



# To what extent does the ICICI-Chanda Kochhar case uncover the vulnerabilities of the Indian banking industry and emphasize the requirement for greater regulation, compliance and transparency?

**Sohaanii Kishore**  
Student  
Vasant Valley School, Delhi

## Abstract

The Indian Banking Industry plays a crucial role in facilitating credit, investment, and infrastructure, especially in a middle-income economy like India. The industry is made of a vast network of banks one of the prominent ones being ICICI Bank. Chanda Kochhar is a popular name in the Indian banking industry - she has been linked with ICICI Bank from as long back as 1984 and also served as the CEO between 2009 and 2018. Whilst Kochhar made remarkable strides during her time at ICICI for which she garnered both national and international credit, unfortunately, her reign came to an end when allegations against her, along the lines of conflict of interest and quid pro quo, came to the surface. This research paper analyses the ICICI Bank-Chanda Kochhar case focusing on the misconduct and lack of abidance of regulations and corporate governance by Kochhar by failure to mention the connection between Videocon's promoter, Venugopal Dhoot, and her husband Deepak Kochhar during the approval of a loan to the former company. The paper also evaluates the implications of this case for the Indian banking industry and how it highlighted a need for greater regulation, compliance and transparency.

**Key Words:** ICICI Bank, Chanda Kochhar, Videocon, Financial fraud, Regulation, Corporate Governance

## Introduction

One of the key fiduciary duties of a bank is to act with care, loyalty, and disclosure towards its shareholders (Dunn Law, P.A., 2023). In practice, this means that the bank should act in the best interests of its shareholders, even if it means sacrificing short-term gains for long-term stability and growth.

Corporate banks are complex organizations, where decision-making is usually driven by the board of directors at the highest level. The board members are responsible for the overall strategy and direction of the bank, and they are elected by the bank's

shareholders. That being said, the CEO of a bank holds an enormous amount of power and is responsible for making critical decisions that can impact not only employees and customers but also the overall reputation of the bank. This is why it is essential for a CEO to exercise their power with responsibility, integrity, and transparency, and to always act in the best interests of the bank and its stakeholders (Hayes, 2023). Unfortunately, some CEOs have misused their power in the past, leading to biased decisions and conflicts of interest. When this happens, it can erode trust among employees and customers, and damage the bank's reputation. Therefore, it is crucial for banks to have strong governance mechanisms in place, including robust oversight and controls, to ensure that power is always exercised in the right hands.

The banking industry in India is the backbone of our country, and it's something we all heavily rely on (Keelery, 2023). The Indian Economy, ranked 5th in the world has been skyrocketing with consistent growth and development and continues to remain one of the most dynamic and booming economies of all time. However, there have been many instances wherein players in the Indian banking industry have been highlighted in the news linked with financial fraud cases most commonly tied back to one or more internal stakeholders, particularly those with power or on the board. In specific, in 2018, the industry was rocked by a major scandal that still has repercussions today. The Industrial Credit and Investment Corporation of India, formally known as the ICICI Bank, one of the country's top private-sector banks and a pillar of the Indian banking sector, was at the epicentre of the controversy. Questions were raised about the bank's ethics and transparency, and the fallout was felt by everyone involved.

What makes this scandal even more troubling is that ICICI Bank has always prided itself on its commitment to ethical conduct and fair treatment of customers. The bank's motto, "Fair to Customer, Fair to Bank," has been a guiding principle since its establishment in 1995 with the support of the World Bank (ICICI Bank, 2023). The former CEO of the bank, Chanda Kochhar, was a trailblazing woman who had earned significant respect in the industry. However, her involvement in the scandal brought her and the bank's reputation into question. In light of the aforementioned, this research paper aims to answer the question: *"To what extent does the ICICI-Chanda Kochhar case uncover the vulnerabilities of the Indian banking industry and emphasise the requirement for greater regulation, compliance and transparency?"*

This paper argues that the ICICI-Chanda Kochhar case has been one of the most prominent examples of financial fraud and misconduct by an internal employee in the Indian banking industry and a case that has had a large impact on the workings of the industry

### **The rise of Chanda Kochhar**

Chanda Kochhar is a remarkable figure who completed her studies and obtained a Bachelor of Arts from Jai Hind College Mumbai. Throughout her college life, she was driven by the two guiding principles of Integrity and Perfection, which played a pivotal role in shaping her personality and her future endeavours (Asia Society, 2015). She joined the Industrial Credit and Investment Corporation Of India in 1984, at the young age of 22, as a management trainee and proved her worth with her hard work and dedication. Over the years, she took on several roles, doing a remarkable job at each. In 1996, Chanda Kochhar headed the newly formed Infrastructure Industry Group of ICICI Bank, which aimed to create dedicated industry expertise in

the areas of power, telecom, and transportation (Jaiswar, 2018). As soon as the period of economic liberalization in India began around the 1990s, it included various reforms in the banking sector which was predominantly controlled by the government. She then set up the retail banking division for ICICI and grew it substantially. Chanda Kochhar then ran the international side of the ICICI Bank for a few years (Wharton, 2008).

Her relentless efforts paid off, and at the age of 47, in 2009, she was already promoted to CEO. She not only became the first Indian woman to head a bank, but she also did wonders for the Indian banking industry, leaving a lasting impact on the sector. She mentored and consulted her team and also came up with the 4C strategy, which primarily includes - cost, credit, CASA (current account and saving account) ratio, and capital. Under her leadership, ICICI reported a 30% jump in profit for 2011-2012 (Taneja, 2016) and a remarkable shift in terms of the growth and development of the retail sector in ICICI Bank. For the longest time, her story was a source of inspiration for many aspiring leaders who wanted to make a difference in their respective fields.

Chanda Kochhar has garnered numerous accolades and recognition for her outstanding contributions to the industry. For three consecutive years, Kochhar was ranked #1 on Fortune India's 'Most Powerful Business Women' list (India Today, 2012), and she was featured on Forbes Asia's '50 Power Businesswomen' list while making a regular appearance on platforms like Forbes and Fortune 500. In 2010, she also received the Padma Bhushan, one of India's highest civilian awards (Times Now, 2022). Kochhar's remarkable achievements have extended beyond national boundaries. The United States-India Business Council (USIBC) honoured her with the Global Leadership Award, recognizing her leadership qualities and significant impact on the banking and financial industry. The USIBC, a leading business advocacy organization, aims to strengthen economic ties between the United States and India (Sharma, 2017).

Overall, Kochhar's trailblazing career inspired a global audience and catalyzed a cultural shift in perceptions surrounding women in leadership. Her inclusion in global platforms like Forbes Asia's 'Most Powerful Women in Business' showed the world that women leaders from diverse backgrounds can make significant contributions on an international level. Her distinguished career long stood as a testament to her leadership qualities and significant impact on the banking and financial industry.

### **The downfall of Chanda Kochhar**

In 2012, Venugopal Dhoot, the promoter of Videocon, secured a substantial loan of 3250 crores from ICICI Bank. Notably, a significant portion of this fund was swiftly transferred to a company named NuPower, headed by Deepak Kochhar (the husband of Chanda Kochhar) (The Economic Times, 2022). In 2016, a whistleblower named Arvind Gupta who was a shareholder in the bank, took the responsibility of coming forward and leveling allegations of quid pro quo on the former ICICI Bank. A whistleblower can be defined as “anyone who has and reports insider knowledge of illegal, illicit, and fraudulent activities occurring in an organization. Whistleblowers can be employees, suppliers, contractors, clients, or any individual who becomes aware of dubious business activities” (Kenton, 2022). In his letter to former Prime Minister Narendra Modi, Gupta said "ICICI

Bank looks like a one-person show. Out of the nine committees they have, Chanda Kochhar is present on six of them. Their work culture needs to be examined." However, it was not given any importance or further examination (Jagannath, 2022).

In 2018, the scandal resurfaced when The Indian Express disclosed key information regarding Videocon group promoter Venugopal Dhoot (The Indian Express, 2018). The Indian Express, a prominent newspaper in India, has a reputation for its unbiased reporting and commitment to uncovering the truth. The case was further investigated, and concerned shareholders raised questions about Videocon promoter Venugopal Dhoot as he had given funds to NuPower Renewables, which was run by the ICICI Bank CEO & MD's husband, Deepak Kochhar. This raised serious doubts about a nexus between the two involved parties.

With Chanda Kochhar being a key figure on the committee at ICICI Bank, she held the decisive vote and played a pivotal role in the approval of the loan. The critical issue that arose stemmed from the fact that Chanda Kochhar did not disclose crucial information during the decision-making process - this crucial information being that Venugopal Dhoot had ties with her business ties with her husband, Deepak Kochhar. The conflict of interest, thus, emerged when it was publicly revealed that Venugopal Dhoot, seeking the loan under the guise of representing Videocon Group, was a business partner of Deepak Kochhar and the transfer of funds to NuPower directly from the loan suggested a potential misuse of the sanctioned funds for personal gain. The central problem, therefore, lies in Chanda Kochhar's failure to disclose this pertinent information, which could have influenced the decision-making process within ICICI Bank. This lack of transparency and potential conflict of interest compromised the integrity of the loan approval process, raising questions about corporate governance and ethical standards within ICICI Bank.

When confronted about the situation, ICICI Bank's initial response was to dismiss all allegations against Chanda Kochhar. The bank's board stood by her, emphasizing that the loans extended to Dhoot's company were in accordance with the bank's policies and procedures. When asked why this incident was brought to the board's notice in 2016 and all the regulators had prior information the board's chairman said "I don't know if it is about diverting attention from other things such as Nirav Modi and Gitanjali Gems issues. All the regulators had this information in 2016. I do not see any reason for having a fresh look again and reviving interest in the issue" (Business Today, 2018). However, as public tension and scrutiny increased, in May 2018, ICICI Bank finally ordered an independent enquiry, including a forensic audit, into the allegations that CEO Chanda Kochhar violated the bank's code of conduct, rules on conflict of interest and was part of quid pro quo dealings with certain bank borrowers (Shukla and Dave, 2018). It was decided that this investigation would be completed while Chanda Kochhar was on annual leave.

When asked for comments on the ongoing scandal, the reactions of the key parties involved held a common theme - defensive. For instance, Deepak Kochhar, in an interview with India Today, defended himself, stating, "Where is the conflict of interest? ICICI Bank will have a relationship with all top corporations in India. If I can't touch any corporation that deals with ICICI, is it fair to me? Can I function like this? I am a Bajaj MBA and a Harvard alumnus. I am an educated professional. Should I sit at home just because my wife is the CEO of ICICI?" (The Indian Express, 2022). Venugopal Dhoot too insisted in an interview with the PTI news agency that the loan to his company was granted based on merit. He claimed that he knew all 12 members



of the panel that approved the loan, emphasizing that Chanda Kochhar was just one member of the larger decision-making group.

Despite the inquiry, Chanda Kochhar did not immediately step down from her position. Instead, in June 2018, she chose to go on indefinite leave, citing 'personal reasons.' This move raised eyebrows and sparked further speculation. Four months later, in October 2018, Chanda Kochhar resigned from her position as the CEO and Managing Director of ICICI Bank. The resignation came amidst ongoing investigations and growing concerns over corporate governance issues. She later applied for early retirement, which was accepted. During early 2019, however, the bank said it treated her separation as 'Termination for Cause' and also sought regulatory approval from the Reserve Bank of India for her termination of appointment as is mandatory under the provisions of the RBI Act (PTI, 2023). The decision to treat it as such was likely influenced by the findings of the internal investigation as well as the evidence submitted by CBI to the courts in which they detailed the modus operandi by Chanda, her husband Deepak, and Venugopal Dhoot, charging them with offences which were punishable under Section 120B (conspiracy) and 420 (cheating) of IPC, section 7 (taking gratification) and 13(2) (criminal misconduct) read with 13(1)(d) (pecuniary advantage) of the Prevention of Corruption Act (IANS, 2019).

### **The key takeaways and lessons from the ICICI-Chanda Kochhar case**

The Chanda Kochhar case involving the former CEO of ICICI Bank brought attention to the lack of transparency in corporate governance practices in the financial industry. While one may argue that the Companies Act of 2013 emphasises governance through boards and processes, the unfortunate truth that was disclosed in this case was that the law is not always followed correctly (Engineer, 2023). Usually, boards are supposed to ask difficult questions of management and ensure they are guarding against any poor decisions. It could be observed that ICICI Bank's favouritism towards Chanda Kochhar led to them turning a blind eye and prolonging the inevitable i.e. initiating an investigation into the allegations against Chanda Kochhar. Moreover, the centralized structure of the bank hindered its ability to respond effectively to the media, exposing various shortcomings in professionalism and competence within the organization. Therefore, the case not only emphasized the need for ICICI Bank to improve its internal systems and processes to better address challenges that may arise in the future (Bhaskaran, 2021) but also stood as a testament to the lack of compliance to regulations by leading institutions in the Indian banking industry.

In line with the above, some of the key takeaways from this case remain the need to enforce robust board oversight as it proves essential for rebuilding trust among stakeholders and ensuring that organizations operate with integrity. It involves clear lines of responsibility and accountability, the necessary expertise and experience of board members, and effective mechanisms for monitoring and reporting on operations. Companies prioritizing robust board oversight are better equipped to identify and address potential risks and maintain stakeholder trust.

The Chanda Kochhar case also prompted a reevaluation of the board structure and the implementation of effective mechanisms for overseeing key decisions in the financial industry. Ethical conduct also plays a vital role, with the board setting the tone for transparency and accountability in operations. The board should ensure that the company's values and culture align with ethical standards and promote a positive work environment. This will go a long way in preventing unethical behaviour and safeguarding the organization's reputation.

Moreover, it is crucial to establish a code of conduct that guides the behaviour of employees and stakeholders. The code of conduct should be clear, concise, and easy to understand. The board should also ensure that the code of conduct is communicated effectively to all employees and stakeholders and that they understand the consequences of violating it. This will help promote ethical behaviour and prevent misconduct within the organization.

The Chanda Kochhar case emphasizes the critical importance of transparent and ethical corporate governance practices in the financial industry. Robust board oversight, effective internal systems and processes, and a clear code of conduct are necessary to ensure that organizations operate with integrity and maintain stakeholder trust. The board should take responsibility for promoting ethical behaviour and ensuring that the company's culture and values align with ethical standards. By doing so, companies can prevent unethical behaviour, safeguard their reputation, and build lasting trust with stakeholders.

## **Conclusion**

Chanka Kochhar went from being a powerful trailblazing icon, who inspired thousands of young aspiration leaders, especially women to being at the epicentre of a major controversy. The Chanda Kochhar case emphasizes the requirement for greater regulation, compliance and transparency prevalent in the Indian banking sector, to a great extent.

As analyzed in the paper, the ICICI-Chanda Kochhar case has witnessed significant developments over the years. However, what remains most vital to analyze is the manner in which the primary stakeholders reacted to the case. At the very beginning, ICICI Bank completely dismissed any possible allegations against Chanda Kochhar and even defended her. The board Chairman went on to say that revisiting the issue means diverging from other prominent issues happening around which shows their lack of acknowledgement towards the case. Investigations were only started by the bank when the public became aware of the case through an article published in a prominent newspaper such as the Indian Express. The initial denial shown by the bank in the name of the trust they had in Kochhar undoubtedly highlights the lack of compliance, integrity and transparency mechanisms that were in place in the Indian banking industry during that time.

This remains one of the main cases in the Indian banking industry that served the purpose of reminding the country of the importance of a proper code of conduct and disclosure of all information relating to such cases. In Chanda Kochhar's case, having relevant information not disclosed led to her being marked by allegations of nepotism, quid pro quo and conflict of interest. Chanda Kochhar's downfall serves as a cautionary tale about the importance of integrity and accountability, even at the highest levels of power.

## **Bibliography**

Asia Society (2015). *Chanda Kochhar*. [online] Asia Society. Available at: <https://asiasociety.org/asia-game-changers/chanda-kochhar>.

Bhaskaran, B. (2021). Chanda Kochhar at ICICI bank: lessons in governance. *Emerald Emerging Markets Case Studies*, 11(1), pp.1–19. doi:<https://doi.org/10.1108/eemcs-03-2020-0076>.

Business Today (2018). *Deepak Kochhar, Videocon's Venugopal Dhoot face probe as CBI questions ICICI Bank officials*. [online] Business Today. Available at: <https://www.businesstoday.in/industry/banks/story/deepak-kochhar-icici-bank-videocon-loan-cbi-venugopal-dhoot-chanda-246543-2018-03-31>.

Dunn Law, P.A. (2023). *CEOs and fiduciary duty: What can a board expect?* / Dunn Law, P.A. [online] Dunn Law, P.A. Available at: <https://www.dunnlawpa.com/ceos-and-fiduciary-duty-what-can-a-board-expect/#:~:text=Generally%2C%20the%20board%20of%20directors>.

Engineer, A. (2023). *Why You Should Care about Corporate Governance*. [online] All Indians Matter. Available at: <https://www.allindiansmatter.in/why-you-should-care-about-corporate-governance/>.

Hayes, A. (2023). *Chief Executive Officer (CEO): What They Do vs. Other Chief Roles*. [online] Investopedia. Available at: <https://www.investopedia.com/terms/c/ceo.asp>.

IANS (2019). *CBI FIR Deconstructs How Former CEO Chanda Kochhar Allegedly Defrauded ICICI Bank*. [online] News18. Available at: <https://www.news18.com/news/india/cbi-fir-deconstructs-how-former-ceo-chanda-kochhar-allegedly-defrauded-icici-bank-2013229.html>.

ICICI Bank (2023). *Fair to Customer, Fair to Bank*. [online] [www.icicibank.com](http://www.icicibank.com). Available at: <https://www.icicibank.com/ms/aboutus/annual-reports/2022-23/icici/fair-to-customer-fair-to-bank.html#:~:text=The%20philosophy%20of%20%27Fair%20to>.

India Today (2012). *Fortune names ICICI's Chanda Kochhar as most-powerful Indian woman in business*. [online] India Today. Available at: <https://www.indiatoday.in/business/india/story/fortune-magazine-icici-bank-md-and-ceo-chanda-kochhar-121566-2012-11-15> [Accessed 22 Feb. 2024].

Jagannath, J. (2022). *Meet Arvind Gupta! The whistleblower responsible for Chanda Kochhar, Venugopal Dhoot's arrests*. [online] Business Today. Available at: <https://www.businesstoday.in/latest/corporate/story/meet-arvind-gupta-the-whistleblower-responsible-for-chanda-kochhar-venugopal-dhoots-arrests-358194-2022-12-29>.

Jaiswar, P. (2018). *Chanda Kochhar exits ICICI Bank! From shedding sweat to establishing a top brand to being trapped in controversies*. [online] Zee Business. Available at: <https://www.zeebiz.com/companies/news-chanda-kochhar-exits-icici-bank-from-shedding-sweat-to-establishing-a-top-brand-to-being-trapped-in-controversies-65925>.

Keelery, S. (2023). *Topic: Banking industry in India*. [online] Statista. Available at: <https://www.statista.com/topics/5362/banking-industry-in-india/#topicOverview>.

Kenton, W. (2022). *Whistleblower*. [online] Investopedia. Available at: <https://www.investopedia.com/terms/w/whistleblower.asp>.

PTI (2023). *SC dismisses Chanda Kochhar's plea for retirement benefits from ICICI bank - ET BFSI*. [online] ETBFSI.com. Available at: <https://bfsi.economictimes.indiatimes.com/news/banking/sc-dismisses-chanda-kochhars-plea-for-retirement-benefits-from-icici-bank/105853008#:~:text=In%20May%202018%2C%20the%20bank>.

Sharma, A. (2017). *Chanda Kochhar: An Inspiring Business Lady*. [online] The CEO Magazine India. Available at: <https://www.theceo.in/women/chanda-kochhar-an-inspiring-business-lady-who-sets-a-new-parameter-for-women-in-the-modern-age>.

Shukla, S. and Dave, S. (2018). ICICI Bank Okays External Investigation into Charges against CEO Chanda Kochhar. *The Economic Times*. [online] 31 May. Available at: <https://economictimes.indiatimes.com/industry/banking/finance/banking/independent-probe-into-icici-banks-whistleblower-complaint/articleshow/64384340.cms>.

Taneja, R. (2016). *Career Story of Chanda Kochhar*. [online] www.linkedin.com. Available at: <https://www.linkedin.com/pulse/career-story-chanda-kochhar-icici-icon-rajat-taneja>.

The Economic Times (2022). Loan Fraud Case: CBI arrests Videocon CEO Venugopal Dhoot. *The Economic Times*. [online] 26 Dec. Available at: <https://economictimes.indiatimes.com/news/india/loan-fraud-case-cbi-arrests-videocon-ceo-venugopal-dhoot/articleshow/96510207.cms?from=mdr>.

The Indian Express (2018). *ICICI Bank-Videocon sweet deal? Here are the reactions*. [online] The Indian Express. Available at: <https://indianexpress.com/article/business/icici-bank-videocon-sweet-deal-chanda-kochhar-venugopal-dhoot-deepak-kochhar-here-are-the-reactions-5115555/>.

The Indian Express (2022). *What is the Chanda Kochhar case, and why has the CBI arrested her?* [online] The Indian Express. Available at: <https://indianexpress.com/article/explained/who-is-chanda-kochhar-and-why-has-the-cbi-arrested-her-8342589/>.

Times Now (2022). *Throwback: Chanda Kochhar—management trainee to first woman CEO of an Indian bank to Padma Bhushan awardee to convict*. [online] TimesNow. Available at: <https://www.timesnownews.com/business-economy/companies/throwback-chanda-kochhar-trainee-to-first-woman-ceo-of-an-indian-bank-to-padma-bhushan-to-convict-article-96472134> [Accessed 22 Feb. 2024].

Wharton (2008). *ICICI's Chanda Kochhar: 'Whenever There's a Challenge, I See an Opportunity'*. [online] Knowledge at Wharton. Available at: <https://knowledge.wharton.upenn.edu/article/icicis-chanda-kochhar-when-ever-theres-a-challenge-i-see-an-opportunity/>.

Wilson Center (2017). *Chanda Kochhar | Wilson Center*. [online] www.wilsoncenter.org. Available at: <https://www.wilsoncenter.org/person/chanda-kochhar>.