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Integrity in Exit, Turmoil in Markets: Decoding Trust and the Plunging Valuation of HDFC Bank

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Abstract
The sudden resignation of Atanu Chakraborty as Chairperson of HDFC Bank Ltd. (hereinafter referred to as HDFCBL) in March 2026 triggered a major governance and market confidence crisis despite the absence of any visible financial weakness in the bank. The resignation became especially significant because Chakraborty cited that certain institutional practices were "not in congruence" with his personal values and ethics, but did not provide any further explanation. This vague statement created an information vacuum that quickly led to rumours, speculation and fear among investors, analysts and the media. Although HDFCBL remained financially strong, with healthy profitability, strong capital adequacy, low non-performing assets and stable business performance, its share price fell sharply from INR 817.00 on 13 March 2026 to INR
731.55 on 30 March 2026. The case therefore demonstrates how symbolic actions in banking can sometimes outweigh financial fundamentals. Investors interpreted the resignation not merely as a leadership change but as a possible signal of deeper governance concerns, executive conflict or ethical lapses within the institution. The case examines the dilemmas faced by multiple stakeholders. The Chairperson had to choose between personal ethics and institutional stability. Investors had to decide whether to trust the bank's fundamentals or react to the negative signal created by the resignation. Management and regulators also faced difficult questions regarding transparency, communication and market reassurance. The case uses signalling theory, information asymmetry, behavioural finance, corporate governance theory, agency theory and ethical frameworks to explain why markets often respond more strongly to uncertainty than to verified facts. It highlights that in commercial banking, silence can sometimes create more damage than disclosure.

Keywords: HDFC Bank, Corporate Governance, Ethical Leadership, Information Asymmetry, Investor Behaviour

1. Introduction

On the morning of 19 March 2026, investors woke up to a disclosure that few had expected from one of India's most trusted financial institutions. HDFCBL announced that its Chairperson, Atanu Chakraborty, had resigned with immediate effect. The resignation did not cite health reasons, retirement, succession planning or any visible disagreement over business strategy. Instead, it carried a short but deeply unsettling explanation: certain practices within the bank were "not in congruence" with his personal values and ethics. That single phrase spread rapidly across television channels, stock market terminals and investor groups. Within hours, questions began to multiply faster than answers. What made the episode particularly puzzling was that HDFCBL did not appear to be in trouble. There was no sign of a liquidity crunch, no major regulatory penalty, no sudden deterioration in asset quality and no evidence of a collapsing balance sheet. The bank remained one of India's strongest private sector lenders, with stable profitability, a large customer base and a long-standing reputation for governance and professionalism. Yet the market reacted as if something much deeper was wrong. Investors did not focus on what the bank had disclosed. They focused on what it had not disclosed. Why would a Chairperson known for his integrity and administrative experience walk away from such a prestigious position without giving a clearer explanation? What exactly were the "practices" that had troubled him so much? Was the resignation linked to internal governance issues, executive overreach, mis-selling concerns or some undisclosed conflict inside the organisation? No one seemed to know, and that uncertainty quickly turned into fear. The impact on the market was immediate and severe. HDFCBL's share price, which had closed at INR

817.00 on 13 March 2026, steadily lost ground over the following days and fell to INR 731.55 by the close of 30 March 2026. In less than three weeks, one of India's most valuable banks had lost a significant portion of its market value, not because of a financial collapse, but because of an unanswered question. The silence surrounding the resignation appeared to create more damage than the resignation itself. Many questions loomed large. Why did one unexplained resignation destroy so much market value? Was the

Chairperson morally right? Did the market overreact? Can silence be more damaging than disclosure?

2. Background OF HDFCBL

2.1Origin and Growth of HDFCBL

HDFCBL began its journey in 1994, at a time when India's banking sector was opening to new private players after years of domination by public sector banks. It was promoted by Housing Development Finance Corporation (HDFC), one of the country's most respected housing finance institutions. The bank entered the market with a very different identity from many traditional banks. It wanted to be modern, professionally managed, technology-driven and customer-focused. In its early years, HDFCBL grew carefully rather than aggressively. It expanded its branch network, built a strong deposit base and focused on both retail and corporate customers. Unlike several banks that chased rapid growth through risky lending, HDFCBL earned a reputation for being disciplined and cautious. This approach helped it build trust among depositors, investors and regulators. Over the years, the bank strengthened its position through mergers and acquisitions. In 2000, it merged with Times Bank, one of the earliest private bank mergers in India. Later, in 2008, it acquired Centurion Bank of Punjab. That acquisition significantly increased HDFCBL's branch network and gave it access to more customers across smaller towns and semi-urban markets.

One of the most important milestones in the bank's history came in 2023, when HDFCBL merged with HDFC Ltd. The merger created one of the largest financial institutions in India. HDFC Ltd. had been a leader in housing finance for decades, while HDFCBL had built strength in retail deposits, digital banking and commercial lending. The merger brought these strengths together under one institution. It also increased the bank's scale dramatically and made it even more important to the Indian financial system. By 2026, HDFCBL had become one of India's largest private sector banks. It had a vast network of branches and ATMs, millions of customers and a strong presence across urban, semi-urban and rural India. More importantly, it had built a reputation that went beyond numbers. Many people saw HDFCBL as a symbol of professionalism, strong governance and managerial discipline. Investors often believed that even if the broader market became volatile, HDFCBL would remain relatively stable because of the quality of its leadership and systems. That reputation became particularly important in the context of the Chairperson's resignation. If a similar resignation had taken place in a weaker institution with a history of governance issues, the market reaction may not have been surprising. But in the case of HDFCBL, the resignation came from a bank that had spent decades building an image of trust, stability and professionalism. That was one reason why the market reacted so strongly.

2.2 Business Model and Market Importance

HDFCBL's business model was built on diversification. It did not depend on one single source of revenue. Instead, it combined retail banking, corporate banking, treasury operations and digital services. Retail banking was one of its strongest areas. The bank offered savings accounts, current accounts, home loans, personal loans, auto loans, credit cards and wealth management products. Millions of customers used HDFCBL for their day-to-day banking needs. Its strong retail franchise gave the bank a stable deposit base and a large source of recurring income. The bank was equally important in corporate and wholesale banking. It provided working capital finance, project loans, trade finance, treasury services and cash management solutions to businesses of all sizes. Large corporations, small businesses and emerging enterprises all relied on the bank for funding and financial services. Digital banking became another major pillar of its business model. HDFCBL invested heavily in internet banking, mobile banking, payment systems and digital lending platforms. It was often seen as one of the most technologically advanced banks in India. This digital strength helped the bank attract younger customers and improve operational efficiency.

Because of its size and reach, HDFCBL played an important role not only in banking but also in the Indian stock market. It was one of the most valuable listed companies in the country and one of the most widely held banking stocks. The bank had a major presence in benchmark indices such as the Nifty 50 and Sensex. As a result, any sharp movement in its share price often affected the broader market. Institutional investors had particularly high confidence in HDFCBL. Domestic mutual funds, insurance companies, pension funds and foreign portfolio investors held large positions in the bank. Many international investors treated HDFCBL as a long-term bet on India's growth story. They viewed the bank as a relatively safe and reliable investment because of its strong financial performance, stable management and trusted brand name. This high level of institutional ownership made the resignation episode even more significant. When a bank is widely held by both domestic and foreign investors, even a small governance concern can create a large market reaction. The fear was not just about one resignation. It was about what the resignation might signal regarding the future of the institution.

2.3Financial Strength Before the Crisis

Before the resignation controversy emerged in March 2026, HDFCBL remained financially strong on almost every major indicator. The bank continued to report

healthy profits and stable earnings growth. It had a large loan book, strong fee income and robust net interest margins. Even after the merger with HDFC Ltd., the bank continued to maintain strong financial performance. Its asset quality was also better than that of many competing banks. Gross non-performing assets and net non-performing assets remained relatively low. The bank had a long history of careful lending and conservative risk management. This helped it avoid the kind of severe loan losses that had hurt several other banks in the past. The bank also remained well capitalised. Its capital adequacy ratio was comfortably above regulatory requirements. It had a strong deposit franchise and a large customer base, which reduced the risk of funding pressure. There were no signs of a liquidity problem, capital shortage or solvency crisis.

From the market's point of view, HDFCBL was still seen as one of the strongest banking stocks in India. It commanded a premium valuation because investors believed that it offered both growth and safety. Analysts continued to recommend the stock because of its stable earnings, strong management and long-term potential. This was why the resignation came as such a shock. The bank was not facing a financial crisis. There was no major regulatory action, no collapse in profitability and no obvious operational problem. On paper, the bank looked as strong as ever. Yet the resignation created the fear that there might be issues hidden beneath the surface. That contradiction between strong fundamentals and sudden uncertainty became the central reason for the market reaction. Investors were not worried about what they could see in the financial statements. They were worried about what they could not see.

3.Industry Background: Indian Banking Sector and Governance Sensitivity

3.1Nature of Trust in Banking

Trust is the foundation on which the entire banking industry operates. Unlike most businesses, banks do not sell physical products that customers can immediately see or judge. Instead, they handle money, savings and financial security. People place their deposits in banks because they believe that their funds will remain safe and accessible whenever needed. Investors buy bank shares because they trust the institution's management, governance systems and long-term stability. Regulators also depend on this trust when they allow banks to operate and expand. Because of this, banks are far more vulnerable to reputational shocks than companies in many other industries. A rumour, a governance concern or a sudden leadership exit can create panic very quickly. Depositors may fear for the safety of their money, investors may begin selling shares and regulators may feel pressure to investigate. In banking, perception often matters as much as reality. Even when there is no visible financial weakness, doubts about leadership or governance can spread rapidly. That is exactly why the HDFCBL resignation created such a strong market reaction.

3.2 Corporate Governance in Indian Banking

Corporate governance has become increasingly important in Indian banking because banks deal directly with public money and financial stability. Regulators expect banks to maintain high standards of transparency, ethics, accountability and risk management. A bank may perform well financially, but if there are doubts about how it is being managed, confidence can quickly weaken. This is why boards, independent directors and senior executives play such an important role in the banking sector. In recent years, Indian banking has become especially sensitive to issues such as mis-selling, conflicts of interest and excessive executive influence. Investors now pay close attention not only to profits but also to the quality of governance within an institution. In the HDFCBL case, the reference to practices that were "not in congruence" with the Chairperson's values immediately raised questions about whether there were deeper concerns related to ethics, oversight or internal decision-making.

3.3 Historical Examples of Governance Crises in Banking

The Indian financial sector has witnessed several cases where governance concerns caused serious damage to investor confidence and market value. One major example was Yes Bank, where worries about aggressive lending, weak risk controls and concentration of power eventually led to a sharp fall in the bank's share price and forced regulatory intervention. Another well-known case involved ICICI Bank and the controversy surrounding former CEO Chanda Kochhar. Although the bank remained financially stable, allegations of conflict of interest and governance failures created negative publicity and weakened trust among investors. The collapse of IL&FS also demonstrated how poor governance and weak oversight can create fear across the broader financial system. Even though IL&FS was not a bank, the crisis made investors more cautious about institutions where transparency and accountability appeared weak. These past events shaped how investors reacted to the HDFCBL episode. When governance concerns arise in banking, markets often react more strongly than they do to ordinary financial problems because investors fear that the visible issue may only be a small part of a larger hidden risk.

4.The Key Characters

4.1Atanu Chakraborty

Atanu Chakraborty was not a typical corporate chairperson. Before joining HDFCBL, he had spent decades in public service as an Indian Administrative Service officer. Over the course of his career, he had worked in several important roles, including positions in the Ministry of Finance and the Department of Economic Affairs. Because of this background, he was widely viewed as someone who understood both government systems and financial institutions. When he became Chairperson of HDFCBL, his presence added credibility to the bank's leadership structure. He was seen as calm, experienced and principled. In public discussions, he was rarely associated with controversy. Instead, he carried the image of a disciplined administrator who valued ethics and institutional responsibility. This was precisely why his resignation created such a strong reaction. If a lesser-known executive had stepped down, the market may not have responded in the same way. But when a person with Atanu Chakraborty's reputation resigned and referred to a conflict between his ethics and certain institutional practices, investors immediately assumed that the issue must be serious. His resignation carried symbolic significance because it suggested that someone known for integrity had reached a point where he no longer wished to continue. That symbolism became more powerful than any formal statement issued by the bank.

4.2 Sashidhar Jagdishan

Sashidhar Jagdishan, the Managing Director and CEO of HDFCBL, found himself at the centre of the crisis almost immediately after the resignation became public. As the face of the bank's day-to-day operations, he had to respond quickly to reassure investors, analysts, regulators and employees. Jagdishan had built his career within HDFCBL and was seen as a steady leader who understood the institution deeply. He had taken charge as CEO after the long and successful tenure of Aditya Puri, which itself was a major leadership transition for the bank. By 2026, he had already spent several years trying to guide the bank through integration challenges following the merger with HDFC Ltd. After the resignation, Jagdishan publicly denied rumours of a power struggle or deep boardroom conflict. In media interviews and analyst calls, he maintained that the bank's business remained strong and that there was no major governance breakdown. At one point, he openly admitted that he too had been surprised by the resignation and wished he knew more about the exact reasons behind it. His role during the crisis was important because he became the main source of reassurance for the market. He tried to shift attention back towards the bank's fundamentals, including profitability, asset quality and business continuity. However, because he could not provide a complete explanation for the resignation, many investors remained unconvinced. His challenge was not simply to defend the bank's performance but to restore trust in an environment where uncertainty was spreading faster than facts.

4.3 Keki Mistry

Keki Mistry became an important figure in the days following the resignation because he was appointed interim Chairperson with the approval of the Reserve Bank of India. Mistry was already a respected name in Indian finance and had longstanding links with both HDFC Ltd. and HDFCBL.His appointment was meant to send a message of stability. At a time when investors feared that the bank might be entering a period of uncertainty, Keki Mistry represented continuity and experience. He was familiar with the organisation, understood the group's culture and had the confidence of regulators as well as investors. Although he did not make dramatic public statements, his presence helped calm some concerns. The market interpreted his appointment as a sign that the bank had a succession plan and that governance processes were still functioning normally. In many ways, his role was less about making bold decisions and more about preventing panic.

4.4 Investors and Analysts

Investors and analysts became major characters in the story because their reactions shaped the market response. Institutional investors, including mutual funds, pension funds, insurance companies and foreign portfolio investors, were particularly important because HDFCBL was one of the most widely held stocks in India. For many of these investors, the resignation created a difficult dilemma. On one hand, the bank remained financially strong. On the other hand, the resignation raised the fear that there might be hidden governance problems. Some investors chose to reduce their exposure immediately because they did not want to take the risk of holding the stock during a period of uncertainty. Retail shareholders reacted emotionally as well. Many small investors had trusted HDFCBL for years and saw it as a safe long-term investment. The sudden fall in the share price created anxiety and confusion among them. Brokerages and market commentators added another layer to the story. Some analysts argued that the fall in the share price was excessive and that the bank's fundamentals remained intact. Others warned that governance concerns should not be ignored, even if there was no visible financial damage yet. As a result, investors received mixed signals, which added to the confusion already surrounding the case.

4.5 Regulators and Government

The Reserve Bank of India and the Ministry of

Finance also played an important role in the episode. Because HDFCBL was a systemically important institution, regulators could not afford to allow uncertainty to grow unchecked. The Reserve Bank of India moved quickly to approve the interim transition plan and support the appointment of Keki Mistry. This helped create the impression that the situation was under control and that there was no immediate regulatory concern about the bank's stability. The Ministry of Finance also publicly described HDFCBL as a strong institution with sound fundamentals. These statements were important because they reassured depositors, investors and the broader market that the government did not see the resignation as a sign of a larger banking crisis. Even so, the involvement of regulators and government officials highlighted how seriously the situation was being treated. The episode was no longer just about one individual's resignation. It had become a question of trust in one of India's most important financial institutions.

5.Chronology of Events

5.1Resignation Announcement

The sequence of events began on 19 March 2026 when HDFCBL informed stock exchanges that its part-time Chairperson, Atanu Chakraborty, had resigned with immediate effect. The announcement came without any prior indication that a leadership change was under consideration. There had been no reports of illness, retirement plans or regulatory pressure. For many investors, the news came completely out of the blue. What made the resignation particularly striking was the stature of the individual involved. Atanu Chakraborty was not only the Chairperson of HDFCBL but also a former senior bureaucrat with a reputation for discipline and integrity. Because of his image, investors assumed that he would not resign abruptly unless there was a serious reason behind the decision. The timing of the resignation also created concern because the bank was not facing any visible financial stress.

5.2 Wording of the Resignation Letter

The resignation letter quickly became the centre of attention. Instead of offering a detailed explanation, Chakraborty wrote that certain practices within the bank were "not in congruence" with his personal values and ethics. He did not identify which practices he was referring to, nor did he indicate whether the issue related to management decisions, governance standards, sales practices or internal conflicts. This wording created an immediate information vacuum. In many cases, a resignation can be explained through a simple reason such as retirement, health or personal priorities. In this case, however, the reference to ethics suggested that there could be a deeper issue inside the bank. Because the statement was so vague, it left investors, analysts and the media trying to interpret what exactly had gone wrong.

5.3Immediate Media and Market Response

Within hours of the announcement, the resignation became headline news across financial media, television channels and online investor forums. Business newspapers, brokerages and television debates all focused on the same question: what had caused such a senior figure to leave one of India's most respected banks so suddenly? Media reports repeatedly highlighted that the bank itself remained financially strong. There was no major regulatory action, no collapse in asset quality and no sign of operational distress. Yet the resignation dominated public discussion because investors often treat unexpected leadership exits as early warning signs of deeper institutional problems. The tone of media coverage quickly shifted from reporting the resignation to speculating about its possible causes. Since the bank had not provided a detailed explanation, the media filled the gap with multiple possible interpretations.

This increased uncertainty and made the situation appear more serious than the limited information available at that time.

5.4 Share Price Decline and ADR Reaction

The market reaction was immediate. HDFCBL shares came under pressure as soon as trading began after the resignation announcement. Investors rushed to reduce their exposure because they feared that the resignation might be signalling a hidden governance problem. The stock, which had closed at INR 817.00 on 13 March 2026, fell sharply over the following days. Intraday declines of between 4% and 9% were reported during the period immediately after the resignation. By the close of 30 March 2026, the share price had dropped to INR 731.55. The reaction was not limited to India. HDFCBL's American Depositary Receipts (ADRs), which traded overseas, also weakened sharply. This showed that global investors were equally uncertain about the meaning of the resignation. Many foreign investors viewed HDFCBL as a stable long-term investment, so the sudden decline in ADRs reflected a loss of confidence that extended beyond domestic markets.

5.5 Speculation Around Governance, Mis-selling and Executive Conflict

As the share price continued to decline, speculation intensified. Some reports suggested that there may have been disagreements between the Chairperson and the management team. Others pointed towards possible concerns over governance, executive overreach or board-level tensions. Attention was given to reports that three senior executives had

recently left the bank over allegations of mis-selling. This led some observers to believe that Chakraborty's ethical concerns may have been connected to aggressive sales practices or the pressure placed on employees to meet targets. There were also rumours that the resignation reflected a broader conflict between the board and the executive management team. Although no clear evidence emerged to support these claims, the very existence of such rumours added to the uncertainty. In financial markets, speculation can often become more influential than facts, especially when there is limited official information available.

5.6 Bank's Clarifications and Denials

As concerns mounted, HDFCBL tried to calm the situation. CEO Sashidhar Jagdishan publicly denied that there had been any power struggle, governance crisis or boardroom conflict. He stated that the bank's business remained strong and that there was no breakdown in its operations or financial position. The bank also clarified that the resignation should not be interpreted as evidence of a larger institutional problem. Senior executives stressed that profitability, asset quality and capital adequacy remained strong. They argued that the market reaction had been driven by uncertainty rather than any actual deterioration in the bank's condition. However, these reassurances had only a limited effect in the early days because the bank still could not explain exactly what had prompted the resignation. Investors were therefore left with a difficult choice: whether to trust the bank's statements or continue to worry about what had not been disclosed.

5.7 RBI Approval of Interim Transition

To restore confidence, the Reserve Bank of India quickly approved the appointment of Keki Mistry as interim Chairperson. Mistry was a well-known figure with long experience in the HDFC group and strong credibility among regulators and investors. The speed of the RBI's approval was important because it signalled that regulators wanted to ensure stability and continuity. The appointment showed that the bank had a transition plan in place and that there was no immediate concern regarding its functioning. At the same time, the Ministry of Finance publicly described HDFCBL as a strong institution with sound fundamentals. These messages helped reassure investors that regulators did not see the resignation as the beginning of a broader banking crisis.

5.8 Partial Recovery in Share Price

After the initial shock, the share price began to recover partially. Some analysts argued that the market had overreacted because the bank's financial performance remained intact. Brokerages continued to recommend the stock, pointing to its strong earnings, low non-performing assets and solid capital position. As investor fears gradually reduced, the stock regained some lost ground. However, the recovery was only partial. Even after the immediate panic faded, the resignation continued to cast a shadow over the bank because many questions remained unanswered. The chronology of events therefore showed how a short resignation statement, combined with limited disclosure, created a chain reaction of uncertainty. The event moved from a personal decision by one individual to a major governance issue affecting investors, regulators, the media and the wider market.

6.Problem Description

6.1The Chairperson's Dilemma

Atanu Chakraborty's resignation placed him in a deeply difficult position, both personally and professionally. If he genuinely believed that certain practices within the bank were inconsistent with his values, continuing as Chairperson may have felt impossible. For someone known for discipline, honesty and public service, staying silent and remaining in office could have seemed like a compromise of everything he stood for. From that point of view, resigning may have been the only option that allowed him to remain true to his principles. However, the bigger dilemma was not only about whether to resign, but also about how much to say after taking that decision. By mentioning that some practices were not aligned with his ethics, he clearly signalled that something had troubled him. At the same time, he chose not to explain what exactly had happened. That created a major information gap. If the issue was serious enough to justify such a sudden exit, many people felt it should have been explained more clearly. Yet there may also have been valid reasons for his silence. The matter may have involved confidential discussions, incomplete information or issues that could not be publicly disclosed without causing further harm. He therefore found himself caught between two responsibilities. One was his responsibility towards his own conscience. The other was his responsibility towards the bank, its investors, employees and depositors. A fuller disclosure could have damaged the bank's reputation even more and possibly created panic. But by remaining vague, he unintentionally encouraged rumours, speculation and fear. In trying to prevent a larger crisis, he may have ended up creating one.

6.2 The Shareholders' Dilemma

For shareholders, the resignation created a situation filled with uncertainty. Investors had to decide whether the event was simply an emotional market reaction or a genuine sign of deeper

trouble inside the bank. On one hand, the financial position of HDFCBL remained strong. The bank continued to report healthy profits, solid capital adequacy, low non-performing assets and stable business performance. There was no sign of a liquidity problem, a regulatory crisis or a breakdown in operations. From a purely financial point of view, many investors could argue that the bank remained fundamentally sound. On the other hand, the resignation carried a powerful negative message. Investors usually assume that senior insiders know far more than ordinary shareholders. When someone as senior and respected as the Chairperson suddenly steps down and refers to ethical concerns, it naturally creates anxiety. Even if there is no proof of wrongdoing, investors may fear that there are risks that have not yet become public. That fear becomes stronger when the person resigning has a reputation for honesty and integrity. Institutional investors faced a particularly difficult choice. Selling immediately could protect them from further losses if the situation worsened, but it could also mean missing out on a recovery if the market had overreacted. Retail investors faced the same uncertainty in a more emotional way. Some wanted to exit quickly before the price fell further, while others saw the decline as a chance to buy a strong stock at a lower price. The biggest challenge was that everyone had to decide without knowing the full story.

6.3 The Bank's Dilemma

HDFCBL management faced a difficult balancing act after the resignation became public. The bank needed to reassure investors, regulators and customers that the institution remained stable. At the same time, it could not reveal details that may have been confidential, sensitive or disputed. Senior executives repeatedly insisted that there was no boardroom conflict, no power struggle and no major governance crisis. They highlighted that the bank's profitability, capital position and asset quality remained strong. Their goal was to prevent panic and restore confidence. However, the bank's communication had an obvious weakness. While it denied rumours, it could not fully explain why the Chairperson had resigned because he himself had not given a detailed reason. This made the bank's statements appear incomplete. Some investors began to feel that management knew more than it was willing to disclose. As a result, even genuine reassurances were met with suspicion. The bank therefore had to decide how transparent it should be. If it revealed too little, the market could assume that it was hiding something important. If it revealed too much, it risked creating legal complications, reputational damage or even more panic. There was also debate over whether the bank should conduct an internal review and publish its findings. Such a move might have reassured investors, but it could also have prolonged the controversy and given greater importance to rumours that may not have been true.

6.4The Regulator's Dilemma

The Reserve Bank of India and the Ministry of Finance also found themselves in a difficult position after the resignation. Their first responsibility was to maintain confidence in the banking system. Since HDFCBL was one of India's largest and most important private sector banks, any sign of instability had the potential to affect not only the bank but also the wider financial market. Regulators therefore needed to reassure investors, depositors and the public that there was no immediate threat to the bank's operations or financial health.

At the same time, regulators could not simply ignore the possibility that the resignation pointed to a deeper governance issue. If they acted too aggressively by launching a public investigation or inspection, they risked making the situation look far more serious than it may actually have been. Such a move could have increased panic, created more selling pressure in the stock market and weakened depositor confidence. On the other hand, if regulators appeared too relaxed, they could be criticised for failing to take warning signs seriously.

The RBI tried to strike a balance by quickly approving Keki Mistry as interim Chairperson. This signalled that there was continuity in leadership and that the bank remained under control. The Ministry of Finance also publicly described HDFCBL as a strong institution with sound fundamentals. These steps helped reduce immediate fears. Even so, they did not fully remove the underlying uncertainty. Regulators still had to decide whether the resignation reflected only a personal disagreement or whether it was a signal of something more serious that required closer examination behind the scenes.

7.Theoretical Analysis Framework

7.1Signalling Theory

Signalling Theory helps explain why Atanu Chakraborty's resignation had such a dramatic effect on investor sentiment. In financial markets, senior leaders are often believed to possess information that ordinary investors do not. Because of this, their actions are closely watched and interpreted as signals about the real condition of an organisation. In the case of HDFCBL, the resignation itself was not viewed as an ordinary leadership change. Instead, it was seen as a warning that something deeper may have been wrong within the bank. The statement that certain practices were not aligned with his ethics made the situation even more serious. Investors assumed that a person with Chakraborty's

background and reputation would not walk away without a compelling reason. His credibility gave extra strength to the signal. Even though the bank repeatedly assured the market that there was no governance breakdown, many investors paid more attention to the resignation than to the official clarifications. In practice, markets often trust actions more than statements. A sudden exit by a respected insider can appear more revealing than any formal communication issued by the company.

7.2Information Asymmetry

Information Asymmetry arises when one group has access to more information than another. In the HDFCBL case, senior management, board members and regulators were likely to know far more about the resignation than ordinary investors. Shareholders and the public had only a brief statement mentioning a conflict between institutional practices and personal ethics. That limited disclosure created uncertainty because people did not know whether the issue was minor or potentially serious. In such situations, gaps in information are often filled with assumptions. Some people suspected internal disagreements, while others feared governance failures, mis-selling concerns or executive conflicts. Since no one outside the bank knew the exact reason, speculation spread quickly. This is a common outcome when there is an imbalance of information between insiders and outsiders. Investors become nervous because they feel that important facts may be hidden from them. Even though the bank denied any major issue, those denials did not immediately restore confidence. When people believe that an organisation knows more than it is willing to reveal, they often become more suspicious rather than less concerned.

7.3Behavioural Finance and Prospect Theory

The HDFCBL episode is a good example of how emotions can influence investor behaviour. Traditional finance assumes that investors make logical decisions based only on facts and numbers. Behavioural finance suggests otherwise. It argues that fear, uncertainty and psychological biases often shape market reactions. In this case, investors reacted strongly even though the bank remained financially stable. The resignation created anxiety because it hinted at possible hidden problems. One important idea is overreaction. When unexpected bad news appears, investors often respond more sharply than the actual situation may justify. Another important concept is loss aversion, which comes from Prospect Theory. People generally dislike losses more than they enjoy gains. As a result, many investors rush to sell when they hear negative news because they want to avoid the possibility of even bigger losses later. Herd behaviour also became visible during the decline in HDFCBL's share price. Many investors sold simply because others were selling. They assumed that other market participants might know something they did not. Availability bias played a role as well. Past cases such as Yes Bank, ICICI Bank and IL&FS were still fresh in public memory. Because of those examples, many investors quickly connected the resignation with the possibility of another governance-related crisis.

7.4 Corporate Governance Theory

Corporate Governance Theory focuses on how organisations are supervised, controlled and held accountable. In banking, governance is especially important because investors, depositors and regulators depend heavily on trust. The HDFCBL case raised concerns about whether the bank's governance systems were functioning as effectively as investors had believed. Once the Chairperson referred to ethical concerns, questions immediately emerged about board oversight and transparency. Investors wanted to know whether the board had been aware of the issue and whether any effort had been made to address it before the resignation took place. The lack of clarity made the situation worse. While the Chairperson did not explain his concerns fully, the bank also did not provide enough detail to remove doubts. This created the impression that key information was being withheld. Strong governance is not only about financial performance. It is also about openness, accountability and the ability to maintain confidence during difficult periods. In this case, the uncertainty surrounding the resignation made investors question whether the bank's governance structure was as strong as its reputation suggested.

7.5 Agency Theory

Agency Theory looks at the relationship between shareholders and the people who manage a company on their behalf. Shareholders expect directors and executives to act in the best interests of the organisation. Problems arise when managers and owners do not appear to be working towards the same goals. In the HDFCBL case, the resignation created doubts about whether there was a gap between the interests of the Chairperson, the board and the executive team. Investors may have wondered whether management decisions were being properly monitored or challenged. The situation became more serious because shareholders did not have access to the same information as insiders. Since senior leaders usually know more than investors, a sudden resignation can easily be interpreted as a sign of deeper internal disagreements or governance weaknesses.

7.6 Ethical Leadership Theory

Ethical Leadership Theory suggests that leaders should remain true to their values, even when doing

so is uncomfortable or costly. From this perspective, Atanu Chakraborty's resignation may be seen as a principled decision. If he genuinely believed that some practices within the bank were inconsistent with his ethics, staying in office might have felt wrong to him. By stepping down, he showed that personal integrity mattered more than status or position. However, ethical leadership also involves thinking about the wider impact of one's actions. In this case, the resignation led to confusion, fear and a sharp fall in the bank's market value. That raises an important question: should he have resigned immediately, or should he have remained within the organisation and tried to address the issue privately? The case is difficult because both choices can be defended on ethical grounds.

7.7Deontological Ethics versus Utilitarianism

The HDFCBL case can also be understood through two very different ethical approaches. Deontological ethics argues that people should do what they believe is right, regardless of the consequences. From this point of view, if the Chairperson believed that certain practices were wrong, resigning was the correct choice because it allowed him to remain faithful to his principles. Utilitarianism takes a different view. It judges actions according to their overall consequences. Under this approach, the resignation becomes more difficult to justify because it created fear, reduced shareholder wealth and weakened confidence in a major bank. A utilitarian might argue that staying in office and trying to solve the issue quietly would have caused less harm. Neither perspective provides a complete answer. One focuses on moral duty, while the other focuses on the broader impact of the decision on all stakeholders involved.

8.Discussion Questions

The HDFCBL episode raises several difficult questions that do not have simple answers. The case becomes important not because it offers certainty, but because it forces readers to think about how ethics, governance, communication and investor behaviour interact during a crisis.

1.Was Atanu Chakraborty justified in resigning without giving a fuller explanation of his concerns? If he believed that certain practices were inconsistent with his values, was resignation the most ethical response, or should he have tried to address the issue from within the organisation?

2.Did the market overreact to the resignation? HDFCBL remained financially strong, with stable profitability, healthy asset quality and strong capital adequacy. In that context, was the sharp fall in the share price rational, or was it driven more by fear and speculation than by facts?

3.Could HDFCBL have handled the communication more effectively? Would a clearer explanation from the management have reduced uncertainty, or would additional disclosure have created even greater panic among investors and depositors?

4.How does signalling theory help explain the market reaction? Why did investors attach more importance to the Chairperson's resignation than to the bank's repeated statements that there was no major governance crisis?

5.Does the case reveal weaknesses in corporate governance? Should the board have played a stronger role in explaining the resignation and reassuring investors, or did the board act appropriately under difficult circumstances?

6.If you had been an investor in HDFCBL at that time, would you have sold the stock, held on to it or purchased more shares after the decline? What factors would have influenced your decision?

7.Which ethical framework best explains the Chairperson's action? Can his resignation be viewed as an example of deontological ethics, where duty and principles matter most, or should it be judged through a utilitarian approach based on the consequences of his decision?

8.What lessons can regulators, boards and senior executives learn from this episode? In large financial institutions, where trust matters deeply, how should leaders balance transparency, confidentiality and institutional stability during moments of uncertainty?

9.Conclusion

The HDFCBL episode showed how fragile trust can be in the banking sector. Banks do not operate only on deposits, loans and balance sheets. They also operate on confidence. Depositors trust that their money is safe, investors trust that management is acting responsibly and regulators trust that governance systems are functioning properly. Once that confidence is shaken, even temporarily, the impact can spread far beyond the immediate event. One of the most important lessons from the case is that symbolic actions can sometimes matter more than financial performance. HDFCBL remained profitable, well-capitalised and operationally strong throughout the episode. There was no evidence of a liquidity crisis, regulatory breach or serious deterioration in asset quality. Yet the resignation of one senior leader created a sharp decline in market value because investors believed that the action itself might be signalling something deeper. In financial markets, people often react not only to what is visible in the numbers but also to what they think may be hidden behind them. The case also showed that ethical decisions can create unintended consequences. Atanu Chakraborty may have resigned because he wanted

to remain true to his personal values and principles. From one perspective, that decision reflected integrity and ethical leadership. However, the consequences of his resignation were far wider than perhaps anyone expected. The decision triggered uncertainty, speculation and fear across the market. In trying to protect his own ethical position, he may have unintentionally weakened confidence in the institution.

Another major lesson from the case is that silence can sometimes create more damage than disclosure. The vague reference to practices that were "not in congruence" with the Chairperson's ethics left too much room for rumours and speculation. Investors, analysts and the media began to fill the information gap with their own interpretations. As a result, uncertainty grew much faster than facts. Ultimately, the HDFCBL case demonstrated that markets often react to perception rather than verified reality. Investors did not sell because they had proof of a governance failure. They sold because they feared there might be one. That distinction is important because it shows how quickly trust can be damaged when information is incomplete. The episode therefore remains a powerful reminder that in banking, leadership, ethics, communication and trust are closely connected. A single unexplained action can sometimes become more influential than years of strong financial performance.

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Exhibit 1
The resignation letter of Atanu Chakraborty & the forwarding letter to NSE & BSE by HDFCBL

HDFC BANK
We understand your world

CIN: L65920MH1994PLC080618
Email: shareholder.grievances@hdfc.bank.in
Website: www.hdfc.bank.in

HDFC Bank Limited,
HDFC House,
H T Parekh Marg,
165-166 Backbay Reclamation,
Churchgate, Mumbai- 400 020
Tel. No.: 022-66316000

Ref.no. SE/2025-26/200

March 18, 2026

BSE Limited
Dept. of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001
Scrip Code: 500180

National Stock Exchange of India Limited
The Listing Department
Exchange Plaza,
Bandra Kurla Complex,
Mumbai – 400 051
Scrip Symbol: HDFCBANK

Dear Sir/ Madam,

Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") – resignation of Mr. Atanu Chakraborty as a Part-time Chairman and Independent Director of HDFC Bank Limited ("the Bank") and appointment of Mr. Keki Mistry as an interim Part-time Chairman of the Bank

This is to inform you that Mr. Atanu Chakraborty (DIN: 01469375) has today i.e. on March 18, 2026, tendered his resignation as the Part-time Chairman and Independent Director of the Bank with immediate effect, for reasons mentioned in the resignation letter. The said letter of resignation is annexed herewith. We confirm that there are no reasons other than those mentioned in the said letter, for the resignation of Mr. Chakraborty. Further, Mr. Chakraborty does not hold directorship in any other company.

The Board of Directors places on record its appreciation for Mr. Chakraborty's contribution to the Bank during his tenure and wishes him all the success in his future endeavours.

Further, based on an application made by the Bank in this regard, the Reserve Bank of India on March 18, 2026, has granted its approval for the appointment of Mr. Keki Mistry (DIN: 00008886) as an interim Part-time Chairman of the Bank with effect from March 19, 2026, for a period of 3 months.

This is for your information and appropriate

dissemination. Yours sincerely,
For **HDFC Bank Limited**
AJAY GIRIDHARILAL AGARWAL
Digitally signed by AJAY GIRIDHARILAL AGARWAL
Date: 2026.03.18 22:05:35 +05'30'

Ajay Agarwal
Company Secretary
Group Head – Secretarial & Group Oversight

DoI: 10.6635/jasesus.202604_22(7s).0167 1176-8592 Vol. 22 No 7s (2026)

Regd. Office: HDFC Bank Limited, HDFC Bank House, Senapati Bapat Marg, Lower Parel (West), Mumbai – 400 013

18/3/2026 – 3.07 pm.

15/3/2026 (3-16 PM

To

The Chairman Governance, Nomination, Remuneration Committee

HDFC Bank

Subject: Resignation from the position of Part- Time Chairman & Independent Director of the Bank

Dear Dr. Bhanwala Ji,

I hereby tender my resignation from as Part- time Chairman and Independent Director on the Board of HDFC Bank, with effect from its Date of its consideration by Board of HDFC Bank.

I joined the Board of HDFC Bank in May 2021. My tenure on the Board saw momentous events like merger of the bank with HDFC Ltd that created a conglomerate under the Bank. This strategic initiative made HDFC Bank the second largest Bank in the country. Though, the benefits of merger are yet to fully fructify.

Certain happenings and practices within the bank, that I have observed over last two years, are not in congruence with my personal Values and Ethics. This is the basis of my aforementioned decision.

I confirm that there are no other material reasons for my resignation other than those stated above.

I would like to express my sincere appreciation to the Board and senior management for their co-operation and support during my tenure. I express my gratitude to all the Independent Directors and Non-Executive Directors, who spared their valuable time and shouldered onerous responsibilities on the Board and its Committees. It has been a privilege to contribute to the growth and governance of the Bank. I observed great amount of energy and verve in the middle & junior levels of the organization, that should form the core of a reimaged organization. I also place on record my sincere appreciation for Secretarial, Compliance, Audit and Group oversight functions.

Kindly instruct Company Secretary to take this letter on record and arrange to file the necessary intimations with the Registrar of Companies and other regulatory authorities as required under applicable law.

I wish the Bank continued success in all its future endeavors.

I remain,

Yours sincerely,

(Atanu Chakraborty)

Part-time Chairman & Independent Director, HDFC Bank

DIN: 01469375 Date: 17/03/2026

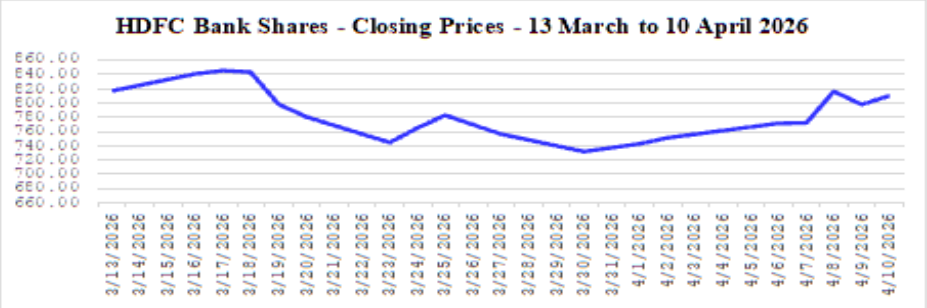
Exhibits

- Exhibit 1: Resignation Letter of Atanu Chakraborty and the forwarding letter by HDFCBL Ltd to BSE and NSE
- Exhibit 2: HDFCBL share price movement
- Exhibit 3: Quarter-wise Financial Highlights
- Exhibit 4: Comparisons with crisis at Yes Bank, ICICI Bank, IL&FS
- Exhibit 5: Table linking each theory with its relevance in the case
- Exhibit 6: Composition of Board of HDFCBL immediately before the resignation of Atanu Chakraborty

Exhibit 2

Share Price Movements of HDFC Bank Ltd.





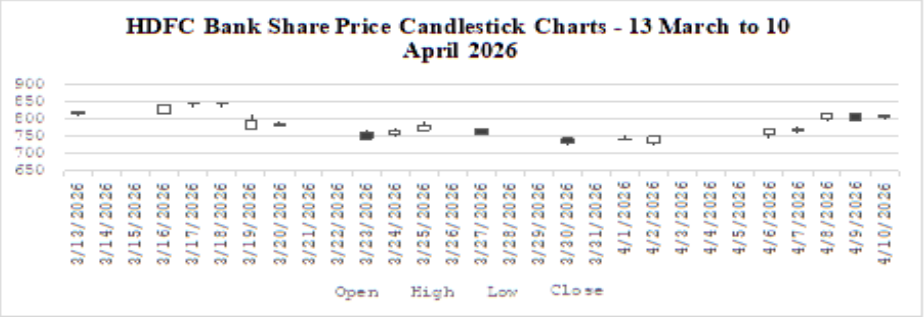


Exhibit 3 Quarter-wise financial highlights of HDFC Bank Ltd from QE 30 June 2023

Quarter Ended	Net Revenue	Net Interest Income (NII)	Profit After Tax (PAT)	Gross NPA Ratio	Net NPA Ratio	Key Remarks
30 June 2023	INR32,829 crore	INR23,599 crore	INR11,952 crore	1.17%	0.30%	First quarter after merger with HDFC Ltd.; strong loan growth and stable asset quality.
30 September 2023	INR38,093 crore	INR27,385 crore	INR15,976 crore (standalone) / INR16,811 crore (consolidated)	Around 1.34%	Around 0.35%	Deposit base crossed INR21.7 lakh crore and gross advances crossed INR23.5 lakh crore.
31 December 2023	INR39,611 crore	INR28,470 crore	INR16,373 crore	1.26%	0.31%	NIM remained at 3.4% on total assets; continued growth in retail and commercial banking.
31 March 2024	INR47,240 crore	INR29,080 crore	INR16,511 crore	1.24%	0.33%	Higher provisions due to floating provisions; strong growth in retail loans and deposits.
30 June 2024	INR40,510 crore	INR29,840 crore	INR16,175 crore	1.33%	0.39%	Core NIM at 3.47%; lower credit cost and strong fee income growth.
30 September 2024	INR43,620 crore	INR30,110 crore	INR16,821 crore	1.36%	0.41%	Continued expansion in deposits and advances; steady profitability despite merger-related balance sheet adjustments.

31 December 2024	INR42,110 crore	INR30,650 crore	INR16,735 crore	1.42%	0.46 %	Operating expenses rose moderately, while provisions declined compared to the previous year.
31 March 2025	INR44,090 crore	INR32,070 crore	INR17,616 crore	1.33%	0.43 %	Improvement in asset quality, lower provisions, and dividend recommendation of INR22 per share for FY25.

Exhibit 4 Comparative examples of Yes Bank, ICICI Bank and IL&FS governance-related crises

Aspect	HDFC Bank (Atanu Chakraborty resignation episode)	Yes Bank crisis	ICICI Bank governance crisis	IL&FS crisis
Period	2026	2018–2020	2018	2018
Trigger	Sudden resignation of Chairman Atanu Chakraborty citing "values and ethics" concerns	Governance failures under Rana Kapoor	Conflict-of-interest allegations involving CEO Chanda Kochhar	Collapse of debt-heavy NBFC group under top management led by Ravi Parthasarathy
Nature of Governance Concern	Alleged ethical disagreements, delayed action on AT-1 bond mis-selling, and board-management tensions	Risky lending, under-reporting of NPAs, connected lending, weak board oversight	Alleged quid pro quo between loan sanctions and business interests linked to CEO's family	Massive debt build-up, opaque subsidiaries, weak board oversight, poor risk controls
Main Allegation	Internal practices allegedly inconsistent with chairman's ethical standards	Loans to stressed groups without adequate due diligence; possible concealment of bad loans	Videocon loan approved by ICICI Bank allegedly benefited a company linked to Kochhar's husband	Financial misreporting, excessive leverage, and poor disclosure across hundreds of subsidiaries

Regulatory Response	RBI approved interim chairman and said no material governance concerns currently exist	RBI forced leadership change, imposed moratorium, and backed SBI-led rescue	RBI, SEBI, CBI, and Enforcement Directorate investigations; CEO eventually resigned	Government superseded board; new board appointed; insolvency proceedings initiated
Impact on Institution	Sharp short-term fall in stock price and investor concern, but bank remained financially strong	Severe liquidity crisis, depositor panic, moratorium, and near-collapse of bank	Reputational damage and management overhaul, but institution remained stable	Systemic crisis affecting NBFCs, mutual funds, banks, and debt markets
Impact on Shareholders	Market value declined temporarily after resignation news	Shareholders suffered major wealth destruction	Significant erosion of investor confidence and stock price pressure	Major destruction of bondholder and shareholder value
Severity Compared to HDFC Bank	Relatively limited and reputational so far	Much more severe and existential	More severe than HDFC's episode, but less systemic than IL&FS	Most severe due to systemic financial contagion
Key Lesson	Importance of strong board independence, ethical escalation, and timely corrective action	Importance of prudent lending and transparent NPA reporting	Importance of avoiding conflicts of interest at senior management level	Importance of group-level risk monitoring, disclosure, and debt governance

Exhibit 5 Table linking each theory with its relevance to the case

Theory	Core Idea	Relevance to the HDFC Bank Case
Signalling Theory	Insider actions send signals to outsiders who have less information.	Atanu Chakraborty's resignation acted as a negative signal to investors. His statement about ethics made investors believe that there could be deeper governance issues within the bank.
Information Asymmetry	One group has more information than another.	Senior management, board members and regulators likely knew more about the resignation than shareholders. This information gap created rumours, fear and speculation.
Behavioural Finance	Investor decisions are often influenced by emotions and biases rather than pure logic.	Investors reacted emotionally to the resignation despite HDFC Bank's strong fundamentals. Fear, panic and uncertainty drove the sharp fall in share price.
Prospect Theory	Investors fear losses more than they value gains.	Many shareholders sold HDFC Bank shares quickly because they feared further losses, even though the bank remained financially strong.
Herd Behaviour	Investors tend to follow the actions of others during uncertain situations.	As the stock price started falling, more investors joined the selling because they assumed others knew something negative.
Availability Bias	People judge situations based on recent or memorable examples.	Investors linked the HDFC Bank episode with past governance crises such as Yes Bank, ICICI Bank and IL&FS, increasing their fear of hidden problems.
Corporate Governance Theory	Good governance requires transparency, board oversight and accountability.	The resignation raised questions about whether the board had addressed the Chairperson's concerns properly and whether governance mechanisms were functioning effectively.
Agency Theory	Managers and directors may not always act in the best interests of shareholders.	Investors worried that there may have been tensions between the Chairperson, management and the board, suggesting a possible misalignment of interests.
Theory	Core Idea	Relevance to the HDFC Bank Case

Ethical Leadership Theory	Leaders should act according to their ethical values, even at personal cost.	Chakraborty's resignation can be seen as an act of ethical leadership because he chose to leave rather than remain associated with practices he allegedly disagreed with.
Deontological Ethics	Actions should be based on duty and principles, regardless of consequences.	From this perspective, Chakraborty's resignation was morally justified because he remained true to his values and ethics.
Utilitarianism	Actions should be judged by their consequences for the greatest number of people.	From a utilitarian perspective, the resignation may be criticised because it triggered panic, reduced shareholder wealth and damaged confidence in the bank.

Exhibit 6
Board of Directors of HDFCBL prior to resignation of Atanu Chakraborty

- Mr. Atanu Chakraborty: Part-Time Chairman and Independent Director (NRC, RPMC, ITSC)
- Mr. M. D. Ranganath: Independent Director (AC, NRC, RPMC, ITSC, ISC, RCWDI, RCNCB)
- Mr. Sandeep Parekh: Independent Director (CSC, CRNM, NRC, SRC, RPMC, CAC, PC, RCWDI, RCNCB, ISC)
- Dr. (Mrs.) Sunita Maheshwari: Independent Director (CSR & ESG, CSC, ITSC, PC)
- Mr. Keki Mistry Non-Executive: (Non-Independent) Director (SRC, ISC)
- Mrs. Renu Karnad Non-Executive: (Non-Independent) Director (PC, SRC, CSR & ESG, RPMC, FMC, CAC)
- Mr. Sashidhar Jagdishan: Managing Director & Chief Executive Officer (RCWDI, RCNCB, RPMC, FMC, CAC)
- Mrs. Lily Vadera: Independent Director (RPMS, AC, SRC, FMC)
- Dr. (Mr.) Harsh Kumar Bhanwala: Independent Director (NRC, FMC, AC, CSR & ESG, CRNM)
- Mr. Santhosh Keshavan: Independent Director (ITSC, CSR & ESG)
- Mr. Kaizad Bharucha: Deputy Managing Director (SRC, CSR & ESG, FMC, CAC, CRNM)
- Mr. Bhavesh Zaveri: Executive Director (CSC, RCWDI, RCNCB)
- Mr. V. Srinivasa Rangan: Executive Director (SRC, ITSC, PC, CRNM)

AC - Audit Committee
CAC - Credit Approval Committee
CRNM - Committee for Resolution of NCLT Matters
CSC - Customer Service Committee
CSR & ESG - CSR & ESG Committee FMC - Fraud Monitoring Committee ISC - Investments Strategy Committee ITSC - IT Strategy Committee
NRC - Nomination and Remuneration Committee PC - Premises Committee
RCNCB - Review Committee fpor Non-Cooperative Borrowers RCWDI - Review Committee for Wilful Defaulter's Identification RPMC - Risk Policy & Monitoring Committee
SRC - Stakeholders' Relationship Committee

Teaching Note

1. Abstract

This case examines the sudden resignation of Atanu Chakraborty as Chairperson of HDFC Bank in March 2026 and the resulting collapse in investor confidence despite the absence of any visible financial weakness. The case explores how ethical concerns, incomplete disclosure and symbolic leadership actions can influence market behaviour. It allows students to analyse the event through theories of signalling, information asymmetry, behavioural finance, governance and ethics.

2.Target Audience and Usage

The case is suitable for Doctoral, MBA, Executive MBA, PGDM, M.Com., MFM, CA, CMA, CFA and advanced undergraduate courses in Finance, Corporate Governance, Banking, Business Ethics, Organisational Behaviour and Strategic Management. It can also be used in executive education programmes involving banking professionals, regulators and board members. The case is particularly useful in sessions dealing with corporate governance failures, investor behaviour, crisis communication, leadership ethics and banking regulation. It can be used either as a stand-alone discussion case or as part of a larger module on governance in financial institutions. Because the case does not provide a clear right or wrong answer, it works especially well for classroom debates, role-play exercises and reflective analysis.

3.Learning Objectives

After completing this case, students should be able to:

- Understand why trust and reputation are especially important in banking institutions.
- Explain how signalling theory applies to

leadership exits and market reactions.

- Analyse the role of information asymmetry in creating rumours and uncertainty.
- Examine how behavioural biases influence investor decision-making during crises.
- Evaluate the importance of board oversight, governance and transparency.
- Compare different ethical perspectives on the Chairperson's decision.
- Assess how regulators, management and boards should respond during a governance-related crisis.
- Reflect on how symbolic actions can affect market value more than financial fundamentals.

4.Thought Questions

1.Why did Atanu Chakraborty's resignation have such a strong effect on the market despite HDFC Bank's strong financial performance?
2.Was the Chairperson morally justified in resigning by citing personal reasons without explaining his concerns more clearly?

3.Did investors react rationally to the resignation, or did behavioural biases intensify the market response?
4.Could HDFC Bank have reduced uncertainty through more effective communication?
5.Does the case reveal deeper issues regarding board oversight and corporate governance?
6.Should regulators intervene more actively in situations where market confidence is damaged by unclear governance signals?
7.Which ethical framework best explains the Chairperson's action: deontological ethics or utilitarianism?
8.If you were a large institutional investor, would you have sold, held or increased your investment in HDFC Bank during the crisis? Why?

5.Short Theory Review

The case can be analysed using the following theories:

- **Signalling Theory:** The resignation acted as a negative signal because investors assumed that insiders possess information unavailable to outsiders.
- **Information Asymmetry:** Senior management and board members likely knew more than investors, creating uncertainty and speculation.
- **Behavioural Finance and Prospect Theory:** Fear, loss aversion, herd behaviour and availability bias contributed to the sharp decline in the share price.
- **Corporate Governance Theory:** The case highlights the importance of transparency, board independence and trust in financial institutions.
- **Agency Theory:** The event raised questions regarding conflicts between management, the board and shareholders.
- **Ethical Leadership Theory:** The Chairperson's decision can be viewed as an attempt to remain aligned with his values.
- **Deontological Ethics and Utilitarianism:** Students can compare whether the decision should be judged by duty and principle or by its consequences.

6. Pedagogy

This case can be taught using a mix of pedagogical approaches:

Classroom Discussion Method: The instructor may begin by asking students whether they would have sold HDFC Bank shares after the resignation. This immediately introduces the issue of uncertainty and perception. The discussion can then move towards the theories that explain why investors reacted so strongly.

Role-Play Exercise: Students may be divided into groups representing different stakeholders such as the Chairperson, CEO, board members, regulators, institutional investors and retail shareholders. Each group can present its own perspective on what should have been done after the resignation.

Debate-Based Learning: The class can be divided into two sides. One side can argue that Atanu Chakraborty acted ethically and responsibly. The other side can argue that he should have disclosed more information or remained within the institution to solve the issue.

Case Mapping Exercise: Students can be asked to create a flow chart linking the resignation, investor reaction, media speculation, bank communication and eventual recovery in the share price. This helps students understand how events developed over time.

Theory Application Assignment: Students may be asked to apply two or three theories to explain the case and compare which theory provides the strongest explanation.

7.Five-Minute Self-Test

1.What phrase in the resignation letter created uncertainty in the market?
2.Why is the banking sector more vulnerable to reputational shocks than many other industries?
3.According to signalling theory, why do investors pay close attention to insider actions?
4.What is information asymmetry?
5.Name two behavioural biases that may have influenced investors in this case.
6.What role did the RBI play after the resignation?
7.How does deontological ethics differ from utilitarianism?
8.Why did the market reaction appear disproportionate to the bank's actual financial

condition?

8.Epilogue

Over time, the immediate panic around HDFC Bank began to fade. The appointment of Keki Mistry as interim Chairperson, combined with continued reassurance from the management and regulators, helped restore some confidence. The share price recovered partially, and there was no evidence of a major financial or regulatory crisis inside the bank. However, the episode remained important because it demonstrated how quickly trust can be damaged in banking. Even after the market stabilised, many observers continued to debate whether the Chairperson had done the right thing, whether the bank should have communicated more openly and whether investors had overreacted. The case therefore does not end with a simple answer. Instead, it leaves students with a broader lesson: in financial institutions, trust, ethics, leadership and communication are deeply connected. When information is incomplete, markets often react more strongly to perception than to facts.

9.Exhibits

Exhibits for classroom use:

- The resignation letter of Atanu Chakraborty & the forwarding letter to NSE & BSE by HDFCBL
- Movement in HDFC Bank share price during the crisis period vis-à-vis for the last 365 days from 10 April 2026
- HDFC Bank's financial highlights for the last 8 quarters
- Comparative examples of Yes Bank, ICICI Bank and IL&FS governance-related crises
- Table linking each theory with its relevance to the case
- Structure of the Board of Directors of HDFC Bank Ltd immediately before the resignation of Atanu Chakraborty