PSEs Contribution to EconomicGrowth

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India, the largest democracy in the world, boasts of an economic-structure which is a precarious combination of socialist and capitalist economy in a democratic framework. To understand the very fundamentals of Indian economy, one would have to, inevitably, familiarize oneself with the characteristics of Public Sector, a powerful growth engine of Indian economy. At the time of independence, State intervention and Creation of Public Sector was considered vital for the growth of the economy. The core challenge was to achieve high growth rate with equity in addressing the concerns of wide spread poverty, removal of regional imbalances, extreme disparities in income, wealth and consumption, low level of savings, inadequate infrastructure facilities and expansion of employment opportunities. It was felt critical macro-economic decisions cannot be left to the operations of the free market system. Indeed, it was felt that due to socio-economic limitations, it was obligation on the part of the State to operate from Commanding Heights & evolve action plans to meet national concerns. Public Sector was thus deployed as an instrument of self reliant economic growth with over-riding emphasis on social factor.

Public Sector's existence of over more than six decades represents three distinct phases namely i) post independence, ii) post liberalization and iii) the present. The first phase witnessed agrarian based economy with abundant and cheap labour force but acute shortage of financial resource. At that time, planned and self-reliant economic development constituted the heart of the development strategy. Under such a scenario, these enterprises played a crucial role in the industrial advancement of the country. Role of State in development process was incorporated in the planning process. The Industrial Policy Resolution of 1948 and 1956 Industrial Policy Resolution established the Public Sector as an effective instrument to rebuild the country, a role which earned the PSEs the title of "Temples of Modern India".

The public sector grew impressively during 1950s, 1960s and 1970s. However, during 1980s, the general perception towards the public sector lost some of its original shine. Large many loss making & sick enterprises made adverse impact on the productivity in PSEs. Additionally, government policies of subsidies to many sectors burdened the PSEs with lower recoveries. Excessive manpower created enormous problem for competing in the open market. This gave rise to the impression of inefficiencies and PSEs became synonymous with ineffectiveness and uncontrolled, unaccountable lethargic entities.

Post Liberalization, PSEs were confronted with real challenges in encountering the competitive paradigm. They strode ahead to take these challenges head on and transited swiftly from closed to open markets globally. The PSEs were subjected to reforms in order to enhance their efficiency and improve their performance and meet the challenges of growing competition. Autonomy became the talk of the day and professionalism gradually made its entry in PSEs.

In the present scenario, PSEs have demonstrated excellent performance in terms of profitability and performance. Today the public sector enterprises (PSEs)

are leaders with significant market share in sectors like petroleum, mining, power generation and transmission, nuclear energy, heavy engineering, aviation, shipping and trading, telecommunication and storage and public distribution. Besides supporting the government in meeting its planned development targets, global forays by some PSEs have also helped in creating a 'Brand India' image abroad. However, still there are some issues which need to be resolved to meet the growing expectations of stakeholders and for enhancing good governance in PSEs.

Relevance of Corporate Governance

Governance has become the key issue today for all the enterprises including PSEs. It is one of the essential requirements to manage a country's state of affairs at all levels. It consists of the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise legal rights and meet obligations. Without good governance, no amount of developmental schemes can bring in improvements in the quality of life of the citizens. Strengthening governance therefore is vital for economic development and overall inclusive growth.

In the corporate world, Governance is the belief that business should be conducted in such a manner that it ensures growth of all individuals and reduces the scope of corruption. Unethical behaviour not only endangers the stability and security of the society but also leads to inefficiency created by low returns on public assets. Governance also gains greater importance in corporates as they make huge contribution to economic growth of any country involving most of its human and natural resources.

Of late, Corporate Governance has come to occupy a very significant place in present day businesses. The two main drivers which have led to a integration of Governance with Corporations and brought fore the relevance of corporate governance are:-. Firstly, increasing incidences of unethical practices and debacles taking place in corporate domain and secondly the forces of deregulation, disintermediation, institutionalization, globalization and tax reforms have made the shareholders more aware and powerful. This has necessitated the companies to adopt practices that entail them to go beyond legal compliances and adhere to standards which are not only ethical but also make businesses socially more relevant. In earlier times, ownership of the company was not wide-spread. Modern day companies have, however, become increasingly dependent on external resources from the wider public for meeting their needs. This has obviously led to widen ownership and brought about a need to segregate ownership and control. Thus, it was felt that the management of the companies need to be responsible to their owners i.e. shareholders which has led to development of the concept of corporate governance.

Corporate Governance rests on the four fundamental cornerstones of Fairness, Transparency, Accountability and Responsibility. Emerged as the most dynamic concept, it encompasses the entire functioning of a corporate entity with model code of conduct and a system of checks and balances. It is, in fact, a dynamic interplay amongst companies, their shareholders, creditors, capital markets, financial institutions along with corporate legal and regulatory framework. The best practices in Corporate Governance would ensure: enlightened customers, satisfied suppliers, willing investors, trusted employees, happy creditors, assured governments, rich society, unified community and a protected environment.

Ethics and moral aptitude play very important role in good corporate governance. All regulations, checks and balances without ethics is of no valid. Ethics bring brand to the enterprise for long term sustainability. There is no denying the fact that corporations have addressed business ethics in various ways, including the introduction of compliance programs and managers, the addition of board-level ethics committees, the development of codes of conduct, the preparation and dissemination of values statements, the hiring of corporate social responsibility managers and training programs of all kinds. However, events of the past few years have demonstrated, these efforts, unfortunately, have not prevented corporations from engaging in unethical behaviors that lead to larger corporate scandals. As a result there is increased pressure for companies and governments to provide more structured governance and ethics programs so that companies are environment friendly, socially relevant and economically viable.

Corporate Governance in CPSEs

Central Public Sector Enterprises (CPSEs) today play a significant role in accelerating the economic as well as social development of the country. They have been at the forefront of the industrial development absorbing fluctuation in global oil prices, withstanding economic volatility and surging ahead in terms of profitability and productivity. Their significant contribution to the national economy can be judged from the fact that 277 PSEs with a total investment of Rs 8.5 lakh crore have earned a net profit of Rs 1.15 lakh crore during 2012-13. Their turnover of Rs 19.46 lakh crore is equal to 20 percent of GDP of the country. They contributed Rs 1.63 lakh crore to the Central Exchequer and employed 14 lakh employees.

The excellent performance demonstrated by CPSEs has been facilitated by following sound, prudent and transparent business principles and practices. They are guardian or trustees of precious public money. They deal with tax payers' money and have to uphold values to achieve goals and objectives for which they have been established. Under such circumstances, there is a need for set of rules/code of conduct to guide the actions and conduct of these enterprises.

And as required, Corporate Governance in PSEs is more robust than that in most private counterparts. Apart from the parliament, PSEs are accountable to other authorities under several regulations like the Comptroller & Auditor General of India, Central Vigilance Commission, Competition Commission of India and the Right to Information Act.

There is no denying fact that these mechanisms have served the objective of ensuring accountability and governance and in fact, have contributed to greater credibility and investors' confidence enjoyed by PSEs. However, PSEs are bound by not just its shareholders, customers and the ministry, but also by the people at large of the entire country and outside. People identify themselves with the PSEs and thus the responsibilities of the PSEs also go up manifold.

While PSEs have been following regulations but it has bee occasionally realized that too much of law and regulation sometimes frustrates, inhibits, restricts and undermines as it has become overcautious placing a very high premium on regulation and avoidance of risk. Therefore, it is important that law and regulations should be updated to reflect changing responsibility of the Board in order to safeguard them in raising the corporate standards.

Governance Structure in PSEs

Governance structure is composed of three distinct layers, each with a distinct role:

- **State Ownership Function** which is responsible for defining the ownership policy,
- **Board** for development of a strategy to achieve the State's objectives, and of course monitoring the progress, and
- **Executive management** who are accountable to the Board for implementing the strategic plan.

The Board plays the central function in the governance of the PSEs. It carries the ultimate responsibility for PSE performance, and it has the authority and autonomy to make decisions that determine performance. Board has to also act as the intermediary between the State and the PSE on behalf of the owners.

Though an empowered and autonomous Board is the goal, certain decision-making responsibilities are usually retained by the State. These include :

- Deciding fundamental outcomes,
- Appointment of Board members,
- Appointment of the CEO and succession planning,
- Executive and Board member remuneration and incentive schemes,
- Major investment projects,
- Mergers, acquisitions, and major changes in ownership,
- Raising capital,
- Dividends, etc.

All these can be best achieved when the State and Board have a clear and common under-standing of their roles without communication gap and is based on premise of mutual trust.

For an efficient and autono-mous board, the question of "conformance versus performa-nce" assumes importance. PSE Boards have traditionally been prone to an even greater conformance mentality and compliance. This finds its origins in direct State control where Boards are mandatorily required to comply with. It may also emanate from governance traditions as adopted under MoU system and monitoring achievement against such targets. At the same time, focusing

> In India, there is need to review corporate governance norms in line with the world wide trends. Creation of Single Holding Structure (SHS) to provide a more efficient governance model for CPSEs, on the lines similar to SASAC in China/other International Models, will minimize transgression of ownership into management and empower individual PSE board. Several advantages would accrue from such a Holding Structure which include swift and efficient decisions related to disinvestment, strategic investments, restructuring of assets, mergers and acquisition, public listing of unlisted companies, and issue of follow up offers.

excessively on conformance can give Boards and owners a false sense that they are fulfilling their fiduciary functions. While desirable governance practices are essential, but this needs to be recognized that governance is not merely about compliance but understanding the importance of accountability to all stakeholders. A visible trend over past decades among PSE Boards is a greater concern for the drivers of performance. Therefore, one of the most important ways to drive the performance is to think strategically and therefore Boards have to ultimately approve strategies and monitor their implementation through an interaction process in which the PSE and the State jointly develop it. One of the challenges for professionalized Boards is to move away from the temptation of day-to-day routine and work of broad aspects, vision and strategy.

Professionalization of PSE Boards

Corporate world, of late, has witnessed continued pressure for professionalization of Boards to reflect better performance. PSEs Board represents complex coalition of diverse and heterogeneous partners. They are functional Directors, Govt. nominee Directors and independent Directors. Such multiple constituents represents different stakeholder interests. For instance, the full time functional Directors are promoted from within from the talent pool below the Board level and do represent a strong and distinct occupational or functional identity. This set of constituents on the Board therefore come with strong functional capabilities but may be deficient in a strategic perspective where interconnectedness with businesses, markets, regulators, competitors, technologies, is required to successful enactment of a Board responsibilities. What is evident is that for this category of functional Directors, the transition to the Board represents a major paradigm shift in their vision and responsibilities, appropriately captured by the metaphor of interconnectedness. One of the major objectives of training for them should focus on facilitating this transition and anchoring them firmly in the paradigm of the Board responsibilities.

The second important constituent of the Board, despite their dwindling representation as a result of new standards of corporate governance, are the class of nominee Directors of the Government. These nominees invariably are civil servants, mostly from the controlling ministries. Despite their superb intellect, they maintain a gap from PSE Boards over the years. It is an admitted fact that such Government nominees still does exercise a degree of formal and informal influence over the Boards of public enterprises which, in many cases, may be influenced by several considerations, including those of political and social agenda of the Government. The Government nominee directors therefore have a more challenging task of reconciling these two competing objectives so that they leave sufficient room and space for the PSE Boards to play their legitimate and compromised role as custodians of peoples, Government and management excellence of the enterprises. This is a difficult role to play, particularly in situations where Government nominees on the PSE Boards assume and enjoy a position of privilege and act sometimes in ways that impedes proactive decision processes required in the globally competitive environment particularly in the choice of investments, markets, products, technologies. What is evident is that this constituent of the PSE Directors, the class of Government nominee Directors despite their credentials in the civil service, require comprehensive inputs on enterprise management from a strategic perspective and team work.

The third constituent of the PSE Boards are the Independent Directors. As we know, the institution of Independent Directors is regarded as the key embodiment of corporate governance. They are neither wedded to the commercial orientation of the full time functional Directors nor do they represent the political or the social agenda of the Government nominee Directors. To my mind, Independent Directors are expected to exercise oversight on the functioning of the Board based on best practices of governance and ethical standards. The principle of independent judgment is perhaps the most important element in the role of independent Directors. In theory, independent judgment is vital for effective contribution. In a metaphorical sense, they act as gatekeepers to maintain and support transparency in decision processes and keep dysfunctionalities of political intrusions and suspect

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management outside the boundaries of the PSE Boards.

Convergence of these three constituents is imperative for better professionalization of Boards. There is need to ensure that the strength of every Member of the Board is harnessed, synergized and in the process, the dynamism of the Board and the Company is enhanced.

Reforms Initiatives to Strengthen Governance in PSEs

PSEs are custodian of public money and have created better values for all stakeholders. They operated within the purview of codes and regulations, guidelines & direction of the government and statutory authorities, maintaining high level of transparency to ensure good governance. The Government on its part, has taken many proactive measures to help the PSEs to improve performance, efficiency and ensure accountability. Some such measures are highlighted below:

MoU System: MoU system introduced in 1990s is a major policy initiative of Government of India in improving performance and facilitating empowerment. Under this, PSE undertakes to achieve the targets set in the agreement between management of PSEs and Government of India at the beginning of the year. Emphasis was placed to give them more operational autonomy to face competition and at the same time holding them accountable. The PSE having excellent MoU Composite score is given the MoU Excellence Award. From time to time, improvement have been made in the MOU system in tune with the changing business environment.

Categorization of PSEs- Maharatna, Navratna & Miniratna: The Government of India has introduced Maharatna/ Navratna/Miniratna scheme to delegate enhanced financial autonomy to select PSEs subject to certain eligibility conditions and guidelines. The main delegated powers relate to investments, capital expenditures, joint ventures, mergers and acquisitions and the raising of debt from the capital market. The empowerment models have proved to be highly productive. Many PSEs have expanded operations, acquire assets abroad, establish subsidiary and strategic alliances and succeeded in meeting global challenges of competition.

Performance Management System: A Robust Performance System for Public Sector Enterprises has been developed – linking performance related pay (PRP) with MoU Rating of PSE.

Regulations of Securities and Exchange Board of India (SEBI): Listing of a number of PSEs on the stock exchanges has improved their visibility and Corporate Governance practices. Listed PSEs are required to comply with the SEBI regulations. This requires these companies to appoint independent directors on their Boards, set up Audit Committees & other Sub-Committees of the Board and follow elaborate disclosure norms.

Directives on Corporate Governance: Corporate Governance Guidelines for all the PSEs were introduced in 2007 and made mandatory in 2010 to further improve corporate governance practices. These guidelines are applicable to listed as well as un-listed CPSEs and cover issues such as Composition of Boards, Audit Committees, Subsidiary Companies, Remuneration Committees, Disclosures, Code of Conduct and Ethics, Risk Management and Compliance.

It has also been mandated in the Guidelines that there should be a separate section on Corporate Governance in the Annual Report of the all companies with details of Compliance.

Nonetheless, the sector realizes that the concept of Corporate Governance has wider connotations. It is the essence of good management and means adopting professional & strategic decision making, deploying innovative technologies leading to resource efficiency, maintaining transparency and enhancing all stakeholders interests.

Directives on Corporate Social Responsibility (CSR): Mandatory Guidelines on Corporate Social Responsibility has also been issued to enable PSEs to discharge their CSR in an effective manner. Under guidelines issued by DPE it has been mandated that PSEs will create CSR Budget for carrying out CSR programmes. Keeping in view the international practices, the revised guidelines on CSR clubbed with Sustainable Development have been issued focusing on capacity building, empowerment of community, upliftment of marginalized and weaker sections of the society and inclusive socio economic development.

> To strike a right balance between autonomy and state control, a well documented ownership policy is an imperative. A well documented ownership policy helps governments to avoid the usual pitfalls of passive ownership and excessive interference, emanating from multiple and contradictory objectives. The ownership policy will also serve as an effective tool for public communication and provides companies, the market, general public and all stakeholders, with a clear understanding of the state's objectives as an owner and its long-term commitments.

New Companies Act: The New Companies Act has been notified by the Government of India in August 2013. It aims at making companies socially more responsible, promoting transparency in business dealings and better governance, protecting minority share holder's interest and gender equality. The Government of India has made amendments to the Companies Act 2013 to widen the scope of CSR ambit and PSEs are committed to effectively contribute towards this initiative including Swachh Bharat and Clean Ganga.

RTI Act: RTI is a major achievement for the Indian system of governance and is applicable to all Public Sector Enterprises. However, the private sector entities are not covered by the RTI. In the wake of competitive environment, private sector companies also need to be brought under the ambit of RTI. For the purpose a level playing field not only for RTI but also for CAG, and Vigilance Administration should be applicable under the regulatory bodies.

Corporate Governance Issues in PSEs

The government has taken progressive reforms to provide an enabling environment for the PSEs that have surely helped them flourish and grow. However, the all pervasive competition, from all over the world and domestically, is only growing and intensifying. While PSEs have been following regulations but it has been occasionally realized the excessive regulations bring a state of over governance which tilts the playing field against PSEs. Therefore, it is important that law and regulation should be updated to reflect changing responsibility of the Board in order to safeguard them in raising the corporate standards. Moreover, many existing systems and procedures are incompatible with the efficient and successful operation of PSEs in an increasingly competitive economy. In these times, PSEs need more enablers to achieve performance levels comparable to their competitors in the private sectors as well as MNCs coming to India. Some of the key issues faced by PSEs are mentioned below:

Multiple and Unclear Objectives: One of the major problem with regard to PSE performance has been multiple and unclear objectives. The performance of much commercial enterprise is closely linked to the objectives set for it. In case of PSEs there happen to be a multitude of stated and unstated objectives, emanating from various quarters, which are often not in conformity with each other. In fact till 1987-88 which was when the MoU system was introduced for select PSEs, there was little clarity on the objectives which PSEs are to strive for. The result was a diffused set of goals without a proper performance evaluation mechanism. There-fore, investment choices made by them were sub-optimal, resources tended to be allocated to non-core activities, and it became difficult to mobilize human resource towards accountable performance.

Autonomy: Autonomy in PSEs is one of the key issues for the effective functioning of PSEs and much has been talked about it on number of Forums. While Maharatna/Navratna/Miniratna schemes have granted enhanced autonomy to PSEs, it appears that real objective has not been served yet. Even today, PSEs are considered as an extended arm of the government for which both Government as an owner and CEOs of the corporate PSUs are equally responsible. Respective ministry officials have their own ways to influence and command the CEOs and at the same time CEOs do not exercise the power given to them without knocking at the door of the Ministry. Therefore, there is a need of complete separation of ownership (of the Government and Board Level Management of PSEs). The tendency to get involved in actual management of PSEs needs to be registered by the government.

Ownership should not transgress into the managerial domain. There should be balance between autonomy and state control. Functional autonomy is essential for good performance and there should be suitable guidelines on the areas in which the board must seek prior government approval and where it may take a decision on its own.

Structure of Board of PSEs is another sphere where ambiguity and unprofessionalism is increasingly being felt as there still remains traces of tacit yet overbearing political interference. PSEs have proactively acknowledged the need to structure the board in such a manner that only highly qualified and experienced personnel/ executives having ethical background make their way into the board as board members. Developing a structured and transparent board nomination process for PSE boards is highly admirable as is clarifying and reinforcing board mandates and functions. Moreover, PSE Boards are not empowered for deciding on the size of Board structure. Limitations on their ability to determine their own governance is bottleneck and limitations on Board decision making. Such limitations may hinder the Board in its function. It is also true that an absence of limitations may automatically imply best practice. PSE governance is influenced by multiple factors that go beyond the law including unwritten rules, traditions, and informal understandings at the level of Government and Boards on how the PSE is to be run. Therefore, it must be assumed that the framework must permit better practice, Boards will only act autonomously and professionally when permitted to do so by owners, and Changes in PSE Board practices would require active support by owners.

Capacity Building: The dearth of competence in directorial functioning is a major challenge in progressing quickly on good governance. Additionally, Independence remains one of the most sought after characteristics for the professionalization of Boards world over. But problem with achieving the benefits of independence is overly restrictive as witnessed in PSE Boards. Therefore, greater emphasis need to be placed on the capacity of the individual to contribute in an objective in unbiased fashion, and therefore, their searches should focus more on personality characteristics and not rely on a mechanistic evaluation of the CVs for selection of Board members. Training and accreditation to develop directorship eventually as a profession with sound body of knowledge is must to build necessary capacity.

Effective Communication: CEOs are sometimes frustrated by lack of feedback from the Board, or take the lack of feedback as an opportunity to rubberstamp decisions. The free flow of views and information between the CEO and the Board is thus of great importance. Important decisions are made with the knowledge of the owner to ensure that their views are understood and that there are no unwelcome surprises, either from the PSEs or on the part of the State. Therefore, excellent communications between the executive and the Board is must for professionalization of PSE Boards. Good communications ensure that both the PSEs and the Government's propositions are known and understood.

Board Evaluation: Performance evaluation of Board improves its effectiveness, deals with strengths and weakness and is imperative for the growth of the organization. There is need to

evolve a mechanism and a Code of Conduct to evaluate effectiveness of the Boards functioning based on strategy and implementation programme, corporate social responsibility and sustainability.

Succession Planning is another area which requires immediate attention. The appointment of directors takes a long time under the present system due to long drawn governmental procedures. This has posed enormous problem such as meeting the requirement of regulatory bodies, deciding remuneration and PRP of the top functionaries and above all delay in decision making. There is need to reform the process of selection of Directors and CEOs through a robust transparent system so that notification of CEOs is made on the same day when they are selected. This will save good time during the period of transition when PSEs are run by temporary acting-CEOs/Directors before permanent incumbent takes over.

Multitude of heterogeneous Regulatory and Control Mechanisms: PSEs are governed by complex regulatory systems and mechanisms such as Answerability to Parliamentary Committee, Committee on Public Undertakings (COPU), Review by Administrative Ministry, Audit by Comptroller and Auditor General of India (CAG), Central Vigilance Commission (CVC), Right to Information Act (RTI), etc. Need of convergence of the same is required and there should be a single window system.

Level Playing Field: Applicability of RTI Act to the PSEs puts additional burden on them in meeting the requirements of the same. Most of the RTI queries relate to individual grievances, which should be excluded from the ambit of this Act. Also, there is need to curb the misuse of the Act by disgruntled vendors/ contractors or other persons. The applicability of the RTI Act on PSEs needs to be reviewed. Otherwise, to provide level playing field, the private sector entities should also be covered by the RTI.

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It would be best to quote Pt. Nehru who spoke in the Parliament while debating in may 1956 on 2nd FYP in the parliament:

"…..The way a government functions is not exactly the way that business houses and enterprises normally function. A government rightly has all kinds of checks, as it deals with public money. Usually, it has time to apply these checks. But when one deals with a plant and an enterprise where quick decisions are necessary, which may make a difference between success and failure, the way a government functions is not sometimes suitable. I have no doubt that the normal governmental procedure applied to a public enterprises of this kind will lead to the failure of that public enterprise. Therefore, we have to evolve a system for working public enterprises where on the one hand, there are adequate checks and protections, and on the other, enough freedom for that enterprise to work quickly and without delay".

It is important to note that the necessity of freedom, speed and result orientation for the public enterprises was underlined by the first Prime Minister of India in an era of 'command and control' model of economic development. In the competition and market oriented model of today, the statements become much more relevant and important in determining the policies and practices concerning public enterprises.

Community Relations

Sustained relations with the community have become most intangible and endurable strategy for enterprises. Businesses today have un-written contract with the community in which they operate and Corporate Social Responsibility (CSR) is an extra mile to stay competitive on sustained basis. A meaningful CSR project irrespective of its size, is capable of generating social values provided such a project is sustainable and also ensures maximum people participation.

PSEs have played an important role in fulfilling their social obligations over the last few decades. However, in the context of rapidly changing economic and social environment of business, it is necessary to revisit the past approaches and pave way for some innovations in the implementation of CSR and Sustainable measures. There is also need to give emphasis on social audit and social impact evaluation. Apart from this, a large number of NGOs are engaged to implement the CSR projects in the country involving huge public money. There is need to have a monitoring mechanism to evaluate their CSR activities and ensure that the benefit reaches the ultimate beneficiaries.

Emphasis on Skill Development

Skills and knowledge are the crucial driving forces for sustained economic and social development of any country. The government is, therefore, giving top priority to the agenda of skill development and has set a target of creating 500 million skilled people by 2022. In order to achieve the target, it is of utmost importance that PSEs should make skill development as thrust area.

It is to the advantage of our country that while the world experiences a widening gap between demand and supply of skilled labour, India is emerging as a country with young, highly mobile and English speaking population. The previous dearth of intensive efforts in achieving the skilling target of 500 million workers by 2022 no longer exists with the various policy initiatives by the Government. A sense of realism and realization has evolved across industry at large leading towards the fulfillment of targets set by the Government. But at the same time, on one hand, India having demographic advantage can lay maximum emphasis to its large human resource and can become dominant player in the world market arena, on the other, despite high primary education enrolment, not many students complete their high school education resulting in high school drop outs. Aforesaid 'demographic dividend' can easily turn into a disaster due to lack of skilled and educated labour.

The need of the hour is to develop vocational programs in order to channelize the school drop-outs and unskilled labour towards education and training thereby making them skilled and relevant in the Indian context.

Developing a trained workforce at the earliest would imply not only self sufficiency for India but would also open a shining opportunity to become the sourcing hub for skilled human reservoir for the world.

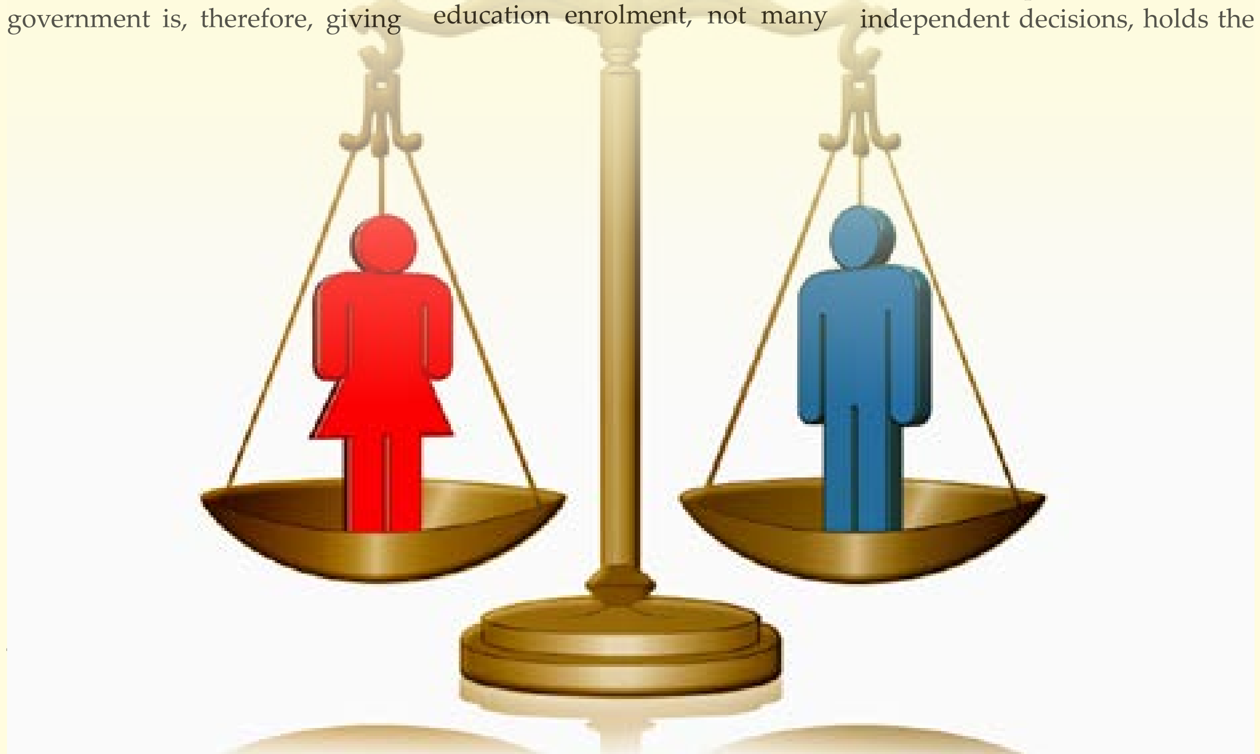
Women Empowerment & Gender Equality

Women Empowerment and Gender Equality are crucial for achieving development goals and inclusive growth. Creating an enabling environment, where women develop confidence in their own capacities and make independent decisions, holds the key for their economic, political and social upliftment.

PSEs have adopted various women friendly and gender sensitive policies to provide an enabling and respectful environment for its women employees. The positive contributions of these initiatives are being seen as more and more professionally qualified women are entering PSEs and are occupying senior level positions. But, even here, the representation at Board level position is currently at a low level. They are only partly represented in decision making levels. It is a matter of satisfaction that a new provision has been included in the new Companies Act to have at least one women director in the Board. Capital market regulator too, has issued new guidelines on corporate governance making it mandatory to have atleast one women director on boards of listed companies.

From good governance perspective including more individual with different background and expertise could improve the Board's functions.

However, much more needs to be done especially in light of developing women leaders. For this purpose it is important that beyond their technical and professional expertise, they need to be trained in strategic and international business management. Also mentoring programmes/periodic workshops/discussion forums/ women centric programmes can be held by each company wherein board level women employees are invited to share their experiences with other women employees of the company thereby motivating them to make a progressive career. To exemplify, customized training and discussion programs can be formulated to cater to entry level, middle level and top level women employees separately.



International Trends in Corporate Governance

The post recession period witnessed paradigm shift in world-wide trend in corporate governance. Notable trend has been to relinquish ownership rights and control by administrative ministry and creation of supreme Sovereign Department and creation of Sovereign Wealth Fund for PSEs for investing in equity in domestic as well as international market. Some of the developed countries have created Independent Sovereign Committee, away from the control of Administrative Ministry that monitors the implementation part, succession planning and also selects the Independent Directors. State Owned Assets Supervision & Administration Council (SASAC) in China, the State Investment Corporation in Vietnam and Khazanah in Malaysia are the notable entities that have been formulated to manage the State Owned Enterprises. TAMSEK model of Singapore for holding company concept is another model which is most admired for its effective corporate governance.

In India also, there is need to review corporate governance norms in line with the world wide trends. Creation of Single Holding Structure (SHS) to provide a more efficient governance model for CPSEs, on the lines similar to SASAC in China/other International Models, will minimize transgression of ownership into management and empower individual PSE board. Several advantages would accrue from such a Holding Structure which include swift and efficient decisions related to disinvestment, strategic investments, restructuring of assets, mergers and acquisition, public listing of unlisted companies, and issue of follow up offers. SHS would enable better allocation of net-surplus generated by PSEs and would strengthen individual boards and management.

In addition, it may lead to

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Public Sector's existence of over more than six decades represents three distinct phases namely i) post independence, ii) post liberalization and iii) the present. The first phase witnessed agrarian based economy with abundant and cheap labour force but acute shortage of financial resource. At that time, planned and self-reliant economic development constituted the heart of the development strategy. Under such a scenario, these enterprises played a crucial role in the industrial advancement of the country. Role of State in development process was incorporated in the planning process. The Industrial Policy Resolution of 1948 and 1956 Industrial Policy Resolution established the Public Sector as an effective instrument to rebuild the country, a role which earned the PSEs the title of "Temples of Modern India".

The public sector grew impressively during 1950s, 1960s and 1970s. However, during 1980s, the general perception towards the public sector lost some of its original shine. Large many loss making & sick enterprises made adverse impact on the productivity in PSEs. Additionally, government policies of subsidies to many sectors burdened the PSEs with lower recoveries. Excessive manpower created enormous problem for competing in the open market. This gave rise to the impression of inefficiencies and PSEs became synonymous with ineffectiveness and uncontrolled, unaccountable lethargic entities.

Post Liberalization, PSEs were confronted with real challenges in encountering the competitive paradigm. They strode ahead to take these challenges head on and transited swiftly from closed to open markets globally. The PSEs were subjected to reforms in order to enhance their efficiency and improve their performance and meet the challenges of growing competition. Autonomy became the talk of the day and professionalism gradually made its entry in PSEs.

In the present scenario, PSEs have demonstrated excellent performance in terms of profitability and performance. Today the public sector enterprises (PSEs) are leaders with significant market share in sectors like petroleum, mining, power generation and transmission, nuclear energy, heavy engineering, aviation, shipping and trading, telecommunication and storage and public distribution. Besides supporting the government in meeting its planned development targets, global forays by some PSEs have also helped in creating a 'Brand India' image abroad.