

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITIES

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INTRODUCTION:-

Corporate Governance is one of the most talked about topics in business, indeed in society. It is the set of process, customs policies and institutions affecting the way in which a corporation is directed, administered or controlled. Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedure for making decisions on corporate affairs. By doing this, it also provides the structures through which the company objectives are set, and the means of attaining those objectives and monitoring performance (OBCD April 1994). Corporate governance indicates the policies and procedures applied by a firm to attain certain sets of objectives, corporate missions and visions with regard to stockholders, employees and customers, suppliers and different regulatory agencies and the community at large. The role of governance is to maximize shareholder wealth; corporate governance depends on managerial performance as well as a consideration of social responsibility, the socio-cultural-

environmental dimension of business procedure, legal and ethical practices with a focus on customers and other stakeholders of an organization. Corporate governance is gaining importance among policy makers, entrepreneurs, business personnel, shakeholders and related organizations.

Definition :-

Meaning and definition of corporate governance a company is and enterprise authorized by law to conduct business. Governance implies a degree of control to be exercised by key stockholders representatives for the furtherance of corporate growth and protection of stake holder's interest. Being guided by the principle of shareholders democracy, companies will have to make clear to shareholders without any concealment about their policies in running the business. In this context the board of directors is to determine corporate purpose and set broad directions for their achievement by executive directors and managers. Corporate governance ensures how effectively the board of directors and management are discharging their functions in building and satisfying stock holder's confidence (Srikant 1997).

On the other side corporate governance in a developing-country setting takes on additional importance. Good corporate governance is vital because of its role in attracting foreign investment. The extent of foreign investment, in turn, shapes the prospects for economic growth for many developing countries.

Thus corporate governance is basically a system of making directors accountable to shareholders for the effective management of the companies, in the best interest of the company and also with adequate concern for ethics and values. It has also responsibility towards consumers and environment.

Defination

According to Cardbury Report, Corporate governance is the system by which companies are directed and controlled (Keaseetal, 2005) furthermore, cadbury recognized that a system of good corporate governance allows board of directors to be free to drive their companies forward, but exercise that freedom within a frame work of effective accountability.

According to CII's draft corporate governance deals with law procedures, practices and implicit rules that determine a company's ability to take managerial decisions vis-à-vis its claimants in particular its shareholders, creditors, the state and employees. There is a global consensus about the objectives of good corporate governance maximizing long a term shareholders value confederation of Indian industries 1997.

CAUSES OF CORPORATE GOVERNANCE?

Obviously, it is needed because of the deficiencies of the corporate sector. Some of the glaring deficiencies of the corporate sector are:

- ⇒ Share are allotted to promoters on preferential basis, which leads to the dilution of the wealth of the minority shareholders.
- ⇒ Despite laws and regulations, companies, generally, do not adequately redress the investors grievances.
- ⇒ The insiders take unfair advantages of secret information and indulge in corrupt practices.
- ⇒ Fair and timely audit of the accounts of the companies is not done.

- ⇒ Corporate houses lack vision in manufacturing marketing and services.
- ⇒ Cut throat competition, there are objectives is to multiply profits without caring for moral, social and spiritual values.
- ⇒ To maintain goodwill and reputation in the market people break the rules of corporate governance.
- ⇒ From the lower level to the higher level in the organization everyone tries to satisfy their personal needs at the cost of organization.

NEEDS OF GOOD CORPORATE GOVERNANCE IN THE SOCIETY.

- ❖ Define the objective of the organization in terms of what the customers want and supplying them the same at the right time and place.
- ❖ Be transparent with the stake holders and involves them in the decision making process.
- ❖ Reinstate the vision, mission, goals and objectives of the firm in the corporate strategy and full comprehend its responsibilities towards the stakeholders.
- ❖ Define the values system of the firm.
- ❖ Maintain reciprocal relationship with the stake holders.
- ❖ Define the stakeholders of the company which includes not only the share holders, customers' financiers, government, suppliers but also the environment like plants and animals.

Principals of good corporate government key elements of goods corporate governance principles include honesty, trust and integrity openness, performance orientation, responsibility and accountability mutual respects and commitment to the organization.

The aim by the corporate governance principles is to align the interest of individuals and community goals, corporation and society in the following way:

1. **Interest of other stake holders:-** Organization should recognize that they have legal and other obligation to all legitimate stakeholders.
2. **Disclosure and transparency:-** Companies have to be transparent . Transparency means accurate, adequate and timely disclosure of relevant information's to be the stakeholders. Organizations should clarify and make publicly known the rules and responsibilities of board and management.
3. **Right and equitable treatment of shareholders:-** Organizations should respect the rights of shareholders and help shareholders to exercise those rights.
4. **Accountability:-** Chairman board of directors and chief executive of the company should fulfill their accountability to the shareholders, customers, workers, society and the government.
5. **Independence:** For ethical reasons, corporate governance seems to be independent strong and non participatory body where all decision making is base on business and not personal bases.
6. **Integrity and ethical behavior:** Ethical and responsible decisions making is not only important for public relations, but it is also a necessary element in risk management and avoiding law suits.

REPORTING: Good corporate governance involves adequate reporting to shareholders and other stake holders for example, accompany should publish quarterly, half years and yearly performance and operating results in newspapers. It should also report the functioning of various committees set by the board of directors for efficient administrations. It is important an ethical ground of the society.

CASE STUDY OF CORPORATE GOVERNANCE

1. Reliance Industries limited believes in adopting the best global practices the area of corporate governance and follows the principles of fair representation and full disclosure in all its dealing and communications thereby protecting rights and interests of all its stakeholders. RIC recognize the proper communications to all external constituencies.
2. **The local Cola Company**-The board is elected by the share owners to oversee their interest in the long term health and the overall success of the business and its financial strength. The board selects and oversees the members of senior management.
3. **Nokia connecting people:-** Articles of associations, the control and management of Nokia is divided among the shareholders at a general meeting, the board of directors the president and the Nokia leadership team chaired by the CEO.
4. **Tata chemicals limited:-** As a part of the Tata group, Tata chemicals has always believed in enhancing shareholders value through good

corporate governance, which involves transparency, empowerment, account ability and integrity.

5. **HDFC Bank**:-The bank believes in adopting and adhering to best recognized corporate governance practices and continuously bench making itself against each such practices. The bank believes that best board practices, transparent disclosures and shareholders empowerment are necessary for creating shareholders value.

Now question is arise relationship between corporate governance and corporate social responsibility?

Corporations are also citizens of the place where they are created like other citizens they have social responsibilities. In good corporate governance, the management should be able to meet their social responsibilities these include sure that their products are not hazardous to people and to the environment sharing their profits for the good of the community as a natural persons or human being would do, donating to social causes, organizing activities to benefits the community.

Meaning of corporate social responsibility is inclusion of public intensity into corporate decision making and honoring triple: People, Planet, Profit. Corporate social responsibility is how a company should conduct their business in a way which is ethical. Corporate social responsibilities is about how companies manage the business process to produce on overall positive impact on society.

Companies need to answer two aspects of their operations.

1. The quality of their management both in terms of people and process.
2. The nature of and quantity of their impact on society in the various areas.

Definitions: Lord Holme and Richard waffs, CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

On the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates the study.

Benefits of CSR to Business

- ⇒ Best interest of business to promote and improve the communities organization, as members of society, have a moral obligation to help society deal with its problems and to contribute to its welfare.
- ⇒ Improve public image of the firm
- ⇒ Increase goodwill
- ⇒ Improving stock price in the market.
- ⇒ Solving the social problem.

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DCM Shriram Consolidated Limited

Shriram Fertilizers and chemicals, is a unit of DSCL, located at Kota, 475 kms over the last 3 decades, various initiatives have been undertaken by the unit, in the Hadoti region (Kota Prundi, Jhalawar Districts) in ICU, ambulances, family planning, medical assistance; school, scholarship emphasis on girl child education, water to people and infrastructural

JCB India limited

JCB India adopted a government school, in the vicinity of the company premises as its social responsibility. They strongly believe that children are the foundation of our nation and they could be helped, they could build a better community and society tomorrow.

SATYAM Computer Service Ltd.

It aims at transforming and supporting and strengthening the vulnerable and unprivileged section in urban India. Activities of Satyam Computer Service Ltd. Empowerment of women and unprivileged problem of illiteracy.

Anand Corporate Service Ltd.

Activities of Anand Company: Health education Natural Resource management and life skills-well being of humans.

Social responsibility is to implement concepts of zero tolerance zones for child labour.

Now question is arise why corporate social responsibility?

Our answer is it improves financial performance. Reduce operating cost, license operate. Enhance brand image and reputation increase and customer loyalty brand differentiation open view of companies activities help in risk management. To increase competitive advantage profit.

Conclusion:- It can be concluded that in today's informative world where information are readily available to general public CSR has been an integral part for every organization to be successful CSR has been a vital component for any organization to have perpetual success and to to create brand.

In conclusion to my mind CSR has become a vital role play in our any field or organization or a life line for creating brand of every organizations.

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