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AN ASSESSMENT OF GOOD CORPORATE GOVERNANCE IN STATE OWNED ENTERPRISES OF MAURITIUS

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Abstract:

The study seeks to assess the impact good corporate governance in State Owned Enterprises (SOEs) of Mauritius by obtaining the general perspectives of employees in this particular sector. This study comprised of two stages. Firstly, a focus group discussion was conducted among few employees in SOEs of Mauritius. This exploratory phase was useful in identifying additional views on the impact, barriers, issues and challenges on the level of good corporate governance in SOEs of Mauritius. A survey was then being conducted as a second phase of the study among a sample of employees from SOEs in Mauritius. The analysis focused on the objectives of the study, which were to assess the practice of good governance in SOEs in Mauritius, its benefits and the barriers towards practicing good governance in these firms. The major findings of the study showed that most respondents acknowledge the positive impact of good corporate governance in the day to day of their organisations. However, they also reported that constant governmental intervention acts as a barrier for the proper functioning of SOEs in Mauritius.

Key words: *Corporate Governance, State Owned Enterprises, Code of Corporate Governance of Mauritius*

1. Introduction

Numerous frauds and scandals in many companies around the world namely; Enron, WorldCom, Adelphia and Tyco amongst a few have disturbed and alarmed the corporate world. Many researchers have observed that these corporate failures were due to the malfunctioning of the board of directors of these companies who failed in assuming and executing their responsibilities and duties. There were loopholes in their financial accounting and management, poor risk assessments, monitoring and control, very weak internal auditing practices and very pitiable level of transparency and disclosures. It can be said that these corporate scandals will always be graved in the history of the corporate world. Even in Mauritius financial scandals in banks have compelled the following banks to close down: Bank of Credit and Commerce, the Habib Bank (Zurich), the Mauritius Cooperative Central Bank, the Union Bank and the Delphis Bank. As a result, these series of blows to the confidence and uprightness to the markets have come as a wakeup call to recognise the vital importance of the practice of good corporate governance. Today's business world is more geared towards satisfying both share and stake holders and these remains a differentiation power. Directors and managers must now be capable of making constant adjustments and meeting or even surpassing expectations of key stakeholders and to be always working towards achieving good corporate governance. For the case of Mauritius, corporate governance is active and in practice as from July 2004 and it is applicable to listed companies on the Stock Exchange of Mauritius, financial institutions like banks and non-financial institutions, SOEs; that is; statutory corporations, parastatal bodies and large private companies (Code of Corporate Governance for Mauritius, 2004); yet a lot of criticisms have been brought forward when it comes to good governance in SOEs of Mauritius. Much criticisms have been brought forward against State Owned Enterprises in Mauritius for bad practice of good governance as there is continuous governmental interferences in their day-to-day management, poor internal control mechanisms, auditing standards and transparency and disclosure methods. The objectives of the study are to analyze and assess the practice of good governance in SOEs in Mauritius, its benefits and the barriers towards practicing good governance in these firms.

2. Literature Review

Past literatures bear evidence to the differentiation power that the practice of good corporate governance has on organizations. Much researches have been conducted on corporate governance in organizational context in the past few years. The concept of the practice of good corporate governance is being given much importance in organizations because of the partition of ownership, power and control. Owners and shareholders of businesses have to be self assured that the people that are assigned the role of directors and managers are performing up to the management expectations, making proper use of resources and adequate disclosures. Corporate failures like Enron and WorldCom bear evidence to the gain of importance to the good practices of good corporate governance. A lot of factors have contributed towards corporate failures, like bad and unethical management practices, the conflicts of interests, frauds, poor internal controls and risk assessment. Nowadays, the practice of corporate governance in the midst of organizations is being considered as a necessary exercise and also acts as a differentiation power.

Corporate governance in simple terms can be defined as procedure and framework that is being utilized to lead and control properly the organizations by primarily protecting shareholder value. Corporate governance helps to separate ownership and power which as a result give rise to accountability, transparency, fairness and honesty among appointed board members, top level management, shareholders and other stakeholders. Jones and Pollitt (2002a) defined corporate governance as a means for which an organization's board of directors is organised and operate. This concept has been furthered by Khoza and Adam (2005) and they underlined that corporate governance is also related to adequate level of financial accounting and management, appropriate risk management, adequate monitoring and controls, independent auditing, accountability and substantial sustainability recording and reporting and transparency. Through these definitions it can be said under the practice of good corporate governance both shareholder and stakeholder values are being taken into consideration. Vishny and Shleifer (1997) are of opinion that corporate governance assures a return on investment to its shareholders and adhering to legislations, rules and regulations and other important factors that are concerned with the smooth functioning of a company. Murthy (2006) believes that good corporate governance can be categorized as a corporate system that aids in maximizing of the shareholder value both ethically and legally. Claessens (2003) opined that through good corporate governance we can ensure a proper management and performances of corporate, financial organisations and the market as well.

Features of Good Corporate Governance

UNESCAP puts forward 8 features of good governance namely; Accountable, Transparent, Responsive, Equitable and Inclusive, Effective and Efficient, Follows the rule of law, Participatory and Consensus Oriented.

Accountability is being considered as the main essence of good corporate governance. According to Branscomb (1995), accountability is being viewed as an acceptance of responsibility. Accountability can also be said to align the role of the board of directors in terms shareholders interest.

In organizational context, transparency has been associated with the proper decision making processes and adherence to the established rules and regulations of the institution and assured that all essential information are made accessible to the general public. The public in general can be said to be the main shareholders and stakeholders of the SOEs in Mauritius. The OECD (1999) boldly underlines that complete transparency is an essential constituent for corporate governance. Transparency has been defined by Bicksler (2003) as having clear financial accounting statements. Responsiveness has been demonstrated as the capability to complete a task within the respected time limit as good corporate governance also necessitates that institutions accomplish the tasks in the given time period in order to satisfy the needs of all the stakeholders.

The adoption of good governance by organisations also means equity and inclusiveness as it will help the organisation to guarantee that all the public in general regardless of their societal status are well served by the organisation. Effectiveness and efficiency as being part of good governance signifies that procedures are justified and organisations provide the required results to the society and also that organisations make adequate use of the resources of the society and also protecting the environment. The next feature of good corporate governance as per UNESCAP is follow the rule of law; that is; all organisations should abide by the laws. All fundamental rights should be valued and sheltered. The next feature is participation where each and every individual of the society are able to express themselves. Equality among genders are encouraged to participate in an organization. Participation needs to be informative and in proper order. Lastly, the consensus oriented approach has been described as a means to balance the concerns of different stakeholders so as to reach a covenant in order to recognize plausible ways to achieve the best interests of the society. This approach also contributes towards the long term vision for an organization and sustainable development as well.

Corporate Governance in State Owned Enterprises

Mazzolini (1979) defines state owned enterprises as a body for which the final official power remains that of the government. Aharoni (1986) on the other side defines SOE as an institution whose capital is exclusively or partly funded by the State. In Mauritius, SOEs are either being directly or indirectly controlled by the government. The decision making processes in SOEs are often done by the government as it acts as the “owner”. SOEs are being managed and operated under the direction and supervision of a Ministry where they have their respective goals and objectives to be achieved. The SOEs which are being governed by the state operate in either of the 2 ways: firstly either under an act of the ministry or they are listed under the Companies Act 2001. According to Aharoni (1986), SOEs are firstly a public entity possessed by the state, secondly they are assigned the role of producing and selling goods and services and lastly the sales of service units of the SOEs should permit some relation to the charge. Ramanadham (1984) discoursed that the whole decision making processes for the SOEs is done by the government where the public is considered as the central shareholders and stakeholders. Nevertheless, the OECD guidelines on Corporate Governance (2004) on State Owned Enterprises have elaborated on serious concerns. The guidelines mentioned significant challenges that SOEs are facing in order to achieve good corporate governance. The frequent change of board members gives rise to absence of members on the board. Moreover, the members on the board are being appointed by the state, therefore the independence regarding any decision making processes on the board can be questioned. Representative of the ministry concerned on the board of SOEs is regarded as an important linkage between the ministry and the board. More often, this position is often being misuse. Lastly, there was also mention of an improvement for transparency of objectives and performance of SOEs.

The government being elected to serve the society acts as the “owner” where it has a lot of social objectives to achieve; for instance; welfare, economic success and harmony amongst others. The objectives have been brought forward by Aharoni (1986) for SOEs; primarily SOEs work and enhance the interest of the whole society; that is both economically; providing jobs and socially. Secondly, SOEs should encourage maximization of efficiency through performance which will results in an increase of their

profitability and this will also generate satisfaction of their shareholders. Lastly, SOEs should assist both its stakeholders and shareholders by integrating their agents on the board of directors in order to best serve their interest.
On the other side of the coin, various researchers have observed lack of clarity in terms of objectives of SOEs. The state has the tendency to follow rules and regulations that are set by international standards. All these contradiction in terms of objectives give rise to conflict and therefore performance becomes very difficult to control (Cameron,1992). However, Aharoni (1986) acknowledged that it is definitely very challenging to have the perfect set of objectives for SOEs because the objectives set are not always reasonable from the perspective of diverse groups. Due to the complicated nature of the objectives set for SOEs, it becomes very difficult to measure and to find a justifiable way to distinguish between them. Moreover, Aharoni (1986) concluded that because the objectives are not well defined and are vague, this promotes the exercise of corruption government representatives like ministers and political officials.

Corporate Governance in Mauritius

For the case of Mauritius, the concept of corporate governance in Mauritius triggered after several corporate failures in the Mauritian economy. The financial scandals where five commercial banks namely the Bank of Credit and Commerce, the Habib Bank (Zurich), the Mauritius Cooperative Central Bank, the Union Bank and the Delphis Bank have been forced to close their business. Additionally, Barclays bank and MCB has acquired the Banque Nationale de Paris Intercontinentale and Citybank respectively. Recently, Mauritius experienced another corporate failure namely the BAI saga, where the voracity and bad management practices have been reported. This lead to the closure of its various businesses; insurance, banking and these certainly played a crucial factor for Mauritius to come up with adequate laws and legislations. The government of Mauritius established a committee in 2001 by the Ministry of Finance and the Ministry brought forward the Code of Corporate Governance for businesses performing in Mauritius. The code is divided into three main subject: the governance structure, the internal governance mechanisms and the reporting and disclosure.

3. Methodology

The study was based on two stages. Initially, a focus group discussion have been conducted in order to get a deeper understanding and identification of additional factors that influence the level of good corporate governance in SOEs of Mauritius. A survey was then conducted. A questionnaire has been designed, based on existing literature and additional information obtained through the focus group discussion. Respondents were inquired on their perception on the practice and also on the factors affecting the practice of good corporate governance in SOEs of Mauritius.

The target population was the employees in the SOEs of Mauritius since it was assumed that they are the one who have a more direct expose to the level and practice of good corporate governance in the midst of SOEs. The employees selected were from middle and top management. The target respondents are expected to have a better knowledge of the benefits and factors affecting the good corporate governance. The level of experience, qualifications, gender and age factors were considered when choosing the sample. For this particular study, a non-probability sampling was used. Bearing in mind the time constrictions and the trouble in meeting the employees in their place of work, a convenience sampling was utilised. With reference to study of Okafor and Otalor (2013) a sample size of 75 employees was considered. A pilot test was conducted with ten employees in order to check the content reliability and validity of the questionnaire. Some minor issues have been were noted and corrective actions were taken. Questionnaires were subsequently administered to the sample. 60 questionnaires were received back and were retained, which represents a response rate of 80%. The Microsoft excel 2010 and SPSS 20.0 was used for quantitative analysis and statistical analysis techniques.

4. Analysis

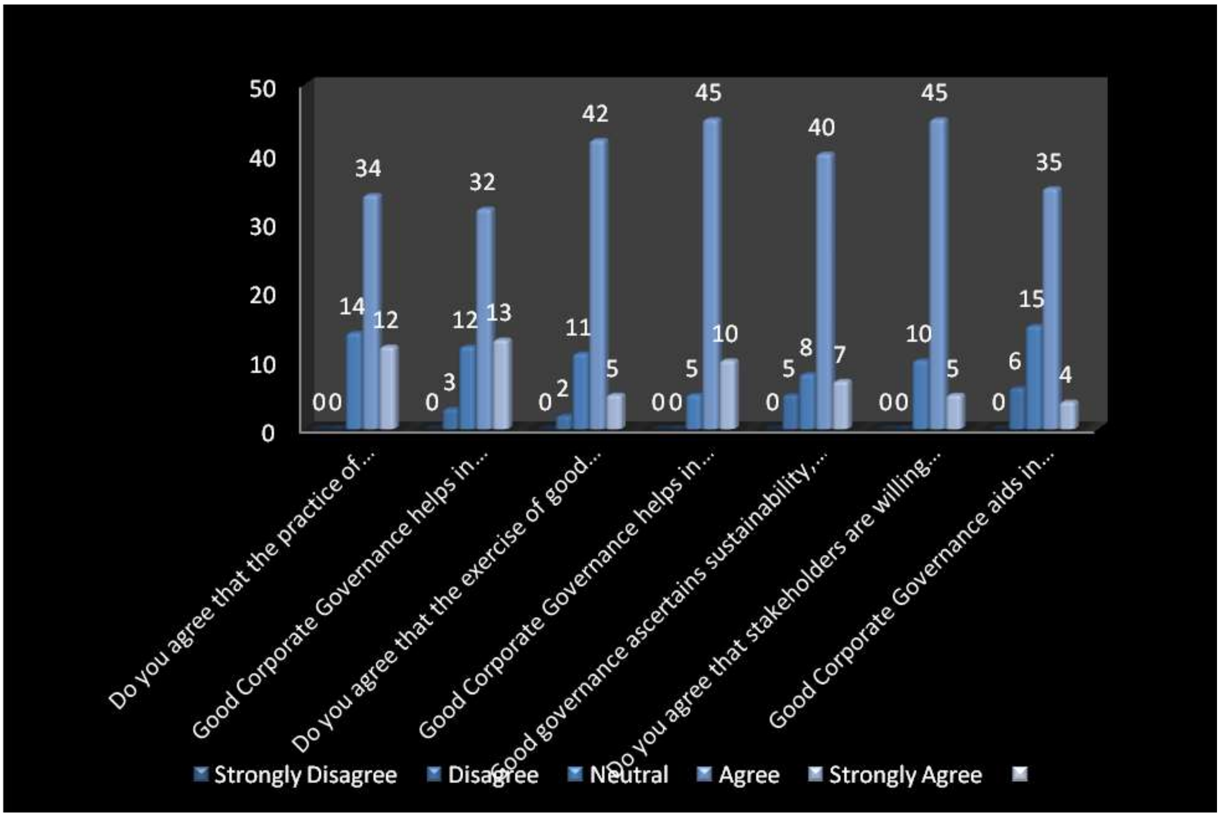

Figure 1. SOEs and the Awareness of Good Governance

Figure 1. evaluates and assesses the awareness of the benefits of good governance in SOEs. From the above diagram, it can be depicted that the majority are conscious on the idea that good governance is a prerequisite requirement for

organisations in Mauritius. 76.7% agreed with Murthy's (2006) ideology that good governance maximises both shareholders and stakeholders worth ethically and legally and also by assuring fairness and transparency. 78.3% approved that by having good governance it will help management in a better way and enhances performance as well as and also decrease the potential conflict of interests as Claessens (2003), Eichenseher and Shields (1985) and Pincus *et al.* (1989) illustrated. 91.7% confirmed Frederick and Keith (2006) idea on good governance that it aids to avoid corporate scandal, fraudulous activites. As a result, this will enhance the organisation's reputation and image and attracting new investors and customers. 78.4% agreed that good governance contributes towards long term sustainability of businesses and promotes transparency, fairness and accountability, both shareholders and stakeholders interests as Mardjono (2005) and Oman (2001) stipulated. 83.3% of the respondents also endorsed that well governed organisations can demand for a premium and they also agreed that these organisations tend to perform much better; increasing sales compared to ill-governed organisations as Black *et al.* (2006), (IFC, 2006), Gompers *et al.* (2003) and Grandmont *et al*., (2004) illustrated. 65% of the respondents approved that with the practice of good governance, companies will be able to attract investors and ensures longer sustainability of businesses. It can be concluded from the above data that there is awareness on the features of good governance and its importance in the running of the SOEs.

Assessing Good Corporate Governance in the midst of SOEs

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Accountability and interests of shareholders and stakeholders	60	2.00	5.00	3.7500	.83615
Openness of information	60	1.00	4.00	2.3000	.97945
Responsiveness of organisation in completing task on time	60	1.00	4.00	2.3667	1.10418
Equity among stakeholders	60	1.00	4.00	1.8833	.88474
Proper use of society's resources	60	1.00	5.00	2.4667	1.18560
Abiding to Laws and regulations	60	2.00	5.00	3.8833	.95831
Gender disparity	60	2.00	5.00	3.4000	.96023
Your Organisation works for the best of society.	60	1.00	5.00	2.5167	1.21421

This table was very interesting to analyse the depth in the practice of good governance in SOEs of Mauritius which has been assessed by the UNESCAP model of good governance. In average, it can be said that the majority of the respondents of the SOEs agreed that they are accountable and work in favour of both its shareholders and stakeholders. An average score of 3.75 has agreed to the statement and a standard deviation of 0.8 has been recorded. They also agreed that SOEs also abide to all laws and legislations of Mauritius. However, it was interesting to note that the average scores noted for ‘disagree’ for the openness of information where the mean and standard deviation are 2.3 and 0.9 respectively. A mean of 2.36 has been recorded for completing tasks on time. For serving society rightly a mean of 2.5 has been recorded, and for the organisation working for the interest of the society, a mean of 2.5 and a standard deviation of 1.2 has been recorded. The respondents disagreed on the fact that the stakeholders and shareholders are treated equitably where a mean of 1.88 and a standard deviation of 0.9 were reported. A neutral response has been recorded for the gender disparity in the organisations. These figures are quite alarming as it shows that, SOEs are very much aware of all the features and advantages of good governance; however when it comes to put in to practice good governance the complete opposite takes place. This clearly shows that in reality, SOEs is very far from practicing good governance in their day to day work. This definitely will have an overall impact on its image, profitability and long term sustainability.

Figure 2. Application of the Code of Corporate Governance in SOEs

The figure above shows demonstrates awareness among all respondents of the Code of Corporate Governance (2004) for Mauritius. Secondly, again all SOEs approved that their respective organisation practices corporate governance as per the Code of Corporate Governance (2004) of Mauritius. However, the question still arises “Whether SOEs are only limiting themselves to the Code or they are trying to go further for good governance?”. Moreover, 52 respondents agreed on the fact that it is the government which takes the majority of the decisions for SOEs and this piece of information somehow symbolises that constant interferences of the government; that is; ministers, political nominees in the day to day management of the organisations. 82% of the respondents agreed honestly that good governance has still not been given its due importance in the midst of SOEs.

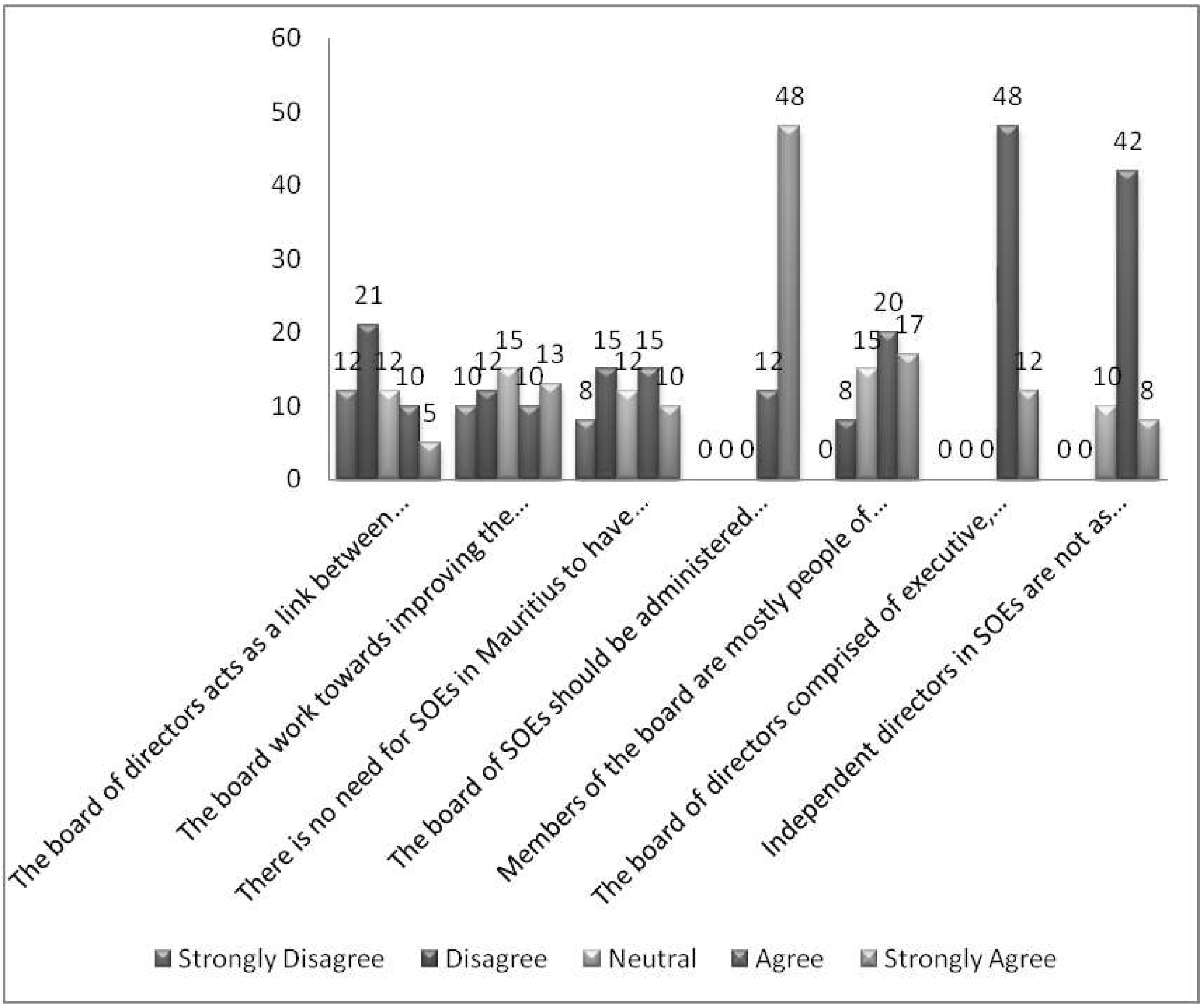

Figure 3. Functioning of the Board of Directors in SOEs

The aim of this part of the analysis was to further analyse good governance of SOEs in Mauritius by assessing their board composition. The proper functioning of the board of the SOEs depends heavily on its board composition. In SOEs of Mauritius, the majority disagreed with the statement that their board of directors act as a link between its shareholders and stakeholders which in fact one of their prime role as Rechner (1989) illustrated. This response shows that the board of directors in most of the SOEs are not executing their role properly which definitely will make SOEs of Mauritius lag behind in their practice of good governance. Secondly, it has been noted that the respondents agreed that the Board of directors in their companies does improve the company's performances and brings more investors talent and knowledge to the company as Carver and Olivier (2002) puts it and which in some way contradicts the response got from the first statement. Thirdly, it has been noted that a slight majority agreed that there is no need for SOEs to have a board of directors as it is the government which executively controls the board. This shows that the constant interferences of the government in the day to day management of the SOEs of Mauritius has contributed towards the respondents giving such type of answers as Aharoni (1986) pointed out. However, we should not discard the fact that there are 23 respondents who believe that a board of directors need to be present. We can assume that these respondents despite all the criticisms on board of directors of SOEs; they believe that the board of directors is an essential part of the business as it acts as a rudder for SOEs.

An interesting point was noted that all the 60 respondents provided their agreement to the fact that independent, qualified and experienced members must manage the board instead of political nominees Fernandes (1986). 37 respondents agreed that members of the board are frequently people of political connects and this can be said to be difficult in achieving independence in SOEs as the board members will not be contributing towards promoting independence on the board as they will only rely and accept all decisions taken by the state.

It was very positive to note that all the 60 respondents agreed that the board of directors consist of executive, non-executive, and independent directors which demonstrates that SOEs in Mauritius are abiding by the Code of Corporate Governance (2004). However, when analysing their response on the independence of the independent directors, they believed that the appointed independent are not as ‘independent’ as they should be. This pictures the interventions that can disturb the daily running of the organisation.

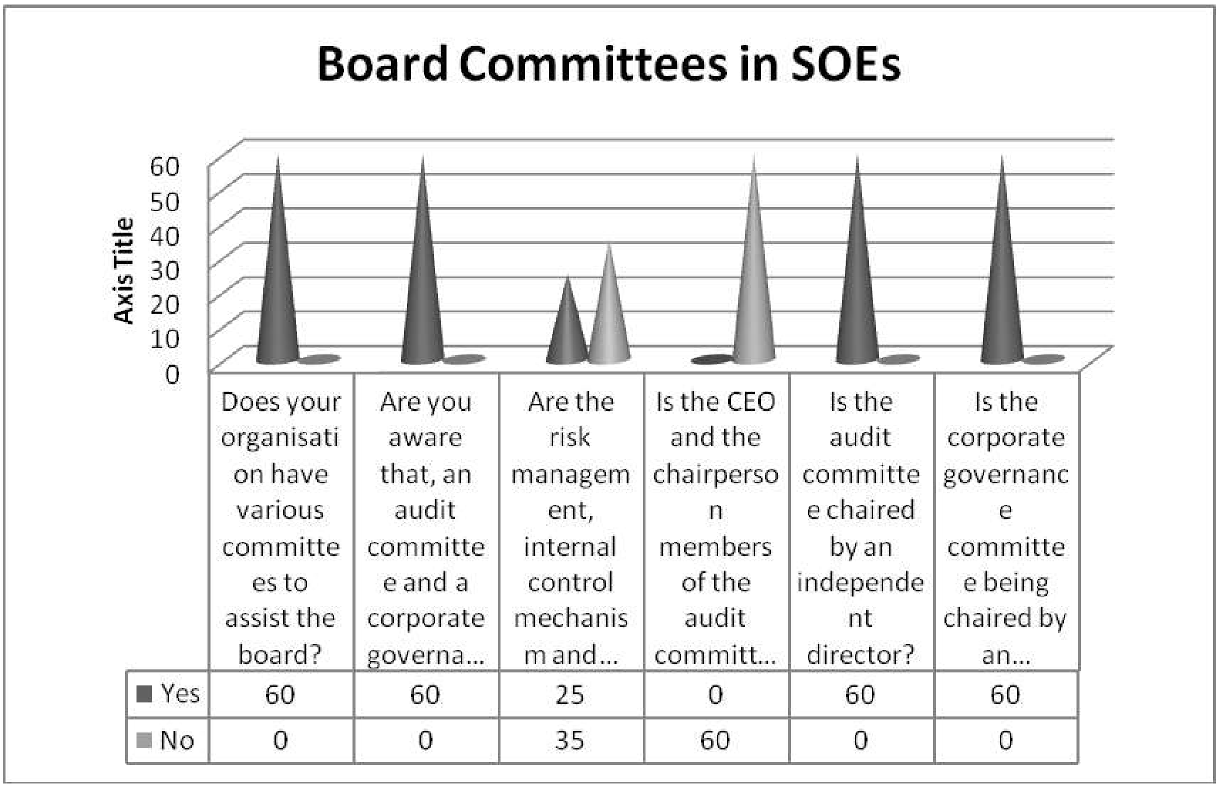

Figure 4. SOEs and Board Committees

It has been observed that normally SOEs in Mauritius tend to abide to the Code of Corporate Governance for Mauritius (2004). All respondents agreed that their institutions consist of committees to assist the board as per the Code of Corporate Governance (2004). The mandatory presence of an internal audit and corporate governance committees, the absence in the audit committees which is chaired by independent directors and the fact that the corporate governance committee is chaired by an independent director; all these demonstrate that all the SOEs in Mauritius abide to the Code of Corporate Governance (2004) for Mauritius. It can be said that the Code has contributed towards having committees which will help the board ultimately in performing its duties and promoting independence. However, on a closer examination it has been noted from the previous section where the “independence” of “independent directors” was really a matter of criticism from the respondents. Even the board committees are being chaired by “independent” directors, the question stills remains “whether or not the independent directors act independently?”. Additionally, 58.3% of the respondents disagreed with the level of efficacy of the risk management, internal control and internal audit mechanisms in their respective SOEs. This obviously illustrates that in practice the setting up of a committee does not bring any good to the company if they are not acting correctly. Therefore it can be concluded that the SOEs in Mauritius abide by the Code of Corporate Governance (2004) of Mauritius. The “independence”, “efficiency” of board of directors, chairperson of committees and internal function are still being questioned.

5. Barriers, Issues and Challenges of SOEs in Mauritius

The proper functioning of the board of directors can be said to contribute tremendously in the success of any organisation; yet, 86.7% agreed amongst which 70% strongly agreed the frequent change of the members of the board members represents a major loophole as a lot of disturbance is being caused in the proper management of the institutions. Secondly, 78.3% agreed that most of the decision making in their particular SOEs are being influenced by ministers which gives justice to Aharoni (1986) study and it can be said that in some way these influences hinder decision making processes. 55 respondents; 91.7% agreed that there is an agency problem in their SOEs, as they believe that interests of shareholders, stakeholders and managers are not aligned. The top management level tends to take decision as per their self best interest which validates the study of Simanjuntak (2001) and Coase (1937). SOEs are institutions that are set up by the state so as to gratify and serve both the needs of the society and of its other stakeholders. On the other side of the coin, it has been observed that the best interest of government which are owners of the SOEs, are represented by the board of directors and accordingly the board of director align their self best interest with that of the government which ultimately give rise to nepotism, discrimination. Moreover, 86.7% of the respondents strongly agreed that stakeholders will force organisations to perform for the benefit of all its stakeholders (Tirole, 2001). The state must take into consideration that the SOEs operates in the midst of the society and use its resources as well. Therefore all stakeholders should be well served. 54 respondents agreed amongst which 42 strongly acknowledged that due to the conflicting nature of the objectives set by the government for SOEs can prevent

SOEs from practising good governance. The set objectives of any institutions is considered as the very essence which determine its pathway towards success. Thus if the objectives are wrongly set this will definitely affect the running and success of the organisation. When being questioned about the transparency and disclosure in SOEs, 85% of the respondents agreed among which 71.7% strongly agreed a lack of transparency and disclosure when being compared to private organisations. A solid contradiction has been noted with the OECD (2005) claim on transparency and disclosure in SOEs, as according to the OECD (2005), SOEs need to be judicious as they are answerable and accountable to both the state and the public when in fact the data gathered revealed the contrary. Through the gathered data, it has also been noted that the state, directors and managers of the SOEs are less committed and motivated which in a way disturbs the transparency and disclosure level (OECD, 2005). 73.3% of the respondents agreed that in practice the internal audit department and the internal auditors find it difficult to have a balance between independence and objectivity and also they find it very difficult to report against management which confirm the studies carried out by various researchers like Gansberghe (2005), Paape (2007), Van Peursem (2005), Brody and Lowe (2000) and Ahlawat and Lowe (2004). The internal audit function plays a significant role in organisations in terms of independence and objectivity. On a closer analysis, it can be stipulated that if an internal audit department does not make the required reporting and if internal auditors are not doing the task correctly, it will be very unnecessary to have them part of the organisation.

Going further, responding to the other statement, 50 respondents; 83.3% approved that more regulations need to be added which in some way forces organisations to practice good governance. Therefore it can be stipulated that the Code of Corporate Governance (2004) for Mauritius needs to be further uplifted with more and more precise and compulsory codes. The next statement recorded 37 respondents; 61.7% approving on the fact that they feel corruption does takes place in their working space as there is that constant intervention of ministers and nominated board members and this gives justice to the research carried out by Nguyen (2006) and 33.3% disagreed with the statement. SOEs being a government entity; having the public as their main stakeholders should in a certain manner projects more transparency, disclosure and **no** corruption. The figure recorded for those agreeing with the presence of corruption in SOEs symbolises a threat to the SOEs as their main stakeholders is the society and if the society decides to remove all their ills, it will be very difficult for them to sustain for a long term. However, it was very surprising to note the response recorded for the last statement as 52 respondents; 86.7% preferred not to give any answer; neutral response; when asked whether they have ever been victim of corruption in their workplace. Given that the fact that they did not disagreed with the statement someway pictures their agreement to this issue. This last statement clearly demonstrates that SOEs in Mauritius are infested with political matters, lack of transparency, disclosure and most chiefly corruption. 6.7% were recorded for those agreeing and disagreeing with the statement respectively.

6. Recommendations and Conclusion

After the analysis and interpretation of the collected data, there was a positive note that the staff in the SOEs of Mauritius is aware of the term good governance and its long term benefits. Nonetheless, it has also been observed that in practice several barriers, issues and challenges are being faced by SOEs. Henceforth, a series of recommendations has been put forward so as to improve the current state in SOEs in terms of the practice of good governance which will therefore make them competitive which will result in long term sustainability of the business. Through the gathered data, it has been noted with concern that the prime issue in the management of SOEs lies in the constitution of the board of directors. The independence of the board of directors has always been questioned. When choosing chairperson and members of the board of directors for SOEs, qualified expatriates should and must be taken in to consideration and this will result in more independence, knowledge and skills to the institutions. Constant board assessment can be said to help in improving efficiency and effectiveness of the SOEs and thus resulting in measuring business performances against the objective set and taking corrective measures. The continuous governmental intervention in the functioning and management of SOEs someway contributes towards the failure in having good practices of corporate governance. Board members should be selected by their merit not by their political appartenance. The objectives set must not be of contradictory nature and it should be set by the board. The independence of the internal audit department and the internal auditors must be clearly defined and they need to be encouraged to act independently and objectively. Through the proper reporting of the internal auditors to the management, they will act as a guidance to the organisation and thus promoting good corporate governance. Transparency and disclosure must be treated as serious concerns in the midst of SOEs. Government should come up with rules and regulations that will comply the SOEs to be more transparent in their functioning and make adequate disclosures to the public as the main stakeholders is the public. An annual report can help for disclosure and a declaring commitment. The role of top management must be more proactive and they must impose the practice of good governance of each and everyone. The top management has a very important role to play in terms of the practice of the good corporate governance and condemn any fraudulent activities. Employees should be encouraged to report any kind of fraudulent activities or any activities that disturb the practice of good governance in SOEs. Both employees and the top management must be committed to practice good corporate governance. Last but not the least, privatizing the SOEs remains a way for SOEs in Mauritius to have a better management, transparency and disclosure mechanisms. By privatisation, this will help in eliminating both governmental and political intervention in these organisations. Through privatisation more knowledge, skills and expertise will be encouraged and fundamentally there will not be issues of independence on the board of directors.

The reality and current practices of good governance in SOEs has been demonstrated in this study. It provides a deeper understanding on the importance of good governance and the consequences if same is not being practice in SOEs. The state being the owner of the SOEs have their representative on the board of directors. Consequently, the nomination of the board members by the government hinders the practice of good governance through constant interferences. The independence of independent directors has been questioned and there is still uncertainty regarding this matter because independent directors in practice are not as independent as they should be. Frequent change of board members, conflicting nature of objectives of SOEs, agency issues, independence issues and objectivity of internal auditors and transparency and disclosure concerns. For concluding, this study has tried to assess the present practice of good corporate governance and the whys of so many criticisms against SOEs in Mauritius for poor practice of good corporate governance. This study brought forward the various issues, challenges and barriers associated to it. A series of recommendations has been presented. However, the question still arises "will government be willing to give a sufficient level of independence to SOEs; by not having any of its nominees in the board", "will the organisation be able to create a new culture of both awareness and practice of good governance".

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