ICICI BANK – VIDEOCON BRIBERY CASE: A CASE ANALYSIS IN REFERENCE TO CORPORATE GOVERNANCE

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ABSTRACT

Corporate governance should be followed in its true spirit in order to be effective. Even though the corporations generally follow the regulatory requirements, there will be exceptions. Although India has recognised the importance of corporate governance over the last decade, there have been isolated violations of good governance norms.

For any company's corporate governance system to be effective, the fundamentals of disclosure, transparency, and ethics must be built. Transgressions, distorted assessments, and commercial catastrophes such as scams have all harmed the public's and investors' faith in corporate organisations. When studied closely, all of these problems may be linked back to a failure to effectively identify and perceived conflicts of interest.

These management methods or incidents that erode the faith and trust of investors and other stakeholders can be terrible for the firm, financial markets, and even the country. The Satyam crisis, which caused the BSE Sensex to fall by 7.3 percent and thus the Indian government took over the firm's administration, exemplified this. Similarly, Infosys' market value dropped by Rs 30,000 crore in intraday trade following the resignation of the previous CEO, who was accused of poor governance.

This problem has resurfaced in the aftermath of ICICI Bank's loan to Videocon in 2012 (Rs 3,250 crore), in which it is claimed that Chanda Kochhar, because her spouse Deepak Kochhar having business ties with Videocon Chairperson Venugopal Dhoot, the bank's CEO and MD, has a potential conflict. In 2017, 86 percent of the loan provided to Videocon (Rs 2,810 crore) was classified as a non-performing asset (NPA).

1. CORPORATE GOVERNANCE

It is necessary to comprehend the phrase "corporate governance" in order to understand the failure of ICICI Bank Ltd.'s corporate governance. "Corporate" refers to each and every established legal business firm, and "Governance" refers to the set of chassis or regulations that must be followed in order to keep it under control. It is essentially a system for managing and enhancing the success of enterprises in order to increase long-term value and preserve shareholders' interests.

When economic liberalisation and deregulation of firms and sectors began in India in the mid-1990s, the notion of corporate governance was born.

"Corporate" refers to each and every established legal business firm, and "Governance" refers to the set of chassis or regulations that must be followed in order to keep it under control. The fundamental goal of corporate governance in the banking business is to protect the needs and desires of all of the company's shareholders. To protect investors funds and ensure that there is no criminal activity in the bank, corporate governance is required. The themes of managers, company directors, stockholders, authorities, and some other similar subjects are discussed.

The separation of the Board of Directors' leadership function from executive administration, the efficient board composition of Executives and the development of a Supervisory Board, to supervise crucial aspects, and also the execution of value-based corporate norms and practices, principles in the working, disclosure auditing, and so on, are all concerns of corporate governance. To achieve the standards ethically, it is vital to ensure that quality management systems are used. It is critical to maintain performance and reliability that all stakeholders' needs, commitments, and societal obligations are met. Corporate governance is used by businesses and corporations to gain access to higher amounts of money, cut interest rates and loan costs, boost efficiency, profitability, and resilience, and, most importantly, minimize risk.

2. BACKGROUND

One of leading Indian banks is ICICI Bank. Banks not owned by the government are known as private sector banks. In 2009, the bank's Board of Directors established the Corporate Social Responsibility (CSR) programme. The committee's goal was to assess the bank's CSR programmes. However, the bank received a lot of public attention a few years ago because of the CEO, Chanda Kochhar, 's the unlawful use of power. Money laundering was labelled as a problem in this situation.

Ms Chanda Kochhar, her husband Deepak Kochhar, Venugopal Dhoot, the CEO of Videocon, and ICICI Bank staff have been charged with sanctioning credit facilities in violation of standards, causing the bank to lose Rs 1,730 crores. The investigating agency was unable to determine if the loans were provided in return for monetary favours until February 2nd, 2019, an allegation that is the crux of its illegal conspiracy, fraud, plus charges of corruption.

Kochhar failed to disclose her partner's business ties with the Videocon company, that was a financial client, to the company's board of directors. Despite the fact that she'd have distanced herself owing to a potential conflict of interests, she continued to serve on the advisory panels that approved Videocon's access to credit. She disregarded the bank's "code of conduct, its system for dealing with conflict of interest and fiduciary duties, and relevant Indian laws, rules, and guidelines," according to the CBI probe report.”.

Regardless of the issue that the ICICI company's board of directors validated the findings and chose to withdraw every one of her incentives from April 2009, the boards appear to have given her a pass. Given that a whistle blower revealed these claims publicly in October 2016, and the boards having given her a full pardon at the time, it's implausible to assume the board was uninformed of these developments. In light of the current situation, the Bombay Court Granted Deepak Kochhar, the spouse of erstwhile ICICI Bank CEO Chanda Kochhar, bail on Thursday in the alleged ICICI Bank-Videocon involvement.

3. FACTS

Former ICICI Bank CEO Chanda Kochhar, and spouse Deepak Kochhar, Videocon Group member Venugopal Dhoot, and others have been charged with felonious laundering money by the Central Bureau of Investigation. and fraudulent activities in the bank's condoning of Rs 1,875 crore in advances or borrowings to corporate groups, according to authorities. According to them, the federal investigation bureau filed an Enforcement Matter Official Complaint under the Prevention of Money Laundering Act based on a complaint submitted by the Central Bureau of Investigation on the topic a few times before.

The ED's (Enforcement Directorate) accused list is identical to the CBI's. The CBI named Chanda Kochhar, Deepak Kochhar, and Dhoot, as well as respective companies Videocon

International Electronics Ltd and Videocon Industries Ltd. The FIR in the ED case also names Supreme Energy, a company founded by Dhoot, and Nupower Renewables, a business headed by Deepak Kochhar.

Chanda Kochhar, the former managing director and CEO of ICICI Bank Ltd., and her husband, Deepak Kochhar, as well as VN Dhoot, a managing director of Videocon Industries Ltd., were named with first information report submitted by the Central Bureau of Investigation on Jan. 22, 2019, for possible irregularities in the lender's dealings with private corporations. The loan transactions between Icici Bank and Videocon Group firms are highlighted in the FIR. It starts with a timeline of when the companies that participate in the exchanges were established.

The CBI then looks into the loan transactions, including one that purportedly proves a mutually beneficial deal between Chanda Kochhar, Deepak Kochhar, Venugopal Dhoot, and their respective enterprises. The lawsuit began in 2008 with several intertwined facts.

The following are the facts:

- **In 2008**, Mr Deepak Kochhar, the husband of ICICI Bank's ex-CEO Chanda Kochhar, and Mr Venugopal Dhoot, the chairman of Videocon Group, formed a business called "NuPower Renewable Private Limited" (NRPL), in which both held alike shares.
- **In 2009,** Mr Kochhar bought it from Mr Dhoot. In the same year, Mr Vasant Kakade and Mr Venugopal Dhoot were appointed as director of "Supreme Energy." When Chanda Kochhar took over as CEO of the bank in 2009, she gave the Videocon Group six loans: Rs. 175 crores and Rs. 300 crores in 2009, Rs. 240 crores and Rs. 110 crores in 2010, and Rs. 300 crores and Rs. 750 crores in 2011.
- **In 2010**, "NuPower" needed money and received a loan of Rs. Sixty-four crores from Mr Dhoot's company, "Supreme Energy," because Mr Dhoot receives some shares in "NuPower."
- **In 2011**, "Supreme Energy" transferred its shares to its partner, Mr Mahesh Chandra Punglia.
- **In 2012**, Mr Punglia sold all of the shares to Mr Kochhar's company, "Pinnacle Energy," for a nominal price of $9 lakhs.

The Videocon group received a loan of 3,250 crores from ICICI Bank in April 2012. There had been no conflicts until 2017, when Rs 2,810 crores in non-performing assets (NPA) were announced, and Ms Kochhar was the bank's CEO. NPAs are loans that the bank regards to be non-returnable.

- **In 2018,** The scandal was brought to light after whistle blowers submitted accusations against the company's top executives, including Chanda Kochhar. According to the whistle blower, between 2008 and 2016, there was a purposeful delay in reporting depletion of some bank credit to save money on provisioned expenses.

As a result, several agencies-initiated investigations and questioned Chanda Kochhar's relatives. In the very same time, the financial institution backed Chanda Kochhar, indicating that it had entire faith in her and that all potential conflicts of interest had been resolved. Kochhar made this remark after accusations about reciprocity were levelled against him for giving a financing to the Videocon Group.

- **In January 2020**, Chandra Kochhar and her family's assets worth over 60k rupees were provisionally attached by the enforcement directorate. Preliminary connections were filed in relation with the firm's money laundering law suit, with her South Mumbai flat being one of the acids.

4. ISSUES

Questions of laundering money and bank misconduct surfaced when the details of the case were revealed. Concerns regarding the bank's governance have been expressed by analysts, news organizations, investors, and stockholders.

- The bank stayed by its CEO for over 2 months after learning of the conflict of interest in the case, and when unrest grew, the board decided to initiate an investigation. Why didn't the bank ask about it as well?
- The second item to examine is that, while an investigation was started, it was started by an external. It's critical to understand why an external source was necessary to do just that, obscuring the fact that the problem was an operational one in which the bank ought to have acted sooner.
- Despite the fact that its investigation into the matter was still continuing, the CEO kept working at the office.

- Mrs Kochhar sought a voluntary redundancy when the Securities Exchange Board of India (SEBI) began the enquiry. As a result, there is a question. Why did she take this move in the first place, and why did she choose retirement plans over quitting?
- Other concerns included whether the bank had properly disclosed its transactions with the borrower. Furthermore, the bank conducted the review internally, and the result was never made public. What was the rationale for such a procedure and secrecy?

The string of transactions detailed in the case of ICICI Bank also raises some critical questions about the bank's corporate governance processes. It also raises some questions about the independent directors' function. There is little discussion of the independent directors' performance or contribution to influencing bank or corporate outcomes and plans in India. Furthermore, in many boards, the overall impact of freedom of independent directors is questioned. Potential conflicts, related party transactions, uninterested participation, and the function of independent non - executive directors in governance practices are all issues raised in the ICICI Bank case.

5. ANALYSIS

The bank failed to maintain openness, accountability, transparency, disclosure, and interest balances, all of which are important corporate governance concepts. The CEO broke the laws of morality by failing to disclose potential conflicts of interest.

Mrs Chanda Kochhar failed to reveal her relationship with Mr Dhoot to the bank when she gave him the loan in 2012, something she should have done in order to maintain disclosure. She did not alert the banks or the directors about her partner's financial ties with a certain Videocon company, a bank account, well after the loan balance was labelled as NPA. It clearly demonstrates how she disobeyed the bank's guidelines and that the transaction went awry.

Despite the fact that she should have recused herself owing to a potential conflict of interests, she continued to serve on the advisory committees that granted credit facilities for Videocon. This shows that managerial and procedural norms may have been violated.

Furthermore, the fact that she was not the committee's leader but rather a member shifts the suspicion differently. The participation of the company's CEO on the board, as well as the support of an impartial probe, have prompted concerns about corporate governance procedures. The CEO's and the Board's roles are critical for effective corporate governance. However, both management officials failed in this case. Every poor and excellent action is ultimately the responsibility of the Board and should be closely watching such acts and behaviour.

The ICICI Bank board of directors has failed to fulfil its primary fiduciary responsibility of safeguarding investors' interests. What has been done cannot be reversed but can avoid in the future. This case demonstrated the value of a whistle blower and the flaws in corporate governance's cloak of secrecy.

6. CONCLUSION

This raises questions about many of India's top banks' corporate governance requirements. The Icici fiasco is among the modern cases of corporate India governance failings. It emphasises the importance of authorities monitoring the activity of corporation boards of directors at all times during a period of business mismanagement.

The public, particularly shareholders, were outraged by the situation because the money given to Mr Dhoot was basically funds held in the bank by the stockholders. The fact that the sum was NPA meant that the funds of the stockholders had been spent. Separating the CEO's and other officials' positions could deliberate to defuse the issue. We can see that corporate governance failure is becoming more of a problem and that more concerted action is needed to address the issue. The bank appears to have given the money knowingly and without regard for the principles and rules they must follow and adhere to. Management orchestrates the bank run, but administration ensures that it will be carried out successfully.

Corporate governance efficiency must be maintained and assessed. Despite having a solid consumer brand, the bank's credibility was tarnished as a result of the case. The incident brings up the question as to whether previous incidents of similar nature have happened earlier, however the information and inefficiencies of the bank were brought to the public's attention thanks to the whistle blower in this case. Several other Indian enterprises dominated by professionals rather than promoters are in a similar scenario.

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