CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE: AN ANALYSIS

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Abstract:

Corporate Social Responsibility which is popularly known as CSR is actually a model in the business environment wherein company do many types of social activities for the benefit to the mass. This is a social accountability of the company towards different stakeholders of the company including public at large. It directly or indirectly benefits the economic and social development of the nation. It is basically a broad concept wherein companies undertakes different projects volueentarly or with the collaboration with NGOs or Government. The current research paper is prepared to understand the various facets of Corporate Social Responsibility.

Keywords: Corporate Social Responsibility, Social accountability, Society, etc.

Introduction:

Actually corporate social responsibility is the commitment of the business organisation to balance the business with the quality lifestyle to the society. It includes various social programs and philanthropy to improve the goodwill of the business in the market. It also includes donations and charity to the society. As to the society it equally important and valuable to the business organisation because with such CSR activities the organisation tighten up the strong bonds with the employees, shareholders, public or society, etc. It boosts the morale of the business at the large. CSR is equally important to the society and companies. Companies start with different CSR programs which help the company to increase or spread their business. So one

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can say it is actually the strategy of the companies to spread their business. It also helps the other peer companies or industries to contribute to the society as well. In 1992 Starbucks was the leading company for contributing towards the society. Because of the contribution to the society through various CSR programs, Starbucks could progress substantially in the market. It was International Organisation for Standardization known as IOS has come up with the set of standards which help the companies to make contribution to the society through Corporate Social Responsibility.

Objectives of the study:

1. To understand Corporate Social Responsibility
2. To Study corporate governance
3. To find out the difference between CSR and Corporate Governance

Literature Review:

Corporate Social Responsibility is nothing but contribution of the company towards the development of the society at large. It also helps to the development of different stakeholders and environment as well. Following are some of the references researcher has considered for writing the paper.

Chaitra Rangappa Beerannavar (2010) has written a paper titled as “Corporate Social Responsibility in India: The Need of the Hour”, here researcher has studied the leading companies like Infosys, Wipro, and Tata CSR activities and Coca-Cola Company.

Babita Kundu (2014) has done research on the topic “An Empirical Study of Corporate Social Responsibility Practices in India in changing global scenario and its impact on the companies’ profitability”, in which researcher has studied the various CSR activities of the companies in India and impact of the activities on the profitability of the companies.

Premlata and Anshika Agarwal (2013) have written a paper on the topic "Corporate Social Responsibility: An Indian Perspective", researchers have studied the different aspects of new CSR law in respect of modern corporate philosophy of the companies.

Research Methodology:

The present paper is basically theoretical in nature. Researcher has collected data from the various sources like annual reports, newspapers, articles, books and e-journals to find out the various facets of CSR and Corporate Governance. Researcher has not used any statistical techniques as such to study the CSR and Corporate Governance.

What is Corporate Social Responsibility?

CSR is basically a concept wherein companies engaged in environmental and social activities for the society. It is an activities or programs where companies undertake different programs so as to balance the social, economic and environmental issues in the society. Any activity or program where the benefits have been extended to the society is called CSR. Such CSR programs should be disclosed on the companies' websites and necessary approval should be taken from the different approved boards.

It is an important step for the development of company as well. Company can spread their business through the various CSR programs. Traditionally companies were stressed on Corporate Philanthropy where companies used to charity to society, organised different religious and cultural programs for the society. The main purpose of the CSR activities is for the sustainable development of the business.

As per the Companies Act, 2013 profitable companies should spend 2 % of the three years average profit on the CSR activities. This is applicable to the companies who are having turnover of Rs.1,000 Crores or more or net worth more than Rs.500 Crores. Because of this the top companies like NTPC, BHEL and ONGC have spend more than double on the various CSR programs. Companies have started spending on the CSR, and the companies who are not doing, they need to disclose the non spending on CSR in the Reports. The guidelines regarding CSR activities were not applicable to the loss making companies; it is exempted for such companies. As per Company Bill 2012 it was made compulsory for the companies to form CSR Committee with minimum three directors, out of which one director should be an independent. As per the recommendation of the CSR Committee the board of directors should approve the CSR activities and disclose the contents on the Company Websites. Company Bill 2012 has highlighted different CSR activities which are as follows

- ✓ Programs for eradicating poverty
- ✓ For reducing the hunger problem of society
- ✓ Gender sensitization, equality, etc
- ✓ Promotion of different education policy
- ✓ Employment drives
- ✓ Environment sustainability
- ✓ Donation to prime ministers relief fund, and many such charity
- ✓ Program for reducing child mortality and improvement of health care

What is Corporate Governance?

Corporate Governance is basically is a set of rules, regulations and practices by where the business is runs. It is actually a policy of balancing the different facets of the company. The interest of various stakeholders such as shareholders, suppliers, investors, lenders, bankers, government and the society at large should be safeguarded.

The board of directors of the company is the primary body, which regulates the corporate governance in the company. They are appointed by the shareholders of the company. The board of directors have to take various important decisions including the appointment of executive officers, taking decision on dividend policy to the shareholders, etc. Weak corporate governance in the company creates problems for the company, as it reduces the integrity, reliability and difficulties to shareholders. It will have a bad effect on the financial health of the company. Government and Public at large are the sufferers of the bad corporate governance. In the 21st century, United States of America has faced the issue of capital governance in the case of Enron and WorldCom. It was in 2002 US come up with the stringent action against the companies for violating any of such issues. The main purpose of bringing this is to maintain the public confidence in the various public limited companies and whether they are running their business in the true sense or not.

Benefits of Good Corporate Governance

- ✓ Good Corporate Governance helps the business to achieve the goal
- ✓ It helps to ensures the economic and social development
- ✓ It reduces the capital cost in the business
- ✓ It helps to maintain the goodwill of the company in the market
- ✓ It promotes the brand for the company at large
- ✓ The Share Price increases due to good Capital Governance
- ✓ It reduces corruptions, mismanagement and wastages, etc
- ✓ It considers the overall development of all stakeholders of the company

How Corporate Governance is different from Corporate Social Responsibility?

Initially both the concepts look very much similar, but there is a difference between them. Both the things are very much important to the company for the sustainable development. Corporate Governance is basically a model where companies need to work internally well organised and externally responsible to the society at large. One can say both these concepts are very much similar to two sides of the same coin. Corporate Governance is basically an external regulation and controlled internally by all the legal compliances, the administration is controlled by the board of directors and the senior managers of the company. Whereas CSR is about how the company behave with the society in terms of social responsibility. Corporate Governance in the business ensures that the business is run in a responsible way including the accountability, work transparency and regulation of laws with respect to its stakeholders. The main aim of CG is to balance the economic and social development of the business. Whereas CSR is basically part of the CG, it is the main indicator for the business as how the business is responsible to the society at large with the aim of sustainable development of the business.

Conclusion:

So we can conclude from the above understanding that Corporate Social Responsibility is narrow concept wherein the company need to voluntarily contribution towards the society, whereas Corporate is a broader concept in which company need to work in a statutory framework. Therefore it can be clearly see that the company have to contribute to the society as per the CSR activities within the legal framework as per CG.

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