Concerns with Corporate Governance

Why in news?

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The board of ICICI Bank has acted on the allegations of misconduct against its CEO and managing director.

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What are the misconduct issues in ICICI bank?

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- ICICI Bank's troubles are rooted in a 2016 complaint by an investor alleging a quid pro quo deal between Bank CEO's immediate family members and the Videocon group which got a Rs. 3,250-crore loan from it.
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- When this 'conflict of interest' complaint resurfaced in the public domain this year, chairman of board of directors of the bank personally inquired into it two years earlier and found nothing amiss.
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- With the Central Bureau of Investigation and later the stock market regulator SEBI swooping in, the issue of whether the bank had failed to make adequate disclosures about its dealings with the borrower (who is now a defaulter) and a firm related to CEO's family member was spotlighted.
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- The bank is yet to respond to SEBI, but changed tack after the latter decided to launch a probe into allegations of a quid pro quo and alleged misconduct by the bank's CEO
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What were the actions taken by ICICI bank?

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- The bank earlier maintained that the CEO was on annual personal leave.
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- Recently the bank asked it's CEO to stay away from the office till the completion of an inquiry into the charges levelled against her by a whistle-blower.
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- Till the inquiry is complete the bank will be steered by a new chief operating officer.
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- Meanwhile, the tenure of the chairman of the bank's board, is set to end this month and there is still no clarity on his successor, this extended uncertainty in a crisis situation is unwarranted.
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What are the concerns with banks action?

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- The board of ICICI Bank, an institution that often sought to hold a mirror up to the inefficiencies of public sector banks has delayed the process of inquiry.
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- A probe panel to be led by retired Supreme Court judge to inquire the case has been appointed.
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- It is debatable whether such a high-profile panel is required to ascertain if CEO, whose term ends next March had made adequate disclosures while deciding on the loans.
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- The board itself could have dealt with this through an internal investigation rather than giving the impression that it wanted to paper over the issue, sending a poor signal to all stakeholders.
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- Thus the strength of corporate governance practices in the bank has come under question because of the way the issue has played out.
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Source: The Hindu

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