

Pawn or Potentates: Corporate Governance Structure in Indian Central Public Sector Enterprises

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Abstract : The Department of Public Enterprises had made submissions of Self Evaluation Reports, for the purpose of corporate governance, mandatory for all central government owned enterprises. Despite this, an alarming 40% of the enterprises did not do so. This study examines the impact of external policy tools and internal firm-specific factors on corporate governance of central public sector enterprises (CPSEs). We use a dataset of all manufacturing and non-financial services owned by the central government of India for the year 2010-11. Using probit, ordered logit and Heckman's sample selection models, the study finds that the probability and quality of corporate governance is positively influenced by the CPSE getting into a Memorandum of Understanding (MoU) with the central government of India, and hence, enjoying more autonomy in terms of day to day operations. Besides these, internal factors, including bigger size and lower debt size contribute significantly to better corporate governance.

Keywords : corporate governance, central public sector enterprises (CPSEs), sample selection, Memorandum of Understanding (MoU), ordered logit, disinvestment

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