

Evaluation of Corporate Governance Practices in India : A Comparative Study of Public Sector Companies

Raj Kumar Singh* and Tanvee Mehta**

** Department of Commerce, Himachal Pradesh University, Shimla*

*** Department of Commerce, Himachal Pradesh University, Shimla*

Abstract

This research paper seeks to evaluate the corporate governance practices of Public Sector Companies. There exist inter-companies differences in compliance to corporate governance norms as different parameters are given prominence by companies as per the level of market capitalization, prevailing laws pertaining to industry and level of economic development. The major objectives of the present study are: to explore and examine the prevailing corporate governance practices in SJVN Limited and NHPC Limited, and comparative analysis of corporate governance practices in both companies. In order to evaluate the standard and quality of corporate governance practices in the selected companies a model based on point value system has been employed, whereby the key governance parameters are selected on a 100 point scale. After determining the total corporate governance score, the companies were graded on five-point scale. Mean, Standard Deviation, Skewness, Kurtosis, Trend Analysis and Independent Sample t-test were applied to evaluate the compliance status of corporate governance practices by the both companies. The results illustrate that there is a significance difference between the corporate governance practices of SJVN Limited and NHPC Limited, and from compliance perspective, the position of SJVN Limited is better as compared to NHPC Limited.

Key Words

Corporate Governance Practices, SJVN Limited, NHPC Limited, Annual Reports.
JEL Classification : G 3, G 30, K 22, L 32, M 14, M 48.

INTRODUCTION

The term corporate governance has become one of the most commonly

used phrases in the contemporary business vocabulary, to which India is no exception. The term was first used by Bob Tricker as the title of his book (Kumar, 2015). Before, late 80s and early 90s corporate governance was relatively an unknown subject. This concept came into prominence when corporate sector in most of the countries was infected with the problems of questionable or unethical corporate policies or practices. There were rampant cases of exploitation of minority shareholders, siphoning of funds, blatant violation of laws, non-compliance of rules and regulations, fraudulent dealings, inadequate transparency and non-disclosures (Sharma, 2016). The reform process started from the UK with the formulation of Cadbury committee in 1991 to address the financial aspects of corporate governance, followed by formulation of Sarbanes-Oxley Act in 2002 in the USA and many other corporate governance reforms were initiated in the other parts of the world. In India, the history of corporate governance got real momentum from the year 1998 onward when the Confederation of Indian Industry framed CII code of desirable corporate governance for listed companies, followed by SEBI's Kumar Manglam Birla Committee Recommendations in 2000 which were later on incorporated in Clause 49 of the Listing Agreement of every stock exchange, and finally, Company Act 2013 which was passed to incorporate all emerging issues relating to corporate governance (Das 2013).

1980s was the era of radical economic reforms. The USA and UK paved the path for globalization and liberalization and introduced several structural adjustment programs. The fiscal crisis of 1991 and the resultant need to approach International Monetary Fund forced India to move in the direction of economic and structural reforms. This movement also stipulated a change in the system of corporate governance in the line with Anglo-American System. The new economic policy adopted by Government of India has necessitated the demand for introduction and implementation of a proper and quality corporate governance policy not only in the interest of their stakeholders but also for the development of society and economy. The need of the hour is a total shift from "Government approval-based system" to "stakeholder approval and disclosure-based system". In the changing economic scenario there is a need to work for quality corporate governance mechanism. The quality corporate governance requires ethically and spiritually obeying the established rules and regulations, transparency, accountability, empowerment, integrity, disclosure, fairness and trusteeship in order to ensure sustainable growth of both business and economy, building confidence and long-term sustenance of stakeholder relationships, development of capital market, brand equity and excellent corporate governance credentials (Das, 2013).

In the present study, an endeavor has been made to evaluate the corporate governance practices of Public Sector Companies. Therefore, two hydro power generation companies of public sector namely, Sanjay Jal Vidyut Nigam Limited and National Hydro Power Corporation Limited were selected. Sanjay Jal Vidyut Nigam

Limited (SJVNL) a Mini-Ratna, category-1 under the administrative control of Ministry of Power, Government of India was incorporated on May 24, 1988 under the Indian Companies Act, 1956, as joint venture of Government of India and Government of Himachal Pradesh, working in the area of Hydroelectric Power generation. The SJVN Limited is a listed company having shareholders pattern of 65:25:10 between the Government of India, State Government of Himachal Pradesh and the Public. Further, again in September 17, 2002, the name of company was changed from "Nathpa Jhakri Power Corporation Limited" to "Satluj Jal Vidyut Nigam Limited". Subsequently, in pursuance to shareholders' resolution dated, September 10, 2009, the name of company was changed from "Satluj Jal Vidyut Nigam Limited" to "SJVN Limited". The SJVN Limited has expanded its horizon and envisions developing itself into a fully diversified Transnational Power Sector Company in all types of conventional & non-conventional form of energy along with Power Transmission. The company, at present, is not only working in India but also working in the neighboring countries like Nepal and Bhutan (www.sjvn.nic.in).

National Hydro Power Corporation Limited (NHPCL), a Miniratna Category – I Enterprise of Government of India was incorporated in 1975 with an objective to plan, promote and organize an integrated and efficient development of Hydroelectric Power. NHPC Limited is listed in National Stock Exchange and Bombay Stock Exchange on 1 September, 2009. Government of India and State Governments have 74.51% share as a promoter of the company while remaining 25.49% is public shareholding. NHPC Limited expended its objective to include development of power in all its aspects through conventional and non-conventional sources in India and abroad. NHPC Limited is ranked as a premier organization in the country for development of hydropower. Till date, NHPCL has executed 20 projects with an installed capacity of 6507 MW. (www.nhpc.gov.in).

REVIEW OF LITERATURE

While conducting the present research work, the review of literature of the past studies has been done which helps in the development of new insight in the domain of the study relating to corporate governance practices in India. This also helps in the formulation of theoretical framework on which the proposed solution of the problem can be based. Tulder and Kolk (2001) conducted the study to know the impact of stakeholders on the social responsibility and ethical behavior of firm to maintain the balance between the 'business and society'. It was found that the different sourcing strategies, degrees of multinationality and national backgrounds have impact on the formulation and implementation of code of conduct for business. Donaldson and Fafaliou (2003) examined three factors Business Ethics, CSR and Corporate Governance in order to address, identify their similarities and differences and provided a critical argument based on the notion

of business as an ideology that could benefit the business and management. Arya *et al.* (2003) argued that the globalized business environment and the increased competitive pressure after opening of the economy associated with consumer awakening has changed the corporate management scenario in the country. Singh (2005) presented the study which was focused on concepts and practices of corporate governance that has occupied a centre-stage since the early 1990s in UK, USA, Europe, Canada, Japan and India. Solomon and Solomon (2007) examined the importance of corporate governance for corporate success as well as for social welfare in the backdrop of corporate accountability toward stakeholders. Luo *et al.* (2009) analysed the impact of national corporate governance models on foreign direct investment in emerging economies and to maximize returns from their investment in host countries. It was concluded that the foreign firm rely on their distinct home-based corporate governance models to select local partners in emerging economies. Balasubramanian (2010) discovered that there is a vital need in emerging economy for promoting better understanding and practice of good corporate governance among company directors and senior executives in the contemporary scenario. Prasanna (2011) undertaken the study with the objective to examine the size, structure and composition of board of director in corporate units, to examine the mandatory as well as the non-mandatory requirement of clause 49 of listing agreement and to analyze the effect of corporate governance on firm's performance. It is concluded that the company with high corporate governance rating enjoy better overall organizational effectiveness. Chaudhury (2012) explained that the excellence in term of customer satisfaction, return, product and service, return to promoters and social responsibilities towards society and people can't be achieved without practicing good corporate governance. Vijaya Lakshmi (2013) evaluated the measure and strengthen in respect to the compliance of the mandatory requirement under clause 49 of listing agreement of SEBI in Andhra Bank from 2004-05 to 2011-12. It was found that the overall corporate governance practices were excellent and the company was getting score 91 on the scale of 100 on the basis of 17 parameters used. Aggarwal (2013) studied impact of corporate governance on financial performance using a sample of 20 companies listed on Standard & Poor's CMX Nifty 50 Index. Finally, it was concluded that the governance ratings have positive and significant impact on financial performance. Maheshwari and Meena (2014) the four vital pillars responsibility, transparency, fairness and accountability were studied in order to discuss the trend of disclosure of corporate governance practices followed by State Bank of India for the financial year 2010-11 to 2012-13 and concluded that the State Bank of India was showing maximum compliance towards corporate governance norms. Dokania

and Pathak (2014) conducted the study that due to globalization corporate social responsibility enhance the company image as well as reputation and analyze whether these corporate social activities have facilitated the organizations to augment their corporate image in a positive way. Taruna and Shailesh (2015) studied corporate governance practices of 100 companies from ten diverse industry sectors in India and summarized that 19 firms follow excellent governance mechanism with grade A, 44 firms very good governance practices got B grade, 29 firms with C grade, whereas remaining 8 firms attain an average status of governance with D grade. Goel *et al.* (2015) provided that corporate governance practices have a significant effect on working capital management than on the independence of the audit committee. Sharma (2016) argued that till about two decades ago, corporate governance was relatively an unknown subject whereas it came into prominence in late 80s and early 90s of the twentieth century because of corporate misgovernance and unethical practices which caused the spree of collapse and failure of several high profile corporations in the USA and elsewhere in the world. Singh (2017) presented in his book that the two factors business ethics and corporate social responsibility are widely acknowledged as significant factors in the domain of corporate governance. Ethics guide the business for smooth running of business and corporate social responsibility help the business for the realization of economic, social and environmental objectives of a business in effective and efficient manners. These two factors will enhance the value of business in the economy and society.

STATEMENT OF PROBLEM

On the basis of extensive review of past studies, it has been observed that till date no specific study has been conducted in relation to the evaluation of corporate governance practices in SJVN Limited and NHPC Limited. Therefore, the study titled as "An Evaluation of Corporate Governance Practices in India : A Comparative Study of Public Sector Companies" has been undertaken.

RESEARCH METHODOLOGY

The methodological frame of present study is elaborated as under :-

Objective of the Study

The following are the objectives of the present study :-

1. To explore and examine the prevailing Corporate Governance Practices in SJVN Limited and NHPC Limited.
2. Comparative analysis of corporate governance practices in SJVN Limited and NHPC Limited.

HYPOTHESIS OF THE STUDY

In order to achieve the above cited objective, the following hypothesis have been formulated :-

H₀ : There is no significant difference in the Corporate Governance practices in SJVN Limited and NHPC Limited.

SCOPE OF THE STUDY

The main focus of the present study is to analysis the corporate governance practices in SJVN Limited and NHPC Limited, the Miniratna Category-1 companies which are currently working in the hydroelectric power sector of India, more specifically in Himachal Pradesh. The study covered eight years' annual reports of selected companies with effect from 2010-11 to 2017-18.

Model Specification

In order to evaluate the standard and quality of corporate governance practices in the selected companies, a working method based on point value system has been employed, whereby an adequate weightage in terms of points has been provided according to their importance (Subhash Chandra Das, 2103). Though this method is subjective having its own limitations, yet it helped to identify the quality and effectiveness of corporate governance practices. This method has been considered in the present study as it assigned the due weightage to all relevant conditions of corporate governance stipulated by the Clause 49 of listing agreement as well as the provisions of Company Act 2013. Under this method the key governance parameters are selected on a 100 point scale. After determining the total score based on the criterion for evaluation of corporate governance standard, the companies were graded on five-point scale as stated below :-

Table 1
Grading on Five-Point Scale

Point	Score Range	Rank
1	86-100	Excellent
2	71-85	Very Good
3	56-70	Good
4	41-55	Average
5	Below 41	Poor

Source : Subhash Chandra Das (2103), Corporate Governance in India, PHI Learning, New Delhi, PP-369.

Sources of Data

The present study is purely based on secondary sources of information and the relevant secondary data are collected from the websites of both the companies for SJVNL data collected from www.sjvn.nic.in and for NHPCL data collected from www.nhpc.gov.in. The financial year-wise annual reports were consulted to collect the desired information.

Time Period of Study

The present study covers the period of eight financial years starting from 2010-11 to 2017-18.

LIMITATIONS OF THE STUDY

The limitations of the present study are given below :-

- The present study is based on secondary source of information.
- Study covers the time period from 2010-11 to 2017-18.
- The current study is confined to evaluation of corporate governance practices only.
- The information is derived from the various annual reports of the companies provided in their respective websites.
- The study is limited to only Miniratna category-1 companies working in Himachal Pradesh.
- The evaluation of corporate governance practices are based on the 17 points parameters of Corporate Governance as elaborated by the Subhash Chandra Das (2013) in his work.
- The study covered only Hydroelectric Power Projects working in Himachal Pradesh.
- The finding of the outcomes cannot be generalized in the national context due to unique characteristics of each company

EMPIRICAL RESULTS AND INTERPRETATION

The analysis and interpretation of all checklist parameters of corporate governance practices in SJVN Limited and NHPCL Limited is elaborated separately as under :-

Company's Philosophy on Code of Governance

The declaration of company's philosophy on code of governance is a first parameter for the evaluation of corporate governance practices in India. The ideal points assigned for this parameter is 2 on a scale of 100 point. Both companies have made satisfactory disclosure in respect to their philosophy on code of governance. Therefore, both companies get a score of 2 points each in each financial year.

Structure and Strength of Board

According to the structure and strength of the board, there are two essential conditions for companies such as 50% of Board should consist of Independent Directors and the strength of the board shall not be less than 6 and not more than 15. The SJVN Limited fulfilled both the conditions during 2011-12, has been assigned 2 points. Whereas during rest of the study period, it fulfilled only one condition and is assigned 1 point only. On the other hand, NHPC Limited fulfilled both the conditions during the years 2010-11, 2011-12, 2012-13 and 2013-14 has been assigned 2 points during each year. Whereas during the remaining years, it fulfilled only one condition, hence, could score only 1 point.

Chairman and CEO Duality

The issue relating duality of position in relation to Chairman and Chief Executive Officer or Managing Director has been the burning issue in the realm of corporate governance discussions. Most of the researchers and thinkers viz. Tricker, Monks, Minow, Bain and Band clearly opined in favour of separation of the role of Chairman from Chief Executive Officer or Managing Director to avoid the conflict resulting from the obvious concentration of power and lack of transparency. This separation function is supported by most of the regulatory bodies and financial commentators around the developed world such as the USA and the UK (Shubhash Chadera Das, 2013). In India, to ensure good corporate governance it is a mandatory recommendation under the clause 49 of listing agreement of SEBI that these two positions must be held by separate individuals.

Table 2
Structure and Strength of the Board

Years	SJVN Limited		NHPC Limited	
	Number of Directors	Score	Number of Directors	Score
2010-11	08	1	13	2
2011-12	13	2	12	2
2012-13	12	1	13	2
2013-14	12	1	14	2
2014-15	06	1	07	1
2015-16	11	1	11	1
2016-17	11	1	10	1
2017-18	10	1	11	2

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Five points associated to Chairman CEO duality are incorporated in corporate governance checklist with maximum ideal score of 5 on the scale of 100. It is evident from the Table 2 that in the case of SJVN Limited and NHPC Limited both positions are held by the same individual, hence, assigned 2 point each during the study period. This principle of duality remains wholly intact in 100 percent Public Sector Undertakings due to government policy.

Table 3
Chairman and CEO Duality

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	2	2	2	2	2	2	2	2
NHPC Ltd.	2	2	2	2	2	2	2	2

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Disclosure of Tenure and Age Limit of Directors

The fourth component of corporate governance checklist is concerned with the disclosure of tenure and age of directors, having assigned ideal score of 2 points. The analysis of Table 4 reveals that both SJVN Limited and NHPC Limited are making the adequate disclosure regarding tenure and age of directors.

Table 4
Disclosure of Tenure and Age Limit of Directors

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	2	2	2	2	2	2	2	2
NHPC Ltd.	2	2	2	2	2	2	2	2

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Definition of Independent Directors, Financial Experts and Selection Criteria of Board of Directors including Independent Directors

It is evident from the Table 5 that both the companies are fulfilling all the three conditions, hence, assigned 3 points each during each financial year.

Table 5
Disclosure Regarding Definition of Independent Directors, Financial Experts and Selection Criteria of Board of Directors Including Independent Directors

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	3	3	3	3	3	3	3	3
NHPC Ltd.	3	3	3	3	3	3	3	3

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Post-Board Meeting Follow Up System and Compliance of the Board Procedure

This is the sixth parameter of corporate governance practices having weightage of 2 points on a scale of 100. The analysis depicts that both SJVN Limited and NHPC Limited fulfill all the requirements relating to this governance parameter, hence, assigned the 2 point for both the companies.

Table 6

Board Meeting

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	2	2	2	2	2	2	2	2
NHPC Ltd.	2	2	2	2	2	2	2	2

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Appointment of Lead Independent Director

The appointment of lead independent director is a seventh parameter with a weightage of 2 points. The study reveals that both SJVN Limited and NHPC Limited scored zero for not entertaining the post of lead independent director in the companies. However, during 2017-18 both the companies fulfill this condition, hence, assigned 2 points each.

Disclosure of Other Provision as to the Boards and Committees

The eighth parameter of corporate governance with weightage of one point is about revealing information regarding the Board of Directors and formulation of Board Committees. It is evident from the Table 6 that both the companies fulfill the stipulated requirement relating to this governance standard, hence, assigned the 1 point each for every financial year under study.

Table 7

Disclosure of Other Provision as to the Boards and Committees

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	1	1	1	1	1	1	1	1
NHPC Ltd.	1	1	1	1	1	1	1	1

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Disclosure of Remuneration Policy and Director's Remuneration

Clause 49 of the listing agreement requires the companies to establish and disclose a formal and transparent policy on executive remuneration and the remuneration packages of individual directors should be based on the principles of fairness, reasonableness and accountability. The Public Enterprises Selection

Board, Department of Personnel Training, Government of India, specifies guidelines for remuneration of CMD/Directors of CPSEs. It is evident from the study that both the companies are making the adequate disclosure of remuneration policy and remuneration of functional directors in their annual reports. Hence, both the companies have been assigned 2 points each during the all financial years.

Table 8
Remuneration of Functional Directors

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	2	2	2	2	2	2	2	2
NHPC Ltd.	2	2	2	2	2	2	2	2

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Code of Conduct

It is obligatory for the board of the company to lay down a code of conduct for all its board members and senior management and the same should be displayed on the website of the company. The Board of Directors of SJVN Limited and NHPC Limited have laid down Code of Conduct for Board Members and Senior Management and displayed the same at the respective sites of companies, hence, assigned 2 points each for each financial year under study.

Table 9
Code of Conduct

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	2	2	2	2	2	2	2	2
NHPC Ltd.	2	2	2	2	2	2	2	2

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Audit Committee

The audit committee is eleventh-A parameter with weightage of 8 points. This component consists of 7 points such as transparency in composition of audit committee; compliance of minimum requirement of the number of independent directors in the committee; compliance of minimum requirement of the number of meeting of the committee; information about literacy and expertise of committee members, information about participation of head of finance; statutory auditor and chief internal auditor in the committee meeting; and disclosure of audit committee charter and term of reference and publishing of audit committee report. The Table 10 report score obtained by SJVN Limited and NHPC Limited during each financial year out of 8 points.

Table 10
Audit Committee

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	4	4	4	5	6	7	7	7
NHPC Ltd.	7	7	7	7	7	7	7	7

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Remuneration Committee/Compensation Committee

The eleventh-B component consists of 6 sub-parts namely formation of the committee; information about number of committee meetings; compliance of minimum requirement of the number of non-executive directors in the committee; compliance of the provision of independent director as Chairman of the committee; information about participation of all members in the committee meeting and publishing of committee report. The Table 11 illustrates the respective score obtained by the each company during each financial year out of 6 points.

Table 11
Remuneration / Compensation Committee

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	3	3	5	5	4	4	5	5
NHPC Ltd.	4	4	5	5	5	5	5	5

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Shareholders' / Investors' Grievance Committee

Five points associated to the eleventh-C parameter with a weightage of 5 points in corporate governance checklist are related to the transparency in the composition of committee; information about nature of complaints and queries received and disposed-itemwise; information about nature of committee meetings; information about investors/shareholders survey conducted and publishing of committee report. Table 12 reveals the respective score assigned to each company during the period of study.

Table 12
Shareholders' / Investors' Grievance Committee

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	3	3	3	3	3	3	3	3
NHPC Ltd.	3	3	3	3	3	3	3	3

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Nomination Committee

The eleventh-D parameter to evaluate the corporate governance score is about the nomination committee having weightage of 2 points, which is further sub-divided into formation of committee and publishing of committee charter and report. The respective score attained by each company during all financial years is reported the Table 13.

Table 13

Nomination Committee

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	0	0	0	0	1	1	1	2
NHPC Ltd.	0	0	0	1	1	1	1	1

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Health Safety and Environment Committee

The parameter eleventh-E is with weightage of one point which is not followed by both the companies, hence, assigned the zero point during the entire period.

Ethics and Compliance Committee

This parameter contains weightage of one point. SJVN Limited and NHPC Limited failed to fulfill this requirement of corporate governance practice, hence, assigned the zero point during the all financial years.

Investment Committee

The purpose of the investment committee is to maintain the prudent and effective investment of the endowment and to formulate and oversee the investment policies and management of the endowment. The investment committee provides oversight to the finance and investment function and investment committee reviews or oversees significant treasury matters such as capital structure, borrowing, fixed income statement, currency exposure and dividend policy. Table 14 shows that SJVN Limited follow this principle, hence it assigned 1 point during each financial year, whereas NHPC Limited is not is not consistent about this parameter.

Table 14

Investment Committee

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	1	1	1	1	1	1	1	1
NHPC Ltd.	0	0	0	1	1	1	0	0

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Share Transfer Committee

The parameter eleventh- H is with weightage of one point is related to share transfer committee. The respective corporate governance score obtained by both the companies are reported in the Table 15.

Table 15

Share Transfer Committee

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	1	1	1	1	1	1	1	1
NHPC Ltd.	1	1	1	1	1	1	1	1

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Disclosures and Transparency

The twelfth parameter incorporated 11 points in the corporate governance checklist which is related to disclosure practices and transparency having a weightage of 25 points on a scale of 100. The disclosure and transparency parameters is further sub-divided into significance related party transaction having potential conflict with the interest of the company; non-compliance related to capital market matters during last three years; accounting treatment; board disclosure-risk management information to the board on risk management and publishing of risk management report; management discussion and analysis, shareholders' information appointment of new directors/reappointment of retiring directors, quarterly results and presentation, share transfers and directors responsibility statement; shareholder right; audit qualification; training of board members; evaluation of non-executive directors and whistle blower policy. Table 16 illustrates the respective score obtained by the SJVN Limited and NHPC Limited during the each financial year under study.

Table 16

Disclosures and Transparency

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	16	16	20	22	25	25	25	25
NHPC Ltd.	24	24	24	24	24	24	24	24

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

General Body Meetings

The thirteenth parameter under consideration of this study contains information about general body meetings, which is further divided into three sub-

parts such as location and time of general meetings held in last three years; detailed of special resolution passed in the last three annual general meetings and detailed of resolution passed last through postal ballot including the name of conducting official and voting procedure. All the points for this parameter carry equal weightage of one point each. Both the companies fulfill all the requirements in respect to this parameter, hence, score all points during each financial year.

Table 17

General Body Meetings

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	3	3	3	3	3	3	3	3
NHPC Ltd.	3	3	3	3	3	3	3	3

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Means of Communication and General Shareholder Information

Regarding this parameter, both SJVN Limited and NHPC Limited have made a satisfactory disclosure of the information and assigned with the ideal score of 2 each during entire financial years.

Table 18

Means of Communication and General Shareholder Information

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	2	2	2	2	2	2	2	2
NHPC Ltd.	2	2	2	2	2	2	2	2

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Chief Executive Officer and Chief Financing Officer Certification

The fifteenth checklist parameter of corporate governance is related to CEO and CFO certification with weightage of 2 points on the scale of 100 points. Table 19 reveals that both the companies got the ideal score of 2 points during each financial year.

Table 19

Chief Executive Officer and Chief Financing Officer Certification

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	2	2	2	2	2	2	2	2
NHPC Ltd.	2	2	2	2	2	2	2	2

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Compliance of Corporate Governance and Auditors Certificate

This parameter consists of a maximum weightage of 10 points. For clean certificate from auditor the ideal score is 10 points whereas for qualified certificate the ideal score is 5 point on scale of 100 points. The analysis of Table 20 denotes that both companies have a clean certification from the auditor and scored maximum ideal points.

Table 20

Compliance of Corporate Governance and Auditors Certificate

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	10	10	10	10	10	10	10	10
NHPC Ltd.	10	10	10	10	10	10	10	10

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Disclosure of Stakeholders' Interests

The last parameter on the corporate governance checklist is about disclosure of stakeholders' interests, having a weightage of 10 points. There are five sub parameters associated with this parameter such as Environment, Health and Safety Measures (EHS); Human Resource Development Initiative (HRD); Corporate Social Responsibility (CSR); Industrial Relation (IR) and Disclosure of Policies on EHS, HRD, CSR and IR. All the points for these parameters carry equal weightage of 2 points each. Subsequently, it is evident from the Table 21 that both SJVN Limited and NHPC Limited scored 10 points each by making disclosure of stakeholders' interest during the each financial year.

Table 21

Disclosure of Stakeholders' Interests

Years	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
SJVN Ltd.	10	10	10	10	10	10	10	10
NHPC Ltd.	10	10	10	10	10	10	10	10

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Evaluation of Corporate Governance Status

The quality and state of corporate governance of SJVN Limited and NHPC Limited is determined separately on the basis of corporate governance score obtained by each company out of above mentioned 17 parameters. The analysis of the Table 21 indicates that the SJVNL is progressively improving its corporate governance score. Its corporate governance score was 70 points with good grade

in 2010-11 which reached to 90 points with excellent grade in 2017-18. This shows that SJVN Limited is consistently and spiritually following the best practices relating to corporate governance. On the other hand, the corporate governance score of NHPC Limited was 84 points with very good grade in 2010-11 which reached to 87 points with excellent grade in 2013-14, further declined to 85 points with very good grade in 2016-17 and finally increased to 88 in 2017-18 with excellent grade.

Table 22
Corporate Governance Grade

Years	Corporate Governance Score and Grade			
	SJVN Score	Grade	NHPCL Score	Grade
2010-11	70	Good	84	Very Good
2011-12	71	Very Good	84	Very Good
2012-13	76	Very Good	85	Very Good
2013-14	79	Very Good	87	Excellent
2014-15	85	Very Good	86	Excellent
2015-16	86	Excellent	86	Excellent
2016-17	87	Excellent	85	Very Good
2017-18	90	Excellent	88	Excellent

Source : Annual Reports of SJVN Limited and NHPC Limited (2010-11 to 2017-18)

Figure 1 presents the trend lines in respect to the corporate governance score obtained by the SJVN Limited and NHPC Limited from 2010-11 to 2018. The outcome of the figure shows that trend line is upward sloping in case of SJVN Limited, whereas in case of NHPC Limited the trend line is reporting fluctuations. This analysis indicates that among the public sector companies the corporate governance position of SJVN limited is constantly improving as compared to NHPC Limited.

Testing of Hypothesis

H_0 : There is no significance difference between the corporate governance practices of SJVN Limited and NHPC Limited.

Table 22 presents the descriptive statistics regarding corporate governance score. The mean corporate governance score of SJVN Limited and NHPC Limited is 80.5 and 85.625 respectively with standard deviation 7.61577 and 1.40789 respectively. The negative value of skewness in respect to SJVN indicates that variation in standard deviation is on the higher side, whereas in case of NHPC the positive value of skewness indicates that variation is on lower side of mean. The whole analysis states that the average corporate governance score is better in case of SJVN Limited as compared to NHPC Limited. The value the kurtosis is

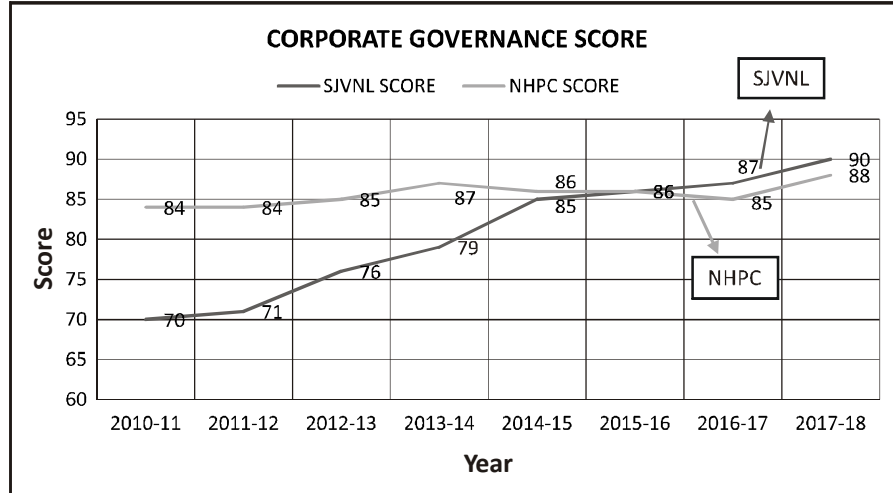


Figure 1

less than 3 which shows that the distribution of corporate governance score is platykurtic in case of both the companies.

Table 22
Descriptive Statistics Regarding Corporate Governance Practices

Companies		N	Mean	Std. Deviation	Skewness	Kurtosis
Corporate Governance Statistic	SJVN Ltd.	8	80.5000	7.61577	-0.310	-1.642
	NHPC Ltd.	8	85.6250	1.40789	0.480	-0.564

Table 23 reveals that the significance level of Levene's Statistics for Equality of Variances is 0.000, which indicates that the null hypothesis for equality of variance is rejected. Thus, for the purpose of analysis we have to rely on the output of second row. This states that the variances are not equal across the two groups. The calculated t-statistics for second row is -1.872 with degree of freedom 7.48 and p-value 0.100 which rejects the null hypothesis at 10 percent level of significance. Hence, it can be concluded from this analysis that there is a significance difference between the corporate governance practices of SJVN Limited and NHPC Limited. Further, the analysis of descriptive statistics shows that the average corporate governance score is better in case of SJVN Limited as compared to NHPC Limited. Hence, it can be concluded on the basis of whole analysis that from the corporate governance practices point of view the position of SJVN Limited is better as compared to NHPC Limited.

Table 23
Independent Sample t-test for Equality of Mean Regarding Corporate Governance Score

	Levene's Test for Equality of Variances			t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Score	Equal Variance Assumed	22.549	0.000	-1.872	14	0.082	-5.1250	2.73821	-10.9979	.74787
	Equal Variances Not Assumed	-1.872	7.48	.100	-5.1250	2.73821	-11.5169	1.26688		

CONCLUSION AND POLICY IMPLICATIONS

The primary aim of this research paper is to explore and examine the compliance position of corporate governance practices in the context of two public sector companies of hydro electric sector working in Himachal Pradesh. The study reveals the corporate governance score obtained by the selected companies from 2010-11 to 2017-18. The results states that the corporate governance score of SJVN Limited is consistently showing the increasing trend whereas on corporate governance score NHPC Limited is not displaying consistency. The trend analysis also shows that the corporate governance position of SJVN Limited is more improved than NHPC Limited.

Independent sample t-test was applied to test the hypothesis that there is no significant difference in corporate governance score of two public sector companies. The output of t-test rejects the null hypothesis, which indicates that there is significant difference in corporate governance score of two public sector companies. Further, which company is better on corporate governance scale is determined by the descriptive statistics. The analysis of descriptive statistics illustrates that the mean value of corporate governance score is higher in case of SJVN Limited as compared to NHPC Limited. Hence, it can be concluded that the from the corporate governance practices point of view the position of SJVN Limited is better as compared to NHPC Limited.

The research outcome of this study offers significant information to the stakeholders and policy makers that the improvement in corporate governance practices will have wide impact on company it-self and nation as a whole. The failure of big company will have big impact on the nation's economy. Hence, policy makers should regularly review the corporate governance status of companies and

in case of any deterioration the corrective measure should be taken immediately to avoid any further disaster in the market.

SCOPE FOR FUTURE RESEARCH

Finally, some possible directions for future research are also outlined in this study. Only two public sector companies are selected to evaluate the compliance status of corporate governance norms and regulation in the backdrop of a theoretical model-based point value system, whereby key governance parameters are selected on 100 point scale. The working method used in this study can be tested and replicated in other studies like evaluating the corporate governance practices in more than two public sector companies, making sector-wise comparison and comparative study of corporate governance practices in public sector companies and private sector companies. Future research should also examine and explore the impact of corporate governance on the financial position and capital structure of company and analysis of corporate governance practices in India and its impact on gross domestic product and foreign direct investment.

References

- Aggarwal, Priyanka (2013), "Impact of Corporate Governance on Corporate Financial Performance", *IOSR Journal of Business and Management*, e-ISSN : 2278-487X, P-IISH: 2319-7668, Vol. 13, Issue 3 (Sep.-Oct.), pp. 1-5.
- Arya, P. P.; Tandon, B. B.; and Vashisht, A. K. (2003), "Corporate Governance – Concept of Corporate Governance, Financial Disclosures and Business Ethics, Board Performance and Shareholder Activism, Bank, FI and Corporate Governance", Deep and Deep Publication Pvt. Ltd., New Delhi.
- Balsubramanian, N. (2010), "Corporate Governance and Stewardship – Emerging Role and Responsibility of Corporate Boards and Directors," Tata McGraw Hill Education Pvt. Ltd., New Delhi.
- Chaudhury, Suman Kalyan (2012), "Corporate Governance – Issues and Challenges", Discovery Publishing House Pvt. Ltd., New Delhi.
- Dokania, Abhishek Kumar; and Pathak, Govind Swaroop (2014), "Adopting the CSR Route for Corporate Image Building – A Case Study on the Indian Steel Industry", *Prabandhan – Indian Journal of Management*, Vol. 7, No. 7, July 2014, pp. 19-30.

- Donaldson, John; and Fafaliou Irene (2003), "Business Ethics, CSR and Corporate Governance – A Review and Summary Critique", *European Research Studies*, Vol. VI, Issue 1-2, 2003, pp. 90-110.
- Das, Subhash Chandra (2013), "Corporate Governance — Codes, Systems, Standards and Practices", PHI Learning Private Limited, pp 12.
- Fernando, A. C. (2012), "Corporate Governance – Principles, Policies and Practices", Darling Kindersley Pvt. Ltd., New Delhi.
- Gupta, Sheenu; and Singh, Gurcharan (2015), "Corporate and Financial Strategies of Abhishek Industries Ltd. – A Listed Textile Company of Panjab", *Indian Journal of Finance*, Vol. 9, March 2015, pp. 24-37.
- Goel, Utkarsh; Bansal, Nidhi; and Sharma, Anil K. (2015), "Impact of Corporate Governance Practices on Working Capital Management Efficiency – A Structural Equation Modelling Approach", *Indian Journal of Finance*, Vol. 9, No. 1, Jan. 2015, pp. 38-48.
- [https://en.m.wikipedia.org/wiki/hydroelectric power in India](https://en.m.wikipedia.org/wiki/hydroelectric_power_in_India)
- [https://en.m.wikipedia.org/wiki/hydroelectric power in Himanchal Pradesh.](https://en.m.wikipedia.org/wiki/hydroelectric_power_in_Himanchal_Pradesh)
- Kumar T.N. Satheesh (2015), "Corporate Governance", Oxford University Press, New Delhi.
- Luo Xiaowei; Chung Chi-Nien; and Sobczak, Michael (2009), "How Does Corporate Governance Model Difference Affect Foreign Direct Investment in Emerging Economies", *Journal of International Business Studies*, Vol. 40, No. 3, September, pp. 444-467.
- Mishra, Jyoti; and Mukherjee, Ashim Kumar (2016), "Corporate Social Responsibility in 21st Century", *International Journal of Research in Business Studies*, ISSN : 2455-2992, Vol. 1, Sept. 2016, pp. 55-63.
- Maheshwari, Meenu; and Meena, Sapna (2014), "Corporate Governance Standard and Practices in SBI – An Empirical Study", *Journal of Business Management and Social Science Research*, ISSN No. 2319-5614, Vol. 3, No. 11, Nov. 2014, pp. 21-26.
- Patro, Binoti; and Pattanayak, J. K. (2017), "Corporate Governance as a Moderating Variable for Identifying the Relationship Between CSR and Earnings Management : A Study of Listed Indian Mining Firms", *Prabandhan – Indian Journal of Management*, Vol. 10, Issue No. 10, October 2017, pp. 24-40.
- Prasanna, P. Krishna (2011), "Corporate Governance in India – An Assessment of Implementation and Effectiveness Based on Selected Corporate Units", *Indian Institute of Finance*, Vol. XXV, No. 1, March 2011, pp. 315-221.
- Solomon, Jill; and Solomon, Aris (2007), "Corporate Governance and Accountability", John Wiley & Sons Ltd., Wiley India (P) Ltd., New Delhi.
- Sharma, J. P. (2016), "Corporate Governance – Business Ethics and CSR", Ane Books Pvt. Ltd., New Delhi.

- Singh, Raj Kumar; and Mehta, Dharmender (2017), "Corporate Law", Kalyani Publishers, pp 1.1.
- Singh, Raj Kumar (2017), "Business Ethics and Corporate Social Responsibility", Kalyani Publishers, New Delhi.
- Singh S. (2005), "Corporate Governance – Global Concept and Practices", Excel Books, New Delhi.
- Taruna; and Shailesh, Arpit (2015), "A Study on Corporate Governance Practices in India", *International Journal of Applied Research*, 2015, 1(9), pp. 815-821.
- Tulder, Reb Van; and Kolk, Ans (2001), "Multinationality and Corporate Ethics – Code of Conduct in the Sporting Goods Industry", *Journal of International Business Studies*, 2 (Second Quarter, 2001), pp. 267-283.
- Vijayalakshmi S (2013), "Corporate Governance Practices in Banking Sector – A Case Study of Andhra Bank", *European Journal of Commerce and Management Research*, Vol. 2, Issue 4, April, pp. 84-88.
- www.sjvn.nic.in retrieved on 25th August 2017.
- www.nhpc.gov.in retrieved on 7th September 2017.
- Zou, Hong; and Adams, Mike B. (2008), "Corporate Ownership, Equity Risk and Return in the People's Republic of China", *Journal of International Business Studies*, Vol. 39, No. 7, May, pp. 1149-1168.