



An Appraisal of Corporate Governance Disclosure Practices in Bharat Heavy Electricals Limited (BHEL)

¹Ayushi Shukla, ²Dr. Jyoti Bhargava

¹Research Scholar, ²Professor and Head

¹Department of Commerce, University of Lucknow, Lucknow, India.

²Department of Commerce, National P.G. College, Lucknow, India.

ABSTARCT

Corporate governance plays a pivotal role in strengthening organizational integrity, enhancing stakeholder confidence, and promoting sustainable business practices, particularly in public sector enterprises where transparency, accountability, and regulatory compliance are imperative. This study examines the corporate governance disclosure practices of Bharat Heavy Electricals Limited (BHEL) through a structured Corporate Governance Disclosure Index (CGDI) based on Clause 49 of the Listing Agreement, the Companies Act, SEBI guidelines, and other statutory norms. Relying on secondary data extracted from BHEL's annual reports for the years 2022–23, 2023–24, and 2024–25, the study assesses governance performance across multiple parameters including board structure, audit committee functioning, ethical conduct, stakeholder communication, CSR initiatives, sustainability reporting, and risk management oversight. The findings reveal that BHEL demonstrates satisfactory compliance with most mandatory disclosure norms, reflecting a strong commitment to accountability, transparency, and ethical governance. However, partial compliance is observed in non-mandatory areas such as board evaluation, director orientation programs, detailed reporting of committee functioning, ESG integration, and broader stakeholder engagement. The study concludes that while BHEL exhibits sound adherence to corporate governance standards in letter and spirit, enhanced qualitative disclosures and inclusion of advanced governance mechanisms would further strengthen its governance maturity, align it with global best practices, and contribute to long-term corporate credibility and sustainability.

Keywords: Corporate Governance, Disclosure Practices, BHEL, Clause 49, SEBI, Transparency, CPSEs.

INTRODUCTION:

The globalization and liberalization of economies have placed corporate organizations at the forefront of social and economic development, making corporate decision-making a significant force in shaping modern society. In this context, the debate is no longer about choosing between profit and ethics; rather, it emphasizes achieving profit through ethical means, a principle that has driven the evolution of corporate governance. The growing emphasis on corporate governance has been reinforced by major corporate scandals, such as Enron, which highlighted issues of inadequate transparency, weakened shareholder rights, and poor accountability, thereby underscoring the need for stronger reporting and disclosure practices. Corporate governance fundamentally concerns the direction and control of corporate bodies, involving key person such as the CEO, the Board of Directors, and shareholders, along with other stakeholders like employees, customers, suppliers, creditors, and the wider community. Historically, weak governance mechanisms and insufficient financial transparency have been identified as critical contributors to financial crises, including the Asian financial

crisis, reinforcing the necessity for enhanced accounting clarity and comprehensive public disclosures. Consequently, in the modern regulatory environment, corporate governance disclosure has become a central pillar of corporate regulation, ensuring that companies provide clear, reliable, and timely information to the public through multiple channels.

The discourse on corporate governance gained significant momentum following the era of economic liberalization and deregulation, which brought increased emphasis on corporate ethics and stricter compliance with legislative norms. The economic reforms introduced in 1991, which opened the national economy to global competition and market-driven dynamics, highlighted the urgent need for robust and well-structured governance frameworks. These reforms fundamentally transformed the operational environment for enterprises across sectors, reinforcing the importance of transparent, accountable, and ethically sound management practices. As a result, the adoption and effective implementation of comprehensive corporate governance policies emerged as a critical requirement—not only to protect the interests of diverse stakeholders but also to advance the broader goals of sustainable economic development and national progress.

In India, the government maintains ownership or significant control over key sectors that exert substantial influence on the national economy, including infrastructure, oil and gas, mining, and manufacturing. Over the years, the Government of India (GoI) has undertaken a series of initiatives aimed at enhancing the efficiency and strategic orientation of Central Public Sector Enterprises (CPSEs), with corporate governance reforms playing a pivotal role in this process. The reform wave of the 1990s emphasized liberalization and deregulation across major sectors, systematic disinvestment of government equity, greater managerial autonomy through the delegation of decision-making powers to high-performing enterprises, and the introduction of performance monitoring systems to ensure accountability. These measures, along with efforts to strengthen CPSE boards and promote transparency, gradually evolved into a more holistic governance framework, ultimately leading to the issuance of the Guidelines on Corporate Governance for Central Public Sector Enterprises in 2007 and their mandatory implementation from 2010 onwards. Governance reforms gained strategic importance due to multiple factors: the continued centrality of CPSEs in India's economic structure, intensified pressure on these enterprises to remain competitive under market-driven conditions and tighter budgetary constraints, and the increasing trend of CPSEs being listed on capital markets. (World Bank, 2010)

REVIEW OF LITERATURE:

Chattopadhyay (2011) examined the structural and governance-related challenges faced by Public Sector Undertakings (PSUs) in India, particularly those stemming from government ownership and reliance on taxpayer funds for operational activities. The study identified several factors contributing to the erosion of effective corporate governance, including conflicting organizational objectives, excessive governmental intervention, limited commercial and managerial autonomy, and the lack of truly independent directors. While acknowledging the unique characteristics of PSUs, the researcher emphasized the urgent need to address governance shortcomings by enhancing transparency, accountability, and autonomy within these enterprises.

Singhal (2012) explored the relevance of corporate governance against the backdrop of evolving global business environments and compared the governance practices and responsibilities of Indian PSUs with those of public-sector entities internationally. The study evaluated critical governance dimensions such as managerial autonomy, board structure, the roles of non-executive directors, and compliance with SEBI's regulatory framework for planning and execution. Singhal recommended that the government develop clear and robust policies for each PSU to ensure efficient operations and adopt stringent corporate governance norms for unlisted PSUs as well.

Ravi (2016) analyzed instances of governance failures in India, characterizing them as systemic and collective breakdowns. He noted the prevalence of political involvement in the appointment of CEOs and highlighted the lack of formal complaints or effective action by banks in such situations. To address these governance shortcomings, Ravi (2016) proposed empowering regulatory bodies such as the Securities and Exchange Board of India (SEBI), enhancing the authority of investigative agencies like the Central Bureau of Investigation (CBI), enforcing greater accountability among public sector banks, strengthening supervisory institutions, and expediting judicial processes to ensure prompt justice. He underscored the importance of ensuring that corporations adhere to corporate governance principles both in letter and in spirit.

Lisma et al. (2017) examined transparency as a fundamental corporate governance principle, defining it as the organization's willingness to disclose all material business information that could influence decision-making by investors or other stakeholders. Their research established that effective disclosure depends on clarity, accuracy, and timeliness. They emphasized that the board of directors bears primary responsibility for ensuring the dissemination of relevant information to both internal and external stakeholders. The study further revealed that while non-financial information tends to be disclosed more openly, financial information especially in privately held or non-public companies is often less transparent.

Bishnoi and Devi (2015) examined the issue related to Corporate Governance in foreign firms working in India. Their study is based on the evaluation of the performance of firms as per the mandatory requirement of the Clause 49 of the Listing Agreement and research found that there is a correlation between the board compliance and the audit compliance indices. They also found that compliance has influenced the growth and not in returns which help in functioning of boards in terms of quality, effectiveness and transparency.

Gupta (2012) examined whether stronger corporate governance mechanisms contribute to improved corporate performance. The study revealed that India adopts comparatively stringent shareholder-oriented governance practices when contrasted with countries such as Japan and South Korea. Gupta (2012) also found that robust corporate governance practices positively influence both the share prices and the financial performance of companies, underscoring the significance of governance quality in enhancing firm value.

Motwani and Pandya (2013) conducted a sectoral analysis of corporate governance practices in India with the objective of uncovering governance patterns across major industries. Their study evaluated governance performance over a five-year period by calculating average scores derived from the annual governance ratings of selected firms. The findings indicated that the automobile sector demonstrated the highest level of corporate governance adherence, while the construction sector exhibited comparatively weaker governance practices (Motwani & Pandya, 2013).

RESEARCH METHODOLOGY:

This section deals with objectives of the study and also develop hypothesis.

Objectives of the study:

- 1) To determine corporate governance practices in BHEL.
- 2) To develop corporate governance disclosure index as the basis of financial and non-financial disclosures
- 3) To conduct a comparative analysis of corporate governance practices across three consecutive financial years.

Sample size and data collection:

The sample for this study consists of a Central Public Sector Enterprise (CPSE), namely Bharat Heavy Electricals Limited (BHEL). The research relies exclusively on secondary data. The analysis covers three consecutive financial years: 2022–23, 2023–24, and 2024–25. All relevant data and information have been sourced from the official annual reports published by BHEL for the respective years. These reports provide comprehensive insights into the company's corporate governance practices, financial disclosures, and non-financial disclosures, thereby forming a reliable basis for evaluating governance performance over the selected period.

Hypothesis:

H₀: BHEL does not shows satisfactory compliance with the corporate governance standards and disclosure requirements prescribed under Clause 49 of the Listing Agreement.

H₁: BHEL shows satisfactory compliance with the corporate governance standards and disclosure requirements prescribed under Clause 49 of the Listing Agreement.

ANALYSIS AND INTERPRETATION:

This section presents the analysis and interpretation of data collected for the study to assess the level of corporate governance compliance in Bharat Heavy Electricals Limited (BHEL). The purpose of this section is to examine how effectively the company adheres to the prescribed corporate governance standards and disclosure requirements as per Clause 49 of the Listing Agreement and relevant provisions of the Companies Act. The analysis is conducted by evaluating various governance parameters across selected financial years, focusing on both mandatory and non-mandatory disclosure practices.

The data, primarily sourced from BHEL's annual reports, has been systematically classified and evaluated using a Corporate Governance Disclosure Index designed for the study. The analysis is conducted using a Corporate Governance Disclosure Index tailored for the study, wherein specific governance parameters are assigned weighted scores to reflect the depth, accuracy, and reliability of disclosures. This index facilitates both cross-sectional and temporal analysis, enabling a comprehensive comparison of governance performance across three consecutive financial years. Through this methodological approach, the section seeks not only to quantify compliance but also to interpret the qualitative integrity and strategic intent underlying BHEL's governance practices. This section not only highlights the strengths and weaknesses of BHEL's governance structure but also provides a comparative perspective across the selected years. The analysis further assists in validating the research hypothesis by examining the extent to which BHEL demonstrates responsible, transparent, and accountable governance practices.

Sr. No.	Governance Parameters	Total Score	Points Score	2022-23	2023-24	2024-25
1	Board Composition & Structure I) Composition of Board (Executive/Non-Executive/Independent) II) Presence of Woman Director III) Chairman–CEO Duality IV) Tenure & Age Limit of Directors V) Board Diversity (Skills, Experience, Background) VI) Appointment of Independent Director	12				
			2	2	2	2
			2	2	2	2
			2	-	-	-
			2	2	2	2
			2	2	2	2
			2	2	2	2
2	Board Meetings & Functioning I) Statement on Code of Governance Philosophy II) Number and Frequency of Board Meetings III) Attendance of Directors in Meetings IV) Post-Meeting Follow-up & Compliance Procedures V) Succession Planning Policy for Key Managerial Personnel	10				
			2	2	2	2
			2	1	2	1
			2	2	1	2
			2	2	1	2
			2	2	2	2
3	Independent Directors and Evaluation I) Appointment Process for Independent Directors II) Definition and Selection Criteria for Independent Directors III) Evaluation of Board & Committee Performance IV) Evaluation of Non-Executive Directors V) Disclosure of Independence Criteria & Tenure	10				
			2	2	2	2
			2	2	2	2
			2			
			2	-	-	-
4	Board Committees (Structure & Transparency) I) Audit Committee Composition and Disclosure	12				
			2	2	2	2
			2	2	2	2

	II) Nomination/Remuneration Committee Details III) Stakeholders Relationship Committee IV) Risk Management Committee V) CSR Committee VI) Disclosure of Committee Attendance & Reports		2	2	2	2
			2	2	2	2
			2			
			2	2	2	2
5	Ethics, Conduct, and Integrity I) Code of Conduct Disclosure II) Affirmation of Compliance III) Whistle-blower & Vigil Mechanism IV) Disclosure of Vigilance / Integrity Framework V) Code for Prevention of Insider Trading	10				
			2	2	2	2
			2	2	2	2
			2	2	2	2
			2	2	2	2
6	Transparency and Disclosure Practices I) Disclosure on Remuneration Policy II) Disclosure on Remuneration of Directors III) Disclosure on Related Party Transactions Policy & Controls IV) Internal Control & Risk Management Disclosure V) Audit Committee Charter and Reporting	10				
			2	2	2	2
			2	2	2	2
			2			
			2	2	2	2
7	Compliance, Certification & Risk Oversight I) CEO/CFO Certification II) Clean Audit / Compliance Certificate III) Cybersecurity and Data Protection Governance IV) Risk Management Report & Board-Level Discussion	8				
			2	2	2	2
			2	2	2	2
			2	-	-	-
			2	2	2	2
8	Shareholder Rights and Communication I) Means of Communication & Shareholder Information II) General Body Meeting Disclosures III) Share Transfer / Investor Grievance Mechanism IV) Disclosure of Shareholder Rights and Voting V) Training & Orientation for Board Members	10				
			2	2	2	2
			2	2	2	2
			2			
			2	2	2	2
9	Stakeholder and Social Responsibility I) Disclosure of Stakeholder Interest (EHS, HRD, CSR, IR) II) Policy on Stakeholder Engagement (Beyond Shareholders) III) Human Resource Development Initiatives IV) Industrial Relations Transparency V) Community and Environmental Responsibility	10				
			2	2	2	2
			2	-	-	-
			2	-	-	-
10	Sustainability, ESG and Strategic Accountability I) Environment, Health & Safety (EHS) Practices II) Corporate Social Responsibility (CSR) Performance Disclosure III) ESG / Sustainability Reporting IV) Management Discussion & Analysis / Strategic Accountability Statement	8				
			2	2	2	2
			2	2	2	2
			2	2	2	2
			2	2	2	2
	Total	100	100	83	82	83

(Source: Annual Report)

Observations:

- 1) BHEL demonstrates a **good and consistent level of compliance** with corporate governance standards across all selected years, indicating that the organization adheres to major disclosure and reporting requirements prescribed under Clause 49 and relevant provisions of the Companies Act, 2013.
- 2) The company exhibits strong compliance in **mandatory parameters**, such as board composition, CEO/CFO certification, audit committee disclosures, stakeholder information, and CSR reporting. This reflects BHEL's commitment to transparency, accountability, and responsible governance.
- 3) Governance parameters related to disclosure quality, such as financial reporting, stakeholder information, and policy documentation, have been consistently reported, indicating BHEL's commitment to regulatory compliance and ethical management practices.

CONCLUSION:

Good governance has increasingly become a strategic source of competitive advantage for economies seeking to attract international capital and foster investor confidence. Responsibility, transparency, fairness, and accountability serve as the four foundational pillars of an effective corporate governance framework. Corporate governance facilitates the establishment of a system in which directors are entrusted with defined duties, ethical obligations, and managerial responsibilities to ensure the sound administration of the company's affairs. In this context, the present study examines the corporate governance disclosure practices of Bharat Heavy Electricals Limited (BHEL), assessing the extent to which the company aligns with established governance standards and regulatory expectations. The study aimed to appraise the corporate governance disclosure practices of Bharat Heavy Electricals Limited (BHEL) by evaluating its adherence to the regulatory provisions of Clause 49 of the Listing Agreement and relevant governance guidelines. The findings reveal that BHEL maintains satisfactory compliance with most mandatory governance parameters, demonstrating strong commitment towards board structure, audit committee functioning, stakeholder communication, CSR initiatives, and ethical governance standards. The consistent scores across the selected years reflect stable governance mechanisms and adherence to established norms, showcasing accountability, transparency, and managerial responsibility.

However, the findings further reveal a partial or limited approach toward non-mandatory governance aspects such as board performance evaluation, director training and orientation, detailed reporting on committee effectiveness, stakeholder engagement beyond shareholders, and ESG-integrated sustainability disclosures. Incorporating these elements would elevate BHEL's governance maturity from compliance-driven to strategically driven governance. The study concludes that while BHEL satisfies the essential parameters of corporate governance in both letter and spirit, enhancing qualitative disclosures, integrating sustainability practices, and strengthening risk oversight mechanisms will enable the organization to align more closely with global best practices, investor expectations, and long-term corporate stewardship.

REFERENCES:

- Balasubramanian, N.** (2010). *Corporate governance and stewardship*. Tata McGraw-Hill.
- Bhayana, S.** (2007). *Corporate governance practices in India*. Regal Publications.
- Bishoni, T. R., & Sh, S. D.** (2015). Corporate governance and performance of foreign firms in India. *Indian Journal of Corporate Governance*, 8(2), 137–152.
- Chattopadhyay, C.** (2011). Corporate governance and public sector units in India: A review. *Proceedings of the International Conference on Humanities, Society and Culture*, 20, 167–172. Singapore.
- Das, S.** (2008). *Corporate governance in India: An evaluation*. Prentice-Hall.
- Das, S. C.** (n.d.). Corporate governance standards and practices in engineering industry in India. (*Publication details not available*).
- Gupta, P.** (2012). *A study of the impact of corporate governance practices on firm performance in India, Japanese, and South Korean companies*. Social Science Research Network.

Lisma, L. (2017, April). The transparency principle in realizing good corporate governance: Limited company. *IOSR Journal of Humanities and Social Science*, 22(4), 50–57.

Motwani, S. S., & Pandya, H. B. (2013). Sectoral analysis of corporate governance practices in India. *International Journal of Advanced Research*, 1(4), 296–312.

Rakesh, S. (2010). *Guidelines on corporate governance for Central Public Sector Enterprises by Government of India*. Retrieved October 15, 2017, from <https://slpe.gov.com>

Ravi, S. P. (2016). What is wrong with Indian corporate governance? A case study of the failure of Kingfisher Airlines. *Business Studies Journal*, 8(2), 46–62.

Rupali, M. (2015, November 24). PSUs fare poorly in corporate governance: Study. *The Economic Times*.

Singhal, P. S. (2012, August). *A note on corporate governance in public sector undertakings in India*. Munich Personal RePEc Archive

