

A STUDY OF CORPORATE GOVERNANCE IN PUBLIC SECTOR IN INDIA: A COMPARATIVE STUDY OF BHEL AND NBCC

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Introduction

Public Sector Undertakings always play an important role in shaping the economy of the country. After independence of India, the PSUs were given a commanding role to play, because the private sectors were reluctant to enter because they were apprehensive of the profit, viability and the long gestation period, wherever the investment was huge. Government of India, in order to fulfill the obligations mandated in the Directive Principles of State Policy of the Constitution, had to reduce the regional disparity, concentration of wealth among the few, and to generate employment, especially among the deprived sections of the society, had to establish large number of PSUs. Though the PSUs grew in their shape and size, incurred heavy losses persistently due to incompetence, mismanagement, overstaffing and corruption. Government had no other alternative, but to seriously rectify the governance system. Corporate Governance was considered as the only panacea to the woes of Public sector Undertakings. They brought about series of measures, in corporate governance of the PSUs.

Objectives of Study

The objectives of study include; its origin, concept, organizational structure and types of PSEs in India, to evaluate their achievements and failures, and to suggest for their improvements. The project has been designed to study and understand the various aspects of corporate governance, to study the growth and development of BHEL & NBCC, to examine the organizational structure of BHEL & NBCC, to study corporate governance in PSE, make comparative analysis of corporate governance best practices in BHEL & NBCC, and to suggest an appropriate measure for better public sector governance.

Methods of the Study

The entire study comprises of data collected through primary as well as secondary sources. The sources of primary data collected include official interviews, Annual reports, Planning Commission reports, official records, correspondences and letters, research reports etc. Likewise the secondary sources of collected data include historical books, information downloaded from the internet, reference books etc. Primary data are collected through a structured questionnaire and through interviews. The primary data has been collected from different ranks. As the executives were reluctant to give the written information, hence the interview mode of collection of data was adopted.

The concepts of Corporate Governance

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, the board of directors, employees, customers, creditors, suppliers, and the community at large. The basic objectives of Corporate Governance are 'enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders'.

Analysis

It is analysed that both the PSUs have not been able to adhere to the principles of corporate governance. Both the boards have not taken adequate steps to timely fill up vacant posts of

independent directors, holding meetings timely, especially by NBCC. The PSUs have also not defined clearly their areas of function. The key areas of failure in both the PSUs are namely, working environment, board, management style, inability of the audit committee to function independently and interpret properly, improper wage structure, lack of modern HR practices. All related information should be placed before the board for discussion, debate and to take appropriate decision. But unfortunately a lot of such information is not being placed before the board making it ineffective and redundant. Disclosure is one of the key areas of corporate governance. But woefully it is noted that neither of the PSUs has been able to come anywhere near the basic tenants of disclosure process.

Suggestions

The vacant posts of directors should be filled up timely. All fees/compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of share holders in general meeting. All detailed information relating to the PSUs should be placed before the boards of these two PSUs. The boards should have a code of conduct and should put it in their web sites. There should be a clear whistle blowers' policy. The respective boards should monitor the PSUs in letter and spirit. The boards of these two PSUs should ensure that it is made up of directors with the requisite range of skills, knowledge and experience to enable it to discharge its duties and responsibilities. In order to ensure that the corporate governance implemented in letter and in spirit, it is essential that an efficient, independent minded and competent audit committee is appointed. The committee must function with full independence and the board should ensure the quality and independence of the Committee. The PSUs should ensure that all the activities are carried out in a transparent manner. The disclosure policy should be of highest standard. All employees and members of the board must adhere to the highest ethical standards. Efficient Human Resources Management is *sine qua non* to the success of any PSU. Hence the PSUs should have pool of talented professionals who should work in the areas of recruitment, autonomy, delegation of authority, competency mapping, and training. The PSUs should weed out the dead wood and carry out retaining the efficient and honest employee. They should focus on employees' welfare, and the research and development. PSUs should lay stress in the areas of Human Resources Management, such as, to enable HR professionals to apply human capital data, develop a talent model for HR that encompasses the need for new skills and capabilities and is built through improved selection, training, employee development and performance management. They should build a roadmap for HR transformation that generates momentum and embeds strategic changes into the DNA of the business, take up regular competency mapping, to retain the talent and weed out the inefficient and corrupt.