

Corporate Governance and Social Responsibility in India: Emerging Trends and Best Practices - An Empirical Study

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Abstract

Corporate governance and social responsibility have emerged as critical components of modern corporate operations, particularly in rising nations such as India. The purpose of this research is to look at developing trends and best practices in corporate governance and social responsibility in India. The research takes an empirical approach, gathering data from a variety of sources such as business reports, surveys, and academic literature. The study's findings indicate that corporate governance and social responsibility practices in India have improved significantly over the last decade. The advent of new legislation and norms, along with increased stakeholder pressure, has compelled businesses to embrace more ethical and sustainable business practices. Yet, there are still issues to be addressed, such as a lack of openness and accountability in certain businesses. The report offers a number of best practices that businesses may implement to enhance their corporate governance and social responsibility practices, such as stakeholder engagement, responsible sourcing, and ethical leadership.

Keywords: corporate governance, social responsibility, sustainable business practices, stakeholder engagement, ethical business practices

Introduction

In the modern business landscape, the issues of 'Corporate Governance' and 'Corporate Social Responsibility' have gained significant attention, with stakeholders placing greater emphasis on ethical and sustainable practices. India, being one of the globe's most rapidly expanding markets, has witnessed a remarkable increase in corporate governance and social responsibility policies in recent times. This can be attributed to the introduction of new regulations and standards, as well as mounting pressure from stakeholders, which have encouraged businesses to adopt more ethical and sustainable practices. Corporate governance pertains to the framework that guides and oversees the functioning of companies, encompassing the relationships between management, the board of directors, and shareholders.

Corporate governance also entails ensuring that the corporation is responsible to its stakeholders and that its operations are ethical and transparent. Social responsibility, on the other hand, describes a company's societal and environmental responsibilities.. It entails considering the influence of a company's operations on society and the environment, as well as taking efforts to minimize any bad impacts. In the past few years, the issue regarding 'Corporate Governance' and 'Social Responsibility' has received a lot of attention in India. A succession of high-profile

business scandals in the nation have emphasised the need for enhanced corporate governance measures. In addition, the government has implemented a number of legislation and standards targeted at enhancing 'Corporate Governance' and 'Social Responsibility' practices.

The goal of this research is to look at developing trends and best practices in corporate governance and social responsibility in India. The research takes an empirical approach, gathering data from a variety of sources such as business reports, surveys, and academic literature. The study's goal is to uncover the problems that businesses have in adopting more ethical and sustainable business practices, as well as best practices that businesses may use to strengthen their corporate governance and social responsibility policies.

This research holds significant relevance in the current context of India, where there is a growing emphasis on corporate governance and social responsibility. With increased foreign investment in the country, companies are facing mounting pressure to adopt sustainable and ethical business practices. Moreover, Indian customers are growing more conscious of the socioeconomic and ecological implications of their purchasing decisions, and as a result, they expect greater social responsibility from enterprises. The objective of this investigation is to add to the current body of knowledge on 'Corporate Governance' and 'Social Responsibility' in India by providing empirical insights into the distinct practices and challenges faced by corporations operating in the country. By identifying best practices and obstacles, this report can offer practical guidance to companies seeking to enhance their corporate governance and social responsibility strategies.

Literature Review

In the pre-industrial age, business groups were often viewed as profit-oriented capitalist entities whose primary objective was to create profits by selling goods and services (Friedman, 1962). In India, the Companies Act of 1956 was the initial legislation that established the regulatory framework for governing businesses, but it did not incorporate any provision for corporate social responsibility (CSR) (Mazumdar, 2007). Instead, it portrayed businesses as entities that aimed to maximise their profits. However, with the implementation of the CSR requirement in 2013, businesses were required to reveal their CSR information.⁸ This has increased the quantity of empirical research being undertaken on the topic.

A significant amount of research is set in a Western environment, with a concentration on the United States and Europe (Raman, 2006). There are just a few empirical and theoretical research on this topic in the Indian setting. The first CSR research in autonomous India was carried out in 1983 on 40 public sector enterprises for the fiscal year 1975-1976 (Singh & Ahuja, 1983). It concluded that less than half of the corporations in the study declared roughly 30% of their CSR expenditure. A few significant studies in this field have emerged since 2000.

Empirical research conducted in 2001 (Bhati, 2001) and 2005 (Singh, 2005) examined firms' responsibilities to ensure that their actions do not affect the environment. It demonstrated that, in addition to creating products and services, businesses have various social duties, the most important of which is ensuring that their actions do not degrade the environment. Environmental

duties were determined to be the least stated in yearly statements (Singh, 2005). However, this was better in high-polluting enterprises than in low-polluting firms.

Research conducted in 2009 revealed that Indian corporate social responsibility (CSR) standards were significantly below global benchmarks (Cheung et al., 2009). Furthermore, the survey showed little discernible development in Indian corporations' efforts to enhance their CSR practices (Cheung et al., 2009). The next year, a content analysis was conducted of the top 500 corporations in terms of sales was done against 18 social indicators of the 'Global Reporting Initiative' (Gautam & Singh, 2010). Only 245 organisations were found to have a CSR viewpoint, and CSR was considered as an ad hoc activity, with corporations equating it with philanthropic endeavours. A research published in 2016 looked at CSR expenditure patterns in India before and after 2013. According to the research, firms should identify stakeholders and fill gaps by participating in various CSR efforts (Shyam, 2016). It also encouraged corporations to participate in long-term CSR operations. Research concentrating on CSR practices of specific types of Indian companies, such as the top 10 private companies (Yadav & Gupta, 2015), 'Maharatna Companies' (Bhunia & Das, 2015), 'Navratana Companies' (Das & Bhunia, 2015), and others (Ravi Shankar, 2014; Vijay & Divya, 2014), have recently increased.

CSR remains paradoxical from a variety of angles. Despite the fact that CSR is crucial for organisations, several sectors have yet to be researched. Existing research suggests that a variety of CSR measures are feasible. These studies, however, are limited to certain topics such as charity or environmental duties (Matten et al., 2003; Maignan & Ferrell, 2001). There is a need to investigate corporations' real distribution of expenditures for CSR. This article makes an attempt to fill some of the aforementioned shortcomings.. The research methodology employed in this study involves the use of basic functions in mathematics, such as ratios expressed as fractions or percentages, to analyze data and make comparisons between two periods. This method is especially valuable in the subject of law because it enables academics to study and derive empirical findings from a large number of instances or judgements (Diamond & Mueller, 2010; Shapiro, 2009). Moreover, due to their broad and objective nature, such empirical observations provide insights that go above those generated by methodologies that depend solely on analyzing significant choices to identify legal patterns(Hillman, 1998). To collect data, the authors utilized a secondary data gathering strategy, specifically by reviewing yearly reports available on these firms' websites.

Despite the introduction of mandatory CSR laws, many businesses have not fully achieved their goal of focusing on social development and reporting their efforts in an organized manner. The implementation of mandatory CSR expenditure was intended to encourage businesses to take responsibility for all societal stakeholders, especially those that are exclusively concerned with money rather than contributing to the community. Nevertheless, the administration's method of tying CSR to monetary donations has created the notion that huge firms would not be deemed socially responsible unless they continue to supply the necessary sums as a type of penance.

The analysis centres around the mapping of the CSR regime by examining the money spent by corporations on multiple sectors, as currently, only information on the money spent on individual areas is available. However, the distribution of funding shows that the present CSR framework has not succeeded in making corporations accountable to all stakeholders, which is the primary objective of CSR. Our findings reveal that some establishments engage in deliberate CSR initiatives that yield long-term professional welfare. While this approach is not illegal, it has been criticised for lacking moral justification and intrinsic value (Margolis & Walsh, 2003; Vogel, 2005). While the money invested may benefit those sectors, it reduces CSR to a marketing device, with collaborators acting merely to maximise profits.

Objectives of the study:

To find the emerging trends and best practices for corporate governance and social responsibility in India

Research Methodology:

This study nature is empirical. 220 respondents were approached to give their view on the emerging trends and best practices for corporate governance and social responsibility in India. The data was analysed through frequency distribution and data was presented with the help of pie charts.

Data Analysis and Interpretation:

Table 1 CSR has increased the transparency

| Particulars | Agree | Disagree | Can't Say | Total |
|--------------------|--------------|-----------------|------------------|--------------|
| Respondents | 185 | 24 | 11 | 220 |
| % age | 84.0 | 11.0 | 5.0 | 100 |

Table 1 represents the statement **CSR has increased the transparency** and 84.0% respondents admit with this statement.

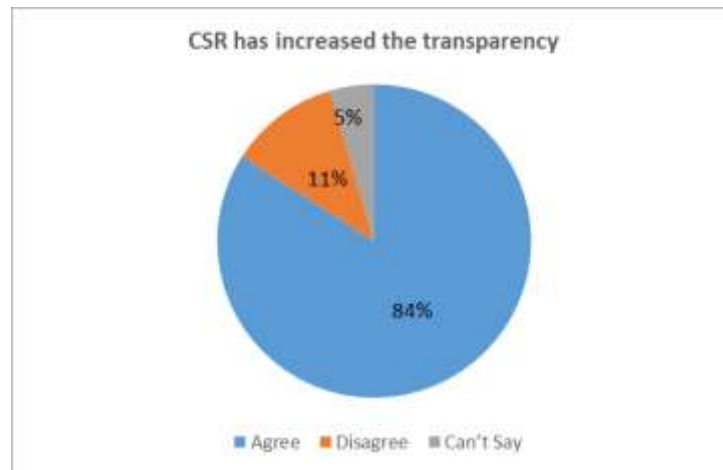


Figure 1 CSR has increased the transparency

Table 2 Companies investing more in green technologies

| Particulars | Agree | Disagree | Can't Say | Total |
|-------------|-------|----------|-----------|-------|
| Respondents | 176 | 28 | 16 | 220 |
| % age | 80.0 | 13.0 | 7.0 | 100 |

Table 2 represents the statement **companies investing more in green technologies** and 80.0% respondents admit with this statement.

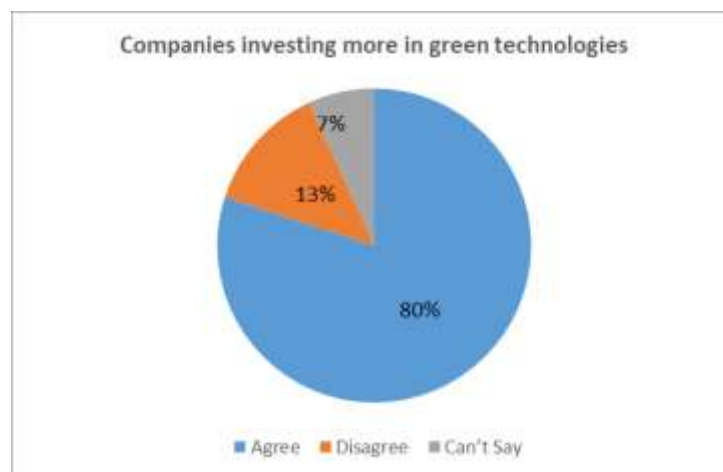


Figure 2 Companies investing more in green technologies

Table 3 Global companies acting globally to recognizing the value of local markets and supply chains

| Particulars | Agree | Disagree | Can't Say | Total |
|-------------|-------|----------|-----------|-------|
| Respondents | 188 | 23 | 9 | 220 |
| % age | 86.0 | 10.0 | 4.0 | 100 |

Table 3 represents the statement **global companies acting globally to recognizing the value of local markets and supply chains** and 86.0% respondents admit with this statement.



Figure 3 Global companies acting globally to recognizing the value of local markets and supply chains

Table 4 Companies more focussed on diversity and inclusion among employees

| Particulars | Agree | Disagree | Can't Say | Total |
|-------------|-------|----------|-----------|-------|
| Respondents | 171 | 37 | 12 | 220 |
| % age | 78.0 | 16.0 | 6.0 | 100 |

Table 4 represents the statement **companies more focussed on diversity and inclusion among employees** and 78.0% respondents admit with this statement.

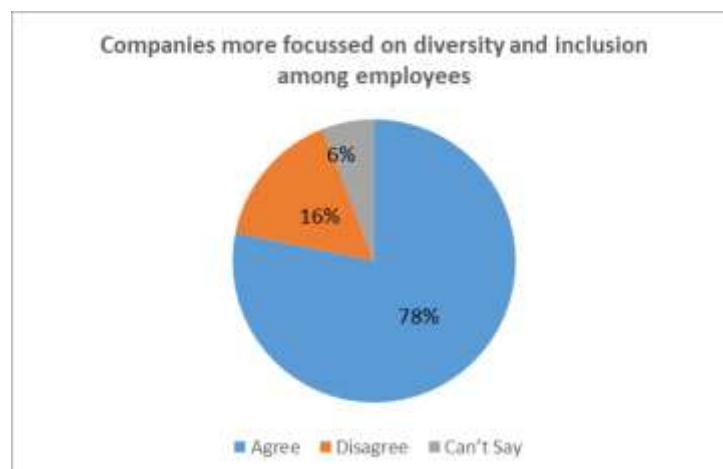


Figure 4 Companies more focussed on diversity and inclusion among employees

Table 5 Companies also focussed on Virtual Volunteering for Employees

| Particulars | Agree | Disagree | Can't Say | Total |
|-------------|-------|----------|-----------|-------|
| Respondents | 195 | 18 | 7 | 220 |
| % age | 89.0 | 8.0 | 3.0 | 100 |

Table 5 represents the statement **companies also focussed on Virtual Volunteering for Employees** and 89.0% respondents admit with this statement. Considering all the responses of the statements, it was found that to a good percentage, the respondents have agreed which means that above mentioned are emerging trends and best practices for corporate governance and social responsibility in India

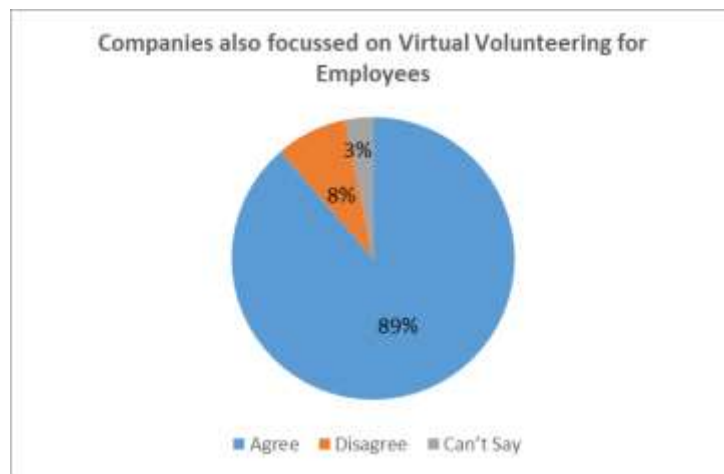


Figure 5 Companies also focussed on Virtual Volunteering for Employees

Conclusion

Corporate governance and social responsibility are rising themes in India, with increased stakeholder pressure and new legislation and norms pushing businesses to embrace more ethical and sustainable corporate practices. The relevance of responsible sourcing, stakeholder involvement, and environmental sustainability in promoting social responsibility practises has been underlined in this literature study. Yet, there are still issues that must be addressed, such as a lack of transparency and accountability in certain businesses, as well as a greater adoption of sustainable business practices. Companies must be proactive in their approach to corporate governance and social responsibility, realising that these practices are crucial not only for ethical reasons, but also for their long-term sustainability and profitability. Businesses that practise ethical and sustainable business practices can profit from improved stakeholder relationships, higher brand value, and long-term success.

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