

CORPORATE GOVERNANCE AND COOPERATIVE SOCIETY: A SURVEY ON TRANSPARENCY AND SUSTAINABILITY OF SSK COOPERATIVE SOCIETY, BANGALORE

Nethravathi K*

Abstract

The Governance System is usually supports in developing quality and stability towards the cooperative banks. Governance is an instrument for strengthening the overall effectiveness. Governance system plays a very prominent role in each sector. The ultimate goal of the governance system in application in the banking sector to protect the rights of shareholders, creating confidence among stakeholders, strengthening the BODs, providing the autonomy and responsibility in the BODs. To keep the long term sustainability cooperatives has to adopt directives of RBI towards governance practices. Governance system is all over the world not successfully performing due to the inefficient management, defective governance, manipulations, inadequate disclosure and non transparency. This study has focused on both primary and as well as secondary data. The sample includes the size of 60 respondents (members) from SSK cooperative society. Out of 60 respondents 40 respondents responded for complete questionnaire used likert scale 5 Point to measure the response. The simple statistical measurement Mean, Standard Deviation and Anova has used to analyse the data. In the present study an attempt helps to learn the importance and prospectus of governance practices. The paper reveals that there is greater demand by its members to practice the governance system and the governance practices adopted by SSK Cooperative society has satisfied its members, also some suggested some measures to overcome from possible ways to solve governance problems.

Keywords: Corporate governance (CG), Disclosure, Transparency, Accountability.

Introduction

“CG is an integral structure focuses on policies and processes which serve the requirement of shareholders and management activities, by wise directing and best controlling management activities.” – Gabriele O Donovan,

* Research Scholar, CMR University, Bangalore, Karnataka, India
*nethrarajendra@gmail.com

This cooperative movement has fuelled globally of economic democracy that suggests an expansion of decision-making, where a small majority of corporate shareholders to a larger group of stakeholders. Corporate governance on the other hand had its originated in the 19th century which raised the response to the disconnection of ownership and control. Corporate governance is how a corporation is administered or controlled. It includes certain processes, customs, policies, laws and instructions affecting the way of corporations is directed, managed or controlled. The structure of CG consist of employees and suppliers, partners, customers, local government and other external professional organization regulators. The governance system in cooperative banks is highly influenced with the concept of member satisfaction. They promote their members interest by conducting the business of banking in the widest sense.

Objectives of the Study

- To examine the transparency aspect in governance at SSK cooperative society.
- To study the accountability factors relating to the board of management.
- To assess internal control mechanism and risk management practices at SSK cooperative society.

Theoretical Framework

Co-operatives were the business organisation owned and functioned by group of institutions for their large some benefit (O'sullivan and sheffrin 2003), owned and managed by its users. The purpose is to provide greater benefit to its members by increasing individual incomes and enhancing a member by providing needed services. Cooperatives forms a fundamental part of the private sector financial institution, where commercial banking practices are depending on the practices which are based on the values of self- help, self responsibility, solidarity and democracy. The issues of corporate governance continue to impress identifiable both national and international attentiveness. It is about effective, transparent and accountable governance of affairs of an institution by its management including the code conduct. It is the policies and decisions are implemented. Transparency and accountability, internal controls, disclosure of information are the major pillars of corporate governance. Stakeholder theory revealed that the management principles in 1970 and it is said to be developed by the freeman in the year 1984 consolidating accountability to a wide range of internal and external stakeholders.

Review of Literature

Hart, 2003, "Corporate Governance: Some Theory and Implications", this article provided the framework structure for the debate of CG and to obtain certain implications which are very useful to guide the corporate governance policy. It also

argued that in many cases market economy can achieve efficient CG by itself. It is suggested to ensure that existing mechanisms can operate freely to provide appropriate checks and balances on managerial behaviour.

Kerm Alexander (2004), Corporate Governance and Banking Implications, this paper attempts to analyse the major issues related to CG of banks and financial institutions, its financial regulation. The paper reveals that the CG of banks largely concerned with reducing the social costs of the bank and risk taking.. This paper analysed international initiatives in the area of CG and banking, included some suggestions of the Basel Committee on Banking Supervision.

Nikhil Chandra Shil (2008), Accounting for good governance, this article expresses about the good CG is a compulsory need in each and every corporate in today's world; hence it is also the demand of stakeholders today. Failure of giant corporate groups in the last few decades has lead for the demand of CG. The paper suggested the legal framework is necessary in current status to protect the corporate from corruption by establishing governance.

Chiung-Yao Huang, (2011), "Historical Research on Corporate Governance", African Journal of business management", the article deals with Bibliometric analysis historical information on research and of trend and performance. An analysis done based on literature in the social science citation index (SCCI) from 1992-2008, collected from the web of science databases of the Institute for Scientific Information (ISI). The author concentrated on the hotspots and peak like "Ownership structure, BOD's and Executive Compensation" were the most important and agency is most important for solving governance issues.

Santhosh Pande, Kshama V Koushik, 2012, "Study on the state corporate governance in India, issues and challenges for the future", , this working paper evaluated the CG reforms in India and through a survey of existing research. This paper suggest that research has to suggest policy formation in order to make the next generation of CG reforms more effective for Indian conditions.

Methodology

Primary data used from SSK cooperative society. Around 60 respondents were selected and sample size is 40 only due to the low interest to answer for question and busy schedule 20 respondents were not able to fill the questionnaire completely. The members from all different age groups were selected for the study. Questionnaire drafted to collect the information towards transparency, Board Commitment, accountability and sound internal control system towards risk management. In this study 5 likert point scale (5 - strongly agree, 1 - strongly disagree) is adopted to check the governance system of SSK Cooperative Bank.

Three Hypotheses of the study:

- Transparency has positive significance towards SSK cooperative society.
- Executives of SSK cooperative society will shows good commitment towards accountability
- SSK cooperative society engaged in sound internal controls and effective risk management.

Survey Data and Analysis

- **Hypothesis 1 (H₁):** There is significance relationship between Transparency and SSK cooperative society.
- **Hypothesis 2 (H₀):** There is no significance between transparency and SSK cooperative society.

Table 1: Survey of Transparency of SSK Cooperative Society

Response	X	F	FX	$X = x - \bar{x}$	x^2	Fx^2	%
Strongly agree	5	5	25	2.5	6.25	31.25	12.5
Agree	4	6	24	1.5	2.25	13.5	15
Hardly agree	3	6	18	0.5	0.25	1.5	15
Disagree	2	11	22	-0.5	0.25	5.5	27.5
Strongly Disagree	1	12	12	-1.5	2.25	27	30
		N=40	$\Sigma Fx=101$			$\Sigma Fx^2=78.75$	57.5

$$\bar{x} = (\Sigma x_i) / n.$$

$$\bar{x} = \Sigma FX / N,$$

$$\bar{x} = 101 / 40$$

$$\bar{x} = 2.525$$

$$= 2.5,$$

$$\bar{x} = 2.5$$

$$\sigma = \sqrt{\Sigma Fx^2 / N}$$

$$\sigma = 78.75 / 40$$

$$\sigma = 1.97$$

Table 2: Results of Transparency in SSK Cooperative Society

	Number of Respondents	Mean	Standard Deviation	Percentage
Outcome of survey of Transparency in SSK cooperative society	40	2.5	1.97	57.5

The above analysis reveals the mean score of 2.5 from a maximum point of 5 (Mid Point 2.5) and a standard deviation of 1.97. This reveals that majority of the respondents agree with a view that transparency is a feature of SSK cooperative

society. The cumulative percentage of about 57.5 (higher than the average percentage of 50%), the Ho is rejected and Hypothesis 1 is accepted. Concluding Transparency is a best feature and had positive impact on members of SSK cooperative society.

- **Hypothesis 3 (H₁):** SSK cooperative society has a good commitment towards accountability
- **Hypothesis 4 (H₀):** SSK cooperative society does not have a good commitment towards accountability.

**Table 3: Outcome of Survey towards SSK
(Cooperative Society has a Good Commitment Towards Accountability)**

Response	X	F	FX	X= x - \bar{x}	x^2	F x^2	%
Strongly agree	5	13	65	1.58	2.5	32.5	32.5
Agree	4	11	44	0.48	0.23	2.53	27.5
Hardly agree	3	6	18	0.52	0.27	1.62	15
Disagree	2	4	8	1.52	2.31	9.24	10
Strongly Disagree	1	6	6	2.52	6.35	38.1	15
		N=40	$\Sigma Fx = 141$			$\Sigma Fx^2=83.99$	60

$$\bar{x} = (\Sigma x_i) / n.$$

$$\bar{x} = \Sigma FX / N,$$

$$\bar{x} = 141 / 40$$

$$\bar{x} = 3.52$$

$$\sigma = \sqrt{\Sigma Fx^2 / N}$$

$$\sigma = 83.99 / 40$$

$$\sigma = 2.099$$

$$\sigma = 2.1$$

Table 4

	Number of respondents	Mean	Standard Deviation	Percentage
SSK Cooperative Society has good commitment towards accountability	40	3.52	2.1	60

Using a point Likert scale, Table 3 reveals a simple descriptive statistics with a mean score of 3.52 (i.e. above the midpoint of 2.5) and a standard deviation of 2.1. This indicates that majority of the respondents agreed that executives of SSK cooperative society shows a good commitment towards accountability.

Using a likert 5 point scale and 60% is higher than the average percentage of 50%. The Ho is rejected. Hence, the executives of SSK cooperative society present a good commitment towards accountability.

Table 5: Result of SSK Cooperative Society Engaged in Sound Internal Controls and Risk Management

Source of variation	Sum of squares	Degrees of freedom (d. f)	Mean squares (MS) This is SS divided by d.f0 and is an estimation of variance to be used in F- ratio	F-ratio	Significance
Between groups	SS between 3.017	(k-1) 3	1.0057	0.46	0.7078
Within groups	SS within 78.951	(n-k) 36	2.19		
Total	81.968	(n-1) 39			

- **Hypothesis 1 (H₁):** SSK cooperative society has a sound internal control and risk management system.
- **Hypothesis 2 (H₀):** SSK cooperative society does not have a control and risk management System.

From the result, it is shown that the SS for between groups and within groups are 3.017 and 78.951 respectively. The mean square shows a value of 1.0057 and 2.19 respectively. Goodness of fit shows a value of 0.46. This result is below the tabulated value of 2.87 with V1=V2 degree of freedom. The result from the significance table shows it is not highly significant. Hence, we reject the null hypothesis that the SSK Cooperative society engaged in sound internal control system and aspect of risk management.

Empirical Findings

From the hypothesis tested the following observations were revealed:

- SSK cooperative society satisfied the transparency factor of governance system as it is very precious and required for the sustainability. Questionnaires about right information, right stakeholders, right format, right time, right frequency and right intensions were enquired.
- The Executives (BOD, Management, Employees and Staff) are showing the good commitments towards accountability.
- This particular society is making good profit as per the financial statement it seems that the Executives were engaged in the sound internal controls and risk management system in return the growth is SSK cooperative society is positive.

Conclusions and Recommendations

The present study is carried out to investigate the duty of governance in cooperative society. The major 3 pillars were considered to check the governance system in SSK cooperative society i.e. transparency, board commitment and internal

control system. Out of three hypotheses null hypotheses were rejected and alternative hypothesis is accepted. So the analysis revealed that the SSK cooperative society have to practice more governance principles towards the sustainable growth of the society and to lead affairs as successful as possible and also to enrich trust and best confidence in the cooperative system.

It has been identified that members (respondents) are much keen about knowing the bank operations, expecting good committed executives to promote. If all cooperative banks have to lead the principle of governance system in return helps them to come out many problems like duality control system, slow growth rate, ineffective management, and Risk management. They need to follow the RBI directives as it helps greatly to our economy as a whole. It is identified that the margin and below margin members are more in regular transactions of cooperative societies, hence it is suggested that cooperative societies to safeguard the stakeholders interest towards cooperative financing has to implement governance system and its mechanism. Cooperative financial institutions are going to be outdated soon and were not able to compete with the private, public and government financial institution as it has to face the competition in terms of product, services and mode of operations. So it is recommended to implement the governance system mechanism.

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