Impact of Corporate Governance Factors on Consumer Perception

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Abstract: Corporate governance plays a critical role in ensuring transparency, accountability, and ethical practices in the banking sector, directly influencing consumer trust and satisfaction. This study provides an impact of corporate governance practices focusing on consumer perceptions. Based on data collected through structural questionnaires. The study evaluates key aspects of governance including transparency, consumer service, and ethical standards. Corporate governance is very important for organizational sustainability and consumer-centric growth, particularly in the banking sector. primary data has been collected from the consumers and the findings reveal that transparency, accountability, and adherence to ethical practices significantly enhance consumer trust, thereby establishing a robust foundation for long-term relationships. These factors positively influence consumer satisfaction by fostering confidence and loyalty among customers.

Keywords: - Corporate Governance, Transparency, Ethical Practices, Consumer Perception, Banking Industry.

INTRODUCTION

In the banking sector, corporate governance is a cornerstone of sustainable business practices, this serves as the backbone of any economy. Effective corporate governance ensures transparency, accountability, and ethical management by the banks and also fosters trust among the stakeholders (Shleifer & Vishny, 1997). Corporate governance in banks is not only about regulatory compliance; it plays a very important role in influencing the trust of the consumers, their satisfaction, and loyalty as they rely on the banks for safeguarding and protecting their financial assets.

Both the public and private sector banks in India operate under very different objectives, and regulatory frameworks and with their different and distinct structures. In the case of public sector banks, they are generally state-owned, their main focus is on overall social welfare and financial inclusion. On the other hand, private sector banks are mostly focused on profitability, innovation, and consumer-oriented services. The structural difference generally shows in varying consumer perceptions towards corporate governance practices in both the public and private sector banks. Arora and Bodhanwala (2018) found that in corporate governance-related aspects (such as consumer service efficiency and adoption of new technology) private banks perform better that the public sectors banks. However, due to government backing, public sector banks are perceived as more reliable than private sector banks.

Consumer perception plays a very crucial role in shaping the competitiveness and reputation of the banks. Studies, like Aggarwal and Sharma (2019) emphasized that in building consumer trust, transparency and grievance redressal mechanisms play a very significant role. Furthermore, Kumar and Singh (2020) found that consumer loyalty in banks are greatly influenced by the ethical practices and corporate social responsibilities (CSR) initiatives.

Despite the growing body of literature on corporate governance in banks, there still remains a paucity of research focusing on consumer perceptions as the primary lens of analysis. Most of the existing studies assess the corporate governance from institutional perspective and generally based on the primary data. This particular study addresses the gap by making a comparative analysis of consumer perceptions of corporate governance practices in banks through using primary data. By understanding consumer expectations and experiences this research mainly aims to offer insights for policymakers and bank management to improve the corporate governance standards and also to bridge the perception gaps.

LITERATURE REVIEW

Shleifer and Vishny (1997) This study explains the importance of corporate governance across different industries how corporate governance is very crucial for building trust among the stakeholders. The principles stated a framework for evaluating corporate governance in banking sectors.

Rajan and Zingales (1998) this study focused on emphasizing the critical role of corporate governance in banking sector to ensure the sustainable financial growth, indirectly influencing the consumers perception.

Chatterjee and Yadav (2018) in this study the author examined how corporate governance such as transparency and fairness of the banks increases the trust of consumers in both public and private sector banks.

Arora and Bodhanwala (2018) the author studied the corporate governance in both the public and private sector banks while emphasizing the role of technology adoption, service quality and also the consumer satisfaction as the differentiators for private sector banks.

Aggarwal and Sharma (2019) This research focuses on how transparency in governance enhances consumer trust and loyalty, with a specific emphasis on the grievance redressal systems in Indian banks.

Basu and Das (2019) The paper discusses the importance of risk management as an integral part of governance and its influence on consumer perceptions of bank stability and reliability.

Kumar and Singh (2020) The paper examines the impact of CSR initiatives on consumer perceptions of corporate governance, finding that CSR efforts significantly influence brand loyalty in the banking sector.

Sharma et al. (2020) This study analyses recent governance reforms and their impact on consumer confidence, suggesting that public sector banks require significant modernization to compete with private sector counterparts.

Ghosh and Banerjee (2020) The authors explore the implications of governance failures in public sector banks, such as fraud and mismanagement, on consumer trust and satisfaction.

Gupta et al. (2021) This study compares public and private sector banks, concluding that government ownership instills a sense of reliability in public banks, while private banks are favored for their customer-centric governance.

Mishra and Mohanty (2021) This research highlights that service efficiency and ethical practices are key governance factors influencing consumer satisfaction, with private sector banks performing better on service parameters.

Yadav and Mehta (2022) This study focuses on how the adoption of digital governance practices has reshaped consumer perceptions, with private banks leading in technology-driven governance.

OBJECTIVES OF THE STUDY

1. To examine the impact of corporate governance factors (transparency, accountability, and ethical practices) on consumer trust in the banking sector.
2. To analyse the influence of corporate governance factors (transparency, accountability, and ethical practices) on consumer satisfaction in public and private sector banks.

HYPOTHESIS OF THE STUDY

H1: Corporate governance factors (Transparency, Accountability, Ethical practices) significantly impact consumer trust.

H2: Corporate governance factors (Transparency, Accountability, Ethical practices) positively influence consumer satisfaction.

RESEARCH METHODOLOGY

This study is based on the deductive approach as it tries to investigate the relation between variables. This study mainly focuses on the individual consumers in Bhubaneswar province through online mode. A convenience sampling technique has been used to collect and select the sample. The questionnaire was sent online mode and received 165 responses which were properly analysed. t-tests have been used to compare mean perceptions between public and private sector banks. ANOVA to analyze differences in perceptions across demographic groups. And Correlation and Regression Analysis to determine the impact of governance dimensions (e.g., transparency, ethical practices) on consumer trust and satisfaction. Cronbach's alpha to ensure the internal consistency of the questionnaire.

DATA ANALYSIS

Validity and Reliability Test

Kaiser -Meyer -Olkin (KMO) test is generally applied to know the validity of the study. To depict the validity of the study the value must fall between 0 to 1. When the data collected is closer to 1 then it shows that the data is appropriate. When the KMO value is closer to 0.90 it depicts that the data collected is outstanding. Then the data closer to 0.80 shows that the data collected is excellent. Bryman and Bell (2007) described that the capacity of the data set shows the validity of the questions that are taken for the study and also the validity of the research.

Table: - 1 (Validity Test)

Dimension	KMO	Barlett's test of sphericity	Significance	DF*
Corporate Governance Factors	.910	830.454	.000	10
Consumer Satisfaction	.860	745.262	.000	10

The above table represents that the values that are produced by using KMO and Barlett test and as both values are above 0.80 which ensures the validity of the test.

Table 2: Sample Characteristics

Category	Subcategory	Frequency	Percentage (%)
Gender	Male	65	39.4%
	Female	100	60.6%
Age Group	20 – 30 years	80	48.5%
	30 – 40 years	30	18.2%
	40 – 50 years	36	21.8%
	Above 50 years	19	11.5%
Educational Qualification	Undergraduate (UG)	62	37.6%
	Postgraduate (PG)	50	30.3%
	Doctorate (PhD)	25	15.2%
	Professional	28	16.9%
Occupation	Salaried employee	60	36.4%
	Business owner	20	12.1%
	Self-employed	40	24.2%
	Retired	15	9.1%
	Student	20	12.1%
	Housewife	8	4.8%
Annual Income	Below □1 Lakh	60	36.4%
	□1 Lakh – □5 Lakh	50	30.3%
	□5 Lakh – □10 Lakh	30	18.2%
	Above □10 Lakh	25	15.1%

In this study, a total of 165 responses have been received. Out of which 60.6% represents the female population while rest 39.4% represents the male respondents. The sample collected for the study mostly represents the age group between 20-30. So, this study mostly represents the youth which consist of 48.5% in this study. The smallest group represents the age group of 50 and above.

(Table – 3) Descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard Deviation
Accountability	1	7	5.50	1.720
Ethical Practices	1	7	5.15	1.680
Transparency	1	7	5.10	1.800
Consumer Trust	1	7	5.35	1.710
Consumer perception	1	7	5.40	1.630

The above table represents, the independent variable consumer perception shows the highest mean of 5.40 with a standard deviation of 1.630. So, this implies that most of the responses are within 5.40 to 1.630. Among the dependent variables transparency has the lowest mean of 5.10 with a standard deviation of 1.800.

Table 4: (Correlation Between Demographic Factors and Consumer Perception)

Demographic Variable	Correlation	Significance (p-value)
Gender and consumer perception	-0.006	0.954
Age and consumer perception	0.045	0.573
Qualification and consumer perception	-0.048	0.493
Occupation and consumer perception	0.078	0.298
Annual Income and Consumer perception	0.167	0.031

The above table shows that the gender factor and qualification of the consumers have an insignificant relation with the consumer perception in a negative way. Annual income has a significant relation with consumer perception.

Table 5: (Correlation Analysis)

Variables	Pearson’s Correlation	Significance (p-value)
Transparency and Customer Trust	0.462	0.000
Accountability and Customer Trust	0.498	0.000
Ethical Practices and Customer Trust	0.646	0.000

The above table shows that Transparency, Accountability, and ethical practices have a significant correlation with consumer perception. Consumer trust and Ethical practices have a higher correlation while considering the impact of customer perception.

Table – 6

Regression Path	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	T	Significance (p-value)
(Constant)	11.452		6.277	.000
Transparency → CP	0.582	0.540	8.083	.000
Accountability → CP	0.425	0.601	9.444	.000
Ethical Practices → CP	0.690	0.720	12.321	.000
Customer Trust → CP	0.762	0.745	14.653	.000
Direct Effect				
CP → CS	0.802	0.770	16.367	.000
Transparency → CS	0.490	0.462	7.206	.000
Accountability → CS	0.322	0.515	7.318	.000
Ethical Practices → CS	0.532	0.650	10.640	.000
Customer Trust → CS	0.675	0.658	11.250	.000

The above table shows that transparency has a significant positive relation with consumer perception. Similarly, accountability and ethical practices has a positive effect on the consumer perception. Accordingly, consumer trust also has a significant relation with the consumer perception which leads to the acceptance of alternate hypothesis. Accordingly, transparency, accountability and ethical practices and consumer trust is also having a significant positive impact on the consumer satisfaction.

SUMMARY OF THE RESULT

Table – 7

Hypothesis	Predicted effect	Decision
Hypothesis 1	Corporate governance factors (Transparency, Accountability, Ethical practices) significantly impacts consumer trust.	Accepted
Hypothesis 2	Corporate governance factors (Transparency, Accountability, Ethical practices) positively influence consumer satisfaction.	Accepted

DECISION & CONCLUSION

The objective of the study is mainly focused on the impact of corporate governance factors like (transparency, accountability and ethical practices) on the consumer perception and trust. Opinion of 165 individuals are considered and thoroughly analysed to reach at the conclusion. The data has been collected over online mode.

It has been found that transparency has considerable effect in getting the trust of the consumers. Similarly other factors of corporate governance like accountability and ethical practices have positive impact in creating the trust of the consumers. Whether many individuals are of the view that the trust factor is more in case of public sector banks as they are backed by the government.

All the three demographic factors taken for the study positively impacts in shaping the consumer perception towards the bank.

It also has been found that the demographic factors affect the consumer perception towards the bank. Gender and qualification are found to have no impact on forming perceptions of the consumers. While age, occupation and annual income of the consumers impacts the consumers perception towards the bank.

Limitation

Limitation of the study might be the time period of the study. This study has been conducted with in a very limited period of time. The data has been collected online mode through the help of google form. This study is related to only Bhubaneswar province of Odisha. As far as the corporate governance factors are concerned only three factors are taken (Transparency, Accountability and Ethical practice).

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