LINKING EARNINGS MANAGEMENT PRACTICES WITH CORPORATE GOVERNANCE: A STUDY OF INDIAN PUBLIC AND PRIVATE SECTOR BANKS

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ABSTRACT

This study is an attempt to analyse the presence of earnings management practice in Indian public and private sector commercial banks. This empirical analysis tries to identify the difference in trend of earnings management practices in case of public and private sector banks through discretionary loan loss provision (DLLP) and realised securities gain/loss (RSGL). The study covers a period of 11 years (2003-2013) and related data are collected from Prowess 4.14 database of Centre for Monitoring Indian Economy (CMIE). This study also analyses the corporate governance pattern of banks and focuses on the role of corporate governance mechanism as a control variable for earnings management practice through a common effect model. The main finding of the study highlights that majority of Indian public and private sector commercial banks follow an income increasing earnings management practice. It has further identified that DLLP has an inverse relationship with the level of earnings management practices, and board characteristic and audit independence are significant control variables for restricting the management practices.

Keywords: *Earnings management, Corporate governance practices, Indian commercial banks, Discretionary accruals.*
JEL Codes: M480, M410, G340, G190

Introduction

The world economies encountered great changes in 20th century. The world business scenario went through major revolution with the introduction of advance information technology, faster communication and globalization. During the period of development many times world faced major setbacks owing to economic slow-down there by causing economic depression in different economies at different time-frames. The global business environment witnessed the ill effects of economic depression with the sudden plunge of some large business firms' viz. Enron (USA), WorldCom (USA), Bank of Credit and Commerce International (UK), Subprime Mortgage (USA), which made itt evident that phenomenal changes were required in conducting business to insure a sustainable business environment. Major constructive rules and regulation were gradually introduced to implement a highly efficient governance pattern which could be equipped to maintain high level of business standards. In the west guidelines and acts viz, Organisation for Co-operation and Development Principles (OECD, 1999), Stock exchange listing standards and Sarbanes – Oxley Act (2000) were timely introduced to provide structures to the corporate governance pattern in the business. For a business firm to sustain in the changing economic environment it has now become necessary to equip itself with all the major structural changes and new age requirements to perform in the rapid growing and highly informed global economy. Various researchers and governing bodies worldwide in their studies have identified found that the major reasons for sudden fall of large business entities were a weak corporate governance pattern and earnings management practices performed by the managers of such firms to hide actual financial health of business.

Corporate governance is defined as a set of systems, processes and principles which ensure that a company is governed in the best interest of all the stakeholders. Corporate governance provides a structure for directing and controlling the business with higher level of efficiency, transparency, accountability and corporate fairness. Corporate governance practices include the decision making and controlling process for a business. The corporate governance structure incorporates firm ownership, board of directors, different committees of the board, and protection of stakeholder rights. Very often it has been quoted that 'Good corporate governance' simply means 'Good businesses' (OEDC; 1999). Corporate governance system usually provides strategic guidelines to a business unit for effective monitoring of board and fixes the accountability for decision taken by the board. In contemporary era, corporate governance practices have becomes a matter of concern for different governing bodies and researchers. It provides understanding of managerial structure of business firms, resource utilization and various other issues including company law and business ethics (Adams et al., 2009). Researchers observe that a low governing firm with weaker governance structure provides high discretionary power to its managers and is more likely to engage in earnings management practice and hiding the actual financial health of business. Whereas, a firm with efficient corporate governance structure for monitoring the board of directors, accounts and audit, constrains earnings manipulation and misrepresent financial facts (Davidson et. Al., 2003; Mitra & Cready et al., 2005; Buniamin et, al., 2012).

Earnings management has been defined as purposeful intervention in the external financial reporting process with the intent of obtaining some private gain (Schipper et al., 1989). Leuz et al. in 2003 defined earnings management as the alteration of firms' reported economics performance by the insiders to either mislead some stakeholders or to influence contractual outcomes to meet the management objective of meeting analysts' expectations and maintaining the economic growth projector for their incentive pay (Giroox et al., 2004). Earnings management can be identified as the upward or downward misreporting of financial results depending upon firms' actual performance above or below the market and analyst expectation (Jensen, MC. 2004). Studies shows that presence of earnings management practice has been a common issue among the firms which collapsed under financial distress affecting the market to a great extent.

Earnings management practiced in any form distorts the financial reporting of the firm. The case of earnings management becomes more divesting when it takes place in financial sector of an economy. The case of Bank of Credit and Commerce International (UK) and Subprime Mortgage (USA) are examples of firms involved in earnings management practices in financial sector. The whole economy goes shaken by such corporate collapse and the impact had already been well observed in different global markets. The financial sector works as a central processing unit for an economy as it provides the required fluid and facility of procurement and utilization of resources assisting other sector of economy in the process of growth and development. Banks are considered as one of the major components of financial sector of any economy as they circulate money from small savers to big investors. There are several studies available over the performance of banking sector but we found very few researches studies undertaken to assess the presence of earnings management practices in banks and identifying the relationship of earnings management with the governance pattern of such financial institution.

In India the study about earnings management is still at a very nascent stage since few literatures are available confining the research studies undertaken in this regards. The present study makes an attempt to examine the presence of earnings management practices in Indian banking industry and tries to differentiate the trend of earning management practices in public sector and private sector commercial banks. In the process, an attempt has been made to analyse the relationship between corporate governance practice and degree of earnings management in these public and private sector commercial banks under study.

Literature review

Earnings management as a practice was first identified by Schipper in 1989 as management of purposeful intervention in the external financial reporting process with the intent of obtaining some private gains. Early research on earnings management practices was mostly concentrated on the idea of representing the outcome of a situation, as a result of agency problem. Healey and Wahlen (1999) define earnings management as practice where managers use their discretionary powers in financial reporting process to manipulate financial reports to either mislead some stakeholders about the underlie economic performance of the company or to influence contractual outcomes that depend on produced financial information and accounting numbers. Worldwide various accounting laws and standards such as IFRS and GAAP provide alternative methods of book keeping and such provisions provide managers some discretionary powers to make a choice between the alternative techniques and also create room for earnings management. According to the accrual accounting approach, earnings management is practiced by managers using discretionary power of managing accruals (Dechow et al., 1995; Peasnell. 1999; Dharan. 2003; Ayers et al., 2006; Sarkar et al., 2008; Al- Fayoumi et al., 2010). Research studies confirming such practices state that it's difficult to identify earnings management and quantify amount of discretionary accrual used for practicing earnings management. Since discretionary accruals cannot be identified directly, researchers in due course, developed various models for calculating discretionary accruals viz., Healy model, DeAngelo model, Jones model, Modified Jones model and growth model (Holthausen 1995; DeAngelo 1986; *Jones* 1991; Dechow et al. 1995; Kothari et al., 2005). Empirical evidence suggests that since investor's preference and response towards firms depends upon consistency of firms' income, managers practice earnings management to give an income smoothing earnings figure (De Angelo et al. 1996; Barth et al. 1999). The rationale is that the losing market share and falling stock price of firm will adversely affect managers' wealth (Core et al., 2000). Among the prescribed models, studies show that modified Jones model is the most suitable model for identifying accrual based earnings management (Myers and Skinner 2000, Beasley and Salterio 2000, Peasnell et al., 2000, Klein 2002, Nelson 2002, Xie et al., 2003, Evans 2004, Sarkar et al., 2008, Osma et al., 2007).

Banking industry is said to be the central processing unit of financial sector of an economy. Banks facilitate flow of financial capital and aim to support every sector of economy through judicious allocation of financial resources. It has been identified that even a small change in banking setup will have an impact on performance of other sectors of economy (Burgstahler and Dichev`s 1997). Identification and quantification of earnings management in banking sector is different from firms belonging to other industry and such a process is still at a very initial stage (Macey and O' hara, 2003). Models have been developed for calculating discretionary accruals in banking sector which mostly take into account loan loss provision (LLP) and realised gain and loss from sale of securities and investment (Collins et al. 1995; Wahlen 1994; Beaver and Engel 1996; Beatty et al., 2002). Gunther and Moore (2003) in their studies used loan loss provision as a tool for income smoothing practice where managers used their discretionary powers to manipulate the LLP amount and there by showing a favourable financial result to the stake holders. Studies show that LLP and realised gain and loss from sale of securities and investment have a consistent relationship with earnings management practice in banks (Beatty and Liao 2011; Bushman and Williams 2012).

Corporate governance literature has focused the conflict of interest between firm ownership and management. Researchers have been consistently investigating the relationship between corporate governance practices, firm performance and firm financial reporting primarily linked with agency cost (Jensen and Meckling 1976; Fama and Jensen 1983; Healy, 1985; Holthausen et al., 1995). Over the last decades number of exploratory researches have been undertaken to support the hypothesis "good corporate governance practice means good business" (Williamson, 1985; Warfield et al. 1995; Bhagat and Bolton 2008; Shah et al., 2009). We found increasing number of studies regarding the effectiveness of corporate governance practices on firm performance and earnings management practices (Miller, 1988; Healy and Wahlen, 1998; Leuz et al. 2003; Niu 2006; Chugh, et al., 2006; Nakano, 2007; Colpan et al., 2007; Buniamin et al. 2012). Evidence identified in various literature regarding the presence of strong relationship between different board attributes and degree of earnings management practice in an organisation (Baetov et al., 2000; Bedard, 2001; Ayers et al., 2006; Sarkar et al, 2008; Miyamoto and Higuchi, 2007; Dechow et al., 2012). A large number of research studies are based on global financial setback, financial scames and corporate governance codes issued and improved as per the changing needs of business environment (Becht, Bolton and Röell, 2002; Bhojraj and Sengupta, 2003; Kiel and Nicholson, 2003; Wood and Patrick, 2003; Durnev and Kim, 2005; Barnhart and Rosenstein, 2007). Through review of literature it has also been noted there exists a relationship between good corporate governance system and earnings management practices (Sarkar et al, 2008; Miyamoto and Higuchi, 2007; Dechow et al., 2012).

Data and Research methodology

For the purpose of study, initially we select 206 commercial banks listed in Indian stock exchange. However, based on the data availability for a total period of 11 years, we only considered 12 private sector commercial banks and 28 public sector commercial banks for this study. Data are collected for a period of 11 years (31.03. 2003 to 31.03.2013) from the Prowess 4.14 database developed by Centre for Monitoring Indian Economy (CMIE). We studied annual reports and corporate governance reports of all the 40 commercial banks over a period of 440 banking years. For the purpose of quantifying earnings management through discretionary accrual we followed the methodology used by Beatty et al. (2002) using DLLP (discretionary loan loss provision) and DRSGL (realised security gain and loss) and run OLS regressions for times (eleven years x number of sample firms).

Calculating DA the following formula has been used in consonance with the study undertaken by Beatty et al., (2002)

$$DLLPit = LOSSit - (\alpha + \beta 1LASSETit + \beta 2NPLit + \beta 3LLRit + \beta 4LOANRit + \beta 5LOANCit + \beta 6LOANDit + \beta 7LOANAit + \beta 8LOANIit + \beta 9LOANFit + \varepsilon it)$$

However, considering the banking scenario and the reporting practices of Indian commercial banks, we have modified the above model to cover the requisite criteria to calculate DLLP in Indian context. The model used in this study hence is modified as below. In this model, we have incorporated bad debt written off, long term loan, short term loan, secured loan, unsecured loan, loan to priority sector and advance to public sector in modification to the original model to capture the overall effect of items specific to Indian banking sector;

$$DLLP_{it} = LOSS_{it} - (\alpha + \beta_1 LASSET_{it} + \beta_2 NPL_{it} + \beta_3 BDW + \beta_4 LLR_{it} + \beta_5 TLOAN_{it} + \beta_6 STLOAN_{it} + \beta_7 SLOAN_{it} + \beta_8 UNSLOAN_{it} + \beta_9 LOANPS_{it} + \beta_{10} ADVPSI_{it} + \beta_{11} LOANF_{it} + \varepsilon_{it}) \text{........ (1)}$$

Where:

i = bank holding company identifier;
t = year (2003 to 2013);
DLLP = discretionary loan loss provision as a percentage of total loans;
LOSS = loan loss provisions as a percentage of total loans;
LASSET = the natural log of total assets;
NPL = nonperforming loans (includes loans past due 90 days or more and still accruing interest and loans in nonaccrual status) as a percentage of total loans;
BDW = bad debt written off as a percentage of total loan and advances;
LLR = loan loss allowance as a percentage of total loans;
TLOAN = term loan as a percentage of total loans;
STLOAN = short term loan as a percentage of total loans;
SLOAN = secured loan as a percentage of total loans;
UNSLOAN = unsecured loan as a percentage of total loans;
LOANPS = loan to priority sector as a percentage of total loans;
ADVPS = advance to public sector as a percentage of total loans;
LOANF = loan to foreign country as a percentage of total loans;
ε = error term
We have also used the following formula to ascertain the realized security gain and losses (RSGL) in consonance with the formula used by Beatty et al. (2002) in their study;

$$RSGL_{it} = \alpha_t + \beta_1 LASSET_{it} + \beta_2 UNGL_{it} + \varepsilon_{it}, \text{...(2)}$$

Where:
i = bank holding company identifier;
t = year (2003 to 2013);
RSGL = realized security gains and losses as a percentage of total assets (includes

Realized gains and losses from available-for-sale securities and held-to-maturity

Securities);

LASSET = the natural log of total assets;

URSGL = unrealized security gains and losses (includes only unrealized gains and losses

from available-for-sale securities) as a percentage of total assets;

ε = error term.

The model measures non- discretionary realised security gains and losses (NDRSGL) for calculating DRSGL (discretionary realised security gains and losses). We calculate the error term i.e. discretionary realised securities gains/losses (DRSGL) as follow;

$$DRSGL_{it} = RSGL_{it} - NDRSGL_{it} \text{ ....(3)}$$

Finally, for calculating discretionary accruals (DA) we add $DLLP_{it}$ and $DRSGL_{it}$, which is as follows:

$$DA_{it} = DLLP_{it} + DRSGL_{it} \text{..................(4)}$$

The result of equations 1, 3 and 4 are presented in the Appendix 1. High levels of DA account to income decreasing earnings management practices through over-reporting of loan loss provisions and/or realized securities gains and losses. Whereas, low levels of DA (often negative) suggest income increasing earnings management practice through under-reporting of loan loss provisions and/or realized security gains and losses. For the purpose of analysing the relationship between corporate governance factors and reported earnings management we have used the below common effect regression model;

$$DA_{it} = \alpha + \beta_1 B\_SIZE_{it} + \beta_2 B\_MEET_{it} + \beta_3 B\_INDP_{it} + \beta_4 A\_MEET_{it} + \beta_5 A\_INDP_{it} + \beta_6 CEO\_D_{it} + \beta_7 DR\_PP_{it} + \beta_8 R\_COMT_{it} + \varepsilon_{it} \text{.................................(5)}$$

Where,

DA = discretionary accruals;
B_SIZE = number of directors in board of directors;
B_MEET = number of board meeting in the financial year;
B_INDP = percentage of independent member in the board;
A_INDP = percentage of independent member in board;
A_MEET = number of audit meeting in the financial year;
CEO_D = chairman duality (if CEO duality exist it value '1' otherwise it value '0').
DR_PP = presence of pay for performance to directors remuneration (if exist it value '1' otherwise it value '0')
R_COMT = presence of remuneration committee (if exist it value '1' otherwise it value '0').

Result of regression equation 5 is given in appendix 2. The relationship is checked based on the significance level (significant if the significance level is less than 0.05 otherwise insignificant).

Result and Analysis

About Appendix 1

The result from the above analysis shows that Indian private commercial banks generally follow income increasing earnings management practices. Nine banks out of the sample of 12 major private Indian banks have a negative average DA which indicates that banks are using loan loss provision and realised securities gain and loss to reduce reported earnings. From the sample we have found that ICICI bank Ltd. and Axis bank Ltd. have comparatively very high negative DA i.e. -16406.60 and -1026.44 respectively. We have noticed through financial report and market performance reports ICICI bank Ltd. and Axis bank Ltd. that both these banks have high market capitalisation in the group i.e., 24.78 % and 12.45% with a higher P/E ratio of 15.4 and 12.3 respectively. On the other hand we found that Dhanlaxmi bank Ltd. has high positive DA of 4578442.5 also we notice that the banks have a lower market capitalisation of 0.07% and a 0 P/E ratio. The output of the analysis show that Indian private sector commercial banks with higher market capitalisation follow a higher level of income increasing earnings management practice where as private banks which have a low market capitalisation and a lower P/E ratio are mostly involved in income increasing earnings management practice.

The analysis of Indian public commercial banks also indicates that in India banks are mostly involved in income increasing earnings management practice with twenty-one out of twenty-eight sample public banks having a negative DA. Analysing the data related to public sector firm we have identified that there is an opposite trend of earnings management in public sector commercial banks compared with the private sector banks. In case of public sector banks we find that banks with high market capitalisation, practice low level of earnings management (negative or positive DA) viz. State bank of India (-367.4699; Mkt. Cap. 44.79%), Bank of Baroda (-7.3930; Mkt. Cap. 8.16%) and Punjab national bank (-7.4560; Mkt. Cap. 7.72%). We have also identified that Public sector commercial banks with low market capitalisation mostly practice a high level of negative DA such as, Canara bank (-25719.45; Mkt. Cap. 5.35%), Punjab and Sind bank (-103746.6; Mkt. Cap. 0.45%); State bank of Hyderabad (-5173.119; Mkt. Cap. 0 %) and United bank of India (-52837.79; Mkt. Cap. 0.61%). Whereas, going through the data of private banks we have found that private banks with high market capitalisation practice high negative DA for income increasing earnings management. Thus, there is an opposite trend of earnings management practice in private sector Indian banks comparing with public sector Indian banks.

The results also suggest that which comparing DLLP (discretionary loan loss provision) and DRSGL (discretionary realised securities gain/ loss), it has been noted that DLLP has been used regressively as means for managing earnings by most of the Indian public and private commercial banks. This study suggests that Loan loss provision (LLP) has a negative relationship with the level of earnings management i.e., high and positive LLP will decrease earnings management practices where as low and negative LLP will increase the earnings.

About Appendix 2

Analysing the results of common effect model for public sector Indian banks and private sector Indian banks, we have identified that regression output between various corporate governance factors and earnings management practices taking discretionary accruals as proxy showed certain similarities. The private sector banks have a slightly different governance structure from public sector banks. The results of private sectors banks show that in most of the private commercial banks B_MEET (number of board meeting in financial year), A_MEET (number of audit meeting in financial year), CEO_D (Chairman duality of chair) and DR_PP (Directors' remuneration based on pay for performance) are significant factor with sig. level less than .05 (Appendix 2). Whereas, In case of public sector banks CEO_D and DR_PP are insignificant with no actual effect of earnings management practice since for all public sector banks there exists a condition of CEO duality since CEO is appointed by government and CEO also acts as a managing director of the banks and for DR_PP in most of the public sector banks we identified that it is only considered in last few sample years as a effective part of directors' remuneration and so failed to become a significant corporate governance factor. We identify that B_SIZE (number of directors in board) and B_INDP (% of independent directors in board) have a very significant role of control variable with mostly a significance level of less than 0.05 (Appendix 2). For audit related variables we have identified that in case of public sector Indian commercial banks A_INDP (% of independent director in audit committee) and A_MEET (number of audit meet) have significant role as corporate governance factor and it works mostly as a control variable. R_COMT (presence of remuneration committee) have been lately introduced in public sector banks mostly after 2009 show significant effect and proves to be a significant control variable as a part of corporate governance mechanism.

Discussion

This study could identify that there is the presence of earnings management practice in Indian public and private sector commercial banks. We find that majority of banks practicing income increasing earnings management practice through negative discretionary accruals though, the trend of private sector banks and public sectors banks varies based on the market capitalization of banks. The results show that DLLP has a major effect on banks' earnings and it is noted that LLP has a negative relation with the banks earnings. Analyse the relationship between corporate governance factors and earnings management we find that in Indian banking sector, the role of corporate governance system for private and public commercial banks are slightly different. It is noted that an active board with independent directors works as a controlling variable and negatively related to earnings management practice in common. The audit independence and audit meetings have significant negative relationships with earnings management. This study indicates that CEO duality has a significant relationship with earnings management practice specifically in case of private commercial banks. It has been observed that director remuneration based on pay for performance (DR_PP) is mostly introduced after 2009 by banks in their corporate governance structure and it has the potential to become a significant control variable.

The results from this study is similar with the finding of Beatty, et, al., (2002) where it has been identified that publicly and privately held US banks use discretionary loan loss provision for smoothing their income figure for maintain its market position. Similar finding were also been obtained by Abaoub et al., (2013) in their study of Tunisian banking industry for a period of two years i.e., 1999 to 2000. The study identified that banks tends to manage their earnings downward by increasing loan loss provision and vice versa. The inverse relationship of loan loss provision and earnings management practice in banking industry is mostly practiced when operational risk of losing market shares is comparatively high. This study also support the finding of Iannotta and Kwan (2013) who conducted an empirical study of banks listed in NYSE AND NASD during 2007-2009, where it was observed stating that the loan loss provision was highly related to banks opacity and manipulative earnings management practice. For the corporate governance factors, the findings of this study supports are inconsonance with the previous literature about relationship between corporate governance and earnings management. In a study of US banks Cornett et al., (2006) identified that banks earnings management practice significantly related to the Board characteristics, CEO's pay for performance sensitivity and CEO/chair duality. Results from this study is also similar to the findings of Ugbeda et al., (2013) who conducted a study of Malaysian and Nigerian banks which identify that majority of banks from both the nation have a significant and negative relationship between earnings management and different factor of corporate governance (board attributes, audit status, CEO duality and ownership independence). This study also supports the results of Dadhania and Bhayani (2013) who conducted a study of Indian banking and I.T. firms identifying that an active and independent board influences the firms' reported earnings.

Conclusion

This paper compares and analyses the presence of earnings management practice in Indian private and public sector commercial banks. The analysis of empirical results corroborated the fact that there is the presence of income increasing earnings management practice in majority of public and private sector banks. The pattern of earnings management is just the reverse in public and private sector banks when comparison is based on market capitalisation and shareholding. We find that discretionary loan loss provision is used as the significant discretionary item to manipulate banks reported earnings and we also identify that there is an inverse relationship between DLLP and degree of earnings management practice. From this study it has been noted that there is a significant negative relationship existing between most of the corporate governance attributes (board size, board independence, board meets audit independence and audit meets). It is also noted that since Indian banking industry (both private and public bank) is primarily governed on certain specific banking laws their governance pattern are standardized and structured in a effective pattern for controlling external influences and restricting manipulative practices.

The study has limitation of availability of data and information for which the sample size has been reduced considerably. However, with limited data availability this study identifies the present status of Indian banking scenario for both public and private sector commercial banks so far as earnings management practices are concerned. This analysis can be taken as input for studying the several other environmental factors influencing the earnings management pattern in Indian banking industry.

APPENDIX 1

Results from equation 1, 3 & 4: Value of discretionary accruals with firm indicators

Sl. No.	Commercial	DLLP	DRSGL	DA	P/E RATIO	MKT. CAP.
	PRIVATE BANKS					
1	Abu Dhabi	0.1392	0.0002	-0.1390	0	0
2	Axis Bank Ltd.	-1183.74	157.30	-1026.44	12.3	12.45
3	Catholic Syrian	-1.2111	-0.0006	-1.2105	0	0
4	D C B Bank Ltd.	9.8920	0.0005	-9.8915	0	0
5	Dhanlaxmi Bank	-2.1034	4578.4042	4578.4425	0	0.068
6	Federal Bank Ltd.	-3.3318	-0.0009	3.3309	8.9	0.936
7	H D F C Bank Ltd.	14.5217	0.0005	-14.5212	24.6	32.04
8	I C I C I Bank Ltd.	-46.3537	-16452.95	-16406.60	15.4	24.78
9	I N G Vysya Bank	2.5459	-0.0228	-2.5687	15.8	1.89
10	Kotak Mahindra	-51.5872	-0.0017	51.5865	41	11.11
11	South Indian Bank	2.0967	-0.0023	-2.0990	6.4	6.64
12	Tamilnad	0.2146	0.0009	-0.2137	0	0
	PUBLIC BANKS					
1	Allahabad Bank	80.7488	-29.5927	-110.3406	4	1.51
2	Andhra Bank	-32.3469	-207.7569	-175.4099	3.6	1.53
3	Bank Of Baroda	7.3928	0.0003	-7.3930	5.6	8.16
4	Bank Of India	16.4808	0.0002	-16.4806	5.2	4.63
5	Bank Of	3.5158	0.02013	-3.4957	5.2	1.16
6	Canara Bank	25719.436	-0.0213	-25719.45	5.8	5.35
7	Central Bank Of	-6.6563	-0.0012	6.6551	8.1	2.23
8	Corporation Bank	3.6743	0.0047	-3.6687	3.8	1.85
9	Dena Bank	-3.2042	0.0007	3.2043	3.1	0.844
10	I D B I Bank Ltd.	-1.0742	-0.0183	1.0559	5	3.27
11	Indian Bank	16.0753	0.0012	-16.0748	3.3	1.71
12	Indusind Bank Ltd.	14.4542	0.0026	-14.4516	0	0
13	Jammu & Kashmir	-0.6488	-0.0014	0.6474	0	0
14	Karnataka Bank	1.9774	-0.0124	-1.9899	0	0
15	Karur Vysya Bank	2.4891	0.0036	-2.4854	0	0
16	Lakshmi Vilas Bank	-5.1731	0.0002	5.1733	0	0
17	Oriental Bank Of	247.2261	0.0282	-247.1978	0	0
18	Punjab & Sind	103746.59	-0.0329	-103746.6	4.4	0.467
19	Punjab National	10.1932	2.7372	-7.4560	4.7	7.95
20	Standard	13.0587	-2774646	-290.5233	0	0
21	State Bank Of	13.3113	-0.0006	-18.3118	4	0.98
22	State Bank Of	5173.1179	-0.0011	-5173.119	0	0
23	State Bank Of India	367.4347	-0.0352	-367.4699	9.7	46.18
24	State Bank Of	-1.4603	-0.0120	1.4482	0	0
25	State Bank Of	-3673.670	-0.0008	3673.6707	4.2	0.873
26	Uco Bank	9.4677	-0.0012	-9.4689	8.1	1.61
27	United Bank Of	52837.79	0.0062	-52837.79	6.1	0.63
28	Vijaya Bank	35.6424	0.0015	-35.6408	5	0.77

Appendix 2

Result of equation 5: level of significance

Sl.	Commercia	B_SIZ	B_MEE	B_IND	A_IND	A_MEE	CEO_	DR_P	R_COM
	PRIVATE								
1	Abu Dhabi	.05	.04	.048	.52	.023	-	-	-
2	Axis Bank	.53	.01	.06	.18	.03	-	-	-
3	Catholic	.62	.04	.05	.52	.64	-	-	-
4	D C B Bank	.04	.03	.06	.32	.02	-	-	-
5	Dhanlaxmi	.41	.08	.29	.15	.07	-	-	-
6	Federal	.43	.03	.04	.27	.02	-	.02	-
7	H D F C	.31	.05	.06	.22	.03	-	.05	-
8	I C I C I Bank	.04	.07	.03	.12	.02	-	.03	-
9	I N G Vysya	.61	.04	.05	.22	.05	-	-	-
10	Kotak	.05	.03	.06	.19	.02	-	.04	-
11	South	.07	.05	.02	.29	.11	-	-	-
12	Tamilnad	.57	.09	.17	.59	.19	-	-	-
	PUBLIC								
1	Allahabad	0.5	.73	.04	.78	.05	-	-	-
2	Andhra	.02	.001	.72	.11	.03	-	.03	-
3	Bank Of	.8	.61	.99	.79	.64	-	.86	-
4	Bank Of	.90	.05	.06	.05	.14	-	-	.22
5	Bank Of	.05	.54	.005	.002	.05	-	.90	.01
6	Canara Bank	.06	.04	.02	.56	.06	-	-	-
7	Central	.05	.09	1.2	.14	.21	-	-	-
8	Corporation	.09	1.78	2.36	.09	.43	-	-	-
9	Dena Bank	.05	.22	0.6	0.5	.08	-	-	-
10	I D B I Bank	.21	.03	.05	2.11	.02	-	-	-
11	Indian Bank	.96	.66	.05	.09	.33	-	-	-
12	Indusind	.52	.08	.05	.05	.14	-	-	-
13	Jammu &	.08	.07	.05	.09	.09	-	-	-
14	Karnataka	.56	.05	.04	.05	.06	-	-	-
15	Karur Vysya	.62	.45	.12	.06	.60	-	-	-
16	Lakshmi	.12	.08	.06	.08	.23	-	-	-
17	Oriental	.09	.19	.04	.06	.33	-	.67	-
18	Punjab &	.05	.11	.08	.04	.78	-	-	-
19	Punjab	.57	.09	.23	.05	.09	-	-	-
20	Standard	.49	.19	.03	.02	.06	-	-	-
21	State Bank	.32	.57	.36	.05	.59	-	.02	-
22	State Bank	.88	.79	.89	.06	.45	-	.03	-
23	State Bank	.23	.51	.24	.22	.66	-	-	.28
24	State Bank	.67	.08	.38	.56	.06	-	-	-
25	State Bank	.53	.05	.48	.42	.26	-	.77	-
26	Uco Bank	.66	.05	.13	.65	.22	-	-	-
27	United Bank	.32	.81	.59	.78	.05	-	-	-
28	Vijaya Bank	.81	.94	1.43	.06	.30	-	-	-

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