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An Investigation into the Corporate Governance Framework of Central Public Sector Enterprises in India

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ABSTRACT

Corporate governance (CG) in India is still in its early stages, yet it has shown consistent progress over the years. This process involves aligning the expectations of shareholders with the management of companies to enhance organizational value. Effective CG requires the active participation of all stakeholders, including shareholders and management, fostering communication, idea exchange, and thorough discussions. Over the past two decades, the landscape of CG in India has experienced significant transformations, with numerous commendable initiatives and regulatory measures introduced by the Government of India and various statutory bodies. These reforms have gradually but positively influenced CG practices across Indian corporations, including public sector enterprises (PSEs), which are government-owned entities. However, despite these advancements, it is important to recognize that CG in India still has considerable ground to cover in order to align with global best practices. This paper critically examines the CG practices of central public sector enterprises (CPSEs) in India, evaluates their performance through the corporate governance index (CG Index), analyzes the characteristics of their CG practices, and proposes strategies for the more effective implementation of robust CG practices within CPSEs in India.

Corporate governance is about controlling and directing the company. The starting point is the objective of the company. In the shareholder model, the ultimate control is with shareholders, who usually aim to maximise company profits and thus put financial value as the company objective. In contrast, the stakeholder model includes other stakeholders, notably employees and customers, alongside shareholders. The integrated model expands the company objective to integrated value, which combines financial, social, and environmental value. This includes not just current stakeholders and shareholders, but also future stakeholders, by representing the environment and people not yet born.

Key Words: Corporate Governance (CG), Central Public Sector Enterprises (CPSEs), CG Index

Introduction

The Indian economy is characterized as a mixed economy, wherein both the public and private sectors play crucial roles in fostering comprehensive economic development. Private sector enterprises are predominantly motivated by profit rather than by considerations of welfare or public interest. Consequently, private entrepreneurs often refrain from establishing businesses or investing in sectors that are closely aligned with public welfare, particularly those requiring substantial capital investments, where the potential returns may be either minimal or realized only over an extended timeframe. In such instances, the government actively engages in business operations by establishing public sector undertakings (PSUs). Ownership of these PSUs resides with either the Central Government or state governments. The governance of these public sector entities is not only regulated but also financially supported by the Central and State governments, with a primary emphasis on community welfare and equitable economic advancement. The Companies Act designates the government as a significant stakeholder in public sector units. Central Public Sector Units (CPSUs) in India operate under distinct characteristics, including government oversight, ministerial directives, delays in the appointment of independent directors, non-compliance with disclosure requirements, and accountability to both the public and the government. Minority shareholders in CPSUs enjoy certain rights, such as access to data, receipt of notices, participation in general meetings, the ability to transfer shares, and entitlement to dividends. They also have the option to approach the Ministry of Corporate Affairs or the Securities and Exchange Board of India (SEBI) in the event of any discrepancies. Despite these significant governmental decisions, actions cannot be taken without the consent of minority shareholders, who collectively hold more than 51% of the shares in the company.The Colgate scandal serves as a pertinent illustration of the neglect of minority shareholders' interests during the tenure of the UPA government, wherein benefits were disproportionately allocated to the lobbying efforts of ministries and industrialists.

In the post-LPG era, there has been a notable increase in bribery, corruption, scandals, and corporate frauds, such as creative accounting. Currently, business enterprises are often implicated, either directly or indirectly, in these unethical and socially unacceptable practices. The concepts of accountability and responsibility within corporate governance remain contentious issues globally. Corporate governance serves as a framework for directing and controlling corporate organizations, encompassing the overall management of their activities. Effective corporate governance entails the development of long-term strategies and a robust management structure aimed at fulfilling the objectives of the organization. Key components of this governance structure include the Board of Directors, Chief Executive Officers, shareholders, creditors, and other stakeholders. This framework delineates the rules and procedures for decision-making regarding corporate matters.

Relevance and Significance of the Study Despite the notable progress made in corporate governance in recent years, significant challenges persist in India. These include the disparity between public and private sectors, ineffective enforcement of legislation, inadequate accountability, subpar auditing practices, and increasing investor activism (KPMG, 2011). Such challenges have added to the complexity of corporate governance in the country. The notion of corporate governance remains in its early stages in India, with numerous issues and obstacles affecting its practices. Specifically, Central Public Sector Enterprises (CPSEs) are accountable to various ministries and must comply with the standards established by the Department of Public Enterprises (DPE). They are also governed by the Right to Information Act (RTI Act), the Comptroller and Auditor General (CAG) of India, and the Central Vigilance Commission (CVC). Consequently, CPSEs operate within a highly intricate environment.

Objectives of the Study

1. To examine the recent reforms in regulations pertaining to corporate governance in India, including the provisions outlined in the Companies Act of 2013 and relevant SEBI regulations.

2. To analyze the challenges and issues surrounding corporate governance in India, concentrating on a select number of Central Public Sector Enterprises (CPSEs).

3. To assess both the strengths and weaknesses of the corporate governance practices within the chosen CPSEs and to propose strategies for enhancing their operational effectiveness.

Research Questions

1. What are the latest regulatory changes and other advancements in corporate governance within India?

2. What challenges and issues are present in the corporate governance practices of specific Central Public Sector Enterprises (CPSEs)?

Methodology and Data Sources

This research is fundamentally descriptive-analytical, utilizing the most recent data on corporate governance within Indian enterprises. Consequently, the paper examines the current landscape along with the significant issues and challenges faced by Indian corporations regarding corporate governance, with a particular focus on Central Public Sector Enterprises (CPSEs). The data employed are secondary, sourced from a variety of government publications and the official websites of regulatory authorities. The collected data are analyzed to ensure a systematic presentation that aids in their meaningful interpretation and leads to specific conclusions.

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

In its 52nd Report (3rd Lok Sabha), the Estimates Committee highlighted the lack of a dedicated organization within the Government to offer policy direction and comprehensive guidance to the Central Public Sector Enterprises (CPSEs). It emphasized the necessity of establishing a centralized coordinating body capable of conducting ongoing evaluations of the performance of public enterprises. This recommendation resulted in the establishment of the Bureau of Public Enterprises (BPE) in 1965. Subsequently, in 1969, BPE was restructured as an independent administrative entity within the Ministry of Finance, specifically under the Department of Expenditure. Following a reorganization of the Central Government's Ministries and Departments in September 1985, BPE was moved from the Ministry of Finance to the Ministry of Industry. In May 1990, BPE was elevated to the status of a full-fledged Department and is currently referred to as the Department of Public Enterprises (DPE) within the Ministry of Heavy Industries and Public Enterprises. The DPE is responsible for issuing guidelines on various matters related to its mandate and for obtaining compliance reports.

In relation to Corporate Governance, DPE has integrated Corporate Governance into the Maharatna Scheme. Central Public Sector Enterprises (CPSEs) are anticipated to broaden their international operations and emerge as global leaders, making effective Corporate Governance essential. The guidelines on Corporate Governance have been established to ensure that CPSEs adhere to these principles in their operations. The proper execution of these guidelines will safeguard the interests of shareholders and other relevant stakeholders. To develop the Guidelines on Corporate Governance, CPSEs have been categorized into two groups: (i) those listed on the stock exchange; and (ii) those not listed on the stock exchanges.

For the specified Central Public Sector Enterprises (CPSEs), adherence to the SEBI Guidelines on Corporate Governance is mandatory. Furthermore, they are required to comply with any provisions in the guidelines that are not included in the SEBI Guidelines, provided these do not conflict with existing SEBI provisions. In the case of non-listed CPSEs, it is recommended that they endeavor to establish sound Corporate Governance practices in alignment with the SEBI guidelines, as they may be considered for listing within a reasonable timeframe determined by the relevant Administrative Ministry in consultation with the respective CPSEs. The Department of Public Enterprises (DPE) has issued guidelines addressing key issues to ensure compliance with Corporate Governance standards, which include:

(i) Composition of the Board of Directors,

(ii) Establishment of Audit Committees,

(iii) Formation of a Remuneration Committee,

(iv) Creation of a Subsidiary Committee,

(v) Disclosure requirements, and

(vi) Reporting, Compliance, and Implementation Schedule.

In addition to the aforementioned points, several principles of corporate governance are already practiced within the public sector. These practices encompass, among others, (i) the independent appointment of the Chairman, Managing Director, and Directors through established procedures; (ii) the independent appointment of statutory auditors by the Comptroller and Auditor General (C&AG); (iii) the ability to challenge any arbitrary actions of Management through writ petitions; and (iv) the determination of remuneration for directors and employees based on the recommendations of the respective Pay Committees.

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

The Securities and Exchange Board of India (SEBI) was established in 1988 with the objective of overseeing the operations of the securities market. Its primary aim is to foster orderly and sustainable growth within the stock market. However, in its early years, SEBI faced challenges in exerting comprehensive control over stock market transactions. Initially functioning as a watchdog, it was deemed insufficient in its regulatory and supervisory roles. Consequently, in May 1992, SEBI was conferred with legal status, thereby becoming a corporate entity with distinct legal identity and perpetual succession.

The expansion of stock market activities has been accompanied by a rise in various malpractices, including price manipulation, unofficial premiums on new issues, delays in share delivery, and violations of stock exchange rules and listing requirements. These unethical practices have led to a significant erosion of trust among investors in the stock exchange. In response, the Government of India established the Securities and Exchange Board of India (SEBI) as a regulatory authority. SEBI was created primarily to monitor and curb these malpractices while safeguarding investor interests. It aims to address the needs of three key stakeholders: (i) issuers, (ii) investors, and (iii) intermediaries.

SEBI's objectives encompass (i) regulating stock exchange activities, (ii) protecting investor rights and ensuring the safety of their investments, (iii) preventing fraud and malpractices by balancing self-regulation with statutory oversight, and (iv) establishing a code of conduct for intermediaries such as brokers and underwriters. Since its establishment, SEBI has played a pivotal role in enhancing and formalizing corporate governance practices in India.

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

The Companies Act of 2013 introduces significant reforms in the domain of Corporate Governance, which are anticipated to have extensive implications. This new framework is poised to transform the operational landscape for corporations in India. Key features of the Companies Act concerning Corporate Governance can be categorized into two main areas: (i) Increased penalties for noncompliance: The standards for corporate governance have been elevated, accompanied by a substantial rise in punitive measures, with numerous sections providing for the prosecution of directors, defaulting officers, and key managerial personnel, and (ii) More stringent regulations for unlisted public companies and private entities: There is a discernible shift towards rigorous oversight of unlisted public companies and large private firms, necessitating enhanced compliance regarding disclosures, transparency, and governance practices. While changes are pervasive, the primary areas of impact in corporate governance encompass the following:

❖ Board composition and accountability
- Augmented responsibilities for the board and its committees
- Requirement for specified unlisted companies to appoint independent directors; establishment of a mandatory code for independent directors
- Obligation for certain companies to include a woman director
- Compulsory appointment of key managerial personnel (KMP) – including CEO/MD/WTD, CFO, and Company Secretary
- Evaluation of the performance of the Board and its 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 at least one ID
- Form and approve a CSR policy
- Endeavour to spend at least 2% of net profits
- Directors to explain inability to spend in the directors' report

Issues and Challenges of Corporate Governance in CPSEs in India

Since the economic crisis of 2007–08, there has been a notable resurgence of state capitalism globally. This rise represents one of the significant shifts in the contemporary global economy. However, the expansion of state capitalism has introduced various challenges for governments and regulatory bodies, which are now facing intense pressure to address these issues effectively. Within state-owned public sector enterprises, inherent governance challenges often result in subpar performance. Consequently, the corporate governance of public sector enterprises poses a substantial challenge in numerous economies, including India. In India, the government maintains ownership or control over key sectors such as infrastructure, oil, gas, mining, and manufacturing (Som, 2013). Jaiswall (2012) critiques the corporate governance practices and strategies of Central Public Sector Enterprises (CPSEs), asserting that they are comparable to private sector firms in India for two primary reasons. The first reason relates to the pursuit of a neo-liberal agenda, which suggests that adherence to national and social objectives diverts these enterprises from their fundamental goal of generating shareholder value, thereby fostering inefficiencies. These inefficiencies, in turn, exert pressure on public finances and contribute to macroeconomic instability within the country. The second reason arises from the ambiguity surrounding the definition of national interest. Thus, the rationale for reducing the fiscal deficit, often cited to justify the current 'divestment act,' distracts from a critical examination of the origins of the deficit and whether it could have been mitigated through more judicious policies. It is noteworthy that as of 2010, 17 listed Central Public Sector Undertakings (CPSUs), including prominent entities such as Indian Oil, BHEL, and SAIL, lacked the necessary number of independent directors, which is a crucial component of effective corporate governance.Independent directors serve as a crucial component of corporate governance, possessing the unique ability to question management decisions and safeguard the interests of shareholders and other stakeholders.

In conclusion, the historical development of corporate governance within Central Public Sector Enterprises (CPSEs) reveals a pattern that frequently overlooks the governance challenges associated with national interests, and it rarely offers viable solutions to address these issues.

Corporate Governance Practices in Selected Central Public Sector Enterprises in India

This section provides an overview of corporate governance practices concerning five representative Central Public Sector Enterprises (CPSEs), namely (i) Oil and Natural Gas Corporation Ltd. (ONGC), (ii) Indian Oil Corporation Ltd. (IOCL), (iii) Steel Authority of India Ltd. (SAIL), (iv) Bharat Heavy Electricals Ltd. (BHEL), and (v) Gas Authority of India Ltd. (GAIL). The discussion highlights their key strengths and weaknesses:

❖ **Oil and Natural Gas Commission Ltd. (ONGC)**

ONGC acknowledges the significance of corporate governance as a fundamental component of its daily operations. The organization has established a comprehensive code of ethics to support this initiative, complemented by the publication of annual internal reports on corporate governance. The company identifies several key objectives that drive its corporate governance practices:

• Commitment to ethical standards that facilitate effective management, equitable wealth distribution, and the fulfillment of social responsibilities, thereby promoting sustainable development for all stakeholders, including customers, employees, and the broader community.

- Implementation of a robust internal control system designed to mitigate risks associated with achieving both short-term and long-term business objectives.

- Strict adherence to legal statutes, regulations, and guidelines in both letter and spirit.

- Independent verification processes for the accuracy of the Company's financial reporting.

- Strategic oversight by a Board of Directors characterized by appropriate composition, size, diverse experience, and a strong commitment to fulfilling their responsibilities.

- Timely and equitable disclosure of all significant information to stakeholders.

- Clearly articulated standards for measuring the performance of responsibilities.

- Explicit definition of shareholders' rights.

- Ensuring accuracy and transparency in disclosures related to operations, performance, risks, and financial status.

In compliance with the disclosure requirements established by the Department of Public Enterprises (DPE) under Clause 49, ONGC's comprehensive Corporate Governance report includes all necessary information mandated by the DPE.

ONGC has long been acknowledged as one of India's leading companies in adhering to exemplary corporate governance practices that prioritize stakeholder welfare. In 2003, the organization received the 'ICSI National Award for Excellence in Corporate Governance' in the public sector category. The company actively participates in socio-economic initiatives aimed at enhancing community development (Batra, 2007).

Nevertheless, its previously unassailable reputation for corporate governance faced scrutiny following a report by Goldman Sachs, which revealed discrepancies in its operations. The report indicated that the government had withdrawn $20 billion in cash from the company over the past six years without consulting minority shareholders (The Economic Times, 2009). Goldman Sachs further warned that minority shareholders could be adversely affected in scenarios where their interests are inadequately safeguarded. Additionally, these unplanned cash withdrawals exacerbate ONGC's challenges, particularly given its suboptimal production profile, where revenues are closely tied to oil prices (Rediff, 2013). Jaiswall (2012) critiques ONGC's corporate governance practices, asserting that they are comparable to those of private sector firms in India for two primary reasons. The first reason relates to the pursuit of a neo-liberal agenda, which suggests that adherence to national and social objectives diverts the organization from its fundamental goal of generating shareholder value, thereby fostering inefficiencies. These inefficiencies, in turn, place a burden on public finances and contribute to macroeconomic instability. The second reason pertains to the ambiguity surrounding the definition of national interest, which complicates the justification for reducing fiscal deficits in the context of current financial practices.

❖ Indian Oil Corporation Ltd. (IOCL)

Indian Oil Corporation Limited (IOCL), akin to Oil and Natural Gas Corporation (ONGC), has established a significant standard for transparency and stakeholder welfare within India's public sector through its robust corporate governance practices. The organization adheres to the principle that effective corporate governance is essential for the efficient operation of the company and plays a crucial role in maximizing value for all stakeholders involved. IOCL is dedicated to maintaining the tenets of corporate governance, which include transparency, integrity, and accountability—key components necessary for realizing its ambition of evolving into a prominent, diversified, transnational, integrated energy enterprise (IOCL, n.d.). To reinforce its commitment to corporate governance, the company has implemented several measures, including (a) a Code of Conduct for Directors and senior management, (b) a Code of Conduct aimed at preventing insider trading, and (c) a Policy focused on risk assessment and mitigation strategies.

Furthermore, the Right to Information Act manual provides a framework for the constitutional right to access information pertaining to any private entity. This legislation empowers the public to obtain various records, documents, memos, emails, opinions, advice, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, and data held in electronic formats related to any private body. Recently, the company published its 54th Annual Corporate Governance report, which includes the pertinent information as mandated by the Department of Public Enterprises (DPE).

The Corporate Governance report of Indian Oil Corporation Limited (IOCL) indicates the presence of a comprehensive code of conduct and policy framework governing its essential operations. This includes the Code of Conduct for Directors and Senior Management, a Code of Conduct aimed at preventing Insider Trading, an Enterprise Risk Management Policy, an Integrity Pact designed to promote transparency in business practices, a Whistle Blower Policy, as well as Conduct, Discipline, and Appeal Rules applicable to employees. Additionally, the report addresses Corporate Social Responsibility, sustainable development initiatives, and Human Resources policies (IOCL, 2013).

The corporate governance philosophy of the organization emphasizes the 'maximization of shareholder value'; however, its overarching vision is 'to play a national role in oil security and public distribution.' This discrepancy was noted by Dewan (2006), who identified a significant conflict between these two primary objectives, suggesting that the directors of IOCL may struggle to reconcile them and will ultimately need to prioritize one over the other. Dewan attributed this issue to a lack of clear direction and the absence of a coherent government strategy, which has led to the utilization of Central Public Sector Undertakings (CPSUs) as vehicles for social welfare rather than as purely commercial entities. Furthermore, a report by the Economic Times (2010) highlighted that 17 listed public sector undertakings, including prominent companies such as Indian Oil, BHEL, and SAIL, do not meet the required number of independent directors, a critical component of effective corporate governance. Independent directors serve as a vital mechanism for corporate governance, as they possess the authority to question management decisions and safeguard the interests of shareholders and other stakeholders (The Economic Times, 2010). Conversely, Mathur et al. (2010) argue that Indian Oil stands out as one of the few leading firms in India that adheres to exemplary corporate governance practices. This situation reflects a lack of consensus regarding the implementation and outcomes of corporate governance in the context of Indian Oil.

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

BHEL, similar to the two previously examined companies, exemplifies a Central Public Sector Undertaking (CPSU) in India that has maintained a favorable perspective on corporate governance. The organization has instituted a robust Corporate Governance framework that emphasizes a commitment to governance quality, transparency in disclosures, the enhancement of stakeholder value, and corporate social responsibility. BHEL aims to exceed the minimum regulatory standards and fundamental requirements of Corporate Governance, consistently striving to foster trust among its diverse stakeholders, which include shareholders, customers, employees, suppliers, and the broader community. The company has implemented a framework designed to ensure transparency, equitable disclosure, and fairness for all stakeholders, particularly minority shareholders (LiveMint, 2014).

BHEL's Vision articulates the aspiration of "being a global engineering enterprise providing solutions for a better tomorrow," while its Mission focuses on "providing sustainable business solutions in the fields of Energy, Industry & Infrastructure" (LiveMint, 2014).

The Corporate Governance Policy of BHEL is founded on four essential pillars: Transparency, Full Disclosure, Independent Monitoring, and Fairness to all stakeholders. To reinforce this commitment, BHEL has entered into a Memorandum of Understanding (MoU) with Transparency International to implement an 'Integrity Pact.' The alignment of its corporate structure, business processes, and disclosure practices with the Corporate Governance Policy has led to the attainment of organizational objectives alongside a high standard of business ethics. The principles underpinning its Corporate Governance policy are as follows (LiveMint, 2014):

The Board's autonomy and adaptability are paramount. All personnel are expected to uphold integrity and demonstrate ethical conduct. There is a commitment to acknowledging responsibilities to all stakeholders, including shareholders, customers, employees, suppliers, and the broader community. A strong emphasis is placed on maintaining high standards of disclosure and transparency. The company adheres strictly to legal requirements across all operational domains. The pursuit of these objectives is undertaken with a deep consideration for both individuals and the environment.

The organization asserts that engaging in business practices that adhere to Corporate Governance protocols and the Code of Conduct reflects its fundamental values, thereby enabling the delivery of sustainable returns to shareholders, beneficial results for customers, appealing prospects for employees, and fostering partnerships with suppliers to advance societal enrichment (LiveMint, 2014).

BHEL has garnered significant recognition from scholars regarding its corporate governance practices. For example, Bhatt (n.d.) suggests that Bharat Heavy Electrical Ltd. (BHEL) is striving to assume a significant role in social responsibility within India's public sector. Each division of BHEL acknowledges its social responsibilities and has developed comprehensive plans aimed at enhancing the welfare of its employees residing in townships and surrounding areas. The company actively identifies specific community issues and collaborates with local bodies, authorities, and voluntary organizations to provide timely assistance. BHEL's proactive engagement, along with its employees, in community welfare initiatives is instrumental in cultivating goodwill among local populations and fostering a deeper understanding of their challenges. Initiatives undertaken by BHEL include the provision of drinking water facilities, the construction of external sewage systems, roads, and culverts, the establishment of health services, enhancements to quality of life through job redesign, and improvements in educational resources. A doctoral study analyzing corporate governance practices across various industries in India revealed that BHEL consistently outperformed many large-scale Central Public Sector Undertakings (CPSUs) in areas such as the disclosure of criteria for the selection of Independent Directors, the establishment of criteria for evaluating other committees, and the inclusion of Corporate Social Responsibility (CSR) initiatives in annual reports.

An additional example demonstrating BHEL's commitment to corporate governance standards is its prompt decision to appoint two independent directors to its board, thereby ensuring compliance with listing regulations ahead of the company's follow-on public offer (India CSR, 2011). More recently, NDTV (2014) reported that the new Companies Act, which came into effect on April 1, mandates that companies establish a vigil mechanism allowing directors and employees to report legitimate concerns, thereby enhancing corporate governance and transparency. This requirement is also reflected in the listing agreements between companies and stock exchanges. BHEL implemented this policy on September 16. In line with its commitment to robust corporate governance, BHEL introduced a whistle-blower policy that includes measures to safeguard the identities of whistle-blowers and protect them from retaliation. Furthermore, any employee who aids in the investigation or provides evidence related to a complaint is also afforded protection. Gopalsamy (2006) notes that BHEL outperforms other Central Public Sector Undertakings (CPSUs) in India, largely due to its two-tier management structure, which consists of a policy-making body and an executive committee. This structure may serve as a model for other organizations seeking to streamline their control systems. However, despite numerous reports on BHEL's corporate governance practices, there remains a lack of a clear and transparent overview of its internal governance framework.

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

The philosophy of the Company in relation to Corporate Governance is to ensure transparency, disclosures andreporting that conforms fully to laws, regulations and guidelines, and to promote ethical conduct throughout theorganisation, with the primary objective of enhancing shareholders value while being a responsible CorporateCitizen. SAIL is committed to conforming to the highest standards of Corporate Governance in the country. Itrecognizes that the Board is accountable to all shareholders and that each member of the Board owes his/her firstduty to protecting and furthering the interest of the company. As a part of the Corporate Governancerequirements, the Company has the Audit and Shareholders' Grievance Committees in place. Being aGovernment Company, the nomination and fixation of terms and conditions for appointment as Director is madeby Government of India. As such, the Nomination and Compensation Committee has not been constituted

(Shahand Bhaskar, 2009). The company releases its official annual corporate governance report which reviews indetails its agenda and achievements during the year with respect to corporate governance. The corporategovernance 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 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 programs in the nature of avenue plantations, setting up of parks, and healthcare projects such as reproductive child health and HIV/ AIDS prevention and control programs. According to Shah and Bhaskar (2009), it is very appreciable that an organization like SAIL has Corporate Governance as a base objective. In short, there has been an effective implementation Corporate Governance policy 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 maximization 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)**

In the aftermath of the Satyam scandal, the concept of robust corporate governance gained significant traction among prominent corporations in India, including GAIL. In 2009, GAIL (India) Ltd took proactive measures by establishing an empowered ethics committee tasked with advising the company's board on appropriate business practices. This committee is designed to serve as a moral compass, providing the Board with recommendations aimed at enhancing corporate governance standards within the organization. Comprising four independent directors along with one government-nominated member, the committee explicitly excludes the Chairman and Managing Director (CMD) as well as any functional directors from its membership. The committee's mandate encompasses various critical areas, including the avoidance of conflicts of interest, promotion of fair play, upholding integrity and accountability, safeguarding corporate interests and assets, ensuring transparency in financial disclosures, and adhering to legal and ethical standards. This initiative complements the existing audit committee already established within the company (Hindustan Times, 2009). Like other firms within the Navratna category, GAIL publishes an annual Corporate Governance report that encompasses all requisite elements as outlined by the Department of Public Enterprises (DPE).

GAIL was honored with the prestigious ICSI National Award for Excellence in Corporate Governance in 2011, primarily attributed to its commitment to transparency. Furthermore, the Indian Chamber of Commerce recognized the company with the award for 'Sustainability Performance' during the 4th Corporate Governance & Sustainability Vision Summit & Awards in 2014. To enhance transparency, GAIL has implemented various institutional processes and has transitioned into an e-enabled organization, conducting all operations electronically. This includes systems for e-tendering, e-banking, e-Performance Management, e-Budgeting, and e-Document Management (The Hindu Business Line, 2011). A doctoral study highlights the company's dedication to Corporate Governance, as evidenced by its Code of Conduct for Board Members and Senior Management, along with its Code of Conduct for the Prevention of Insider Trading. GAIL is guided by core values that emphasize ethical practices, employee welfare, and customer satisfaction. The company employs state-of-the-art technology, prioritizes safety in its operations, promotes the health of its employees, and fosters a clean environment conducive to sustainable development.

In pursuit of Total Quality Management (TQM) at its facilities, GAIL has undertaken world-class initiatives such as e-business, Bill Watch System, File Movement System, Customer Relationship Management, Customer Grievance Redressal System, e-Recruitment, e-Performance Management System (e-PMS), Online Vigilance Complaint Registration System, e-Budgeting System, and Management Information System (ibid). Additionally, a statutory Audit Committee, comprising Board-level members, oversees all internal systems and practices. GAIL has also established an Ethics Committee to uphold ethical business conduct.

GAIL was honored with the prestigious Scope Corporate Governance Award for the fiscal year 2007-08, recognizing its outstanding efforts in the promotion and execution of Corporate Governance principles. The organization employs a range of advanced systems, including the SAP management system, an Enterprise Resource Planning (ERP) system, and Six Sigma methodologies, alongside various other best practices in its operational framework. In a survey conducted by Platts, a UK-based firm, GAIL was distinguished as the leading energy company in Asia.

The company's vision and mission statements encapsulate fundamental organizational values that are embraced and practiced by all employees, from senior management to entry-level staff. GAIL has formulated a Strategic Plan covering the years 2007 to 2012, with an ambitious objective of doubling its net income by the end of the 2011-12 period. The company has demonstrated significant success in meeting these targets. Since entering into a Memorandum of Understanding (MoU) with the Government of India for performance evaluation, GAIL has consistently received the highest 'Excellent' rating from the government. Furthermore, it has upheld its 'Navratna' status, granted by the Government of India, since the inception of the Navratna Policy in 1997. The company's exemplary Corporate Governance practices have played a crucial role in its evolution into a global entity over its 25-year history.

The Successful Execution of Corporate Governance in Central Public Sector Enterprises: Recommendations for Improvement.

- Corporate governance efforts within Central Public Sector Enterprises (CPSEs) should aim to embed best practices that align broadly with the guidelines established by the Securities and Exchange Board of India (SEBI).
- The initiatives in corporate governance should focus on promoting long-term societal benefits and fostering balanced development across the nation, recognizing the unique role of CPSEs, which are funded by the Government of India and serve a national purpose.
- It is essential for all CPSEs to understand that effective governance transcends mere compliance; it must be pursued in both letter and spirit to ensure lasting advantages for the public.
- CPSEs must possess a clear understanding of the Board's responsibilities concerning the strategic implementation of robust corporate governance practices.
- In conjunction with the adoption of sound corporate practices, CPSEs should maintain vigilant oversight of their organizational performance continuously.
- CPSEs must ensure that their Boards effectively utilize the Chairpersons to facilitate the implementation of sound corporate governance practices.
- The Chairpersons appointed to CPSEs should possess the necessary qualifications and expertise to fulfill their roles effectively.
- CPSEs must acknowledge that risk governance is a critical responsibility that falls under the purview of their respective Boards.
- It is imperative that Directors of CPSEs have access to pertinent information required for informed and rational decision-making.

- To achieve effective corporate governance, CPSEs should establish and sustain a robust governance infrastructure that supports their initiatives.
- A Board composed of individuals with diverse skills should be developed and consistently maintained within CPSEs.
- CPSEs ought to establish and sustain a continuous framework for assessing the performance of the Board and individual Directors regularly, while also seeking avenues for ongoing enhancement in this regard.

Concluding Remarks

In light of the preceding discussion, it is evident that there has been significant progress in the establishment and upkeep of corporate governance frameworks by Central Public Sector Enterprises (CPSEs) in India. Overall, the corporate governance practices within CPSEs have been praiseworthy, despite the numerous challenges they encounter and the criticisms directed at certain enterprises. The Indian Government retains ownership or control over critical sectors such as infrastructure, oil, gas, mining, and manufacturing. The initiatives undertaken by the Government of India (GOI) aimed at enhancing corporate governance performance in companies, particularly within CPSEs, have been commendable. These efforts have gained traction due to the vital role CPSEs play in the Indian economy, the growing demand for improved competitiveness, and the listing of CPSEs on stock exchanges. It is hoped that the GOI's initiatives will persist, leading to further advancements in corporate governance among Indian companies, especially CPSEs.

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