A Case study on Understanding how ICICI Bank – Videocon Loan Deal was a Corporate Governance Failure

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ABSTRACT

Purpose

The purpose of this paper is to understand the Corporate Governance failure that began with the ICICI Bank issuing credit to Videocon Group inspite of serious conflict of interest issues. This led to a series of investigations and arrests by the Central Bureau of Investigation and a spectacular fall from grace for Chanda Kochhar, one of the leading women in corporate India. In this case study we will also see how lapses in corporate governance can have an impact on the trust worthiness of the firm.

Design/methodology/approach

This case study research aims to understand more about how the ICICI Bank deal with Videocon was a massive failure of Corporate Governance and the bank's internal processes for credit approval. It will also try understand how this can also impact the share value and market capital of the firm. Data will be collected from publically available news reports, articles and blogs. To study the impact on the market, data will be used from BSE website.

Findings

The discussion of the articles and reports will give us an understanding of how the Bank could have avoided the issue by red flagging many points including CEO's role in the deal and dealt with the outbreak of the deal better and therefore by studying the share price and market capital of ICICI Bank from March 2016 to January 2019 obtained from Bombay Stock Exchange (BSE) we will see how the whole deal was a corporate governance failure and how markets and shareholders reacted to various different scenarios of the investigation.

Research limitations/implications

The study is limited to understanding what led to a loan deal becoming a corporate governance issue with focus only on ICICI Bank.

Practical implications

The analysis of the deal and the players involved can help firms in future to improve their credit approval and corporate governance policies.

Social implications

Findings of the case study will help potential common investors and current shareholders consider corporate governance issues seriously before investing their time and money in the firm.

Originality/value

This study will be highly valuable for professionals, policy makers, investors, bankers and researchers in the field who are looking to understand how important corporate governance and its impact to a firm.

Keywords

Corporate Governance, shareholders

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Introduction

In March 2016, Arvind Gupta, a shareholder of both Videocon and ICICI Bank wrote a detailed letter to the Prime Minister's office alleging irregularities in a series of financial transactions and ownership transfers between Deepak Kochhar, husband of Chanda Kochhar, who was the CEO & MD of ICICI Bank (Unnikrishnan, 2018). With the Reserve Bank of India finding no argument of "quid pro quo" or mutual help, there was still a lot of mystery about the entire deal. In 2018 the issue came into focus when a whistle-blower complained against ICICI Bank's top management, including Kochhar alleging a "deliberate delay in recognizing impairment in 31 loan accounts between 2008 and 2016 to save on provisioning costs" (Gopakumar & Laskar, 2019). This led the Reserve Bank of India and agencies like the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO) and Enforcement Directorate (ED) investigating and questioning the Kochhars. This case study research aims to understand more about how the ICICI Bank deal with Videocon was a massive failure of Corporate Governance and how it could have been avoided if the board had adhered to the policies of the governance and had not ignored the obvious red flags. Also we will see how lapses in corporate governance can have an impact on the trust worthiness and market capital of the firm.

Literature review

Corporate Governance is a structure and rules, regulations and policies which are used to manage or administer a firm. Simply put, corporate governance talks about the way a firm is to be governed or a technique by which companies are managed. Essentially, corporate governance involves creating a balance between the many stake holders of the company such as all the shareholders, customers, suppliers, executives, government and the community. A company's corporate governance is very crucial. It shows the direction in which the company wants to move and also gives the investors an idea about the integrity of the business. So naturally, it helps companies build trust amongst all the stakeholders and makes itself a better option to invest in the market. Corporate Governance Codes in India and studies about it have concluded that ownership concentration, prevalence of insiders and principal promoters, lack of protection for minority shareholders, lack of strict enforcement rights of regulatory authorities, disregard for disclosure norms and transparency are some of the endemic features of Indian corporate governance regime. These features have restricted Indian corporate sector's progress on the path of good governance principles. (Som, 2006). Along with that, the Anglo American model of corporate governance in recent years in India and the move to this model in has been contested by certain sectors of the business community and key concessions have been made which will likely function to help large business houses to maintain control of their empires with focus on three key areas, growth, shareholder concerns and employment. (Reed, 2002)

The "uncertain" relationship between board independence and governance evident from the extensive literature on the subject seems to run counter to the unambiguous policy position taken across countries irrespective of their governance systems, that board independence is critical for mitigating agency problems in public corporations. (Sarkar, 2009)

The issues that have a determining impact on the quality of governance by board. The primary responsibility for addressing these issues and creating conditions for transparent corporate governance and for the productive involvement of board members from different interest groups lays with the promoter shareholder(s) groups. (Ghosh, 2000). Corporate governance guidelines are only one of the numerous mechanisms that boards can adopt to improve governance and investors may not give credence to statements that boards will follow the guidelines in their operations seeing believes, and investors may be looking for more from a firm’s actions than merely statements. (Rubach & Picou, 2005)

Along with helping the small investor it it is pertinent to note that Institutional investors have an important role to play in corporate governance by being active monitors of their investments and providing another safeguard against management’s plans which may reduce shareholders’ wealth. To encourage institutional investors to increase their participation in corporate governance, there is a need for a stronger business case and more robust research into studies that link governance to performance. (Tan & Keeper, 2008)

The parties involved in impacting corporate governance is the board of directors. The board can comprise of individuals who are chosen by the investors and are insiders and could be founders, executives or major shareholders. The board may likewise comprise of independent directors who are not a part of the organization but rather are named for their involvement with taking care of and overseeing huge organizations. It additionally helps in getting thoughts and perspectives of individuals other than the insiders. A firm that has better corporate policies has a vastly improved degree of trust among the investors of that organization. Dynamic and independent executives contribute towards an uplifting viewpoint of the organization in the financial market, positively impacting share prices. Corporate Governance is one of the important criteria for foreign institutional investors to decide on which company to invest in.

The Indian Companies Act 2013 (Ministry Of Corporate Affairs, 2013) was enacted on 12th September 2013, repealing the old Companies Act 1956. It introduced a very progressive and clear formal structure for corporate governance. The Companies Act 2013 through new compliance rules and regulations enhanced “compliance, transparency and reporting. The Act also contains various new laws about corporate governance related to Composition of Board of Directors, Independent directors, Women directors, Constitution of Audit Committee, Risk Management Committee, Internal Audit, Subsidiaries Companies Management etc. all of which are essential to good corporate governance.” Some of the very important provisions are cited from the Ministry of Corporate Affairs are given below:

Section 184: requires the Director reveal his interests for any organization or organizations, body corporate, firms, or other relationship of Individuals. The executive is required to disclose any such interest at the primary meeting of the board and in the event that there is any adjustment in the interest, then it should be disclosed the first meeting after the changes.

Section 134: requires to attach a report to each financial statement by Board of Directors containing all the subtleties and details of the issue including the report containing Director's duties.

Section 177: mandates Board of Directors of each listed organization or some other class of panel to comprise an Audit Committee. It should also give the method to establish the Committee.

With the government and all the concerned bodies including SEBI (Securities and Exchange Board of India), RBI (Reserve Bank of India) etc. taking key stands in their roles of establishing a proper conduct for corporate governance, over the years India has improved its ratings. According to a world Economic Forum study. India stood at 15th position worldwide in Corporate Governance and is ranked second for shareholder governance. Some of the key areas that for Directors and Management to focus are include (Jan & Sangmi, 2016)

Director Remuneration: It concerns the pay that directors receive and the kind of variable driving the pay. RBI has recently played an active part in setting up guidelines for remuneration of CEOs and CFOs. With the availability of different types of directors, including Managing Director, Part time Director, Independent Director, Whole Time Director etc. it is very important to make sure these directors are paid in accordance to the Companies Act 2013. Some of the rules as per Companies Act 2013 state that:

a) A Public Company cannot pay more than 11% of the Net Profit, irrespective of whether it is the Managing Director or Whole Time Director.

b) A company with more than one such Directors, together shall not pay more than 11% of the Net Profit.

Active stakeholder engagement and Investor Dissent: Regulatory requirements for various shareholder activities including e-voting and disclosures around related party transactions have resulted in improved shareholder engagement and increasing the sensitivity towards investor dissent.

Composition of the Board: With limiting the number of directorships, mandating the presence of woman, increasing the number of directors, the regulators have sought to bring in an improved level of transparency to the Board. There is also an order that mandates the Board to separate the roles of a Chairperson and Managing Director. Some of the rules state that:

a) As per Section 149 of the Companies Act, A public company is required to have at least 3 Directors, minimum 2 in case of private company and 1 in case of a one person company.

b) Can have a maximum of 15 Directors and every listed company should include a woman director.

Quality of Disclosures: There is a growing focus on improving the quality of financial disclosures. This in turn also helps companies separate themselves from the competitors and make themselves stand out.

Auditor Responsibility: As per the Companies Act 2013, "Every auditor of a company shall have a right of access at all times to the books of account and vouchers of the company, whether kept at the registered office of the company or at any other place and shall be entitled to require from the officers of the company such information and explanation as he may consider necessary for the performance of his duties as auditor". Another very important role that the Law has given to the auditors is the fact that in case of a holding company, the auditors have the authority to access the financial details of all its subsidiaries. This allows the auditors to keep an eye on related party transactions. The regulators look to make sure that the Auditors do not run away from doing their job as complied. Scams like the Satyam scam has brought intense scrutiny to the role an Auditor plays.

Methodology

India has seen many cases of corporate governance failures with high intense public exposure. Scams like Satyam Scam in 2009, (Wikipedia), UTI scam of 2001(Paranjoy Guha, 2002) and the high profile case of Ketan Parekh, which occurred between 1998 - 2001 (Wikipedia) etc. which has left the investors wanting for more straightforwardness and contribution in corporate administration of organizations. Also, with the increasing competition, the need for good corporate governance strengthened. A case study based methodology has been employed as it allows for a deeper understanding of the failure through the example of ICICI Bank and to elaborate the possible red flags that were clearly overlooked and how the inability to take action at the right time led to a huge loss for shareholders. Secondary data has been extensively collected from various different sources such as previous research papers along with magazine articles, newspaper articles and online blogs. Data was also collected by considering the different perspectives of the people involved in the case. The crisis occurred because of the failures of the board members and key the CEO not disclosing her conflict of interest in the deal. We will understand the impact of this deal on the shareholders by looking at the market capital of the firm and the share price of the company. The various aspects that a company should look into and not ignore has been explained clearly through this case it is one of India's biggest corporate governance cases.

The data retrieved was with the purpose to answer the following answers:

1. What was the connection between CEO and Videocon?
2. If there was any connection, was it revealed to the Board before credit approval?
3. How did the Bank react after the issue come to light?
4. How did the issue affect the shareholders?

Discussion &findings

About ICICI Bank

As per the information available on the website "ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001, and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank.

The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity. Some of the other companies in the ICICI Group of companies include ICICI Prudential Life Insurance Company, ICICI Securities, ICICI Lombard General Insurance Company, ICICI Prudential AMC & Trust, ICICI Home Finance Company Limited and banking subsidiaries in UK and Canada".

ICICI Bank Ltd is an Indian banking and financial services company. The multinational bank is headquartered in Mumbai. It is one of the biggest banks in India with respect to assets and market capitalization. As of June 30th 2019, with a "comprehensive network of 5,200+ branches and 15,500+ ATMs across India, ICICI Bank's total assets stood at Rs. 12.50 Trillion." ICICI was one of the institutions who promoted the National Stock Exchange on behalf of the government of India. Besides that, in 1987 along with UTI, ICICI set up CRISIL as India's first professional credit rating agency. These numbers and their involvement in the development of financial services in India are enough to give us idea about the how trusted the bank is amongst the general public and institutions.

ICICI Bank has also spearheaded the digital transformation and is a pioneer the industry by consistently putting resources into inventive items and best in class technologies that influences in making banking simpler, more secure, progressively customized, increasingly open and increasingly natural for the clients and furthermore empower the Bank to turn out to be progressive and increasingly effective.

About Chanda Kochhar

Chanda Kochhar, born 17 November 1961, is the former Chief Executive Officer (CEO) and Managing Director (MD) of ICICI Bank. Kochhar became the first woman to head an Indian bank. She is also credited with revolutionizing the Indian retail banking industry. Under Kochhar's initiatives, ICICI Bank started developing its retail business in 2000, focusing to a great extent on innovation, process designing and extension of appropriation and scale. Under Kochhar's leadership, ICICI Bank won the "Best Retail Bank in India" award in 2001, 2003, 2004 and 2005 and "Excellence in Retail Banking Award" in 2002. She also became the first Indian woman to receive the distinguished “Woodrow Wilson Award for Global Citizenship”, joining the league of Hillary Clinton and Condoleezza Rice. One of her most crucial programs was a community outreach program which initiated vocational training to

About Videocon Group

Videocon Industries Limited was one of India’s largest conglomerates. It had a well- diversified business and was third largest picture tube manufacturer in the world. The company was founded by Nandlal Dhoot in 1985. The current director of the company is Anirudh Dhoot, son of Venugopal Dhoot, who was amongst the people who were part of the entire ICICI Bank and Videocon fiasco. The group is currently undergoing Insolvency resolution process under National Company Law Tribunal (NCLT)

Relationship between Kochhars and Videocon prior to the case

As on 31st March 2000, Venugopal Dhoot owned Videocon Group has the highest number of preference shares, each of Rs 100 of Credenital Finance. Members of the Kochhar family including Deepak Kochhar, husband of Ms. Chanda Kochhar, his brother Rajiv Kochhar and wife Aarti Kochhar held shares in the same firm. These investments were not a part of the investigation by the ICICI Bank, but has been mention to show that there existed a relationship between the two groups even before the entire loan deal happened.

The case

Arvind Gupta was a shareholder of both Videocon Group and ICICI Bank and founder of Indian Investors Protection Council. In October, 2016, via his blog, Arvind Gupta raised his concerns alleging irregularities and seeking “an appropriate investigation into illicit banking and commercial relationship between Videocon Group of Venugopal Dhoot and ICICI Bank’s MD & CEO Chanda Kochhar’s family owned NuPower Renewable Group steered by her husband Mr. Deepak Kochhar for amassing wrongful personal gains deceiving Stakeholders, Shareholders, Public / Private Sector Banks and Indian Regulatory Agencies for unjust and illegal enrichment through corrupt banking practices within India and tax heavens by a high level CBI/ED/SFIO/SEBI/the RBI team to ensure healthy private sector Banking.” (Gupta, 2016)

December 2008: -

Arvind Gupta had earlier written the same letter to the Prime Minister’s Office and Finance Ministry’s Office too, in March of 2016. In his letter he alleged that on 24th December 2008 Venugopal Dhoot, the Chief of Videocon Group had started Joint Venture (JV) named NuPower Renewables Private Limited, along with Deepak Kochhar, spouse of the MD&CEO of ICICI Bank Ms. Chanda Kochhar. This newly created joint venture (JV) named as NuPower Renewables is a venture with Venugopal Dhoot and his brother owning 5 % of the firm and Deepak Kochhar, who through his financial services company “Pacific Services Private Limited” owned the remaining 50%. Pacific Services Private Limited was formed in 1999 and its beneficiary includes Chanda Kochhar.

January 2009: -

After the incorporation of the joint venture “NuPower Renewables Private Limited”, In January 2009, Venugopal Dhoot resigned from the post of Director of the firm and handed over 24,999 shares in the company for around Rs. 2.5 lakhs.

March 2010: -

Venugopal Dhoot owned a shell company named “Supreme Energy” established with the purpose of carrying out shady financial transactions. The firm was 99.9 % owned by Dhoot. During this time as Chanda Kochhar had become the CEO, it was very important to veil the shady transactions and shareholding patterns. Thus, began a series of transactions wherein the shares of NuPower were transferred from Dhoots to the Kochhars and then to the firm owned by Deepak Kochhar and family “Pacific Services Private Limited”. The Kochhars ownership in “NuPower Renewables Private Limited” was attempted to be masked by transferring the share to “Pinnacle Energy” who’s Managing Trustee was Deepak Kochhar and thus as on latest shareholding pattern as on 31st March 2014, NuPower Renewables Private Limited's possession was close to 93% with Pinnacle Energy and others held 7%.

NuPower was financed by Videocon Group and this turned out to be bigger issue when in the 2009-2010, Supreme Energy bankrolled NuPower Group by Rs. 64 Cr by buying in to its zero coupon completely debentures. In his letter Arvind Gupta claimed that the 64 Cr used to buy in the debentures were acquired from one of the organizations of Videocon Group.

NuPower, in March 2012, issued 18,97,500 equity shares each of Rs. 10 to Deepak Kochhar as a result of which he held almost 93% equity share in the company. Within the same month, Deepak Kochhar transferred these same shares to Pinnacle Energy.

November 2010: -

Venugopal handed over his shares in Supreme Energy to associate Mahesh Pugalia, who then transferred it to Pinnacle Energy.

ICICI's dealings with Videocon Group

Post 2012:- Suspicious Loan Deal

At the core of the matter is a succession of credit/investment transactions among ICICI Bank, Videocon Group and Chanda Kochhar's husband Deepak Kochhar's firm. In 2012, ICICI lent Rs. 3,250 crore to the Videocon group companies, as part of Rs. 40,000 crore consortium loan deal. In April 2012, just as NuPower was 92.67% owned by the Kochhar's, ICICI Bank offered loans to multiple group organizations owned by the Videocon Industries. (Gupta, 2016) Breakup given in exhibits.

Further, ICICI Bank did not just stop at helping Videocon Group exclusively in India. They also helped a Cayman Islands based Videocon Group company named Tusker Overseas Inc., by extending a loan of Rs. 660 Cr. with the help of the foreign branches of the Bank. As soon as the loan of Rs. 3910 Cr was disbursed of by ICICI Bank, the holdings of Supreme Energy were now handed over to Pinnacle Energy, making Deepak Kochhar the owner of NuPower with close to 95% shareholding.

The official statement from the ICICI Bank, on the transactions with Videocon Group said: "In 2012, a consortium of over 20 banks and FIs where State Bank of India was the facility agent (Lead) sanctioned facilities to the Videocon group (Videocon Industries Ltd. and 12 of its subsidiaries/ associates as co-obligors) for a debt consolidation program and for the group's oil and gas capital expenditure program aggregating approximately Rs. 40,000 crore. ICICI Bank sanctioned its share of facilities aggregating approximately Rs. 3250 crore which was less than 10% of the total consortium facility in April 2012" (Singh & Kaushik, 2018)

The deal picked up further media scrutiny when Videocon group account was classified by ICICI Bank as an NPA account in 2017 with current outstanding against the loan at Rs. 2810 crore and total exposure to Videocon Group at Rs. 2849 crore.

Post 2018 Investigation

A thorough investigation led by Justice B.N Srikrishna, and conducted by ICICI Bank, led to Chanda Kochhar being sacked by the Bank. This came after she was "separation", which then the Bank changed to "termination for cause". The investigation proved how she had violated the bank's code of conduct and did not report or disclose any conflict of interest which she ideally should have. (Ghosh, 2019) In March 2020, the Bombay High Court also dismissed a petition filed by Chanda Kochhar against her wrongful termination.

Impact of this deal on the share market (Stocks traded on The National Stock Exchange)

In July 2016, The Reserve Bank of India conducted an elaborate probe into the charges of Chanda Kochhar's husband, Deepak, receiving massive profits from his partnership with Dhoot, whose firm, Videocon Group was a large borrower from ICICI Bank. But the probe did not find any mutual favors extended by the Bank. In RBI's earliest statement, in mid-July of 2016, they stated that ICICI Bank's Rs. 1,730 crore loan to the Videocon Group was permitted as part of a debt consolidation program initiated through a consortium of banks led by the State Bank of India.

When Gupta did not get any concrete answers from the authorities, he published the same on his blog on 22nd October 2016. Within a few days, people started noticing the blogpost and it got a lot of traction. Individual share price on 24th October 2016, the first working day after the blog came out, was Rs. 284.5. This was also the time when ICICI Bank was undergoing an investigation and RBI inquiry, however, did flag some issues though it could not conclusively establish "the aspect of quid pro quo allegation of extension of facilities by ICICI to Videocon" (Ohri, 2018). This resulted in doubts in the minds of investor and resulted in a continuous fall in the share price for the rest of the year. It reached as low as Rs. 248.15 on 27th December. This resulted in the market capitalization of the bank falling from Rs. 18,41,82,53,38,513.65 (Rs. 1841.82 B) to 16,41,16,96,17,220.65 (Rs. 1641.16 B), which is a 10.9% fall in the value of the entire firm.

After the initial RBI enquiry had not resulted in any major breakthrough in the case. But in March 2018 when the case again came into spotlight when another a whistle-blower complained the bank's top management, which also included Chanda Kochhar, alleging that there was "deliberate delay in recognising impairment in 31 loan accounts between 2008 and 2016 to save on provisioning costs." (Gopakumar & Laskar, 2019). This led to interrogation by multiple agencies, also questioning of Kochhar family members. There were allegations that ICICI Bank "inflated profits by a minimum of $1.3 billion over eight years by delaying provisioning for 31 non-performing asset (NPA) accounts. The whistle-blower alleged that the bank delayed provisioning for NPAs from loans worth at least $3 billion." He also claimed that "the bank would have reported losses in some quarters over the eight years, had the bank's management not deferred impairment of loans." (Gopakumar & Laskar, 2019). By the end of July, there were already news articles and leaks about Chanda Kochhar planning to take up early retirement. This led to a complete change in the mood of the market and helped ICICI's share price

From March 2018 to July, throughout the period the stock took a beating. With the role of Chanda Kochhar and the Bank still unclear and with no major breakthrough, although the stock when down, it was no freefall. The share price on 1st March 2018 ICICI Bank share opened trading at Rs 312.65 and went as low as Rs 261.2 on 19th July 2018. By this weekend of trading it was clear that ICICI might ask Kochhar to seek early retirement. The market capitalisation during this period fell from Rs 20,27,59,36,99,839.75 (Rs. 2027.59 B) to Rs 16,90,68,62,71,023.60, (Rs. 1690.68 B) almost the same level as December 2017, a fall of 16.62% in the value of the firm.

By October 2018, Chanda Kochhar had officially resigned from ICICI Bank. This sent out positive sentiments for the market and the market also responded well to the news. This resulted in massive improvements in the valuation and the stock price for the Bank. From this period onwards, although the stock saw slight hiccups because On 30th Jaunary 2019, a committee headed by Justice BN Srikrishna found out that "Kochhar had violated the bank's code of conduct in the Videocon loan case. Following the report, the bank's board said it would treat her separation as 'termination for cause' under their internal policies”, but overall the strict action by the board and the confidence of the shareholders led the rise in the value of the bank. By April 2019, the stock had touched the Rs 400 mark leading to market capitalisation of close to Rs 25,92,66,61,02,061.65, (Rs. 2592.66 B) which when compared to 5th October 2018 capitalisation of Rs 19,89,08,07,46,881.90 (Rs. 1989.08 B), when Chanda Kochhar actually left is a massive jump of 30.34%.

All the details about share prices and market capitalisation data is obtained from the official website of National Stock Exchange

Discussions

Corporate Governance is one of the most crucial point of differentiation amongst the good and the better run business. The policies and ethics that is put into the organisation’s culture is a great example of how it deals with various stakeholders. As seen from the data analysed above, a shady deal resulted erosion of market capitalisation or valuation close to 11% of the initial market cap. Actions like these cannot be compensated to the shareholders and thus they immediately lose trust in the organisation.

Usually we observe how promoters exercise great power and have considerable freedom to use the company resources. Corporate Governance policies should confirm than minority shareholders’ rights aren't crushed upon. But, we observe just in case of ICICI Bank fiasco is sort of different, it’s a curious case of executives and top level management laundering the money for themselves at the cost of the shareholders who put in their hard earned money, and all of this happening in the absence of a majority promoter.

The Videocon Group loan deal happened between the promoter of the Group and Chanda Kochhar’s husband, Deepak Kochhar. In any case, if the loan, its conditions or if the arrangement was supported, the deal clearly has a serious conflict of interest. This sort of a deal should have been immediately red flagged Chanda Kochhar, the CEO to the board. She ought to have expelled herself from not just the credit approval committee but also the entire loan assessment process itself.

Moving on from this issue, we also need to look at how the board reacted when they were informed about the problems. The board definitely knew about the issue in March 2016, via Arvind Gupta’s letter. But instead of acknowledging the problem, the board was in support of their CEO, which again signifies lack of corporate ethics, which leads to lack of governance. The ICICI Bank statement read: “The board also commends the entire management team under the leadership of the MD & CEO for their hard work and dedication. We would urge you not to be misled by these rumours which are being spread to malign the bank and its top management.” (Official Website, 2018) In a report published on April 2018, Global ratings agency Fitch also raised doubts over the bank’s governance and that it created reputational risks. Fitch Ratings said “The presence of the bank's CEO on this credit committee - and the bank's reluctance to support an independent probe - have, in our opinion, created doubts over the strength of its corporate governance practices”

Corporate Governance failures do not happen overnight, there are several instances where a firm must take cognisance of the problems and try and fix the issues. Governance failures have forced organisations and firms to rethink their strategies. Enron, UTI Scam and Satyam are a few examples how shareholders have lost massive amounts of money because of improper checks and policies. The ICICI – Videocon deal was a bit different because it had no promoter. This was a deal done by the management’s greed to make more money at the cost of the shareholders. Fiascos like these lead to the corporate governance experts including the government, to think about the possibility that even organisations or firms without dominant promoters do not do their job as desired, as the ICICI Bank chapter has revealed.

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