



CORPORATE GOVERNANCE PRACTICES IN SELECTED CENTRAL PUBLIC SECTOR ENTERPRISES (CPSEs) IN INDIA: A CLOSER LOOK

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Abstract

Corporate governance scenario in India has undergone radical changes during the last two decades notwithstanding the fact that as a whole India's position in this regard is still in its infancy. A number of commendable initiatives, including regulatory measures, have been implemented by the Government of India or various statutory bodies. These reforms have had positive but gradual impact on the corporate governance practices in Indian corporates including the state-owned public sector enterprises (PSEs). In spite of these positive trends, it may be pointed out that corporate governance in India has to traverse a long way to catch up with the global best practices in this regard. For instance, it was in the recent past that India's corporate world experienced a number mis-governance and scams. In this context, with a focus on selected central public sector enterprises (CPSEs) in India, this paper makes a critical study of their corporate governance practices, the positive and negative aspects of their governance practices, and lastly suggests strategies for more effective implementation sound governance practices by CPSEs.

Key Words: Corporate Governance, Central Public Sector Enterprises (CPSEs), SEBI.

1. Introduction

Corporate governance in India is still in its infancy but is progressing steadily. It involves the progressing of tuning the shareholders expectancies with the company's management efficiently to upgrade the organization's value. It encompasses active involvement of all the shareholders and management, communication, exchanging and validating ideas and extensive discussion and argument. Corporate governance needs to be woven into the organizational culture and functionality as it cannot be implemented independently. It has significant impact of the general governance eco-system both internal as well as external. In the recent times, India's corporate world has experienced a lot of mis-governance and scandals have compelled the Indian firms to develop a judicious system of conducting business, standards of accountability in public administration encompassing government machinery and institutions (KPMG, 2011).

In the light of liberalization and the need of synchronized international accounting practices in the purview of global commercial activities, corporate governance has started getting acknowledged from the 1990s and was introduced to the country by Confederation of Indian Industry (CII) as an intended means to be adopted by the Indian commercial undertakings. However, with changing times and impending requirements, corporate governance was made mandatory in the early 2000 through the introduction of Clause 49 of the Listing Agreement and all the companies listed on the various stock exchanges had to mandatorily adhere to these rubrics. In 2009, the Ministry of Corporate Affairs issued a suite of voluntary guidelines for corporate governance catering to an array of relevant issues (Pande and Kaushik, 2011).

2. Relevance and Significance of the Study

In spite of the commendable advancements in the corporate governance front in the recent past, corporate governance still experiences a lot of challenges in India like disparity between public and private sectors, ineffective implementation of the legislations, inefficient accountability, sub-standard auditing and enhanced investor activism (KPMG, 2011). These challenges have enhanced the complexity of corporate governance function in India. The concept of corporate governance is still in its primitive stage in India and there are many issues and challenges associated with corporate governance practices in the country. In the case of Central Public

sector enterprises (CPSEs) in particular, CPSEs are accountable to the ministries and ought to adhere to the norms set by the Department of Public Enterprises (DPE) and are subject to Right to Information Act (RTI Act), Comptroller and Auditor General (CAG) of India and the Central Vigilance Commission (CVC). Thus, CPSEs in India are working in a highly complex setting.

3. Objectives of the Study

1. To study the recent regulatory and other reforms with regard to corporate governance in India, like, the provisions of the Companies Act of 2013, relevant SEBI regulations etc.
2. To study the issues and challenges of corporate governance in India with a focus on a few selected Central Public Sector Enterprises (CPSEs);
3. To identify the positive and negative aspects of the corporate governance practices of the selected CPSEs and to suggest strategies for their more effective functioning.

4. Research Questions

1. What are recent regulatory and other developments in corporate governance in India?
2. What are the issues and challenges in corporate governance practices in selected CPSEs?

5. Methodology and Data Sources

This study is primarily of descriptive-analytical nature, as it makes use of latest available data on corporate governance in Indian companies. Accordingly, the paper studies the present scenario as well as the major issues and challenges of Indian corporates in the corporate governance front in Indian companies, particularly the CPSEs. The data used are secondary in nature and these include various government publications, official websites of regulatory bodies etc. The data so collected are analyzed for the purpose of their systematic presentation that facilitates their meaningful interpretation as well as specific conclusions.

6. Corporate Governance in CPSEs – Role of Department of Public Enterprises (DPE)

In their 52nd Report (3rd Lok Sabha), the Estimates Committee referred to the absence of any organisation in the Government to provide policy and overall guidance to the Central Public Sector Enterprises (CPSEs) and stressed the need for setting up a centralized coordinating unit which could also make continuous appraisal of the performance of public enterprises. This led to the setting up of the Bureau of Public Enterprises (BPE) in 1965. BPE was later constituted as an independent administrative unit within the Ministry of Finance, Department of Expenditure in 1969. As a result of the re-organisation of the Ministries/Departments of the Central Government in September, 1985, BPE was transferred from Ministry of Finance to the Ministry of Industry. In May, 1990, BPE was conferred the status of a full-fledged Department and is now known as the Department of Public Enterprises (DPE) in the Ministry of Heavy Industries and Public Enterprises. The DPE issues guidelines on various issues pertaining to the above issues and obtains compliance reports.

With regard to the Corporate Governance, DPE has included Corporate Governance into the Maharatna Scheme. CPSE's are expected to expand international operations and become global giants, for which effective Corporate Governance is imperative. These guidelines on Corporate Governance are formulated with the objective that the Central Public Sector Enterprises follow the guidelines in their functioning. Proper implementation of these guidelines would protect the interest of the shareholders and the relevant stakeholders. For the purpose of evolving Guidelines on Corporate Governance, CPSE's have been classified into two categories, namely, (i) those listed in the stock Exchange; (ii) those not listed in the stock Exchanges.

For the listed CPSE's, they have to follow the SEBI Guidelines on corporate Governance. In addition, they shall follow those provisions in the guidelines which do not exist in the SEBI Guidelines and also do not contradict any of the provisions of the SEBI Guidelines. For the non-listed CPSE's, it suggests that they should strive to institutionalize good Corporate Governance practices broadly in conformity with the SEBI guidelines, as they may be considered for listing within a reasonable time frame to be set by the Administrative Ministry concerned in consultation with the CPSE's concerned. The DPE has issued guidelines to the CPSE's on the following major

issues to conform to the Corporate Guidelines on (i) Composition of Board of Directors, (ii) Setting up of Audit Committees, (iii) Remuneration Committee, (iv) Subsidiary Committee, (v) Disclosures, and (vi) Report, Compliance and Schedule of Implementation.

Apart from those noted above, in fact, some of the principles of corporate governance are already in vogue in public sector. These practices include, inter alia, (i) the Chairman, Managing Director and Directors are appointed independently through prescribed procedures; (ii) statutory auditors are appointed independently by the C&AG; (iii) arbitrary actions, if any, of the Management can be challenged through writ petitions; (iv) remuneration of directors, employees, etc. are determined on the basis of recommendations of the respective Pay committees; etc. etc.

7.Role of Securities and Exchange Board of India (SEBI) in Corporate Governance

Securities Exchange Board of India (SEBI) was set up in 1988 to regulate the functions of securities market. SEBI promotes orderly and healthy development in the stock market but initially SEBI was not able to exercise complete control over the stock market transactions. It was left as a watch dog to observe the activities but was found ineffective in regulating and controlling them. As a result in May 1992, SEBI was granted legal status. SEBI is a body corporate having a separate legal existence and perpetual succession.

With the growth in the dealings of stock markets, lot of malpractices also started in stock markets such as price rigging, 'unofficial premium on new issue, and delay in delivery of shares, violation of rules and regulations of stock exchange and listing requirements. Due to these malpractices the customers started losing confidence and faith in the stock exchange. So government of India decided to set up an agency or regulatory body viz. SEBI. SEBI was set up with the main purpose of keeping a check on malpractices and protect the interest of investors. It was set up to meet the needs of three groups, (i) Issuers, (ii) Investors and (iii) Intermediaries.

The objectives of SEBI are (i) to regulate the activities of stock exchange, (ii) to protect the rights of investors and ensuring safety to their investment, (iii) to prevent fraudulent and malpractices by having balance between self-regulation of business and its statutory regulations, (iv) to regulate and develop a code of conduct for intermediaries like brokers, underwriters, etc. The role of SEBI in streamlining and systematizing the corporate governance practices in India has been quite commendable ever since its inception.

8.New Companies Act 2013 in India – Its Provisions on Corporate Governance

The Companies Act 2013 envisages radical changes in the area of Corporate Governance and is set to have far-reaching implications. The new regime is expected to significantly change the manner in which corporates operate in India. Highlights of the Companies Act from the perspective of Corporate Governance include two broad aspects viz. (i) Severe consequences for noncompliance: While the bar for corporate governance has been raised, the penal consequences have been exponentially increased with a large number of sections reserving provisions for the prosecution of directors, officers in default and key managerial personnel, (ii) Stricter regime even for unlisted public companies and private companies: There is a clear shift towards closely monitoring unlisted public companies and large private companies with enhanced compliance requirements on disclosures, transparency and governance procedures. While there are changes across the board, the key impact areas in the area of corporate governance include the following:

❖ Board structure and responsibility

- Enhanced responsibility for the board and its committees
- Specified unlisted co's. to have independent directors (ID); mandatory code for IDs
- Mandatory woman director for certain co's.
- Mandatory key managerial personnel (KMP) – CEO/MD/WTD, CFO and CS
- Performance evaluation of board and individual members

❖ Disclosures and reporting

- Enhanced disclosures and assertions in Directors' Report – risk management, internal control for financial reporting, legal compliance, RPT, CSR, etc.

- Compulsory consolidation of accounts; summary statements of associates / JVs / subsidiaries
- Disclosures of shareholding pattern
- Disclosures for public money lying unutilized
- ❖ **Risk, controls and compliances:** Boards now obligated to report on the following:
 - Development and implementation of risk management policy
 - Systems to ensure compliance to all applicable laws and their operating effectiveness
 - Internal financial controls and their operating effectiveness (for listed companies)
- ❖ **Secretarial compliances:** Stricter yet forward-looking requirements for board proceedings:
 - Minimum 7 days' notice, board meetings permitted through electronic mode
 - Presence of at least one ID must for board meeting at shorter notice
 - Gap between two meetings < 120 days
 - ICSI Secretarial Standards mandatory
- ❖ **Related party transactions (RPT), loans and investments**
 - Scope of RPT significantly enhanced; concept of arm's length pricing introduced
 - Central government approval not required, but, heavy penalties for non-compliance
 - RPT disclosure in Directors' Report along with justifications
 - Stricter requirements for loans and investments including private companies
- ❖ **Audit and auditors**
 - Enhanced restrictions on appointment and rotation of auditors
 - Statutory auditors prohibited from providing certain services
 - Enhanced powers and role of auditors
 - Mandatory internal audit and secretarial audit for prescribed class of companies
 - Auditors to report on internal financial controls and their operating effectiveness
- ❖ **Corporate social responsibility:** Prescribed class of companies to:
 - Form a CSR committee with atleast one ID
 - Form and approve a CSR policy
 - Endeavour to spend atleast 2% of net profits
 - Directors to explain inability to spend in the directors' report

9. Issues and Challenges of Corporate Governance in CPSEs in India

Ever since the economic crisis of 2007–08, the world has had seen a revival of state capitalism. The going up of state capitalism amounts to one of the major transformations in the global economy nowadays. However, the growth of capitalism has had given rise to challenges for governments and regulators and they are under severe pressure to prevail over these challenges. In state run public sector enterprises intrinsic governance challenges lead to below average performance. As a result, corporate governance of public sector enterprises remains a major challenge in several economies including India. In India, the government owns or controls interests in major sectors, comprising of infrastructure, oil, gas, mining, and manufacturing sectors (Som, 2013). Jaiswall (2012) criticizes the corporate governance mechanisms and tactics of CPSEs calling them no better than private sector firms in India due to two main reasons. The primary reason emerges from the pursuit of the neo-liberal agenda where it has been argued that following these national and social objectives deflects the enterprise from the primary objective of creating value for shareholders and breeds inefficiencies. These inefficiencies in turn lead to a strain on public finances and contribute to macro-economic distress in a country. The second reason stems from the vagueness and lack of clarity about what constitutes national interest. Thus the logic of reducing fiscal deficit which can be put forward to justify the current 'divestment act' deflects attention from an analysis and engagement with why such a deficit came to exist in the first place and whether this entire 'act' could have been avoided with more prudent policies. It may be noted that as of 2010 as many as 17 listed CPSUs, including blue chip entities like Indian Oil, BHEL and SAIL do not have the requisite number of independent directors, an important tool of corporate governance. Independent directors as the most significant instrument of corporate governance, only they can challenge the decisions of the management and protect the interest of shareholders and other stakeholders.

In summary, the history and evolution of corporate governance in CPSEs follows a trajectory that more often than not fails to even acknowledge the governance challenges implicit in national interest let alone propose mechanisms for dealing with it.

10. Corporate Governance in Selected CPSEs in India

In this section corporate governance initiatives in respect of the five typical CPSEs viz. (i) Oil and Natural Gas Commission Ltd. (ONGC), (ii) Indian Oil Corporation Ltd. (IOCL), (iii) Steel Authority of India Ltd. (SAIL), (iv) Bharath Heavy Electricals Ltd. (BHEL), and (v) Gas Authority of India Ltd. (GAIL) are briefly dealt, with their major strengths and shortcomings.

❖ Oil and Natural Gas Commission Ltd. (ONGC)

ONGC recognizes corporate governance as an important aspect of their day to day operations. The company has a dedicated code of ethics for the cause, with annual reports on corporate governance being published each year internally. The company lists the following objectives as a driving factor for corporate governance within the firm:

- Adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders including customers, employees and society at large.
- A sound system of internal control to mitigate the risks for achievement of business objectives both short term and long term.
- Compliance of law, rules & regulations in true letter and spirit.
- Independent verification of the Company's financial reporting.
- Strategic supervision by the Board of Directors of appropriate composition, size, varied experience and commitment to discharge their responsibilities.
- Timely and balanced disclosure of all material information to all the stakeholders.
- Clearly defined standards against which performance of responsibilities can be measured.
- A clear delineation of shareholders' rights.
- Accuracy and transparency in disclosures regarding operations, performance, risk and financial position.

In adherence to the disclosure agreements prescribed by the Department of Public Enterprises (DPE) under Clause 49, the detailed Corporate Governance report of ONGC encompasses all the requisite information as insisted on by the DPE.

Over the years ONGC has been consistently recognized as one of the best firms in India that follow the best practices for stakeholders' welfare through corporate governance. In the year 2003, the company was conferred the 'ICSI National Award for Excellence in Corporate Governance' in the public sector category. The company is engaged in active socio-economic activities for the development of its community (Batra, 2007).

However, recently its rock-solid reputation in corporate governance was shaken due to the Goldman Sachs report which uncovered an anomaly in its conduct, saying the government took \$20 billion in cash over the past six years from the company without consulting minority shareholders (The Economic Times, 2009). Goldman Sachs further emphasized that the minority shareholders are likely to suffer in a situation where their interests are poorly protected. Moreover, such ad-hoc cash withdrawals hurt ONGC even more since it has a poor production profile and revenues are effectively a function of their oil realization (Rediff, 2013). Jaiswall (2012) criticizes the corporate governance mechanisms and tactics of ONGC, calling them no better than private sector firms in India due to two main reasons. The primary reason emerges from the pursuit of the neo-liberal agenda where it has been argued that following these national and social objectives deflects the enterprise from the primary objective of creating value for shareholders and breeds inefficiencies. These inefficiencies in turn lead to a strain on public finances and contribute to macro-economic distress in a country. The second reason stems from the vagueness and lack of clarity about what constitutes national interest. Thus the logic of reducing fiscal deficit which can be put forward to justify the current 'divestment act' deflects attention from an analysis and engagement with why such a

deficit came to exist in the first place and whether this entire 'act' could have been avoided with more prudent policies.

❖ **Indian Oil Corporation Ltd. (IOCL)**

Like ONGC, Indian Oil too has set a benchmark for India's public sector when it comes to transparency and well-being of its stakeholders through efficient corporate governance. The company remains true to the belief that good Corporate Governance practices lead to efficient running of the Company and help in optimising value for all its stakeholders. The Company has been making an effort to uphold the principles of Corporate Governance to ensure transparency, integrity and accountability in its functioning - elements that are vital to achieve its vision of becoming a major diversified, transnational, integrated energy company (IOCL, n.d.). With the adoption of (a) Code of conduct for Directors and senior management personnel, (b) Code of conduct for prevention of insider trading and (c) Policy on risk assessment and minimizing procedures, the Company has further enhanced its commitment towards Corporate Governance.

Access the Right to Information Act manual that addresses the constitutional right to know and access information relating to any private body. In other words, anyone from the public can access records, documents, memos, e-mails, opinions, advice, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, data material held in any electronic form and information relating to any private body. The company recently released its 54th Annual Corporate Governance report which consists of the relevant information as insisted on by DPE.

The Corporate Governance report of IOCL states that there is a well-defined code of conduct and policy framework for its key functions like Code of Conduct for Directors and Senior Management Personnel, Code of Conduct for prevention of Insider Trading, Enterprise Risk Management Policy, Integrity Pact to enhance transparency in business, Whistle Blower Policy, Conduct, Discipline and Appeal Rules for employees, Corporate Social Responsibility / Sustainable development, and Human Resources initiatives (IOCL, 2013).

The company's corporate governance philosophy focuses on 'maximization of shareholder value', but the company's vision is 'to play a national role in oil security and public distribution', an anomaly which was highlighted by Dewan (2006). The author rightly recognized the gap in two of IOCL's major objectives, as the company's directors cannot possibly balance between the two objectives, hence will have to pursue any one. The author blamed this on the lack of direction and the absence of a well-defined government strategy, causing the government to use CPSUs as an instrument for social welfare and not as a pure commercial venture of the government. Besides, the Economic Times (2010) reported that As many as 17 listed PSUs, including blue chip entities like Indian Oil, BHEL and SAIL do not have the requisite number of independent directors, an important tool of corporate governance. Independent directors as the most significant instrument of corporate governance, only they can challenge the decisions of the management and protect the interest of shareholders and other stakeholders (The Economic Times, 2010). However, in contrast, Mathur et al (2010) have stated that Indian Oil is one of the few top-level firms in India which are following the best corporate governance practices. There is a lack of consensus on the conduct of corporate governance and its result in context of Indian Oil.

❖ **Bharath Heavy Electricals Ltd. (BHEL)**

Like the previous two companies reviewed above, BHEL is another example of CPSU in India which has consistently had a positive outlook towards corporate governance. BHEL has established a sound framework of Corporate Governance which underlines commitment to quality of governance, transparency disclosures, consistent stakeholders' value enhancement and corporate social responsibility. BHEL endeavours to transcend much beyond the regulatory framework and basic requirements of Corporate Governance focusing consistently towards building confidence of its various stakeholders including shareholders, customers, employees, suppliers and the society at large. The company has developed a framework for ensuring transparency, disclosure and fairness to all, especially minority shareholders (LiveMint, 2014).

The Vision of BHEL envisages "being a global engineering enterprise providing solutions for a better tomorrow" and its Mission is "Providing sustainable business solutions in the fields of Energy, Industry & Infrastructure" (LiveMint, 2014).

The Corporate Governance Policy of BHEL rests upon the four pillars of Transparency, Full Disclosure, Independent Monitoring and Fairness to all. To strengthen this, BHEL has signed a MoU with Transparency International to adopt 'Integrity Pact'. Their corporate structure, business procedures and disclosure practices have attained a sound equilibrium with the Corporate Governance Policy resulting in achievement of goals as well as high level of business ethics. Its Corporate Governance policy is based on the following principles (LiveMint, 2014):

- Independence and versatility of the Board.
- Integrity and ethical behaviour of all personnel.
- Recognition of obligations towards all stake- holders- shareholders, customers, employees, suppliers and the society.
- High degree of disclosure and transparency levels.
- Total compliance with laws in all areas in which the company operates.
- Achievement of above goals with compassion for people and environment.

The company believes that conducting business in a manner that complies with the Corporate Governance procedures and Code of Conduct, exemplifies each of their core values and positions them to deliver long-term returns to shareholders, favourable outcomes to customers, attractive opportunities to employees and making the suppliers their partners in progress & enriching the society (LiveMint, 2014).

BHEL has received much appraisal from researchers when it comes to corporate governance. For instance, Bhatt (n.d.) opines that in India's public sector, Bharat Heavy Electrical Ltd.(BHEL) is endeavoring to play a prominent role in the area of social responsibility. All division of BHEL, are aware of their social role and have drawn comprehensive scheme for the welfare of their employees in social role and have drawn comprehensive scheme for the welfare of their employees in township and for those living in nearby areas. The company is engaged in identifying specific problems of communities and in coordinating the efforts with the local bodies, authorities and voluntary agencies in providing speedy relief to them. The active involvement of BHEL and its employees in the welfare of the surrounding communities is helping the organization to earn the goodwill of the local population and to have a better understanding of their problems. Jobs done by BHEL units in this respect include provision of drinking water facilities, construction of external sewers, roads and culverts, providing health facilities, improving the quality of life by redesigning jobs, improving educational facilities and so-on. In a doctoral study on analysis of corporate governance practices of various industries in India, the author found that BHEL was performing consistently better than most large-scale CPSUs in India in parameters like Disclosure of Definition and selection criteria for (Independent) Directors, Criteria for determination of Points for Other Committees, provision of CSR in the annual reports, etc.

Another instance highlighting its adherence to corporate governance standards is its immediate action on appointing two more independent directors on the board of BHEL to achieve compliance with listing norms, prior to the power equipment-maker's follow-on public offer (India CSR, 2011). More recently, according to NDTV (2014), to ensure better corporate governance standards and transparency, the new Companies Act - whose most provisions came into force from April 1 - requires companies to have a vigil mechanism for directors and employees to report genuine concerns. The listing agreement between companies and stock exchanges also has a similar provision. The policy took effect at BHEL from September 16. Adhering to stronger corporate governance standards, BHEL put in place a policy for whistle-blowers with safeguards to protect their identity and prevent victimization. Accordingly, any other employee assisting in the investigation or furnishing evidence in respect of complaint shall also be protected. According to Gopalsamy (2006), BHEL fares much better than other CPSUs in India due to the two-tier management system which comprises of the policy making body and the executive committee where possible this course may be adopted. With the two-tiered board system, the present control system having a multiplicity of control agencies could be down away with. Despite the number of reports on the

corporate governance system in BHEL, there lacks a clear and transparent account of their in-house corporate governance system.

❖ ***Steel Authority of India Ltd. (SAIL)***

The philosophy of the Company in relation to Corporate Governance is to ensure transparency, disclosures and reporting that conforms fully with laws, regulations and guidelines, and to promote ethical conduct throughout the organisation, with the primary objective of enhancing shareholders value while being a responsible Corporate Citizen. SAIL is committed to conforming to the highest standards of Corporate Governance in the country. It recognizes that the Board is accountable to all shareholders and that each member of the Board owes his/her first duty to protecting and furthering the interest of the company. As a part of the Corporate Governance requirements, the Company has the Audit and Shareholders' Grievance Committees in place. Being a Government Company, the nomination and fixation of terms and conditions for appointment as Director is made by Government of India. As such, the Nomination and Compensation Committee has not been constituted (Shah and Bhaskar, 2009). The company releases its official annual corporate governance report which reviews in details its agenda and achievements during the year with respect to corporate governance. The corporate governance report of SAIL includes all the relevant information as insisted on by DPE (Live Mint, n.d.).

SAIL has in place a Code of Conduct applicable to the Board Members as well as the senior management and the same has been posted on its website. There were no instances of non-compliance by the company, penalties, strictures imposed on the it by the stock exchange or SEBI or any other matter related to the capital, during last three years. As of 2012, SAIL reported that there were no transactions by it of material nature with Promoters, Directors or the Management, their subsidiaries, relatives etc. that may have potential conflict with the interests of company at large. The non-executive Directors had no pecuniary relationships or transactions vis-a-vis the Company during the year except receipt of sitting fee for attending the meetings of the Board or its Sub-Committee. None of the non-executive Director held any Share/convertible instrument of the company (SAIL, 2012). According to Balachandran and Chandrasekaran (2011), SAIL involves itself in infrastructural development, massive tree plantation and afforestation programmes in the nature of avenue plantations, setting up of parks, and healthcare projects such as reproductive child health and HIV/ AIDS prevention and control programmes. According to Shah and Bhaskar (2009), it is very appreciable that an organisation like SAIL has Corporate Governance as a base objective. In short, there has been effective implementation Corporate Governance policies over the years. Besides, necessary systems and procedures are put in place and the required committees and sub committees are constituted.

Fernando (2009) asserts that SAIL is one of the few Indian CPSUs that recognize corporate democracy, professional management, and maximisation of long term shareholder value as essential attributes of good corporate governance. SAIL acknowledges that corporate governance has acquired a new urgency in India due to the changing profile of corporate ownership, increasing flow of foreign investment, preferential allotment of shares to promoters, gradual unwinding of the control mechanism by the State that had hitherto provided protective cover to even poorly managed corporations and the increasing role of mutual funds since 1991. SAIL has made a mark in agriculture, healthcare, sports and pollution control, drinking and water supply, and poultry and dairy farming as a part of its corporate governance outlook.

❖ ***Gas Authority of India Ltd. (GAIL)***

Taking a cue from the Satyam fiasco, good corporate governance became the buzz-word amongst the country's leading companies, of which one was GAIL. Following the scandal, GAIL (India) Ltd in 2009 announced that it is setting up an empowered ethics committee to guide the company's board on "correct business practices. The ethics committee shall work as conscience keeper and submit to the Board its recommendations for best corporate governance in the company. The committee consists of four independent directors and a government-nominated one. Neither the CMD nor any of the functional directors of the board would be members of the ethics committee. Some of the aspects expected to be covered by the committee are: no conflict of interest, fair play, integrity and accountability, protection of corporate interest and assets, transparency in disclosures in revenue, expenses and investments etc, legal compliances, propriety and confidentiality. This committee was formed in addition to the

audit committee that is already in place (Hindustan Times, 2009). GAIL too like other companies in the Navratna category publishes its annual Corporate Governance report which includes all the typical elements as stipulated by the DPE.

GAIL received the coveted ICSI National Award for Excellence in Corporate Governance in 2011, mainly due to transparency. In addition to this, it was also conferred the award for 'Sustainability performance' by the Indian Chamber of Commerce at the 4th Corporate Governance & Sustainability vision Summit & Awards 2014. It institutionalised several processes to bring transparency. It has become an e-enabled company where all processes are conducted through electronic mode. These include e-tendering, e-banking, e-Performance Management System, e-Budgeting System and e-Document Management System (The Hindu Business Line, 2011). According to a doctoral study the concern for Corporate Governance is evident from its Code of Conduct for Board Members and Senior Management Personnel besides Code of Conduct for Prevention of Insider Trading. The company is driven by its core values viz ethical practices, concern for people at work and delight of customers. It uses best-in-class technology, promotes highest level safety in its operations, maintains better health of its employers and provides a clean environment for sustainable development.

Following some very important drives towards Total Quality Management (TQM) at its plants, the Company has taken world class initiatives like e-business, Bill watch System, File Movement System, Customer Relation Management, Customer Grievance Redressal System, e-Recruitment, e- Performance Management System (e-PMS), Online Vigilance Complaint Registration System, e- Budgeting System, Management Information System (ibid). There is a statutory Audit Committee having Board level members, which looks after every internal system and practice. GAIL has also constituted Ethics Committee to ensure ethical conduct of business.

GAIL received the coveted Scope Corporate Governance Award for 2007-08 for excellence in propagation and implementation of Corporate Governance. The Company has SAP management System, Enterprise Resource Planning (ERP) System, Six Sigma System and a number of other best practices in its operations. The Company was rated number one energy company in Asia by Platts a U.K. based company's survey of top energy companies of the world.

The vision and mission of the company contains core organizational values which are applied and followed by all of its employees from top to bottom level. The Company has developed a Strategic Plan for the period 2007-12. The goal set includes doubling of its bottom line by the year 2011-12. The company has been very successful in achieving the desired targets. GAIL has been consistently achieving the top-most all round 'Excellent' rating by the Government of India, since signing of the Memorandum of Understanding (MoU) with the Government of India on performance review. It has consistently maintained the 'Navratna' status accorded to it by Government of India, even since the commencement of Navratna Policy in 1997. It is because of its excellent Corporate Governance practices that the company has become a Global company in its silver jubilee history.

11. Effective Implementation of Corporate Governance by the CPSEs: Some Suggestions

- Corporate governance initiatives at CPSEs should strive to institutionalize such good practices that broadly in conformity with the SEBI guidelines in this regard.
- All corporate governance initiatives should ideally seek to address the long-term and broader societal benefits as well as balanced and equitable development of the nation as a whole. CPSEs have a special responsibility in this regard vis-à-vis other corporates, as CPSEs have been set up using Government of India funds and have a national character.
- As a basic tenet, it shall be recognized by all CPSEs that good governance is not just about compliance, rather the same needs to be done in its true letter and spirit for the long-term benefit of the public at large.
- CPSEs have to have good clarity as to the role of the Board regarding the strategy towards effective implementation of sound corporate governance practices.
- Side by side with the implementation of sound corporate practices CPSEs should ensure close monitoring of their organizational performance on an ongoing basis.

- CPSEs should clearly ensure that their Boards employ the Chairpersons of the respective CPSEs for the effective implementation of sound corporate governance practices.
- The Chairpersons appointed at CPSEs should have the requisite level of competence.
- It must also be recognized by CPSEs that the governance of risk is a responsibility of their respective Boards.
- It shall be ensured at all times that the Directors of CPSEs have at their disposal the relevant information that they need for scientific and learned decisions.
- For efficient implementation of sound corporate governance practices, CPSEs should ensure that an effective governance infrastructure is built up and maintained by them.
- A skill-based Board needs to be developed and maintained at all times by CPSEs.
- CPSEs should set up and maintain a permanent mechanism to evaluate the performance of the Board and individual Directors on an ongoing basis, as well as to pursue opportunities for constant improvement thereof.

12. Concluding Remarks

In view of the foregoing, it may be noted that there has been commendable improvement in the setting up and maintenance of corporate governance infrastructure by CPSEs in India. The corporate governance at CPSEs, in general, has been commendable in spite of many challenges that they face and also criticisms of corporate governance against some CPSEs. In India the Government still owns or controls interests in key sectors, like, infrastructure, oil, gas, mining, and manufacturing. The efforts of the Government of India (GOI) to improve the performance corporate governance in companies in general and CPSEs in particular, have been in the right direction. These initiatives have gained prominence because of the major role that CPSEs play in Indian economy; the increased pressure on CPSEs to improve their competitiveness; and listing of CPSEs on the stock exchanges. Let us hope that the GOI initiatives will continue and corporate governance in Indian companies, particularly the CPSEs, will improve still further.

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