A Comparative Study of Corporate Governance and Corporate Social Responsibility in India

Anuradha
Assist. Prof. of Law,
Lovely Professional University, Phagwara.

Abstract
Corporate Governance transformed the ownership structure in India. In these days, Public Finance Institution and Mutual Funds are many companies and they have full control over the management due to the predominance over companies and they made laws, policies which are beneficial for investors, shareholders and creditors. When Corporate Governance came into existence, Corporate Social Responsibility coming into highlights now they have to protect the interest of public at large. “Corporate Social Responsibility”, often abbreviated “CSR”, Which means an initiative to take responsibility for company’s actions for the wellbeing of environment and society, in a bid to promote positive social and environmental change. If a company works with dedication its sole purpose is not profit only but it also thinks about the economy, society and environment. The main object of the company is providing protection to the interest of its stockholders who invested their hard earn money. Through CSR, a company can protect the every dimension which directly related to the organization.

Introduction
The term ‘governance’ is taken from the Latin word which means ‘to steer’. “Corporate governance” is a process by which a business works. The term talks about the internal and external factors which affects the interest of the society as well as shareholders. Specific actions in corporate governance are action plans, practices, decisions, procedure that reconcile the conflicts between shareholders and company. A perfect example of corporate governance is well defined organized structure of an organization that works for the individuals and for the society.

Company’s governance is not only important for company but for the society also. If we talk about the corporate governance then we came out with the conclusion that it was not sufficient and it needs improvement at national as well as international level. Corporate Governance and CSR both focused upon ethical and moral tactics of business. It is not only existed within the corporation but also outside the corporation. So, it develop the society, shareholder and economy. India also took certain actions against the corporate houses which misused the public funds. Indian Parliament enacted certain laws and regulations in order to control the failure of it. Now if we look at our history we came to know that India was involved in this social activities even from the Maurya history. Kautilya also talks about the ethical approach toward the business. Informally it is practices
in the India in form of taking care of the poor people by providing them food and shelter. People use to spend their portion of income in charity to poorer. We have deep rooted culture of sharing and caring of each other. Religion has played a main role in promoting the charity in India. ‘Zakaat’ is a law in Muslims which emphasis on the portion of earning which they must spend in form of donations. Hindu religions gave alms a portion of income which were used for the food and shelter of the poor people. They also followed the Dharmada which means manufacturer charged a specific amount from the purchaser which used for the charity. Sikhs also followed the Dasvand which means tenth part of Individual’s income for the benefit of the society.

Corporate Governance

We can define the word “corporate governance” by many ways.ii

The World Bank states, “Corporate Governance refers to that blend of law, regulation and appropriate voluntary private sector practices which enable the corporation to attract financial and human capital perform efficiently, and thereby perpetuate itself by generating long term economic value for its shareholders, while respecting the interests of stakeholders and society as whole.”

According to Cochran and Wartick, “Corporate Governance is an umbrella term that covers many aspects related to concepts, theories and practices of boards of directors and their executive and non-executive directors. It is the field that concentrates on the relationship between boards, stockholders, top management, regulators, auditors and other stakeholders.”

According to Insitute of Companies Secretaries of India, “Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders”.iii

The principle features of operative corporate governance are given below:

- Providing all relevant information to the individuals and society.
- Protecting all the rights of shareholders and vendors,
- Independent directors decisions and change in policies and procedure whenever it required

Basic Principles of corporate governance

Although we know every organization’s corporate governance structure vary from each other but some of the basic key elements are given below:-

- All the shareholders must be treated equally and fairly.
- Aware the shareholders about their basic rights.
- Always providing authentic information to the shareholders, employees, investors and society.
Importance of Corporate Governance

Corporate Governance transformed the ownership structure in India. In these days, Public Finance Institution and Mutual Funds are many companies and they have full control over the management due to the predominance over companies and they made laws, policies which are beneficial for investors, shareholders and creditors. When Corporate Governance appears into picture Corporate Social Responsibility coming into highlights now they have to provide the protection to public. Now who misuse the public money they can be easily identified by the mechanism of new reforms, laws and guidelines. Through which many scams trapped in India i.e Saradha group financial scandal, Satyam Computer ltd. scams etc. Corporate Governance enhances the chances of participation of investors in activities of companies. Earlier, they were only participated in Annual General Meetings and proxies were not allowed to speak into company matters. Corporate Governance makes easy ways for companies to connect globally. SEBI made corporate governance compulsory for several companies for the benefit of investors, creditors, stakeholders, society, and environment.

Corporate Governance in India

Since 1980s, situations have changed in India due to emerging industrisation and several scams resulted in India that arisen need of corporate governance. There are numerous changes in laws and regulations had been taken place in both corporate law and capital market. Corporate Governance reforms began in India after 1990s with introduction of LPG (Liberalization, Privatization and Globalization) policy. Security Exchange Board of India was established in 1992. With the recommendation of Mungalam Birla Committee, the union of Industry in India framed laws for corporate governance and include a clause in 2000 which changes the entire history of SEBI. Before the Companies Act, 2013, there was no any provision of social responsibility in Indian law that fixes corporations to devote a specific sum of profit for the welfare of society and environment.

India is a first country which make the mandatory provisions for the corporate social responsibility. An amendment was made in companies act and new Companies act 2013 was introduced. According to Section 135 now the company with the net worth of 500 crore or above and if the turnover is more than thousand crore and the profit is more than five crore. Then they have to pay 2% of their net profit of 3 years on CSR. But before this CSR was the voluntary activity of company but was mandatory to companies to show the whole accounts information to the shareholders because they are the real owner of the company and they have right to ask the funds they invested in company to the board of directors.

“Corporate Social Responsibility” in India

“Corporate Social Responsibility”, often abbreviated “CSR”, Which means an initiative to take responsibility for company’s actions for the wellbeing of environment and society, in a bid to promote positive social and environmental change. If a company works with dedication its sole purpose is not profit only but it also thinks about the economy, society and environment. The main object of the company is to protect the interest of its
shareholders who invested their hard earned money. Through CSR, a company can protect the every dimension which directly related to the organization.\textsuperscript{vii}

In the country like India, industries have often been looked upon as being in contradiction to social welfare and corporate citizenship. Often industrialization has been perceived to be synonymous with just a capitalist economy. Rarely has it been highlighted how each corporate has contributed towards the development of socio-economic condition in its ecosystem, particularly the Indian Public Sector Enterprises.\textsuperscript{viii}

In the recent times, the CSR initiatives have been made compulsory for all industries and corporate. Under the set guidelines, all Central Public Sector Enterprises have to mandatorily create, through a board resolution, a CSR budget as a specified percentage of net profit of the previous year. The organizations that have achieved remarkable things tend to be the ones that have achieved remarkable things tend to be the ones that share success with others, instinctively.

It has been noticed that most Indian Companies have always had a silent human face in trying to balance profit and environment, people and inclusive growth. The term ‘CSR’ generally applies to efforts that go beyond what may be required by regulators or environmental protection groups. It has become more mainstream as forward-thinking companies embed sustainability into the core of their business operations to create shared value for business and society. They have realized that sustainability is not just important for people and the planet, but also is vital for business success.\textsuperscript{ix}

CSR activities undertaken by NHPC are in conformity with the activities specified in schedule-VII of companies act, 2013. CSR policy of NHPC is a statement of Company’s commitment to fulfill its stakeholder’s aspirations thereby contributing to sustainable development.

NHPC has been assisting all the strata of the society with the aim to enhance their employability by organising skill development programs for the unemployed youth in its project/ Power stations. Even women are encouraged to undergo Skill Development Programs in order to make them not only self-reliant but also earn substantially to support their families. Besides, up-graduation/ development activities have been carried out in Industrial Training Institutes adopted by NHPC. During FY 2016-17, NHPC has also signed MoU’s with National Skill Development Council and Construction Industry Development council to hone the skills of 3000 unemployed youth from different regions in country.

- An amount of Rs. 86.28 crores has been spent towards various Educational and Skill Development Programs during the past five years.
- An amount of Rs. 112.89 crores has been spent to implement various healthcare and sanitation programmes during the last five years.\textsuperscript{x}

Rural Electrification Corporation Limited (REC), a listed NAVRATNA Public Sectors Enterprise under Ministry of Power, Government of India, is a premier financial institution of the country, providing financial assistance and various value added services to the central and state power utilities, private sector project developers and the State Government for investments in Power Generation, Power Transmission, power
distribution and other system improvement projects all over the country, with renewed focus on sustainable and environment-friendly non-conventional energy sources. As on 31st March, 2017, REC net worth was Rs. 33326 crores and a loan book of over Rs. 2,00,000 crores. REC is also solicitous about arming the country’s young with the skills development training programmers have been run benefitting approximately 18,500 youngsters and women from economically weaker sections of the society across the states of Odisha, Uttar Pradesh, Bihar, Haryana, Madhya Pradesh, Chhattisgarh, Punjab, Tamil Nadu, Jharkhand and Rajasthan. Gail holds the belief that CSR by corporate can play an Important role in shaping the growth trajectory of the country. The Company’s vision of “value creation” for all stakeholders remains its guiding force.

As a constructive partner in the community in which it operates, PFC has been taking concrete action to realize its social responsibility objectives, through financial assistance for the following:

- Support to employment-oriented Training and Skill Development Programmers for SC, ST, OBC, Women, and EWS and physically-challenged persons.
- Providing clean energy solutions such as solar lanterns, solar street light, solar PV systems to Government schools, Anganwadi Centers, Primary Healthcare Centers, etc.
- Construction of toilets under ‘Swachh Bharat Swachh Vidyalayan Abhiyaan’ at schools and at village households located in backward districts which do not toilet facilities.
- Upgradation of facilities at Adult Education Centers.
- Support to states hit by natural calamities.
- Promotion of education, arts, culture, music and dance, sports etc. through sponsorship support.

**Conclusion**

The notion of CSR and Corporate Governance is not new in India. It is well established concept in number of companies, Organization specifically family based companies. It has importance earlier also in Business, Society and Government relationships. But at that time it was not mandatory for companies to pay specified amount to society, Business etc. Main idea behind the launch of CSR is improving ethical conduct of Directors and senior level management of both public and private companies. CSR only reports areas of Ethics, health, safety and social issues. Corporate Governance is an umbrella term and CSR is gradually getting furred in the company’s Corporate Governance practices.

If we talk about the object of corporate governance it is implemented to check and balance system that can minimize the conflicts of the interest. Because the main reason of conflicts is the contradictory opinion of both parties.
In the above discussion, it is viewed that Corporate Governance and Corporate social responsibility are approaches that cannot be disparate. Importance of CG and CSR seems to be growing all over the world and the same appears in India. Social, Health and safety reports have to be disclosed in annual reports by companies. It will also be interesting to find out whether the effect of litigation will have significant influence on society in future.

Bibliography

- Solomon, Jill, Corporate Governance and Accountability, (England: John Wiley & Sons Ltd., 2004).

ix Ibid.
x Ibid.