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Corporate Governance and Corporate Social Responsibility: The Indian Context

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Abstract

Corporate Governance is the set of policies that are created for deciding a company's performance and direction. It is an overview of rules and regulations for the people in-charge of an incorporated firm. They are the ones who agree to take responsibility towards the shareholders. Corporate governance is a broad term is today's business environment. The legal outfits of corporate governance can be customized to fit the meticulous choice of each wearer. The present wok is aimed to discuss corporate governance from India's point of view. In the conclusion, the paper gives a summary of how corporate governance is influencing the present economic condition of India.

Keywords: Meaning of CSR, Significance, Social aspect, Economic aspect, Environmental aspect, Managing CSR, Indian context

1. INTRODUCTION

Corporate social responsibility (**CSR**, also called **corporate conscience**, **corporate citizenship** or **responsible business**) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms.[2] With some models, a firm's implementation of CSR goes beyond compliance and statutory requirements, which engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law".[3][4] The binary choice between 'complying' with the law and 'going beyond' the law must be qualified with some nuance. In many areas such as environmental or labor regulations, employers can choose to comply with the law, to go beyond the law, but they can also choose to not comply with the law, such as when they deliberately ignore gender equality or the mandate to hire disabled workers. There must be a recognition that many so-called 'hard' laws are also 'weak' laws, weak in the sense that they are poorly enforced, with no or little control or no or few sanctions in case of non-compliance. 'Weak' law must not be confused with soft law.[5] The aim is to increase long-term profits and shareholder trust through positive public relations and high ethical standards to reduce business and legal risk by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

CSR is not a new concept in India. Ever since their inception, corporate like the Tata Group, the Aditya Birla Group, and Indian Oil Corporation, to name a few have been involved in serving the community. Through donations and charity events, many other organizations have been doing their part for the society. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders.

CSR policies, practices and programs are being comprehensively integrated by an increasing number of companies throughout their business operations and processes. A growing number of corporate feel that CSR is not just another form of indirect expense but is important for protecting the goodwill and reputation, defending attacks and increasing business competitiveness.

Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them. These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc.

For example, a more comprehensive method of development is adopted by some corporations such as Bharat Petroleum Corporation Limited, Maruti Suzuki India Limitedand Hindustan Unilever Limited. Provision of improved medical and sanitation facilities, building schools and houses, and empowering the villagers and in process making them more self-reliant by providing vocational training and a knowledge of business operations are the facilities that these corporations focus on. Many of the companies are helping other peoples by providing them good standard of living.

On the other hand, the CSR programs of corporations like GlaxoSmithKline Pharmaceuticals" focus on the health aspect of the community. They set up health camps in tribal villages which offer medical check-ups and treatment and undertake health awareness programs. Some of the non-profit organizations which carry out health and education programs in backward areas are to a certain extent funded by such corporations.

Also Corporate increasingly join hands with Non-governmental organizations (NGOs) and use their expertise in devising programs which address wider social problems. For example, a lot of work is being undertaken to rebuild the lives of the tsunami affected victims. This is exclusively undertaken by SAP India in partnership with Hope Foundation, an NGO that focuses mainly on bringing about improvement in the lives of the poor and needy . The SAP Labs Center of HOPE in Bangalore was started by this venture which looks after the food, clothing, shelter and medical care of street children.

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporate. Not one but all corporate should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes. Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

2. LITERATURE

Corporate social responsibility is emerging as a new field in the management research. It encompasses not only what companies do with their profits, but also how they make them. It is not just for large scale companies but also used by small scale and non-profit organizations. In India many firms have taken the initiatives of CSR practices which have met with different needs of the society as a whole. The present study has been an attempt to generate awareness and to understand meaning, significance, dimensional aspect of CSR and how to manage it. An extensive literature review is done on CSR. At the end some forces at work, some issues related to CSR in India and some recommendations are given.

The rising importance of CSR over the last few decades has stirred the interest of academia and corporate on the subject. CSR attracted attention in the Indian context with the implementation of the Companies Bill, 2013, which mandated firms to invest 2% of their net profits in social activities. The linkages between CSR and profitability using factors such as corporate reputation, competition intensity, and advertising have been tested in the developed countries. These linkages have sparsely been tested in emerging economies such as India, which motivated me to conduct this study. Other variables such as competitive intensity, supplier power, customer power and employee power were found to have no significant role on the proposed relationships.

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Abagail McWilliams and Donald Siegel outlined a supply and demand model of corporate social. responsibility (CSR). Based on this framework, we hypothesize that a firm's level of CSR will depend on its size, level of diversification, research and development, advertising, government sales, consumer income, labor market conditions, and stage in the industry life cycle. From these hypotheses, we conclude that there is an “ideal” level of CSR, which managers can determine via cost-benefit analysis, and that there is a neutral relationship between CSR and financial performance

The aim of the paper by **Deepa Aravind** is to examine how corporations in India interpret corporate social responsibility (CSR). Focusing on four commonly known approaches: the ethical, the statist, the liberal, and the stakeholder approach, the paper seeks to investigate the reported drivers and barriers to implementing CSR practices.

Corporate social responsibility is emerging as a new field in the management research. It encompasses not only what companies do with their profits, but also how they make them. It is not just for large scale companies but also used by small scale and non-profit organizations. In India many firms have taken the initiatives of CSR practices which have met with different needs of the society as a whole. Data has been collected from number of articles, books, periodicals and websites. The study by **Yogita Sharma** has been an attempt to generate awareness and to understand meaning, significance, dimensional aspect of CSR and how to manage it. An extensive literature review is done on CSR. At the end some forces at work, some issues related to CSR in India and some recommendations are given.

Business organizations have waked up to the need for being committed towards Corporate Social Responsibility. But still majority have just been taking up some form of philanthropic activities for its stakeholders. Nurturing a strong corporate culture which emphasizes Corporate Social Responsibility (CSR) values and competencies is required to achieve the synergistic benefits. The employees of an organization occupy a central place in developing such a culture which underlines CSR values and competencies. The present study of **Sharma et al.** is an attempt to explore the engagement of human resource management professionals in undertaking Corporate Social Responsibility. It also suggests Human Resource Management to take a leading role in encouraging CSR activities at all levels. The combined impact of CSR and human resource activities, which reinforce desirable behavior, can make a major contribution in creating long term success in organizations.

Corporate social responsibility (CSR) is increasingly being adopted on a global scale. However, it is evident that the utilisation and implementation of CSR varies in differing contextual settings.The purpose of the chapter by Nitha Palakshappa (6) is to explore the concept of CSR in the Indian context.

Over the years Corporate Social Responsibility (CSR), a concept comparatively new to India, is rapidly picking up pace. CSR has become a fundamental business practice and has gained much attention from the management of large international companies. It facilitates the alignment of business operations with social values. CSR is deemed as a point of convergence of various initiatives aimed at ensuring socio-economic development of the community. Acknowledging the fact that mainstreaming CSR into businesses could be instrumental in delivering societal value, especially in a developing country like India, this paper specifically aims at providing an understanding of concept of CSR and analyses the development of CSR in India. It highlights the policies governing CSR in India and discusses the cases of CSR initiatives in Indian firms including SMEs role in CSR. There are several challenges facing CSR in India and the paper of **Reena Shyam** provides suggestions to overcome them and accelerate the CSR initiatives in India.

India has a long tradition in the field of corporate social responsibility and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief. Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. The concept of CSR has evolved from being regarded as detrimental to a company's profitability, to being considered as somehow benefiting the company as a whole, at least in the long run.

This paper by **Nitin Kumar** tries to analyze the CSR status in India, and focuses on the finding & reviewing of the issues and challenges faced by CSR activities in India.

The role of business in society has undergone a sea change. From the exhortation that there are no social obligations for business to the understanding that being socially responsible is critical, corporate social responsibility (CSR) has come a long way. A set of studies has explored the multiple aspects of this concept both theoretically and empirically. Corporate social reporting has been one of the features that has received extensive attention from scholars. However, most of these studies are embedded in the economic and organizational contexts of Europe and the United States of America. Hardly a few studies have looked at CSR or social reporting in developing countries like India. Given this scenario, scholars have consistently called for more research in this area. This study aims to address this gap by conducting an exploratory study on how top management perceives and reports CSR. Using the technique of content analysis this study looks at the chairman's message section in the annual reports of the top 50 companies in India to identify the extent and nature of social reporting by **Raghu Raman**

India is unique in mandating that firms satisfying certain profitability, net worth and size thresholds are required to spend at least 2% of their net income on corporate social responsibility (CSR). The effect of this law (Indian Companies Act 2013) on Environmental, Social and Governance (ESG) investing in India. Scrutinising data from the last three years, will be explored and provide evidence on the status of implementation of the CSR law. **Shivaram Rajgopal** identifies key concerns of enforcement and monitoring of this law that are fundamental to maximise benefits to corporations and society at large.

In his paper **Sabharwal** analyzed as to what extent companies are following it for social and economic growth of the country. It shall try to determine the significance of CSR; the activities corporate perform under CSR, its impacts and confluences.

In the face of marketplace polls that attest to the increasing influence of corporate social responsibility (CSR) on consumers' purchase behavior, the article of Sankar Sen examines when, how, and for whom specific CSR initiatives work. The findings implicate both company-specific factors, such as the CSR issues a company chooses to focus on and the quality of its products, and individual-specific factors, such as consumers' personal support for the CSR issues and their general beliefs about CSR, as key moderators of consumers' responses to CSR. Theresults also highlight the mediating role of consumers' perceptions of congruence between their own characters and that of the company in their reactions to its CSR initiatives. More specifically, the authors find that CSR initiatives can, under certain conditions, decrease consumers' intentions to buy a company's products.

The understanding and fulfilling the needs of downtrodden as well as the Indian organizations is very important for creditable performance and growth. With this background, an attempt is made in the paper to comprehend and gain insight into behavior or attitude of companies towards various aspects of social contribution and to light through the various dimensions of corporate social responsibility headed by each organization especially, Reliance, Tata, and Infosys.

This paper of **Nidhi** is the study about the Corporate Social Responsibilities of the banking industry in India. Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. The word "responsibility" emphasizes thatthe business has some moral obligations towards the society. Corporate Social Responsibilityalso called Corporate Conscience or Responsible Business is a form of corporate self regulation integrated into a business model. The paper is based on secondary data. Nowadays. CSRhasbeen assuming greater importance in the corporate world including financial institutionsand banking sector. Banks and other financial institutions start promotingenvironment friendly and socially responsible lending and investment practices. The paperconsists of key areas of 6 banks and a case study on HDFC Bank.

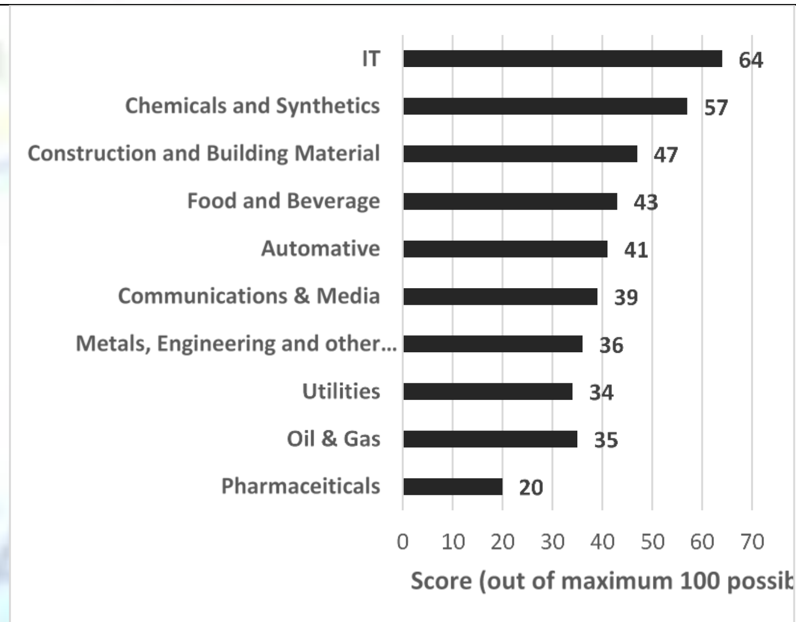
The paper of **Jaysawal and Neelamani** is based on qualitative research design consisting of review of literature through secondary sources of data collection. The data has been examined through content analysis process from various books, newspaper articles and journals. This paper seeks to explain various initiatives taken in the field of CSR along with some key challenges. Corporate Social Responsibility (CSR) is a concept, which states that Private Corporation or public organization has a responsibility to society. It minimizes the cost as well as risks thereby, increasing the brand value and reputation of the company. According to Bowen, "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society." The CSR activities need to be in tune with effective strategic policies so that the aim of sustainable environmental, social and economic progress may be achieved. This paper is based on qualitative research design consisting of review of literature through secondary sources of data collection. This paper seeks to explain various initiatives taken in the field of CSR along with some key challenges.

There is growing research in all areas of ethics and CSR that govern the activities of a firm and the value systems that underlie their business activities. In our paper we have explored the concepts of Business Ethics and Corporate Social Responsibility with a perspective that meaningfully CSR should be seen in the context of an overall paradigm of Business Ethics. **Mridula Goel and Preeti E. Ramanathan** have studied CSR through the framework of the stakeholder theory of the firm and posit that CSR as practiced today is a subset of Business Ethics with other dimensions of an

Key highlights of Corporate social responsibility and India

- IT companies have the best quality reports in India with an average score of 64, while the Pharmaceutical sector has the lowest average score of 20. Companies in the IT sector comprehensively report on corporate social responsibility through separate reports covering the company's initiatives on community development and / or environmental protection. Reporting on corporate social responsibility has been undertaken by almost three quarters (73 percent) of large Indian companies, led by the IT sector

. However, the survey covering top 100 (by gross revenues for FY12-13) listed companies, shows that CSR reporting in India largely assumes the form of limited discussion on community development and/or environmental protection initiatives as disclosed by companies in their annual reports and websites rather than corporates comprehensively covering aspects of, governance, targets and commitments, and performance.



- 71 percent of CR reports reckon Climate Change as a key sustainability megaforce that will impact businesses, while Energy and Fuel, Water scarcity and Material resource scarcity are other key megaforces discussed.
- Majority of the CR reports (48%) mention innovation as a key opportunity for companies to provide sustainable products and solutions. This is followed by opportunities identified for cost savings through operational efficiencies (26%), especially energy and resource efficiency.
- 74 percent of Indian CR reports discuss some social and environmental impacts of their products and services. Only one in 10 reports discuss these impacts in detail. The balance have a limited discussion on social and environmental impacts of their products and services.
- However, disclosure on the outcome of stakeholder engagement and actions taken is low. Only 23 percent clearly report on actions taken in response to feedback from all stakeholders. None of the CR reports have presented comments from a formal stakeholder panel, suggesting that companies have not formally set-up stakeholder panels with representation from different stakeholder groups while 1 in 4 (26%) reports has nondisclosure. This suggests that most of the CR reports highlight more positive achievements and miss out reporting on the key challenges and dilemmas.
- Only 1 in 5 (19%) reports discusses key challenges and dilemmas in detail

overall ethics framework still uncovered.

2.1 OBJECTIVES

1. To develop an understanding of concept of CSR
2. To analyze the development of CSR in India and its changing trends
3. To understand the policies governing CSR
4. To analyze the CSR initiatives in India including SMEs
5. To study the challenges faced by CSR in India
6. To provide suggestions for accelerating CSR initiatives

2.2 Research Methodology

The research paper is an attempt of exploratory research, based on the secondary data sourced from journals, magazines, articles, newspapers and media reports.
Descriptive Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically (Kothari1998). A researcher should think about the way in which he should proceed in attaining his objective in his research work. The researcher has to make a plan of action before starting the research. This plan of study of a researcher is called the research design. Descriptive research design is used for this study. Descriptive research design is used to those studies which are concerned with characteristics of a particular group.

2.3 Methodology of Corporate Social Responsibility

CSR is the procedure of assessing an organization's impact on society and evaluating their responsibilities. It begins with an assessment of the following aspects of each business:

- Customers
- Suppliers
- Environment
- Employees
- Communities

The most effective CSR plans ensure that whileorganizations comply with legislation, their investments also respect the growth and development of marginalized communities and the environment. CSR should also be sustainable – involving activities that an organization can uphold without negatively affecting their business goals.
Organizations in India have been quite sensible in taking up CSR initiatives and integrating them into their business processes. It has become progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large. Companies now have specific departments and teams that develop specific policies, strategies, and goals for their CSR programs and set separate budgets to support them. Most of the time,

these programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain.

2.4 CSR Trends in India

FY 2015-16 witnessed a 28 percent growth in CSR spending in comparison to the previous year. Listed companies in India spent US$1.23 billion (₹ 83.45 billion) in various programs ranging from educational programs, skill development, social welfare, healthcare, and environment conservation. The Prime Minister's Relief Fund saw an increase of 418 percent to US$103 million (₹7.01 billion) in comparison to US$24.5 million (₹ 1.68 billion) in 2014-15.

The education sector received the maximum funding of US$300 million (₹ 20.42 billion) followed by healthcare at US$240.88 million (₹ 16.38 billion), while programs such as child mortality, maternal health, gender equality, and social projects saw negligible spend. In terms of absolute spending,Reliance Industries spent the most followed by the government-owned National Thermal Power Corporation (NTPC) and Oil & Natural Gas (ONGC). Projects implemented through foundations have gone up from 99 in FY15 to 153 in FY16 with an increasing number of companies setting up their own foundations rather than working with existing non-profits to have more control over their CSRspending. 2017 CSR spends are predicted to further rise with corporates aligning their initiatives with government programs such as Swachh Bharat (Clean India) and Digital India to foster inclusive growth.

2.5 Importance ofCorporate Governance in India

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.

2.6 Limitations And Implication For The Future

As the scope of this paper was limited to India, it discusses only the perspective of India's corporate governance. For future research, more developing and developed countries can be compared to see the affects of reforms of corporate governance practices. In addition, this paper discusses only four of the influencing factors of corporate governance that are ethics, internal governance, and selection of auditors and audit committees; other factors that influence corporate governance can be analyzed and added to this study too. To study this topic further, in future more research can be done to see how firms from countries like India affect the corporate governance of other countries as they develop new relations abroad.

It can be very well concluded that, "As legal rules are, to a significant degree, endogenous to the political economy context of the systems in which they operate and so are the corporate governance practices" .

Most listed companies and large corporate groups in India were born as family-owned businesses, with family members occupying managerial positions and making all the key business decisions. This also meant very little distinction between the company's finances and that of the family owners. With the evolution of the equity markets though, many of these family-owned businesses listed themselves on the exchanges. However, the traditional (mis) governance practices continued. Promoters, though no longer the sole owners, continued to wield disproportionate influence over decisions. Companies freely extended loans to group entities, folks from the family secured berths on the Board with generous pay packets and companies entered into cosy business deals with family and friends. The rights of public shareholders were freely trampled upon.

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This was sought to be fixed in the Companies Act 1956, by requiring company Boards to seek Central Government permission for certain decisions (managerial remuneration beyond a certain limit, loans to directors) and shareholder approvals for others (appointment of relatives, for instance). As these checks proved inadequate, SEBI constituted a series of committees — Kumar Mangalam Birla Committee in 2000, Narayana Murthy Committee in 2003 and Adi Godrej Committee in 2012 — to come up with more elaborate governance norms for India Inc. The present corporate governance norms, enshrined in the Companies Act, SEBI listing regulations and Clause 49 of the listing agreement are the result of deliberations by these committees. Yet another committee — the Uday Kotak committee — has recently been tasked with a further review.

Today, India's corporate governance framework requires listed companies to have independent directors manning one-third of their Board, disclose all related party deals, disclose comparative metrics on managerial pay, appoint audit and nomination committees, and require the CEO and

CFO to sign off on the governance norms being met in the financial statements. Minority shareholders with 10% voting rights also have the right to drag companies to Court for 'oppression and mismanagement'.

Shareholders obviously have the most to lose if a company is prone to bad governance. Creative accounting, related party deals, exorbitant managerial remuneration, freebies to friends and family and risky mergers and acquisitions, directly deprive shareholders of profits that are rightfully theirs. This apart, bad governance practices can have a bearing on all the stakeholders a company deals with –lenders/banks who extend finance, suppliers who sell it goods or services, employees who invest their career in it and customers who put faith in its brand, product or service quality. The ongoing fracas at Infosys has not just decimated the stock price by over 15 per cent, it may also lead to uncertainty for clients and employees. It is therefore in interests of all these stakeholders that corporate governance is treated with the seriousness it deserves.

2.7 Key Issues in Corporate Governance in India

The primary difference between corporate governance enforcement problems in India and most western economies (on whose codes the Indian code is largely modeled) is that the entire corporate governance approach hinges on disciplining the management and making them more accountable. The 'agency gap' in western economies represents the gap between the interests of management and dispersed shareholders and corporate governance norms are aimed at reducing this gap. However, in India the are not as empowered as in several western economies and since the board is subordinate to the shareholders, the will of the majority shareholders prevails.

Therefore, most corporate governance abuses in India arise due to conflict between the majority and minority shareholders. This applies across the spectrum of Indian companies with dominant shareholders—PSUs (with government as the dominant shareholder), multinational companies (where the parent company is the dominant shareholder) and private sector family-owned companies and business groups.

In **public sector units (PSUs),** members of the board and the Chairman are usually appointed by the concerned ministry and very often PSUs are led by bureaucrats rather than professional managers. Several strategic decisions are taken at a ministerial level which may include political considerations of business decisions as well. Therefore, PSU boards can rarely act in the manner of an empowered board as envisaged in corporate governance codes. This makes several provisions of corporate governance codes merely a compliance exercise.

Multinational companies (MNCs) in India are perceived to have a better record of corporate governance compliance in its prescribed form. However, in the ultimate analysis, it is the writ of the large shareholder (the parent company) which runs the Indian unit that holds sway, even if it is at variance with the wishes of the minority shareholders. Moreover, the compliance and other functions in an MNC are always geared towards laws applicable to the parent company and compliance with local laws is usually left to the managers of the subsidiary who may not be empowered for such a role.

Family businessesand business groups as a category are perhaps the most complex for analysing corporate governance abuses that take place. The position as regards family domination of Indian businesses has not changed; on the contrary, over the years, families have become progressively more entrenched in the Indian business milieu.

2.8 Need for Robust Research

The major challenges to corporate governance reforms in India are:

- Power of the dominant shareholder(s)
- Lack of incentives for companies to implement corporate governance reform measures (no direct correlation between putting expensive governance systems and corresponding returns)
- Underdeveloped external monitoring systems
- Shortage of real independent directors
- Weak regulatory oversight including multiplicity of regulators

India needs and deserves a well-designed policy framework that takes into account all these concerns while being aligned to global developments. That is, home-grown solutions to our unique problems. While the need to have public policy (relating to corporate governance) firmly grounded in sound theory is indisputable, there is the need to improve the robustness of research on corporate governance itself and develop a more robust theory for corporate governance –an area where several concerns exist at present. Despite a growing body of empirical literature on corporate governance reforms in understand the underlying issues that affect corporate governance in India. Only a proper understanding of the underlying issues would help in evolving a framework for reforms appropriate to the India and their impact on Indian companies there is a need for further and more detailed research to fully Indian situation and ethos, which would have much greater chance of success as compared to any ad hoc reform measures.

Set out below are top ten issues affecting corporate governance practices in India.

1. Getting the Board Right
2. Performance Evaluation of Directors
3. True Independence of Directors
4. Removal of Independent Directors
5. Accountability to Stakeholders
6. Executive Compensation
7. Founders' Control and Succession Planning
8. Risk Management
9. Privacy and Data Protection
10. Board's Approach to CSR

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporate should be responsible enough to address social issues. There are three dimensional aspect of corporate social responsibility (CSR) includes Economic aspects, Social aspects, and Environmental aspects.

How social responsibility is significant for organizations like by motivating employees, profitability, increasing value etc. For managing social responsibility many steps are taken by the different companies for doing significant improvements in their environmental and social management practices. Different forces at work which help in managing CSR which includes globalization, technological, environmental changes etc. At the end current State of CSR in India. Different Indian companies used CSR. Companies have specialized CSR teams that formulate policies, strategies and goals for their CSR programs and set aside budgets to fund them.

These programs are often determined by social philosophy which have clear objectives and are well defined and are aligned with the mainstream business. The programs are put into practice by the employees who are crucial to this process. CSR programs ranges from community development to development in education, environment and healthcare etc. CSR contributes a lot to the organization. Every organization should adopt it make their business more efficient and profitable.

2.8 Summary and Conclusion

In this paper, we saw how important it is for a company to follow good corporate governance practices. Then we looked at the brief history of corporate governance in India and its present economic and financial situation. Then the paper started going deep into the root cause of factors that affect corporate governance such as ethics, internal governance, and choice of auditors and audit committee. India being an emerging economy needs to work more on regulating the corporate governance policies. Indian companies still have the scope to paint a brighter future for them. They need to acknowledge and continue with the corporate governance reform, and always keep in mind that this brighter future will have its own set of challenges. The future of corporate governance is becoming a little clear now, as in the future the investors would be promoted to behave like owners rather than just traders. Independent directors will have more defined roles and responsibilities.

And the incentives said to be given out to others will be distributed to the shareholders. In long run, a market-oriented and shareholder-centered system will develop into a new emerged system as stakeholder-oriented system making finance itself accountable to the public interest.

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