

### *Shobhana edit*

Chanda Kochhar's career has ended on an inglorious note. Ideally, she should have stepped down the day allegations about ICICI Bank having given loans improperly to the Videocon Group surfaced, but she refused. Kochhar didn't herself initiate an independent investigation, which she should have, given how serious the allegations were. Neither did she resign when the independent panel, headed by BN Srikrishna, was appointed to probe whether there was any conflict of interest in the lender disbursing loans to the Videocon Group with which her husband had some business dealings. Her resignation on Thursday, therefore, comes as a bit of a surprise and suggests the board either caved in to pressure from investors or that it was informed by the investigating team that there was something amiss in the dealings with the Videocon Group.

The entire episode, while unfortunate because Kochhar has had a remarkable career, highlights the rather unremarkable performance by the current ICICI Bank board. The ICICI board has not exactly covered itself with glory. It needed to have been far more firm with Kochhar, asked her to resign much sooner and appointed her successor. After all, ICICI Bank is a large lender and a listed entity, and the uncertainty surrounding the entire episode has cost its many shareholders and investors. Apart from hurting investors, the board's pussyfooting and treating Kochhar with kid gloves has hurt its own reputation. Boards of companies are meant to act in the interests of good corporate governance but few are held accountable.

Recently, in the case of Apollo Tyres, the board raised no objections to the managing director's re-appointment, even though the remuneration was very high. It was only after minority shareholders voted against the resolution that the board decided to seek an independent view on the remuneration. Again, the board of IL&FS clearly failed to do its job; else, the company would not have piled up the kind of debt that it has and would not be defaulting on its loans as it is today. Indeed, had the many nominees of banks and other institutional shareholders, as also independent directors, been more responsible, we wouldn't be seeing so many companies going bankrupt.

The list of companies where the directors have failed to red-flag problems is long—Ranbaxy,

Fortis, Suzlon, to name a few. Since most companies are promoter-driven, independent directors are people the promoters are comfortable with, and so the board is often a cozy club. With activism by minority shareholders on the rise, the role of directors will be under greater scrutiny. The Kotak committee's recommendations of increasing the number of independent directors in a year, capping the directorships that an individual can hold and increasing the number of board meetings will improve the functioning of boards.