 DOI: https://doij.org/10.10000/IJLMH.116944

INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 7 | Issue 1

2024

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The Study of Corporate Governance, Corporate Social Responsibility, and Its Relationship

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ABSTRACT

This paper seeks to provide a thorough understanding of Corporate Governance, Corporate Social Responsibility, and its relationship. Corporate governance simply refers to keeping an equilibrium between fiscal and social goals, as well as between personal and community goals. The framework of Corporate Governance is in place to push for parsimonious measures and to hold corporations to account for their actions, which is also one of the prime functions of Corporate Social Responsibility. Thus, the paper aims to provide a framework for understanding the association between Corporate Social Responsibility and good Corporate Governance. Initially, the theories and models of Corporate Governance for the working of businesses is explained. Furthermore, Corporate Governance examined with respect to how the Board of Directors, and the other managerial personnel of a company treats the shareholders and other parties of interest, or how well it fulfils or neglects to fulfil their expectations – that is its significance and drawbacks. Next, it elaborates on the theory of Corporate Social Responsibility. The understanding of Corporate Social Responsibility or CSR is represented as self-regulatory corporate strategy that encourages companies to fulfil their social responsibilities to their members, consumers, and the society at large. Companies can be aware of the economic, social, political, and environmental impacts they have on society when they engage in Corporate Social Responsibility, which is also known alternatively known as "Corporate Citizenship". Considering this, the study also considers the concept's principles, theories, advantages as well as disadvantages. Finally, the paper's goal is to illustrate the connection between Corporate Governance and Corporate Social Responsibility, highlighting its significance, challenges, and future potential for development in this area.

Keywords: *Corporate Governance, Corporate Social Responsibility.*

I. INTRODUCTION

To function, manage, and monitor enterprises, a collection of standards, protocols, or regulations known as Corporate Governance must be in place. Parties of interest are any set of

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individuals or group of people with an investment in a firm, including as stockholders, consumers, vendors, regulatory agencies, and management.

The above word incorporates both internal and external elements that influence these groups' interests. Ultimately, it is job of the board of directors to establish the corporate governance structure that ensures the company's actions are in line with its stated goals.

Corporate Governance records can detail a wide range of operational mechanisms, such as development strategies, performance evaluation, information disclosure, executive compensation decisions, dividend decisions, dispute settlement techniques, and explicit or implicit contracts between the company and its stakeholders.

Poor Corporate Governance is associated with a lack of clarity, noncompliance, and the potential for harm to the company's reputation. On the other hand, an excellent example of Corporate Governance is a clearly outlined and strictly enforced framework that serves the interests of all parties by requiring legal compliance, industry best practices, and respect for basic moral principles, the latter of which overlaps with the concept of Corporate Social Responsibility.

As businesses start considering issues of social and environmental responsibility, this idea takes on new relevance. Corporate Social Responsibility (CSR) policy implementation is mandatory for all large organizations, defined as those – "with a net worth of Rs.500 crore or yearly income of Rs.1000 crore or annual profit of Rs.5 crore." In recent years, CSR has been an increasingly popular topic in news about corporations. Annually, it compiles a report that provides a comprehensive account of the business's operations.

Each year, corporations publish reports documenting their CSR initiatives in accordance with their CSR policies. Every company is aware of the difference between socially responsible and irresponsible business practices. In this light, the component that is particularly intriguing is that people's views on what constitutes social responsibility tend to diverge.

Community development is another topic that has been considered. For people and the country as a whole to flourish, community development is seen as one of the most crucial factors. To make progress, it is vital to first pinpoint problem areas and then implement solutions. Corporate Social Responsibility aims to address this.

The question at the heart of the concept of social responsibility is how businesses on a global scale should interact with national governments and ordinary individuals. In a more local sense, the concept focuses on how a business interacts with the community in which it is based or conducts business. One alternative explanation focuses on the interplay among a company and

its stockholders.

As Corporate Social Responsibility is the practise of voluntarily incorporating social and environmental considerations into company practises and stakeholder engagement, a growing body of academics and industry experts agree that the actions of a business enterprise may shape its surrounding world, and they argue that businesses should report on this effect as part of their mandate, as it is important to maintain a healthy equilibrium between making a profit and giving back to the community that favoured your venture.

(A) Methodology

a. *STATEMENT OF PROBLEM*

The administration of a business is within the purview of the system referred to as Corporate Governance. The regulatory framework of a business is comprised of a set of regulations, standards, and processes. These elements are what really provide the means for the organisation to be guided and managed. As a result, the practice of Corporate Governance is of the utmost significance in ensuring that a business can successfully carry out the tasks that are demanded of it.

One of these tasks that the company needs to carry out is called Corporate Social Responsibility, and its primary focus is on improving society. This research paper will introduce the concept of corporate governance, study the theories and models of Corporate Governance, address its importance as well as its shortcomings. In addition, an understanding of the concept of Corporate Social Responsibility is offered as one of the goals of this research. This idea is elaborated in detail in the paper, which also analyses the principles, theories, benefits and drawbacks of corporate social responsibility. Also, the relationship that exists between Corporate Governance and Corporate Social Responsibility is examined as well.

b. LITERATURE REVIEW

- In the book co-authored by Anil Kumar, Lovleen Gupta, and Jyotsna Ranjan Aurora, named "Taxmann's Auditing and Corporate Governance[2]" the text provides a foundational understanding of Corporate Governance and its implementation process, as well as an in-depth examination of the field's evolution and its relevance, with a regional focus on India and a discussion of the place of Corporate Social Responsibility in corporate ethics.

[2] Anil Kumar, Lovleen Gupta, Jyotsna Ranjan Aurora, Taxmann's Auditing and Corporate Governance, ISBN: 978-9390609031, (2021)

- In the book authored by Nayan Mitra named "Corporate Social Responsibility in India: Cases and Developments After the Legal Mandate[3]" the book provides an introduction about India's Corporate Social Responsibility Mandate, which is necessary for conducting an analysis of India's Corporate Social Responsibility engagement and a critical analysis of the law governing it, as well as for elaborating on the shortcomings of the current scenario of Corporate Social Responsibility in India and suggesting ways to improve it.
- In the article authored by Alla Mostepaniuk named "Corporate Governance[4]" it defines Corporate Governance and outlines its key characteristics, stressing the significance of a body that controls and manages the interests of all parties to achieve the corporation's long-term goals along with its unique significance in safeguarding shareholders' rights, resolving tensions between executives' pursuit of more pay and investors' need for a steady return.
- In the article co-authored by Jean-Michel Sahut, Marta Peris-Ortiz & Frédéric Teulon, called "Corporate Social Responsibility and Governance[5]" the relationship between Corporate Social Responsibility and Corporate Governance are discussed at length. Corporate Social Responsibility, Business Ethics, and the many facets of Corporate Governance are all defined, and their differences are discussed.
- In the article authored by Letizia Carrera, called "Corporate Social Responsibility. A Strategy for Social and Territorial Sustainability[6]" it is explained that the best practices that may help businesses make decisions that promote social and environmental innovation is done via Corporate Social Responsibility. This is because the separation between corporations and their respective areas has become increasingly acute and troublesome because of globalization and the associated financial processes. Corporate Social Responsibility, therefore, has the potential to play a pivotal role in reversing the trend towards dwindling solidarity and trust between businesses and the public.

c. *RESEARCH OBJECTIVES*

This research paper was created to fulfil the following objectives –

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[3] Nayan Mitra, Corporate Social Responsibility in India: Cases and Developments After the Legal Mandate, ISBN: 978-3319417806, (2016)

[4] Alla Mostepaniuk, Corporate Governance, 10.5772/intechopen.69704, (2017)

[5] Jean-Michel Sahut, Marta Peris-Ortiz & Frédéric Teulon, Corporate Social Responsibility and Governance, Journal of Management and Governance, 23. 10.1007/s10997-019-09472-2, , (2019)

[6] Letizia Carrera, Corporate Social Responsibility. A Strategy for Social and Territorial Sustainability, International Journal of Corporate Social Responsibility, 7. 10.1186/s40991-022-00074-0, (2022)

- To introduce the concept of Corporate Governance.
- To understand the theories and models of Corporate Governance.
- To explain the importance and shortcomings of Corporate Governance.
- To describe the concept of Corporate Social Responsibility.
- To acknowledge the principles and theories of Corporate Social Responsibility.
- To elaborate on the merits and demerits of Corporate Social Responsibility.
- To find out about the relationship between Corporate Governance and Corporate Social Responsibility.

d. RESEARCH METHODOLOGY

The study is essentially done via doctrinal research. For this study, the researcher will discuss the concepts of Corporate Governance, Corporate Social Responsibility, and its relationship. For this research study, the author consulted a wide range of primary and secondary sources, including several books, court decisions, and academic articles.

II. ASSESSING CORPORATE GOVERNANCE

(A) Theories And Models Of Corporate Governance

a. *THEORIES OF CORPORATE GOVERNANCE*

The Several theories of corporate governance have attempted to answer the perennial questions that arise when it comes to running a business.

Firstly, the Agency Theory. Principal–agent relationships are analysed within the framework of Agency Theory. Within this model, the proprietors or owners of the organisation are responsible for contracting out the work to the agents. To administer the company, the principals rely on the directors and managers who act as their representatives. Investors depend on their agents to make intelligent choices that benefit the company. Conversely, it is not required that the agent act in the principals' personal interests while making these judgements. Nevertheless, one drawback is that the agent may give in to their own self-interest and exploitative tendencies, exploiting and creating losses for their principal as a result. This can be dealt with using incentives and restrictions to limit the chances of such mismanagement. As a result, division of proprietorship and power is central to Agency Theory. The notion advocates for holding individuals or groups responsible for the outcomes of their own actions.

Secondly, the Steward Theory. According to this proposition, a steward's job is to safeguard

and increase the capital of the stockholders through improved organisational performance. Stewards are the senior management and supervisors of a company that look out for their investors' best interests and strive to maximize the corporation's revenues for them. When the organisation succeeds, these people feel rewarded and encouraged. Directors and other staff are encouraged to take greater initiative to increase profitability for stockholders as the staff members are dedicated to their work and act as if it were their personal responsibility.

Thirdly, the Resource Dependency Theory. According to this theory, the Board of Directors are responsible for securing the company's access to vital resources. Directors' connections to the outside world are cited as a key factor in their ability to provide or secure critical services for a business. Having access to resources is said to improve the organisation's effectiveness, company viability, and longevity. The directors add value to the company by providing their knowledge, expertise, connections to important stakeholders including vendors, customers, policy analysts, and interest groups, and by lending the company credibility in the eyes of the general population.

Fourthly, the Stakeholder Theory. The management's need to accommodate to a wide variety of interested parties is a central tenet of this principle. The management, according to this theory, have a wide variety of stakeholders (including customers, vendors, and associates) that they must look out for. All parties' needs are treated equally and given equal weight and the concerns of one group is not thought to be more important than any other. Its scope is extensive because it draws on disciplines as diverse as philosophy, ethics, political theory, economics, law, and management.

Fifthly, the Transaction Cost Theory. According to this viewpoint, employees in a company all have their own unique goals and priorities. Apart from the conventional understanding of fiduciary connections of the corporation with investors, this concept postulates that Corporate Governance structures are founded on the overall result of company operations (both inside and outside the organization). It further suggests that a company's cost of manufacturing and market rate may be influenced by its internal framework and processes. It also considers the fact that managers tend to operate for their own self-interest. Because of this, the theory stresses the need of Corporate Governance structures for keeping tabs on company operations and discouraging fraudulent practices among company insiders.

Sixthly, the Political Theory. This idea puts forth the concept of injecting politics into Corporate Governance. It emphasises on stockholder voting backing instead of buying stocks to control administration. It focuses on how different classes of shareholders stakes in a company impact

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how that enterprise's leadership makes decisions. In recent years, it has been clear that public entities have considerable political sway on the enterprises, introducing ideology through into institutional framework or businesses' process. This concept even has tight ties to social concerns like religion and culture.

b. MODELS OF CORPORATE GOVERNANCE

These are as follows.

1. Anglo-American Model – Investors' interests are protected and valued in accordance with the Anglo-American model of corporate governance. The shareholders are responsible for electing all directors, and they are responsible for setting the company's long-term strategy and overseeing daily operations. Corporate Governance in the United Kingdom, Canada, the United States, Australia, and the Commonwealth countries, which (to a certain extent) includes India, is structured according to what is referred to as the Anglo-Saxon model. There is a lack of separation between the Board and management. Companies are often led by top executives with minimal stock in the company. The proprietorship and the administration are clearly divided. Those that are unhappy with the direction of the firm can simply liquidate their holdings and leave. Hence, modest shareholders are shielded from potential harm, while big stakeholders are deterred from meddling in business affairs, because of stringent transparency regulations and prohibitions against insider trading.
2. German Model – The term "European Model" is often used to describe this. There is a widespread view that employees, as important constituents of the enterprise, ought to be given voice in how it is run. It is also known as the "two-tier board model" since Corporate Governance is performed by two separate boards. The first is the Supervisory Board, whose participants are chosen by the company's shareholders. 1/3 to 1/2 of the Supervisory Board seats are often filled through worker elections. The second is the Board of Management, sometimes known as the "Management Board"; this board is appointed and overseen by the Supervisory Board. The Management Board can be dissolved and reconstituted at the discretion of the Supervisory Board.
3. Japanese Model – Japanese businesses rely heavily on monetary organisations as sources of funding. Since banks and further establishments have such large financial holdings in enterprises, they collaborate closely with top executives. The Board of Directors and the President are both chosen by the stockholders and the major banks. Creditors' interests are considered alongside those of stockholders in this theory.

4. Social Control Model – This theory proposes that the management should include representatives from all relevant parties of interest. This model suggests that to strengthen Corporate Governance, it is necessary to establish a "Stakeholders Board" in addition to the Board of Directors elected by shareholders. Investors, workers, significant clients, big retailers, financiers, etc., are all represented on the "Stakeholders Board".
5. Indian Model – Indian corporations may be classified into three broad categories: those that are privately held, those that are publicly traded, and those that are government-owned PSUs. The ownership structures of these firms are all different. This means that Anglo-American and German models of Corporate Governance have both influenced and been incorporated into India's system.

(B) Importance and shortcomings of corporate governance

a. *IMPORTANCE OF CORPORATE GOVERNANCE*

Companies' shareholdings have seen significant shifts in recent years. Corporate Governance practises force the management to improve in areas such as productivity, openness, responsibility, etc. it also helps to create policies that benefit consumers, safeguard vulnerable populations, and safeguard the natural world. Corporate Governance is hence the end effect of the shift of ownership.

Past decades have seen a rise in the prevalence of hoaxes, forgeries, and other forms of unscrupulous behaviour. Across the world, even in India, taxpayer dollars are routinely misused and stolen. This is occurring in the business world, state agencies, commercial institutions, and the stock exchange. Several businesses have instituted Corporate Governance policies in response to the prevalence of such frauds and gross mismanagement.

This is also because investors seldom get involved in the day-to-day operations of their company. AGMs are the only meeting they ever go to. Therefore, the strength of shareholder groups is low. Therefore, managers abuse their authority for personal gain. So, corporate governance is necessary to safeguard the interests of all parties involved in a business.

Furthermore, numerous major corporations offer their merchandise on a worldwide scale because to globalisation. As a result, they need to court an international clientele and funding base. They must also comply with laws and customs of the host country. Corporate Governance is necessary for all of this to happen. It is hard to access, let alone thrive in, the world economy without proper Corporate Governance. As a result, the corporate world is full of mergers and acquisitions. In the event of an acquisition or partnership, it is imperative that proper Corporate

Governance measures be put in place to safeguard the interests of those involved.

Finally, when it comes to Corporate Governance, SEBI or the Securities and Exchange Board of India has made it mandatory for some businesses. This is done to ensure that all parties' interests are safeguarded.

b. *SHORTCOMINGS OF CORPORATE GOVERNANCE*

Despite its apparent protections, the Corporate Governance mechanism has a recurrent failure pattern with recurring characteristics that explain why it fails. Listed below are examples of these.

1. Error on the Part of the Authorities.
2. Management's unquestioned authority.
3. The auditors' complacency.
4. Private/Single-Ownership.
5. Ineffective leadership.
6. Deceptive financial reporting.
7. Insider Trading.
8. Weak investment strategies.

The examples of failure of the Corporate Governance can be examined via the several cases in India. These are –

1. Satyam Computer Services Ltd. Case:

On December 16, 2008, Satyam's troubles started. Its unexpected proposal to offer $1.6 billion for two Maytas enterprises was disclosed by president Mr. Ramalinga Raju. It was his apparent intention to put the donors' money to good use. The Raju family actively supported and managed both businesses.

However, their investors were unhappy with this decision. As investors expressed their displeasure with Satyam's business practises, the company's share price dropped by 55 percent. It only took them 12 hours to reverse the verdict. The outcome was the departure of some of the company's independent directors. This caused Satyam's stock price to drop even further.

After this case had been investigated and bought to the public eye due to the unexpected turn of events, the founder admitted to a Rs 7,000- crore balance sheet fraud on January 7th, 2009.

For years, he had kept this secret from the board of directors, the staff, and the auditors at the

IT firm. In his confession, he said that he had made one final attempt to “fill bogus assets with genuine ones” to save his business and hide his fraud by purchasing Maytas businesses.

As a result of the scam, the government revised its rules and regulations. The new Companies Act 2013 established the responsibilities of auditors and impartial board members, amongst many other reforms. Furthermore, for better Corporate Governance, the stock exchange regulator SEBI revised Listing Guidelines Clause 49 in 2014.

2. ICICI Bank-Videocon Bribery Case:

It stated – “On September 8, 2009, Videocon Industries wired Rs. 64 crores from a Rs. 300 crore loan sanctioned by ICICI Bank's Chanda Kochhar (wife of Deepak Kochhar) panel to Nupower Renewables Pvt Ltd (NRPL).

Loan funds were transmitted throughout the next business day. Formerly known as Nupower Renewables Ltd (NRL), NRPL is currently controlled by Deepak Kochhar.” This sparked off an investigation due to the conflict of interest in the situation.

Consequently, the CBI lodged a First Information Report (FIR) against the Kochhars, Videocon's Dhoot, as well as many other related parties, and the Enforcement Directorate subsequently arrested Deepak Kochhar in September 2020 on charges of money laundering. The parties were found guilty as charged.

3. Tata Finance Case:

The corporation began expanding into other areas of business in the 1990s, when it established a division dedicated to trading financing. The primary responsibility of this business was to manage the firm's capital market activities. On January 1, 1992, the business amalgamated with Tata Industrial Financial Corporation ltd (TIFCO). Tata Finance Security Ltd. was founded in 1994 as an affiliate of Tata. In 1997, Tata Finance became the first non-banking financial corporation (NBFC) to handle BADLA transactions. Since then, it has expanded its services to include rental, lending, and the acceptance of deposits from the general public through a number of different schemes.

In addition, Tata Finance committed to establishing a wholly owned investment subsidiary, the Nishkalp Investment and Trading Company (NIT). It has been estimated that between Tata and Nishkalp, a total of 500 crores of money has been misplaced as the latter’s chairman engaged in illegal insider trading of business stock.

The failure of Tata Finance may be traced back to the business’s bad investment strategies, insider trading by corporate leaders, failure to disclose significant information, and rescinded

transactions.

III. ASSESSING CORPORATE SOCIAL RESPONSIBILITY

(A) Principles and theories of corporate social responsibility

a. *PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILTY*

Corporate Social Responsibility activity is hard to identify and definite about due to its ambiguity. So, the ability to recognise such behaviour is crucial. There are three basic concepts of Corporate Social Responsibility that allows for the mechanism to guide all CSR efforts.

The first concept is Sustainability. While considering what is to come, sustainability considers how existing decisions will affect the range of possible courses of action. When existing commodities are used up now, they cannot be used afterwards. If the available supplies are limited, this could be a particularly pressing issue. As a result, in this way, the expenses of businesses are prone to rising. Considering a company in the context of the larger social and economic system requires that these influences be factored into valuations of price and worth, both now and in the future. How quickly resources can be replenished would be an important factor in determining sustainability. Businesses often strive for greater sustainability by maximising the effectiveness with which available assets are used, a win-win situation for both the environment and business. CSR follows with this line of thought very closely in its efforts.

The second concept is Accountability. Organizational accountability is taking ownership of the results of one's activities with regard for the outside world. This idea necessitates the measurement of outcomes resulting from decisions made both within and beyond the company. Specifically, the idea involves sharing such numbers with everyone who will be impacted by the decisions being made as a part of CSR. This requires communicating the results of organisational activities to diverse stakeholders, detailing how these actions altered their roles. This idea entails acknowledging that the company is not just responsible to its shareholders but also to the larger social structure to which it belongs. So, companies need to be held accountable for their activities by being measured on how well they care for the natural world and having those results made public. This requires resources from the company in the forms of smart goals, monitoring, and evaluation. The evaluation needs to be based on several factors; in addition to numbers, such reporting will also include descriptive data and recommendations.

The third concept is Transparency. Corporate Social Responsibility is a broad field that generates numerous perspectives and may be analysed in many ways. Interested parties from all parts of the organization must remain transparent when making decisions or drafting policies

and legislation that affect the well-being of the group. When all of this is made plain, the individuals would be able to follow the rules more strictly. Duties and actions must be properly carried out in a transparent manner as well. The rationale is that if everyone in the company is confused and unsure about what to do, they will not be capable of performing their duties efficiently. This means that the enterprise's aims and purposes must be made clear and reflected in all policies, measures, processes, regulations, duties, and operations. To be transparent is to ensure that no relevant information is omitted from the documentation of an organisation so that its external influence may be determined. Hence, utilising the information supplied by the corporation's performance indicators, all the repercussions of the activities of the organisation, particularly adverse forces, ought to be obvious to everybody. So, transparency may be considered as a natural extension of the first two parameters and as an integral component of the company's method for accepting obligation.

b. THEORIES OF CORPORATE SOCIAL RESPONSIBILTY

These are as follows.

1. Utilitarian Theory – The company plays a functional component of the financial structure, according to this view. Historically, this concept has been used in the context of maximising profits. Proposals for Corporate Social Responsibility (CSR) originate from the incorporation of the "economics of responsibility" into the ethical behaviour of the organization. Based on these arguments, businesses exist primarily to generate profit for their owners. Cultural events are seen to get the economy moving in the right direction. When money is put into a neighbourhood, this theory posits, it improves the quality of life for everyone who lives there in the big scheme of things. Competition benefit tactics have a close relationship to this thought. Those that advocate for this idea are the ones who thought about the adaptive use of a company's environmental assets to get an edge in the marketplace. As a well-recognized tool of control, monetization strategies frequently incorporate acts of kindness to give it a socially acceptable veneer. Therefore, according to this view, for a business to take part in collaborative efforts, it must first acknowledge that it has ethical objectives and safeguard the interests of its stakeholders. Under this framework, corporations are to be considered essential to a capitalist society in which maximisation of wealth ranks high among other objectives. The business is seen as a venture, and as with any asset, returns on that capital are expected to benefit the company's backers and other parties of interest. From an institutional standpoint, Corporate Social Responsibility was seen as the business' defence plan from potential aggression. The rationale for this is that the

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financial structure's stability requires a trade-off amongst private gain and public good.

2. Managerial Theory – Organizational administration is the primary focus of this theory. The perspective emphasises in-house approaches to Corporate Social Responsibility by corporations, as opposed to external advocacy. It is along these lines that this theory and the previous one diverges most sharply. "Corporate social performance; social responsibility, auditing, and reporting (SAAR); and social responsibility for multinationals" make up the three subsets of this concept. As the worldwide rivalry and problems that corporations face are driving the rise in Corporate Social Responsibility initiatives, this branch of managerial theory develops as a direct outcome of the management' actual experiences with accountability. This is made easier by outlining helpful Corporate Social Responsibility solutions for Multi-National Corporations to adopt to thrive abroad. Organizational personnel are tasked with making ethical and prudent choices that will ultimately increase the company's bottom line. The conception of this theory is likewise closely tied to that of "Political Theory" of Corporate Governance. Businesses, specifically those that are in big conglomerates, have societal duties that stem from the status and influence bestowed onto its members. To be well is synonymous with becoming an active member of society. The concept "that business is the social institution and that it should utilize power and authority responsibly" is where the power and influence of Corporate Social Responsibility gets its start.
3. Relational Theory – The multifaceted business setting was the inspiration for this theory. There are a total of four distinct branches within the field of this concept. "Business and Society, Stakeholder Theory, Corporate Social Responsibility, and the Social Contract" all fall under this category. It is argued that "business and society" refers to a context in which Corporate Social Responsibility arises as a subject of collaboration among two organisations. The rise of societal financial stability is indeed indicator of Corporate Social Responsibility as it is the responsibility of all individuals to think about how their choices and behaviours will affect the community in its entirety. The basic nature of this connection highlights the importance of a corporation's duties reflecting the influence they wield. One method of enhancing governance inside a business is the implementation of the "Stakeholder Approach." It is also cited as a means of managing a company's "socially responsible behaviour" through the acquisition of an accurate perception of the world around it. By using this perspective, an organisation is seen as a network of divergent interests, where

individuals and groups are free to develop their own identities and communities. What constitutes "good Corporate Citizenship" in the context of this theory varies greatly depending on the nature of that larger society. That is the mindset the company must have in order to carry out its operations ethically. To maintain the trust and respect of its constituents, an institution must consistently demonstrate steadfastness and loyalty. Having good working connections with one another is crucial for the success of the company. Revenue growth, performance, and contentment on the work are all possible outcomes of this idea, making it an inclusive and comprehensive theory.

(B) Benefits and drawbacks of corporate social responsibility

a. *BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY*

Businesses that practise Corporate Social Responsibility have been viewed favourably by consumers. Apart from this, there are various benefits of it that have been highlighted below.

Corporate Social Responsibility (CSR) programmes may assist businesses in increasing their digital presence and goodwill. It can bring in new clients and financers while also allowing the company to deepening connections with their existing clientele. As such, businesses that allocate resources to CSR initiatives have a greater rate of staff morale, commitment, and longevity. When workers realise that their employer cares about the world around them, they become better invested in the business.

Consequently, effectiveness and output are on the rise because of the collaborative atmosphere fostered by CSR programmes. It has the potential to increase performance, boost growth, and benefit the corporation's bottom line.

Furthermore, participative businesses enjoy stronger connections with the neighbourhood where they function, because of CSR initiatives. More community backing and fresh prospects for cooperation are two possible outcomes. One, businesses who put money into CSR see a rise in profits, pricing power, and profitability, as well as a decrease in wastage and operating expenses. Two, increasingly stringent conformity and less associated ramifications are two functional perks that businesses who practice CSR might enjoy.

Additionally, reducing pollution and better asset allocation are only two examples of the unique advantages that result from investments in Corporate Social Responsibility programs.

Finally, businesses which practice Corporate Social Responsibility (CSR) may help their local residents in a variety of ways, including through increasing medical services, schooling, and infrastructure like safe water and sewage systems.

b. DRAWBACKS OF CORPORATE SOCIAL RESPONSIBILITY

CSR has little to no payoff if it is carried out secretly. Whenever a business does this in open, though, it becomes susceptible to further criticism. Hence, the criticism a corporation receives for an error or reckless action will far outweigh the praise it receives for CSR. As a result, CSR may end up doing more damage to a company's reputation than good.

Integrating CSR into corporate processes may lead to price increases for final goods and services. Merchandise pricing would rise as a result. While Customers are prepared to pay a premium for a product or service from a business, they perceive to be moral and environmentally conscious, thanks to increased public consciousness, but, on general, consumers prefer to buy items that reduce their expenses. So, a CSR-focused business will suffer at the hands of its competitors. On the other hand, making money is the first objective for every business. Involvement in CSR activities, though, sometimes necessitates a reduction in the profitability edge, that might also leave stockholders unhappy.

Companies whose processes are grounded on morality and civic duty frequently feel forced to point out the flaws that exist in their goods to the public. When news about a company's failures in its goods or procedures is widely disseminated, that professional image takes a hit for a variety of reasons.

Every company should be run to maximize its earnings as much as possible. As part of their "Corporate Social Responsibility," businesses must act in ways that benefit society. When the company is trying to make a crucial choice, this might lead to a conflict between the two goals. Considerations like if it is worthwhile to purchase an investment or piece of machinery that would serve the company's purposes but might have negative effects on the local population or the ecosystem would be an ideal illustration of such a scenario.

Most importantly, it has been noted that CSR is counterproductive since it might lead to "green washing," which is an undesirable outcome. These invalidate CSR objectives by demonstrating that a company's obligations or responsibilities to the general populace is futile and shallow.

Therefore, integrating CSR into daily activities can be challenging. Yet, this is also an extremely significant one. The days of shady business tactics of corporations being tolerated by the public are long gone. To thrive, a business must practice corporate social responsibility. So, to reap the effectiveness and limit the drawbacks of CSR, businesses need get a deep understanding of the pitfalls associated with it.

Some of the initiatives of Indian Companies include –

1. ITC – Education.
2. TATA Power – Self Help Groups or SHGs for women.
3. Infosys – Community Development Programs.
4. Reliance – Education.
5. TATA Steel – Programs aimed at upliftment of marginalised communities.
6. AMUL – Rural health and development.

IV. Relationship between Corporate Governance and Corporate Social Responsibility

Traditionally, corporate social responsibility (CSR) was conceived of only on grounds of donations. Yet, the "post-liberalization" age has witnessed a major transition out of this CSR paradigm centred on charity to a one that emphasizes stakeholder engagement. Moreover, CSR is being integrated into Corporate Governance procedures in an increasing number of businesses. This is because Corporate Social Responsibility (CSR) and Corporate Governance (CG) are two approaches to managing a company that have a common emphasis on doing the right thing by all its constituents and being accountable to the world in which it works. Improved corporate governance and CSR practises lead to a more favourable public perception of a company and have a noticeable impact on that company's bottom line. CSR is illuminated by "the OECD Standards on Corporate Governance[7] and the guidelines of UN Global Compact Participation," but in India, CSR is entirely voluntary due to "clause 49 of the listing agreement."

It is important to note that CSR and Corporate Governance share a commitment to openness, honesty, longevity, and moral practice. In addition, CSR is founded on the idea of "self-governance," which is tied to exterior statutory mechanisms, whilst Corporate Governance is the broadest scheme that governs how a firm makes its organizational operations.

Additionally, CSR and Corporate Governance have comparable goals and advantages, some of which are outlined below.

1. Improved both fiscal disclosure openness helps restore people's faith while also boosting the company's stock price and benefiting shareholders.
2. Building a loyal customer base.

[7] OECD (2015), *G20/OECD Principles of Corporate Governance*, OECD Publishing, Paris, https://doi.org/10.1787/9789264236882-en.

3. Strengthening the corporation's relationships with key constituencies.
4. Helping to shape the future of the communities in which it operates.
5. Sustaining a dominant "market position" by equitably responding to the needs of all its constituents.

In India, the following sections of the law address CSR and Corporate Governance.

1. The Companies Act of 1956[8] (hereinafter referred to as "The Act," which is applicable to both listed and unlisted companies)
2. Regulations of the Securities and Exchange Board of India (applicable to listed companies)

Notably, The Act prescribes less stringent requirements for unlisted corporations.

Nonetheless, all requirements of The Act apply to publicly traded firms, as do the SEBI regulations and the terms of any bond indenture the company has with the capital market.

It is also worth noting that, despite certain requirements in the Companies Act of 1956, unlisted enterprises lack a complex framework of corporate governance. This makes the connection across CSR and Corporate Governance more crucial and relevant. Analysing the regulatory and legal circumstances pertaining to CSR and Corporate Governance is important for assessing the current state of CSR and Corporate Governance.

There is possibility for a merger between CSR and corporate governance as the former is motivated by moral values and the latter responds to the realities of modern commerce and the law.

V. Conclusion and recommendations

For a considerable amount of time, the perspective of businesses towards the part that it plays in the community might be summed up as follows: "there is one and only one social duty of business, and that is to enhance its profits; and the business of business is business." Yet, it is important to note also that the corporate world has come a long way since these lines were stated, and these days corporate governance and corporate social responsibility are considered essential components of any successful business.

It is essential to take into consideration that, as of right now, the requirements of Corporate Governance are both obligatory and recommended from the numerous sections that have been covered thus far by the law. On the other hand, there is no set protocol for CSR; rather,

[8] The Companies Act of 1956, No. 1, Acts of Parliament, 1956 (India)

participation in this endeavour is entirely voluntary.

Considering that Corporate Governance and CSR are intertwined and mutually supportive of one another, it would be advantageous for India to include CSR laws inside the context of Corporate Governance to optimize the advantages enjoyed by all stakeholders involved in a commercial deal, across all levels of society.

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