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Flexibility in Corporate Governance Practices: An Inter - Industry Comparison from India

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Abstract

Flexibility is the ability to change or react with little penalty in time, effort, cost or performance. Corporate governance is concerned with increasing the transparency, accountability and fairness in an organization. SEBI introduced the revised Clause 49 in an attempt to strengthen the corporate governance level of the companies. This paper conducts an inter-industry comparison to analyze if the flexibility of the organizations is contingent to their industry associations in adapting to the various corporate governance regulations in India. An inter-industry comparison is relevant as the firms operate in different external dynamics. Also, such a comparison is important as researchers have analyzed the relation between corporate governance and product market competition, ownership structure, global exposure etc. (which varies among various industries). However, to our best knowledge, a comprehensive and a formal inter-industry comparison has not been drawn so far in the literature. Corporate governance level of 420 non-financial sample firms has been assessed keeping the revised Clause 49 as the benchmark. The reason behind using the revised Clause 49 as a basis to assess the level of governance lies in its uniform applicability to all the listed companies. The results reveal that the corporate governance level is highest for ICT and pharmaceutical sector companies, which have relatively higher global exposure compared to the other sectors in India. Also, the governance level is the least for the oil, gas and power sector which can be explained by the dominance of public sector companies in this industry. The reason behind the lower level of flexibility in public sector companies can be attributed to the difference in the institutional set-ups (accountability, distribution of power, monitoring authority, political influence etc.) of public and private sector enterprises.

Keywords: *Board independence, Clause 49, corporate governance, India.*

Introduction

Flexibility is the ability to change or react with little penalty in time, effort, cost or performance (Sushil, 1997). In the prevailing turbulent environment and the increased globalization, flexibility has become the crucial element for the survival of the organizations. This paper attempts to analyze if the flexibility of the organizations is contingent to their industry associations. The flexibility of the organizations is assessed with respect to adapting to the various regulatory perspectives related to corporate governance regulations. Corporate governance is about promoting

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the culture of corporate fairness, transparency and accountability in an organization (Witherell, 2002). Good governed companies enjoy higher firm value (Bebchuk et al., 2009; Black et al., 2006), reduced managerial slack (Hart, 1995) and higher foreign direct investment (McKinsey, 2000). An extensive literature is found on corporate governance in context of developed countries. In India corporate governance gained prominence only after the liberalization of the economy in 1991. Indian companies started focusing on improving the corporate governance standards to compete with the foreign players (Davies, 2012). The first step in this direction was taken by the Confederation of Indian Industry (CII) by issuing a voluntary code for corporate governance. A series of corporate frauds in India and worldwide, further motivated the policy-makers to strengthen the governance culture in the economy. SEBI introduced a set of regulations on corporate governance, in the form of Clause 49, in 2005 which became mandatory for all the listed companies to follow (SEBI, 2004). The Clause 49 was further revised in 2014 and the revised clause came into effect from October 1, 2014 (SEBI, 2014). The revised Clause 49 has empowered the shareholders by mandating their prior approval on various crucial decisions (related party transactions, remuneration of directors etc.). Indian legal system provides one of the best investor protections in the world, but the implementation of the regulations is a major cause of concern in the country (Chakrabarti et al., 2008).

In 2005, around 70% of 1245 private sector companies listed on BSE (Bombay Stock Exchange) were in compliance with more than 80% of the codes of the Clause 49 (Gupta and Parua, 2006). This paper takes this analysis forward by assessing the corporate governance level of the sample companies keeping the revised Clause 49 as the benchmark for the purpose and conducting an inter-industry comparison to analyze if the industries exhibits a differential flexibility is terms of adapting to various corporate governance practices mandated by SEBI. Such a comparison makes sense as the industries differ in terms of the capital requirement, product market competition, global exposure etc. A comparison is also drawn to compare the specific aspects of corporate governance among various industries.

This paper is organized as follows. Section II provides the review of the literature. Section III presents the methodology and data details. Data analysis and findings are presented in Section IV. Finally, Section V concludes the paper.

Review of Literature

The review of literature has been divided into the following themes:

A. Flexibility and Related Business Perspectives

Flexibility is a strategic driver to firm performance and it is not limited to only technology. The concept of flexibility finds its relevance in all the business streams: operations, marketing, finance etc. (Sharma et al, 2010). In the current turbulent environment the need of flexibility becomes even more crucial and it can become the core competence of the firm (Kak and Sushil, 2002; Kak, 2004). Sushil (2005) corroborated the need of flexibility as “organizations that are under high continuity forces as well as high change forces are ‘synthesizers’ and are supposed to exhibit strategic flexibility to integrate the opposing forces acting simultaneously.”

B. Corporate Governance Compliance in Emerging Markets

Governance codes were similar across developing countries. However, the degree of compliance varies among the countries (Asroy and Crowther, 2004). Gupta and Parua (2006) analyzed the corporate governance of the sample companies on the basis of Clause 49 and raised concerns over the independence of the Audit Committee and disclosure and formation of Remuneration Committee. The authors also reported that more than 70% of the sample companies complied

with more than 70% of the codes. In a similar exercise, Shukla (2008) analyzed the corporate governance practices of 130 companies listed on Bombay Stock Exchange (BSE) in India. The authors raised concern over the board independence, disclosure of information on Nomination Committee and the absence of Remuneration Committee. Akinkoye and Olasanmi (2014) assessed the compliance level of 237 Nigerian listed companies and reported that the average compliance was 72.15%. The lowest level of compliance was reported with the codes related to the board structure and the executive remuneration. Singh et al. (2013) raised concern over the lack of the spirit of the adoption of the culture of good governance in the companies in India. The authors reported that only 10% of the sample companies got their governance policies assessed by an external rating agency. Only 20% of the sample companies offered a stock price linked incentive plan for the senior management.

C. Corporate Governance and Different Industry Parameters

The aim of corporate governance is to reduce managerial slack. Researchers in literature have analyzed the interplay between the impact of corporate governance and the competition level of different industries. Analyzing the data of 500 firms for nine years, Januszewski et al (2002) reported that corporate governance and product market competition were complements to each other. The positive effect of good corporate governance was enhanced by higher competition level. Product market competition was the main source to reduce managerial slack when the firm's corporate governance failed (Husto and Serrano, 2002). Analyzing the data of 794 firms from 24 countries, there was a positive association between the transparency and disclosure scores and various measures of cross boarder interactions (US listing, US investment flows, exports to and operations in the United States) [14]. Rennie (2006) provided confirmatory evidence that corporate governance became stronger in the companies because of the increased competition in the market. Giroud and Mueller (2011) reported that the impact of weak corporate governance (in terms of lower operating performance and lesser firm value) is more pronounced in the non-competitive industries. Reference [14] pointed out global competition for product and talent could be a major driver behind the good governance practices of the firms.

This study could not find any study which conducts an inter-industry comparison to compare the governance practices of different industries. The inter-industry comparison is important to analyze if the corporate governance compliance is impact by various parameters that differ among various industries (product market competition, global exposure, foreign institutional investor's ownerships, government dominance in certain industries etc). This paper addresses this gap and conducts an inter-industry comparison to analyze the governance practices of different industries.

Sample, Scope and Methodology

This paper attempts to conduct an inter-industry comparison to analysis the industry wise variation in the corporate governance level of the companies. The initial sample consists of 500 companies listed on the National Stock Exchange (NSE) of India. After excluding all the financial firms, for which the revised Clause 49 has limited applicability, the final sample consists of 420 firms. The sample companies have been classified into 49 industries. The sample companies have been reclassified into 12 sectors based on the methodology used by Singh et al. (2013). The revised Clause 49 has been taken as a benchmark to assess the corporate governance level of the companies as it is uniformly applicable to all the listed companies in India. Thirty codes have been extracted from the revised Clause 49 and the sample companies are scored based of the compliance with these codes. Based on the methodology used by Gupta and Parua (2006) and Shukla (2008), a company has been assigned "1" if case of compliance and "0" has been assigned if the company does not comply with a specific code. In this way, the company

can get a maximum score of 30, if it complies with all the codes and 0, if it complies with none of the codes.

A. Inter-Industry Comparison of the Corporate Governance Level of Various Industries

The mean compliance level of all the industries is calculated and the corporate governance level of various industries is compared using the ANOVA F- test. There are two underlying assumptions behind the ANOVA F-test: similar group sizes and homogeneity of various across the groups. Therefore, this study conducts two robustness tests (Welch F-test and Brown-Forsythe F-tests) to test the level of significance, if any of these assumptions is getting violated.

To delve deeper into the analysis and to ascertain for which industries the mean compliance level is significantly different, a post hoc test is conducted. Post hoc test consists of the pair-wise comparison that is designed to compare the mean of all possible combinations of the treatment groups (Field, 2009). The popular post hoc tests are Tamhane's T2, Dunnett's T3, Games-Howell and Dunnett's C. The present study conducts the Games-Howell post hoc test as this test performs well under the violations of the assumptions of equal group sizes and the homogeneity of variance across different groups (Thompson and Morgan, 2008; Field, 2009)

B. Comparison of the Specific Aspects of Governance of Various Industries

The paper highlights those codes for which the level of non-compliance is more than 10%. The present study seeks to analyze if the level of non-compliance to these codes is influenced by the industry classification. Pearson's chi-square test has been used to test the association between the compliance with the specific aspects of corporate governance and the industry classification. Pearson Chi-square test draws the comparison between observed frequencies in different categories and the expected frequencies in those categories (Field, 2009). Pearson's chi square statistic can be given by the following equation.

$$\chi 2 = \sum \frac{(\text{observed}_{ij} - \text{model}_{ij})^2}{\text{model}_{ij}}$$

In the formula, rows and columns in the contingency table are presented by i and j, respectively. The observed frequencies are the frequencies observed in different categories and the expected frequencies are calculated by the following formula.

$$E_{ij} = \frac{\text{row total}_i - \text{column total}_j}{n}$$

In the formula, n represent the total number of observations. Expected frequencies are calculated for all the cells in the contingency tables (for example 9 cells in 3*3 contingency table)

The assumption behind the chi-square test is that the sampling distribution of the test statistic has an approximate chi-square distribution. This assumption is valid only if the expected count of all the cells in the contingency table is greater than 5. However, if this assumption is violated, Fisher's Exact test or Monte Carlo method should be used to test the level of significance (Table IV) (Field, 2009; Matteoni et al., 1999)

Data Analysis

Table I presents the descriptive statistics of the compliance level of 12 industries. F-test statistics have been computed to compare the mean compliance level of different industries.

Table 1: Industry-Wise Descriptive Statistics

	Mean	Median	Mode	Minimum	Maximum	Standard deviation	F-test statistics
Capital Goods	90.12	92.00	96.15	65.38	100.00	7.35	
Chemicals	92.77	94.43	96.15	73.08	100.00	5.65	
Construction	91.94	92.59	100.00	68.00	100.00	6.11	
Electricals	92.81	94.43	100.00	79.31	100.00	5.92	
FMCG	93.18	96.00	96.15	82.14	100.00	4.81	3.58
ICT	94.12	96.15	100.00	85.19	100.00	4.46	(0.001)***[a]
Metal	90.47	92.00	88.00	74.07	100.00	7.22	(0.043)**[b]
Miscellaneous	92.18	92.59	96.15	57.69	100.00	7.50	(0.001)***[c]
Oil, Gas and Power	83.77	86.82	96.30	51.85	100.00	14.06	
Pharmaceuticals	92.77	92.59	96.30	85.19	100.00	4.46	
Textiles	92.91	96.00	96.15	72.00	100.00	6.32	
Transport	91.19	92.59	100.00	36.00	100.00	11.68	

A. Descriptive Statistics of the Level of Compliance of Different Industries

It is evident from Table I that the mean compliance level is the least for the oil, gas and power sector (83.77%) followed by the capital goods sector (90.12%). The compliance level is highest for the ICT (information, communication and technology) sector (94.14%), which includes IT and telecom companies. The standard deviation is also the least for the ICT and pharmaceutical sectors (4.46%).

The highest mean compliance level of ICT sector (94.14%) is followed by FMCG sector (93.18%). There are companies within each sector with a compliance level of 100.00%.

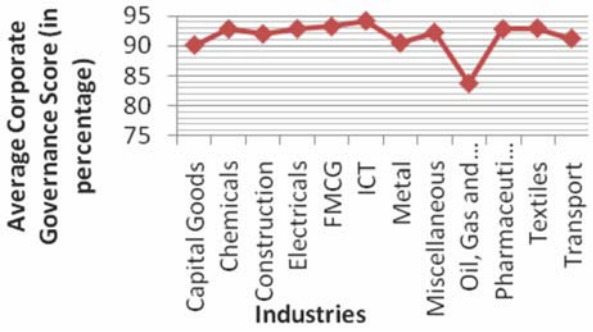

Figure 1: Mean Corporate Governance Compliance Level across Different Industries

B. ANOVA Statistics to Compare the Mean Compliance Level across Different Industries

The F-test statistics (significant at 1% level of confidence) rejects the null hypothesis (Table I) and confirms the alternate hypothesis that there is a significant difference in the mean compliance level of different industries.

1. Robustness Tests

The F-test statistics is based on two assumptions: 1. The group size should be similar across all the groups. 2. There should be the homogeneity of variance across different groups. Since

the group size of all the groups is not the same, this study conducts two robustness tests: Welch test and Brown-Forsythe tests. These tests overcome the limitations of the violations of these two assumptions. These tests also confirm the rejection of null hypothesis at 5% and 1% level of significance, respectively.

The F-test statistics and the robustness tests confirm that there is a significant difference in the mean compliance level of different industries.

C. Comparison of the Inter-Industry Compliance Level

To delve deeper into the analysis and to ascertain for which industries the mean compliance level is significantly different, a post hoc test is conducted. Post hoc test consists of the pair-wise comparison that is designed to compare the mean of all possible combinations of the treatment groups (Field, 2009). The popular post hoc tests are Tamhane's T2, Dunnett's T3, Games-Howell and Dunnett's C. The present study conducts the Games-Howell post hoc test as this test performs well under the violations of the assumptions of equal group sizes and the homogeneity of variance across different groups (Field, 2009; Thompson and Morgan, 2008). The results of the Games-Howell test are summarized in Table II.

Table 2: Summary Statistics of the Difference in the Means Compliance Level across Different Industries

J I	Capital Goods (I-J)	Chemicals (I-J)	Construction (I-J)	Electricals (I-J)	FMCG (I-J)	ICT (I-J)
Capital Goods	0.00	2.65	1.83	2.69	3.06	4.00
Chemicals	-2.65	0.00	-0.82	0.04	0.41	1.35
Construction	-1.83	0.82	0.00	0.86	1.23	2.17
Electricals	-2.69	-0.04	-0.86	0.00	0.37	1.31
FMCG	-3.06	-0.41	-1.23	-0.37	0.00	0.94
ICT	-4.00	-1.35a	-2.17	-1.31	-0.94	0.00
Metal	-0.35	2.30	1.47	2.34	2.71	3.65
Miscellaneous	-2.06	0.59	-0.23	0.63	1.00	1.94
Oil, Gas and Power	6.35	9.00	8.18	9.04	**-9.40 (0.07)***	**-10.34 (0.03)****
Pharmaceuticals	-2.66	-0.01	-0.83	0.03	0.40	1.34
Textiles	-2.79	-0.14	-0.96	-0.10	0.27	1.21
Transport	-1.07	1.58	0.76	1.62	1.99	2.93

J I	Metal (I-J)	Miscellaneous (I-J)	Oil, Gas and Power (I-J)	Pharmaceuticals (I-J)	Textiles (I-J)	Transport (I-J)
Capital Goods	0.35	2.06	-6.35	2.66	2.79	1.07
Chemicals	-2.30	-0.59	-9.00	0.01	0.14	-1.58
Construction	-1.47	0.23	-8.18	0.83	0.96	-0.76
Electricals	-2.34	-0.63	-9.04	-0.03	0.10	-1.62
FMCG	-2.71	-1.00	**9.40 (0.07)***	-0.40	-0.27	-1.99
ICT	-3.65	-1.94	**10.34 (0.03)****	-1.34	-1.21	-2.93
Metal	0.00	1.71	-6.70	2.30	2.44	0.72

Miscellaneous	-1.71	0.00	-8.41	0.60		-0.99
Oil, Gas and Power	6.70	8.41	0.00	**-9.00 (-0.09)***	9.14	7.42
Pharmaceuticals	-2.30	-0.60	**9.00 (-0.09)***	0.00	0.13	-1.59
Textiles	-2.44	-0.73	-9.14	-0.13	0.00	-1.72
Transport	-0.72	0.99	-7.42	1.59	1.72	0.00

Note: This table presents the post-hoc test results of Games-Howell test. (I-J) represents the difference in the mean compliance level of two industries. ***, ** and * represent compliance level at 1%, 5% and 10%, respectively.

A detailed inter-group comparison confirms that the mean compliance level of ICT sector is higher (10.34%) than oil, gas and power sector at 1% level of significance. The results also report that the mean compliance levels of FMCG (93.18%) and pharmaceutical sectors (92.77%) are significantly higher than the mean compliance level of oil, gas and power sector (83.77%). The findings are in conformity with [14] which confirmed that the corporate governance policies of Indian IT firms were superior to the non-IT firms in the country. The reason behind the superior governance practices was attributed to the fact that compared to the other firms, Indian IT companies had higher exposure to the global competition. The present study also reports similar results, which reflects in the highest level of compliance level of the ICT sector (94.12%). The explanation behind the lowest level of the compliance level of the oil, gas and power sector can be traced back to the dominance of public sector companies (57.14%) in this sector. Table III presents that the oil, gas and power sector is comprised of 57.14% public sector companies and the mean compliance level of the public sector companies is 75.91%. The mean compliance level of private sector companies in the oil, gas and power sector is 94.25%.

Table 3: Descriptive Statistics of the Compliance Level of Public and Private Sector Companies in Oil, Gas and Power Sector

Oil, gas and power sector (28 companies)		
Compliance level (percentage)	Private sector companies	Public sector companies
Total companies	12	16
Mean	94.25	75.91
Maximum	100.00	92.31
Minimum	79.31	51.85
Standard Deviation	6.50	13.08

In addition to analysis conducted, this study attempts to ascertain the association between the level of compliance of the individual codes (the codes for which the level of non-compliance is more than 10%) and the industrial classification for which the mean compliance level is significantly different across different groups. The various codes for which the level of non-compliance is more than 10% are:

i. Presence of at least one woman director on the board
ii. Number of independent directors on the board
iii. Evaluation criteria for independent directors
iv. Meeting of independent directors
v. Shareholders' approval for the fees paid to the non-executive/independent directors
vi. Percentage of non-executive directors in Nomination and Remuneration Committee
vii. Independent director on the board of the material non-listed Indian subsidiary
viii. Details of the material RPTs disclosed in the quarterly corporate governance report
ix. Policy dealing with the RPTs disclosed in the annual report
x. Shareholders' approval obtained for the material RPTs

The results of the ANOVA test imply that there is a significant difference in the mean compliance level of different industries. A detailed post-hoc analysis reports that the mean compliance level of oil, gas and power sector is the least (83.77%) amongst all the industries and it is significantly lower than the ICT (94.12%), FMCG (93.18%) and pharmaceutical sectors (92.77%). An individual code-wise analysis presents a better understanding of any association between the compliance of various codes (the codes for which the level of non-compliance is more than 10%) and the industry to which the company belongs. Table IV presents the summary statistics of the Chi-square test performed to analyze this association.

Table 4: Disaggregate Analysis to Test the Association between the Level of Compliance of Individual Codes and the Industry Classification

Provisions	Value	Capital Goods	Chemicals	Construction	Electricals	FMCG	ICT	Metal	Miscellaneous
Presence of at least one woman director on the board	0	6	7	7	0	4	2	2	6
	1	19	29	58	20	35	31	21	35
Numbers of independent directors on the board	0	5	5	9	4	3	3	8	4
	1	20	31	56	16	36	30	15	37
Evaluation criteria for independent directors	0	15	19	41	10	21	18	13	19
	1	10	17	24	10	18	15	10	22
Meeting of independent directors	0	7	7	7	1	2	4	3	3
	1	18	29	58	19	37	29	20	38
Shareholders' approval for the fee paid to non-executive/independent directors	0	4	3	9	5	5	3	6	5
	1	12	22	19	9	16	22	4	13
Percentage of non-executive directors in Nomination and Remuneration Committee	0	6	6	17	2	6	2	6	12
	1	19	30	48	18	33	31	17	29
Independent director of the holding company on the board of the material non-listed subsidiary	0	2	2	3	2	3	1	0	8
	1	2	5	33	10	9	11	5	14
Details of the material RPTs disclosed in the quarterly corporate governance report	0	6	6	8	6	11	10	3	8
	1	0	0	1	0	0	2	1	2
Policy dealing with the RPTs disclosed in the annual report	0	2	4	12	3	4	2	4	3
	1	23	32	53	17	35	31	19	38
Shareholders' approval obtained for the material RPTs	0	3	3	5	2	8	5	0	6
	1	3	3	4	4	3	7	4	4

Provisions	Oil, Gas and Power	Pharmaceuticals	Textiles	Transport	Total	Chi-Square Test Statistics
Presence of at least one woman director on the board	9	4	0	7	54	21.829[a] (0.016)**
	19	29	29	41	366	
Numbers of independent directors on the board	15	2	3	5	66	35.447[a] (0.001)***
	13	31	26	43	354	
Evaluation criteria for independent directors	21	17	15	24	233	8.804 -0.648
	7	16	14	24	187	
Meeting of independent directors	12	7	2	9	64	26.774[a] (0.003)***
	16	26	27	39	356	
						12.774[a]

Shareholders' approval for the fee paid to non-executive/independent directors	1	5	4	8	58	-0.289
	5	12	9	19	162	
Percentage of non-executive directors in Nomination and Remuneration Committee	7	5	9	12	90	13.202 -0.283
	21	28	20	36	330	
Independent director of the holding company on the board of the material non-listed subsidiary	2	3	2	1	29	13.552[a] -0.183
	11	9	7	13	129	
Details of the material RPTs disclosed in the quarterly corporate governance report	7	10	5	9	89	6.910[a] -0.821
	1	3	1	2	13	
Policy dealing with the RPTs disclosed in the annual report	3	0	5	4	46	12.744[a] -0.274
	25	33	24	44	374	
Shareholders' approval obtained for the material RPTs	4	8	2	6	52	9.134[a] (0.632)

Note: The table presents the summary of Pearson Chi-square test statistics. ***, ** and * represent the level of significance at 1, 5 and 10% respectively. 'a' represents the level of significance as reported by Monte Carlo method.

The results of the Chi-square test report that there is a significant association between the level of compliance and the industry classification for the following codes.

The various provisions for which the Chi-square test statistics are significant are summarized below.

1. Presence of at Least One Woman Director on the Board

   The Chi-square test statistics is significant at 5%. The results signify that there is an association between the compliance of this provision and the industry to which the company belongs. The maximum level of non-compliance is in the oil, gas and power sector (32.14%) followed by capital goods sector (24%).

2. Number of Independent Directors on the Board

   The Chi square statistic significant at 1% level of significance confirms a significant association between the compliance of this provision and the industry association of the company. The non-compliance is highest for the oil, gas and power sector (53.57%) and for the metals sector (34.78%). The level of non-compliance is the minimum for the pharmaceuticals (6.06%), FMCG (7.69%) and ICT sectors (9.09%).

3. Meeting of Independent Directors

   The Chi-square test statistic is significant at 1%. The results corroborate that there is an association between the compliance of this provision and the industry to which the company belongs. The companies in the oil, gas and power (42.86%) and the capital goods sectors (28.00%) present the maximum level of non-compliance of this provision. The minimum non-compliance of this provision is noticed in the electrical (5.00%) and pharmaceutical sectors (5.13%).

Concluding Observations

In the prevailing turbulent environment the researchers and the practitioners have highlighted the rising need of flexibility be it system flexibility, or process flexibility etc. This paper attempted to analyze if the flexibility is contingent to the industry associations with respect to adapting various corporate governance practices imposed by the regulators. Corporate governance is concerned with the system in which the organizations are directed and controlled. Several studies have analyzed the relationship between corporate governance and product market competition, global exposure, foreign ownership etc which varies across industries. A formal inter-industry comparison has not been drawn in the literature. This study fills this gap and compares the

corporate governance practices of various industries. The study uses revised Clause 49 as assess the level of corporate governance of various industries. The revised Clause 49 has been used as a basis to measure the corporate governance level of the companies as this clause is uniformly applicable to all the listed companies in India.

The results report that for all the companies the level of corporate governance is more than 90% except oil, gas and power sector (83.77%). The minimum level of corporate governance of this industry can be explained by the dominance of public sector companies in this sector. The corporate governance compliance rate of public sector companies is 75.91% in the oil, gas and power sector. The results clearly indicate that the public sector organizations lack flexibility to adapt to various regulatory requirements. The lack of flexibility of the public sector organizations can be attributed to the difference in the institutional set-ups of the public and private sector companies. For example, the decision making in public sector organizations might be slow owing to the factors like differences in accountability, distribution of power, monitoring authority, political influence etc. which might in turn cause the lack of flexibility in public sector organizations to respond to the regulatory changes. From the governance perspective, the findings raise serious concerns as the government companies should have exhibited better compliance than the private sector considering them being the custodians of substantial amount of public wealth which in turn, calls for the need of increased transparency and accountability for PSUs. The level of corporate governance is highest for the ICT sector (94.12%). The highest level of flexibility exhibited by the ICT sector companies can be attributed to the tough intra-industry competition, the dynamic nature of the industry itself and to the higher global exposure (in terms of higher global competition for product and talent). Infosys which is the major IT giant in India has been the pioneer of adapting the culture of good governance in the country.

To conclude, the corporate governance level of most of the industries is more than 90%. The level of corporate governance is influenced by the global exposure of the industry which gets reflected in the highest governance level of the Indian ICT companies. The findings are in line with the viewpoints of Khanna and Palepu (2004), who argued that the good governance practices of Indian IT sector was an attempt to attract the global pool of customers. However, the paper also raises concerns over lack of flexibility and the governance level of public sector companies in India, which pulls down the governance level of oil, gas and power industry to the bottom level. The findings draw the attention of the policy-makers to address the various possible institutional differences in the public sector organizations, which might be responsible for the relative rigidity of the public sector companies to respond to various regulatory (governance) requirements. Gender diversity and the lack of independent boards are the major areas of concerns in the oil, gas and power sector.

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