scams in the Indian Banking Sector Due to lack of Financial Transparency and Corporate Governance Failure

Year	Scandal / Scam / Fraud	Banks Involved (Major Stake)
1985	Rajender Scam	**Punjab National Bank**
1992	Securities Scam by Harshad Mehta	**Unit Trust of India and State Bank of India**
1992	Indian Bank Scandal	**Indian Bank**
2002	Ketan Pareekh's Fraud	**Bank of India and Gujarat Cooperative Bank of India**
2002	NDCCB Scam	**Nagpur District Central Cooperative Bank**
2003	GTB Fraud	**Global Trust Bank**
2008	SBI-SBS Merger Scam	**State Bank of Saurashtra**
2011	Fictitious Accounts Scam	**Bank of Maharashtra, Central Bank, Oriental Bank of Commerce and IDBI Bank**
2014	S.K. Jain Fraud	**Syndicate Bank**
2014	Electrotherm India Fraud	**Central Bank of India**
2014	Bipin Vohra Fraud	**Central Bank of India**
2015	Jain Infraprojects Ltd. Fraud	**Central Bank of India**
2016	KYC Fraud	**Syndicate Bank**
2016	Vijaya Mallya Fraud	**Union Bank of India, State Bank of India, Punjab National Bank and IDBI Bank**
2017	Nilesh Parekh Fraud	**State Bank of India**
2017	Abhijeet Group Scam	**Canara Bank and Vijaya Bank**
2017	Siddhi Vinayak Logistics Limited Fraud	**Bank of Maharashtra**
2018	Totem Infrastructure Fraud	**Union Bank of India**
2018	Kanishk Gold Fraud	**State Bank of India and Punjab National Bank**
2018	Sterling Biotech Fraud	**Andhra Bank**
2018	Nirav Modi Fraud	**Punjab National Bank**
2018	Rotomac Pen Scam	**Bank of India, Bank of Maharashtra, Indian Overseas Bank, Union Bank of India, Allahabad Bank and Oriental Bank of Commerce**
2019	NSEL- Employee Provident Fund Scam	**DCB Bank**
2019	Housing Development and Infrastructure Ltd (HDIL) Scam	**Punjab and Maharashtra Cooperative Bank**
2020	Dewan Housing Finance Limited (DHFL) Scam	**Yes Bank**
2020	ICICI-Videocon Scam	**ICICI Bank**

* Compiled by researchers

These scams and scandals in the Indian banking sector have aroused the interest of researchers to explore this segment and find the differences between the financial transparency in corporate governance mechanisms of India's largest public and private sector bank i.e., HDFC and SBI Bank.

The basic research questions analysed in the study are:

- What are the factors of financial transparency that affect corporate governance mechanism?
- What is the level of financial transparency and corporate governance in HDFC and SBI Bank
- What is the impact of financial transparency on the financial performance of these banks.

Literature Review:

The study **(England, 1991)** indicates that banks are special, but primarily because of the government policies towards them. Banks and their clients have become increasingly reliant on the government's continued subsidies and protections. According to **Chami et.el. (2002)**, banks require well-developed infrastructure, a comfortable operating environment, and a competent financial transparency mechanism in corporate governance and regulatory framework to execute their essential functions. **Levine (2004)** states that greater opaqueness than other industries and greater government regulation makes banks special units and **Ungureanu (2008)** states that it is difficult for diffused shareholders and debt holders to exert control over banks due to the opaqueness. Ali et.al **(Ali & Hwang, 2000)** tries to find the relation between the value relevance of financial information (explanatory power of accounting variables like earnings and equity) and accounting data in countries following a bank-oriented financial system and a capital market-oriented financial system. The study revealed lower demand for published financial reports in bank-oriented systems than in the capital market-oriented financial systems. **Hefferman (2005)** observed many cases where the market is regulated by government to prevent the collapse of banking system through contagious effect. Unlike other financial institutions, banks act as intermediary between the lenders and borrowers. And by doing this it offers asset transformation leading to wealth creation for the economy as the process of lending creates money.

Financial scandals and scams compel businesses to prioritise corporate governance and financial transparency **(Dyck et al., 2010; Utz, 2019)**. Financial transparency serves to increase access to information and facilitate community participation **(Ahmad et al., 2020).** Financial reporting and disclosure are complementary tools for reducing information asymmetry between managers and stakeholders. According to the researchers **(Gray et al., 1995; Hawrysz & Maj, 2017; Moneva et al., 2007)**, financial and non-financial data reporting is the source of the organization's engagement and communication with its stakeholders. As a result, the effectiveness of a country's financial reporting and disclosure system is critical to the development of economically efficient public corporations and public securities markets, as well as the growth of its economy **(Ball, 2001).**

Timeliness is one facet of transparency. In general, it is preferable to disclose financial information sooner rather than later. Financial reporting requires a high level of transparency and companies must disclose anything that could affect an informed investor's investment decision on a timely basis. **(McGee & Yuan, 2012)** states that OECD and the World Bank have highlighted financial reporting timeliness as one of the characteristics of effective corporate governance. Shareholders and other stakeholders require information while it is still current. The longer the period between year-end and disclosure passes, the more stale the data becomes and the less value it has to the stakeholders. **(Ball et al., 2000)** also states that timeliness and conservative accounting are important concepts of financial transparency, which play a key role in the overall corporate governance. The notion of conservative accounting emphasises that a company's books of accounts should be written with a high degree of caution and verification. It basically states that all potential losses should be disclosed as soon as they are discovered, but all benefits should be disclosed only after they have been fully obtained. Transparency is an important aspect of financial market efficiency and in delivering the information required for successful market discipline. Market discipline and openness, in turn, are critical to ensuring the robust corporate governance required for stable markets and investor confidence **(Witherell, 2003)**. The financial statement and report presentation should be in such a manner that it discloses, presents, and provides relevant information, significant terminology, understandable documentation and providers accountability relating to the financial information **(Bidabad et al., 2017).**

Using the United States as a baseline, a cross-country analysis of the information content and timeliness of accounting earnings was conducted across 17 countries while keeping in mind the in-depth variety of accounting standards and information environments followed in different countries. The research revealed that the financial reporting and accounting earning of Australia, France, the Netherlands, and the UK are more comprehensive, detailed, informative, and time-bound in providing relevant financial information to the stakeholders than those of the US **(Alford et al., 1993)**.

Based on the extensive review of literature, it can be concluded that financial transparency in corporate governance **(Bushman et al., 2003; Francis et al., 1994; Kaufmann & Vishwanath, 2001)** of banking sector, comprises three essential components: 1) Timeliness in information dissemination through the media and the Internet, 2) voluntary and mandated corporate reporting, and 3) private information gathering and communication by financial analysts, institutional investors, and business managers through financial reporting and disclosure.

Moreover, above review of literature also suggests that while financial transparency in corporate governance assumes importance in the success or failure of banks, not much research has been done to assess its role in their actual functioning. This study is a modest attempt in that direction.

Methodology and Data

In order to find out the answer to our first research question, a thorough literature review has been done and it has been concluded that financial transparency in corporate governance of banking sector consists of three main components: timeliness, communication, and financial reporting and disclosure. Further for the other two questions;

- The parameters-based score card method is used for a comparative analysis of HDFC and SBI banks on the financial transparency element of corporate governance.
- Scorecard consisting of 30 questions is formulated on the basis of various mandatory and non-mandatory laws by RBI, SEBI, MCA, Companies Act, 2013 and the BASEL norms relating to financial transparency and corporate governance.
- MS Excel and SPSS is used to analyse the data.

Findings and Analysis

The Scorecard method has been used to do the comparative analysis between SBI and HDFC Bank for 5 years. The study is based on secondary data collected from the annual reports of the bank through Prowess

IQ database. Parameters based on several mandatory and non-mandatory recommendations relating to transparency in corporate governance prescribed by various laws and regulations, including RBI, SEBI, Companies Act 2013, Clause 49 of the listing agreement, etc., have been taken into consideration to develop the scorecard. On the basis of the literature, financial transparency in corporate governance is split into three primary dimensions: timeliness, communication, and financial reporting and disclosures. Disclosure in the annual report with respect to these three dimensions is determined and later the overall financial transparency and corporate governance level is assessed for the selected banks using the scorecard having dichotomous questions. A total of 30 questions have been analysed for five financial years, from 2016-17 to 2020-21 for HDFC and SBI banks. The presence of the variable is marked as 1, and the absence of it is marked as 0. Disclosure variables which are not properly reported in the bank's annual reports are also marked 0 since they are also considered as absence of the parameter.

A five-year comparative analysis is performed to determine if the selected private and public sector bank, i.e., HDFC and SBI follows the mandatory and non-mandated regulations relating to financial transparency in its annual reports, and scores are assigned to the presence and absence of each variable.

The scorecard of financial transparency of HDFC bank and SBI bank is presented in Table 2 and Table 3 respectively:

Table 2: Financial Transparency Scorecard of HDFC Bank

(Year 2016-17 to 2020-21)

HDFC BANK								
S.No.	Questions	Maximum Score	2020-21	2019-20	2018-19	2017-18	2016-17	Scored Gained
1	**Timeliness**							
	1. Date, time and venue of annual general meeting disclosed	5	1	1	1	1	1	5
	2. The 21 days prior notice relating to annual general meeting date time and venue given	5	1	1	1	1	1	5
	3. The quarterly, semi-annual, and annual financial statements are made available to stakeholders on a timely basis.	5	1	1	1	1	1	5
	Total	15	3	3	3	3	3	15
2	**Communication**							
	1. Is the Medium of annual general meeting specified i.e., online offline or both	5	1	1	1	1	1	5
	2. Are the shareholders freely allowed to ask questions in the annual general meetings without prior notification	5	0	1	1	1	1	4

	3. Is the attendance and vote by proxy allowed in the annual general meeting	5	1	1	1	1	1	5
	4. Is the remote e-voting facility given to its shareholders?	5	1	1	1	1	1	5
	5. All board members attended the annual general meeting	5	1	1	0	0	0	2
	6. Annual report is available on banks website	5	1	1	1	1	1	5
	7. Annual report is submitted to the stock exchanges in which it is registered as per the SEBI norm	5	1	1	1	1	1	5
	8. A soft copy of the annual financial report is sent to the shareholders whose registered email address are available	5	1	1	1	1	1	5
	9. A physical copy of the annual financial reports, notifications containing relevant information is sent to the shareholders whose registered email address is not available	5	0	0	0	1	1	2
	10. Advertisements in regional or national newspapers relating to quarterly, half yearly, and annual financial reports, notices of annual general meetings, etc. to inform all the stakeholders.	5	1	1	1	1	1	5
	11. Does the bank have a code of conduct?	5	1	1	1	1	1	5
	12. Does every employer affirm to abide by these code annually?	5	1	1	1	0	0	3
	13. Basel III - Pillar Disclosures are made in the annual reports only, not in the separate file.	5	0	1	1	1	1	4
	Total	65	10	12	11	11	11	55
3	**Financial Reporting and Disclosures**							
	1. The annual report consists of information	5	1	1	1	1	1	5

	relating to the business responsibility report, the directors' report, and the auditors report.							
	2. The annual report consists of a report on corporate governance.	5	1	1	1	1	1	5
	3. The annual financial report consists of balance sheet profit and loss account cash flow statement as per proper accounting standards.	5	1	1	1	1	1	5
	4. Financial statements are prepared according to accrual accounting policy, with consistent accounting practises followed throughout the financial year.	5	1	1	1	1	1	5
	5. The standalone and consolidated financial results are prepared as per Generally Accepted Accounting Principles in India and International Financial Reporting Standards wherever applicable, as disclosed in the financial statements.	5	1	1	1	1	1	5
	6. The independent auditors' report affirms that the financial statements are true and fair and as per the proper accounting standards.	5	1	1	1	1	1	5
	7. There is a compliance certificate on corporate governance of the selected bank	5	1	1	1	1	1	5
	8. There is a proper disclosure relating to the whistle blowing policy and vigilance mechanism in the annual report.	5	1	1	1	1	1	5
	9. There's proper disclosure relating to the dividend distribution policy in the annual report.	5	1	1	1	1	1	5
	10. The annual report consists of proper disclosure relating to the board of directors' composition, i.e.,	5	1	1	1	1	1	5

	executive, non-executive, and independent directors.							
	11. A brief profile of the board of directors, including their qualifications and experience, is disclosed in the annual report.	5	1	1	1	1	1	5
	12. Does the annual report have proper disclosure and adequate information relating to the attendance of the board of directors at the annual general meeting?	5	1	1	1	1	1	5
	13. Is the norm of women director on board as per the Companies Act fulfilled?	5	1	1	1	1	1	5
	14. There are various committees, such as the audit committee, renumeration committee, stakeholders committee, etc., formed by the bank, and a proper disclosure relating to each one of them and clear disclosure of related party transaction is made in the annual report as per the mandatory and non-mandatory requirements.	5	1	1	1	1	1	5
	Total	70	14	14	14	14	14	70
4	**Total Score**	150	27/30	29/30	28/30	28/30	28/30	140

* Compiled by researchers

Table 3: Financial Transparency Scorecard of SBI Bank (Year 2016-17 to 2020-21)

SBI Bank								
S.No.	Questions	Maximum Score	2020-21	2019-20	2018-19	2017-18	2016-17	Scored Gained
1	**Timeliness**							
	1. Date, time and venue of annual general meeting disclosed	5	1	1	1	1	1	5
	2. The 21 days prior notice relating to annual general meeting date time and venue given	5	1	1	1	1	1	5

	3. The quarterly, semi-annual, and annual financial statements are made available to stakeholders on a timely basis.	5	1	1	1	1	1	5
	Total	15	3	3	3	3	3	15
2	**Communication**							
	1. Is the Medium of annual general meeting specified i.e., online offline or both	5	1	1	1	0	1	4
	2. Are the shareholders freely allowed to ask questions in the annual general meetings without prior notification	5	0	0	1	1	1	3
	3. Is the attendance and vote by proxy allowed in the annual general meeting	5	1	1	1	1	1	5
	4. Is the remote e-voting facility given to its shareholders?	5	1	1	0	0	0	2
	5. All board members attended the annual general meeting	4	1	1	0	0	0	2
	6. Annual report is available on banks website	5	1	1	1	1	1	5
	7. Annual report is submitted to the stock exchanges in which it is registered as per the SEBI norm	5	1	1	1	1	1	5
	8. A soft copy of the annual financial report is sent to the shareholders whose registered email address are available	5	1	1	1	1	1	5
	9. A physical copy of the annual financial reports,	5	1	1	1	1	1	5

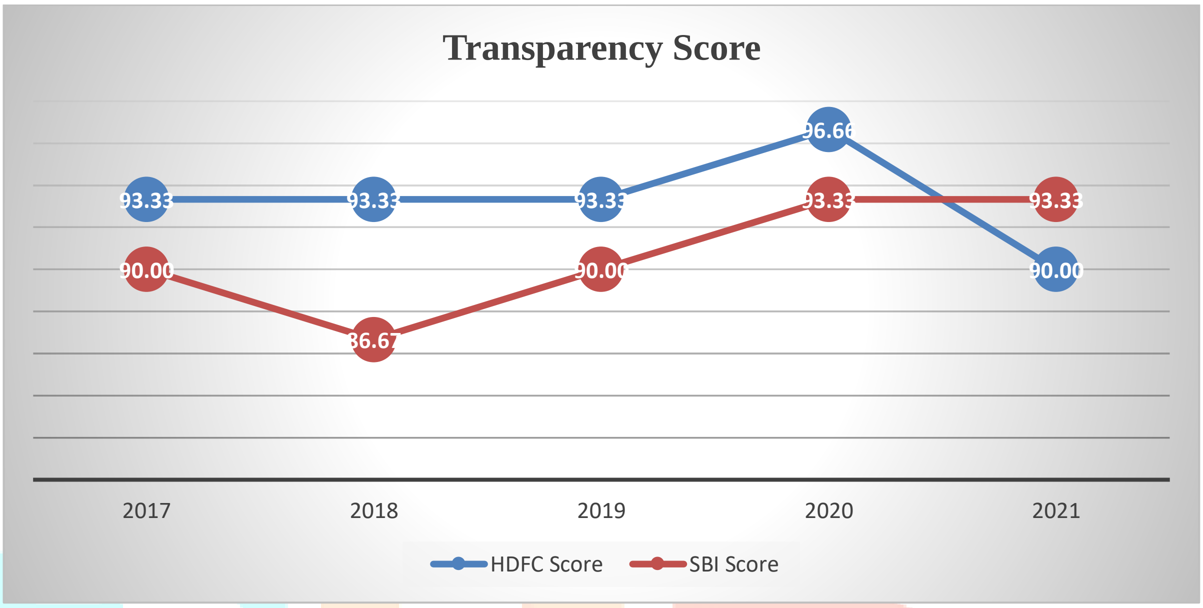
	notifications containing relevant information is sent to the shareholders whose registered email address is not available							
	10. Advertisements in regional or national newspapers relating to quarterly, half yearly, and annual financial reports, notices of annual general meetings, etc. to inform all the stakeholders.	5	1	1	1	1	1	5
	11. Does the bank have a code of conduct?	5	1	1	1	1	1	5
	12. Does every employer affirm to abide by these code annually?	5	1	1	1	1	1	5
	13. Basel III - Pillar Disclosures are made in the annual reports only, not in the separate file.	5	1	1	1	1	1	5
	Total	65	12	12	11	10	11	56
3	**Financial Reporting and Disclosures**							
	1. The annual report consists of information relating to the business responsibility report, the directors' report, and the auditors report.	5	1	1	1	1	1	5
	2. The annual report consists of a report on corporate governance.	5	1	1	1	1	1	5
	3. The annual financial report consists of balance sheet profit and loss account cash	5	1	1	1	1	1	5

	flow statement as per proper accounting standards.							
	4. Financial statements are prepared according to accrual accounting policy, with consistent accounting practises followed throughout the financial year.	5	1	1	1	1	1	5
	5. The standalone and consolidated financial results are prepared as per Generally Accepted Accounting Principles in India and International Financial Reporting Standards wherever applicable, as disclosed in the financial statements.	5	1	1	1	1	1	5
	6. The independent auditors' report affirms that the financial statements are true and fair and as per the proper accounting standards.	5	1	1	1	1	1	5
	7. There is a compliance certificate on corporate governance of the selected bank	5	1	1	1	1	1	5
	8. There is a proper disclosure relating to the whistle blowing policy and vigilance mechanism in the annual report.	5	1	1	1	1	1	5
	9. There's proper disclosure relating	5	1	1	1	1	1	5

	to the dividend distribution policy in the annual report.							
	10. The annual report consists of proper disclosure relating to the board of directors' composition, i.e., executive, non-executive, and independent directors.	5	1	1	1	1	1	5
	11. A brief profile of the board of directors, including their qualifications and experience, is disclosed in the annual report.	5	1	1	1	1	1	5
	12. Does the annual report have proper disclosure and adequate information relating to the attendance of the board of directors at the annual general meeting?	5	1	0	0	0	0	1
	13. Is the norm of women director on board as per the Companies Act fulfilled?	5	0	1	1	1	1	4
	14. There are various committees, such as the audit committee, renumeration committee, stakeholders committee, etc., formed by the bank, and a proper disclosure relating to each one of them and clear disclosure of related party transaction is made in the annual report as per the	5	1	1	1	1	1	5

	mandatory and non-mandatory requirements.							
	Total	70	13	13	13	13	13	65
4	**Total**	**150**	28/30	28/30	27/30	26/30	27/30	135

* Compiled by researchers



Further, the comparative graph represents the transparency score of corporate governance for the two selected leading banks in India, HDFC and SBI, over a five-year period from 2016-17 to 2020-21. The transparency score is expressed as a percentage, calculated based on various indicators of corporate governance, such as board composition, risk management practises, and disclosure policies.

The graph shows a consistent trend of improvement in transparency scores for both banks from 2017 to 2020, indicating a growing commitment to good corporate governance practices. HDFC had consistently outperformed SBI in terms of transparency score from 2016–17 to 2020–21, with a higher score every year. However, in 2020, HDFC's score increased to 96.66 while SBI's score increased to 93.33, narrowing the gap between the two banks.

In 2021, the trend shifted with HDFC's score dropping to 90%, while SBI's score remained the same at 93.33%. This led to SBI outperforming HDFC in terms of transparency score for the first time during the five-year period. The reasons behind the decline in HDFC's transparency score are not immediately clear, but could potentially be explored through additional research.

Table 4: Consolidated Comparative Scorecard of HDFC and SBI bank (5 years taken together)

S.No.	Questions	Maximum Score	HDFC Score	SBI Score
1	**Timeliness**			
	1. Date, time and venue of annual general meeting disclosed	5	5	5
	2. The 21 days prior notice relating to annual general meeting date time and venue given	5	5	5
	3. The quarterly, semi-annual, and annual financial statements are made available to stakeholders on a timely basis.	5	5	5
	Total Score of Timeliness	15	15	15
	Percentage Score		**100%**	**100%**
2	**Communication**			
	1. Is the Medium of annual general meeting specified i.e., online offline or both	5	5	4
	2. Are the shareholders freely allowed to ask questions in the annual general meetings without prior notification	5	4	3
	3. Is the attendance and vote by proxy allowed in the annual general meeting	5	5	5
	4. Is the remote e-voting facility given to its shareholders?	5	5	2
	5. All board members attended the annual general meeting	5	2	2
	6. Annual report is available on banks website	5	5	5
	7. Annual report is submitted to the stock exchanges in which it is registered as per the SEBI norm	5	5	5
	8. A soft copy of the annual financial report is sent to the shareholders whose registered email address are available	5	5	5
	9. A physical copy of the annual financial reports is sent to the shareholders whose registered email address is not available	5	2	5
	10. Advertisements in regional or national newspapers relating to quarterly, half yearly, and annual financial reports, notices of annual general meetings, etc. to inform all the stakeholders.	5	5	5
	11. Does the bank have a code of conduct?	5	5	5
	12. Does every employer affirm to abide by these code annually?	5	3	5
	13. Basel III - Pillar Disclosures are made in the annual reports only, not in the separate file.	5	4	5
	Total of Communication	65	55	56
	Percentage Score	**100%**	**84.61%**	**86.15%**

3	**Financial Reporting and Disclosures**			
	14. The annual report consists of information relating to the business responsibility report, the directors' report, and the auditors report.	5	5	5
	15. The annual report consists of a report on corporate governance.	5	5	5
	16. The annual financial report consists of balance sheet profit and loss account cash flow statement as per proper accounting standards.	5	5	5
	17. Financial statements are prepared according to accrual accounting policy, with consistent accounting practises followed throughout the financial year.	5	5	5
	18. The standalone and consolidated financial results are prepared as per Generally Accepted Accounting Principles in India and International Financial Reporting Standards wherever applicable, as disclosed in the financial statements.	5	5	5
	19. The independent auditors' report affirms that the financial statements are true and fair and as per the proper accounting standards.	5	5	5
	20. There is a compliance certificate by the company secretary on corporate governance of the selected bank	5	5	5
	21. There is a proper disclosure relating to the whistle blowing policy and vigilance mechanism in the annual report.	5	5	5
	22. There's proper disclosure relating to the dividend distribution policy in the annual report.	5	5	5
	23. The annual report consists of proper disclosure relating to the board of directors' composition, i.e., executive, non-executive, and independent directors.	5	5	5
	24. A brief profile of the board of directors, including their qualifications and experience, is disclosed in the annual report.	5	5	5
	25. Does the annual report have proper disclosure and adequate information relating to the attendance of the board of directors at the annual general meeting?	5	5	1
	26. Is the norm of women director on board as per the Companies Act fulfilled?	5	5	4
	27. There are various committees, such as the audit committee, renumeration committee, stakeholders committee, etc., formed by the bank, and a proper disclosure relating to each one of them and clear disclosure of related party transaction is made in the annual report as per the mandatory and non-mandatory requirements.	5	5	5
	Total of Financial Reporting and Disclosure	70	70	65
	Percentage Score		100%	92.86
4	**Overall Score of Financial Transparency Scorecard for five 5 years taken together**	**160**	**140**	**136**
	Percentage Score of total transparency	**100**	**87.50%**	**85.00%**

* Compiled by researchers

The above Table 4, which consolidates the comparative scorecards of HDFC and SBI for the five-year period, reveals that the transparency score of HDFC is 87.50% and SBI is 85.00%. The higher overall score for HDFC compared to SBI suggests that HDFC has performed better in terms of financial transparency over the five-year period. However, it is important to note that the difference in scores between the two banks is relatively small, which may suggest that they are both performing reasonably well in terms of financial transparency. To gain a more complete picture of bank performance, financial transparency scores can be combined with financial performance measures. In this study, we have selected five performance indicators: return on assets (ROA), return on equity (ROE), net interest margin (NIM), profit per employee (PPE), and net non-performing assets (NPA).

To calculate these performance indicators, we have sourced data from the Prowess IQ Database, which provides comprehensive financial information for Indian companies, including banks. ROA, ROE, and NIM are commonly used measures of profitability and efficiency, while PPE is an indicator of productivity. NPA, on the other hand, is a measure of asset quality, indicating the percentage of non-performing loans in relation to total loans. The various performance-based ratios for HDFC bank are presented in Table 5 followed by its descriptive statistics in table 6 and correlation matrix in Table 7.

Table 5: Ratios of HDFC Bank

YEAR	CGI TransScore (%)	ROA (%)	ROE (%)	NIM (%)	PPE (Rs. Cr)	Net NPA (%)
2017	93.33	1.88	18.04	4.30	0.16	0.33
2018	93.33	1.93	18.22	4.30	0.20	0.40
2019	93.33	1.90	16.3	4.30	0.23	0.39
2020	96.66	2.10	16.76	4.30	0.24	0.36
2021	90.00	1.97	16.06	4.10	0.26	0.40

Table 6: Descriptive Statistics of HDFC Bank

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
CGI_TranScore	5	90.00	96.66	93.3300	2.35467	5.544
ROA	5	1.88	2.10	1.9560	.08735	.008
ROE	5	16.06	18.22	17.0760	.99653	.993
NIM	5	4.10	4.30	4.2600	.08944	.008
PPE	5	.16	.26	.2180	.03899	.002
NPA	5	.33	.40	.3760	.03050	.001
Valid N (listwise)	5					

Table 7: Correlations Matrix of HDFC Bank

		CGI_TranScore	ROA	ROE	NIM	PPE	NPA
CGI_TranScore	Pearson Correlation	1					
ROA	Pearson Correlation	.526	1				
ROE	Pearson Correlation	.248	-.343	1			
NIM	Pearson Correlation	.791	-.090	.570	1		
PPE	Pearson Correlation	-.181	.584	-.872	-.602	1	
NPA	Pearson Correlation	-.464	.011	-.387	-.440	.643	1

The above statistics show that there is no significant impact of financial transparency on the financial performance of HDFC Bank.

The various performance-based ratios for SBI bank are presented in Table 8 followed by its descriptive statistics in Table 9.

Table 8: Ratios of SBI Bank

YEAR	CGI_TransScore (%)	ROA (%)	ROE (%)	NIM (%)	PPE (Rs. Cr)	Net NPA (%)
2017	90.00	0.41	7.25	2.84	0.05	3.71
2018	86.67	-0.19	-3.78	*	-0.02	5.73
2019	90.00	0.02	.48	2.95	0.00	3.01
2020	93.33	0.38	7.74	3.19	0.06	2.23
2021	93.33	0.48	9.94	3.26	0.08	1.50

Table 9: Descriptive Statistics of SBI

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
CGI_TranScore	5	86.67	93.33	90.6660	2.78608	7.762
ROA	5	-.19	.48	.2200	.29043	.084
ROE	5	-3.78	9.94	4.3260	5.74937	33.055
NIM	4	2.84	3.26	3.0600	.19782	.039
PPE	5	-.02	.08	.0340	.04219	.002
NPA	5	1.50	5.73	3.2360	1.62184	2.630
Valid N (listwise)	4					

Table 10: Correlation Matrix of SBI

		CGI_TranScore	ROA	ROE	NIM	PPE	NPA
CGI_TranScore	Pearson Correlation	1					
ROA	Pearson Correlation	.854	1				
ROE	Pearson Correlation	.890*	.996**	1			
NIM	Pearson Correlation	.963*	.434	.555	1		
PPE	Pearson Correlation	.892*	.981**	.992**	.634	1	
NPA	Pearson Correlation	-.965**	-.796	-.835	-.982*	-.824	1

*. Correlation is significant at the 0.05 level (2-tailed).

Table 10: Correlation Matrix of SBI

		CGI_TranScore	ROA	ROE	NIM	PPE	NPA
CGI_TranScore	Pearson Correlation	1					
ROA	Pearson Correlation	.854	1				
ROE	Pearson Correlation	.890*	.996**	1			
NIM	Pearson Correlation	.963*	.434	.555	1		
PPE	Pearson Correlation	.892*	.981**	.992**	.634	1	
NPA	Pearson Correlation	-.965**	-.796	-.835	-.982*	-.824	1

**. Correlation is significant at the 0.01 level (2-tailed).

Table 10 present correlation matrix of SBI's transparency score with five variables of financial performance: ROA, ROE, NIM, PPE, and NPA, using the Pearson correlation coefficient.

The results show that CGI_TranScore of SBI Bank is positively and strongly correlated with all other variables, except for NPA, which is negatively and strongly correlated with CGI_TranScore. The correlation coefficient between CGI_TranScore and ROA is positive at .854 but not statistically significant. The correlation between CGI_TranScore and ROE is stronger at 0.890, with a significance level of 0.05 indicating that the two variables are highly positively correlated. Similarly, CGI_TranScore is strongly positively correlated with NIM and PPE, with correlation coefficients of 0.963 and 0.892, respectively. This suggests that higher CGI_TranScore is associated with higher NIM and PPE.

On the other hand, NPA is negatively correlated with CGI_TranScore, with a correlation coefficient of -0.965. This indicates that a higher CGI_TranScore is associated with a lower NPA, and vice versa.

Overall, these results suggest that CGI_TranScore is strongly correlated with SBI's financial ratios, which means that financial transparency and corporate governance have a positive impact on SBI's overall performance and profitability.

Conclusions and Suggestions:

These findings suggest that both banks are making progress in improving their corporate governance transparency, but there is still room for improvement. HDFC bank is performing better than SBI Bank, both in terms of transparency and financial performance. However, the shift in trend in 2021 highlights the importance of ongoing monitoring and improvement efforts of SBI bank to maintain and enhance its transparency scores. These findings could be useful for policymakers, regulators, and investors interested in promoting good corporate governance practices in the banking sector.

In conclusion, the comparative graph provides valuable insights into the transparency scores of two leading banks in India over a five-year period. The consistent trend of improvement in transparency scores for both banks from 2017 to 2020, followed by the shift in trend in 2021, suggests the need for continued focus on corporate governance transparency in the banking sector. Moreover, the comparative results of the correlation matrix provide valuable insights into the relationships between corporate governance and different financial ratios and suggest potential areas for improvement that could contribute to the bank's overall performance and profitability. Future research could explore the reasons behind the decline in HDFC's transparency score in 2021 and investigate the impact of transparency scores on other key performance indicators of banks.

Limitations:

It is also worth noting that the financial transparency scorecard may have limitations, as it is based on a set of predetermined indicators that may not capture all aspects of financial transparency. Therefore, it may be useful to supplement the scorecard with additional information and analysis to provide a more complete picture of the banks' transparency practices.

Bibliography and References:

Ahmad, J., Nonci, N., Nurmandi, A., Eko, & Agustiyara. (2020). What Factors Affect Financial Transparency Reports? A Study of Regional Government Financial Reports in South Sulawesi Province, Indonesia. *International Journal of Economics and Business Administration*, *VIII*(Issue 4), 525–544. https://doi.org/10.35808/ijeba/604

Alford, A., Jones, J., Leftwich, R., & Zmijewski, M. (1993). *The Relative Informativeness of Accounting Disclosures in Different Countries*. *31*(1993), 183–223.

Ali, A., & Hwang, L.-S. (2000). Country-Specific Factors Related to Financial Reporting and the Value Relevance of Accounting Data. *Journal of Accounting Research*, *38*(1), 1. https://doi.org/10.2307/2672920

Ball, R. (2001). Infrastructure Requirements for an Economically Efficient System of Public Financial Reporting and Disclosure. *Brookings-Wharton Papers on Financial Services*, *2001*(1), 127–169. https://doi.org/10.1353/pfs.2001.0002

Ball, R., Kothari, S. P., & Robin, A. (2000). The effect of international institutional factors on properties of accounting earnings. *Journal of Accounting and Economics*, *29*(1), 1–51. https://doi.org/10.1016/S0165-4101(00)00012-4

Bidabad, B., Amirostovar, A., & Sherafati, M. (2017). Financial transparency, corporate governance and information disclosure of the entrepreneur's corporation in Rastin banking. *International Journal of Law and Management*, *59*(5), 636–651. https://doi.org/10.1108/IJLMA-01-2016-0003

Bushman, R. M., Piotroski, J. D., & Smith, A. J. (2003). What Determines Corporate Transparency? *Journal of Accounting Research*, *42*(2), 207–252. https://doi.org/https://doi.org/10.1111/j.1475-679X.2004.00136.x

Dyck, A., Morse, A., & Zingales, L. (2010). Who blows the whistle on corporate fraud? *Journal of Finance*, *65*(6), 2213–2253. https://doi.org/10.1111/j.1540-6261.2010.01614.x

Francis, J., Philbrick, D., & Katherine, S. (1994). Shareholder litigation and corporate disclosures. *Journal of Accounting Research*, *32*(2), 137–164. https://doi.org/10.1287/mnsc.2020.3626

Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting. *Accounting Auditing and Accountability Journal*, *8*(9), 47–77. https://doi.org/https://doi.org/10.1108/09513579510146996

Hawrysz, L., & Maj, J. (2017). Identification of stakeholders of public interest organisations. *Sustainability (Switzerland)*, *9*(9), 1–13. https://doi.org/10.3390/su9091609

Kaufmann, D., & Vishwanath, T. (2001). Toward transparency: New approaches and their application to financial markets. *World Bank Research Observer*, *16*(1), 41–57. https://doi.org/10.1093/wbro/16.1.41

McGee, R. W., & Yuan, X. (2012). Corporate governance and the timeliness of financial reporting: A comparative study of the People's Republic of China, the USA and the European Union. *Journal of Asia Business Studies*, *6*(1), 5–16. https://doi.org/10.1108/15587891211190679

Moneva, J. M., Rivera-Lirio, J. M., & Muñoz-Torres, M. J. (2007). The corporate stakeholder commitment and social and financial performance. *Industrial Management and Data Systems*, *107*(1), 84–102. https://doi.org/10.1108/02635570710719070

Utz, S. (2019). Corporate scandals and the reliability of ESG assessments: evidence from an international sample. *Review of Managerial Science*, *13*(2), 483–511. https://doi.org/10.1007/s11846-017-0256-x

Witherell, B. (OECD). (2003). *The Roles of Market Discipline and Transparency in Corporate Governance Policy*. *May*, 1–7. http://scholar.google.com/scholar?hl=en&btnG=Search&q=intitle:No+Title#0