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CORPORATE SOCIAL RESPONSIBILITY AND GOVERNANCE

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ABSTRACT

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders in a company - these include its shareholders, management, customers, suppliers, financiers, government and the community. The Corporate Governance framework is to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources, being Socially Responsible means that people and organizations must behave ethically and with sensitivity toward social, cultural, economic and environmental issues. Striving for social responsibility helps individuals, organizations and governments have a positive impact on development, business and society with a positive contribution to bottom-line results. Corporate social responsibility ('CSR') is often associated with hopes for improved corporate governance. As understood conventionally, however, CSR is conceptually incoherent, practically unworkable, and wholly unjustified. To be compatible with corporate governance, 'CSR' needs to be understood not as Counterproductive Stakeholder Regimentation, but as Conscientious Stakeholder Responsibility.

KEYWORDS

corporate social responsibility business ethics, accountability corporate governance stakeholder regimentation.

INTRODUCTION

 Governance is an issue that has come to the fore recently as a direct cause of problems associated with the financial and economic crisis. Financial arbitrage, short selling's, toxic assets, management excessive bonus, golden parachutes and corruption populate our discussions as signs of malfunctions of the market and lack of corporate social responsibility. Some economists tend to justify these as moral hazard, but others argue that the overall significance of it is largely understated by the mere observation of managerial misbehavior, which forms the tip of the iceberg. The submerged part of the iceberg is the institutional response in terms of corporate governance and the consequences of economic liberalization and deregulation of industry and business in an increasing globalized world. This paper will explore how corporate governance based on social responsibilities is becoming both a condition for business survival and a potential competitive advantage.

NEED FOR THE STUDY

1. Corporate governance is of paramount importance to a company and is almost as important as its primary business plan. When executed effectively, it can prevent corporate scandals, fraud and the civil and criminal liability of the company. It also enhances a company's image in the public eye as a self-policing company that is responsible and worthy of shareholder and debtholder capital. It dictates the shared philosophy, practices and culture of an organization and its employees. A corporation without a system of corporate governance is often regarded as a body without a soul or conscience. Corporate governance keeps a company honest and out of trouble.
2. Social responsibility is important to a business because it demonstrates to both consumers and the media that the company takes an interest in wider social issues that have no direct impact on profit margins. social responsibility is also recognized as part of a business's foundation, the impact of such endeavors can have life-changing consequences for recipients of aid and, equally, instill a sense of pride in the people who support and work toward its growth. A business can grow with or without social responsibility, but doing good for others allows a business to reap rewards in many ways.

The activities that can be undertaken by a company to fulfil its CSR obligations include eradicating hunger, poverty and malnutrition, promoting preventive healthcare, promoting education and promoting gender equality, setting up homes for women, orphans and the senior citizens, measures for reducing inequalities faced by socially and economically backward groups, ensuring environmental sustainability and ecological balance, animal welfare, protection of national heritage and art and culture, measures for the benefit of armed forces veterans, war widows and their dependents, training to promote rural, nationally recognized, Paralympic or Olympic sports, contribution to the prime minister's national relief fund or any other fund set up by the Central Government for socio economic development and relief and welfare of SC, ST, OBCs, minorities and women, contributions or funds provided to technology incubators located within academic institutions approved by the Central Government and rural development projects.

Companies can also collaborate with each other for jointly undertaking CSR activities, provided that each of the companies are able individually report on such projects. A company can build CSR capabilities of its personnel or implementation agencies through institutions with established track records of at least three years, provided that the expenditure for such activities does not exceed 5% of the total CSR expenditure of the company in a single financial year

CORPORATE SOCIAL RESPONSIBILITY IN INDIA

Business houses and corporate have been taking up socialwelfare activities from time to time. Recently, priority of business is getting widened from 1 P to 3Ps by inclusion of people and planet with profit. Short-term, charity based welfare interventions are being replaced by long-term- empowerment. While CSR is relevant in business for all societies, it is particularly significant for developing countries like India, where limited resources for meeting the ever growing aspirations and diversity of a pluralistic society.

Corporate social responsibility is necessarily an evolving term that does not have a standard definition or a fully recognized set of specific criteria. With the understanding that businesses play a key role on job and wealth creation in society, CSR is generally understood to be the way a company achieves a balance or integration of economic, environmental, and social imperatives while at the same time addressing shareholder and stakeholder expectations, Corporate companies like ITC have made farmer development a vital part of its business strategy, and made major efforts to improve the livelihood standards of rural communities. IT companies like TCS and Wipro have developed software to help teachers and children in schools across India to further the cause of education

CORPORATE GOVERNANCE

A company that has good corporate governance has a much higher level of confidence amongst the shareholders associated with that company. Active and independent directors contribute towards a positive outlook of the company in the financial market, positively influencing share prices. Corporate Governance is one of the important criteria for foreign institutional investors to decide on which company to invest in.

The corporate practices in India emphasize the functions of audit and finances that have legal, moral and ethical implications for the business and its impact on the shareholders. The Indian Companies Act of 2013 introduced innovative measures to appropriately balance legislative and regulatory reforms for the growth of the enterprise and to increase foreign investment, keeping in mind international practices. The rules and regulations are measures that increase the involvement of the shareholders in decision making and introduce transparency in corporate governance, which ultimately safeguards the interest of the society and shareholders.

Corporate governance safeguards not only the management but the interests of the stakeholders as well and fosters the economic progress of India in the roaring economies of the world.

RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND CSR

The conceptualization of CSR was, initially, purely in terms of philanthropy or charity. However, the post-liberalization phase has seen a fundamental shift from this philanthropy-based model of CSR to a stakeholder- participation based model. Furthermore, CSR is gradually getting fused into companies' Corporate Governance practices. Both Corporate Governance and CSR focus on the ethical practices in the business and the responsiveness of an organization to its stakeholders and the environment in which it operates. Corporate Governance and CSR results into better image of an organization and directly affects the performance of an organization. The OECD principles on Corporate Governance, UN Global Compact Participation throw light on CSR scheme but in India CSR, by virtue of clause 49 of the listing agreement, have been made totally optional. It is pertinent to mention here that transparency, disclosure, sustainability and ethical behavior is central theme in both CSR and Corporate Governance. Further, it is worthwhile to mention that CSR is based on the concept of self governance which is related to external legal and regulatory mechanism, whereas Corporate Governance is a widest control mechanism within which a company takes its management decisions. Furthermore, the objectives and benefits of CSR and Corporate Governance are similar in nature, some of them are stated herein below:

- Rebuilding of public trust and confidence by increased transparency in its financial as well as non-financial reporting and thereby increasing the shareholder value.
- Establishing strong brand reputation of the company.
- Making substantial improvement in its relationship with various stakeholders.
- Contributing to the development of the region and the society around its area of operation addressing the concerns of its various stakeholders in a balanced way so as to maintaining a strong market position.

Furthermore, it may be worthwhile to note that in case of unlisted companies there is not robust system of corporate governance, although there are some provisions in the Companies Act, 1956, in this context the relationship between Corporate Governance and CSR is very important and significant. In order to appraise present position of CSR and Corporate Governance, it would be worthwhile to examine the legal and regulatory framework dealing with CSR and Corporate Governance

CONCLUSION

For many years, the approach of companies on the role of business in society could be summarized with the following words of Milton Friedman: "there is one and only one social responsibility of business to increase its profits" and "Business of business is business". However, it may be worthwhile to mention that the world has moved far ahead from the aforesaid words of Milton Friedman, now a day's Corporate Governance and CSR are integral part of any company. It may be noted that, at present, the provisions of Corporate Governance are mandatory and recommendatory under various provisions discussed hereinabove. However, there is no concrete system for CSR, it is purely optional. Furthermore, since Corporate Governance and CSR is interrelated and complementary to each other, by incorporating CSR provisions within Corporate Governance framework would be beneficial for India.

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