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Recent trends in corporate governance and corporate social responsibility

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Abstract
This study describes the Indian Corporate Governance System and focus the recent developments & point out the required changes for sustainable growth. To achieve top ranks of the world's economies, it is suggested that country's legal system should have some of the best investor protection in the world & enforcement is a major. To gaze the transparency, conducive business environment, effective & assertive regulatory system, single window redresses measure are necessary. In India wealth distribution is widely uneven, as India is a country of one of the largest demography, biggest growing lower and upper middle class, the aspirations of the newly rich people, the requirements of the lower middle class & the fundamental rights of the poor & unorganized members of the society, which has such a unique diversity & value system should be rightly addressed & focused by the business world for effective uses of the scare resources.

Keywords: social corporate, good corporate governance, csr policies, legislation, risk management

Introduction

In Indian Business, Ownership remains concentrated and family business groups continue to be the dominant business model. There is significant pyramiding and tunneling among Indian business groups. So there is great requirement of professional management for better performance & to fulfill the wants & needs of the stake holders. Although the strongly & well regulated Banking System in India proves that how Indian corporate should be par to the rest of the development world too. Indian bourses both BSE & NSE are operating & governing their day to day operations & are working in the interest of the shareholders & creditors. Although there is need of some sort of changes but it is proven that the platform for the capital market in India is highly regulated, have good risk management & allow the Investor Protection measures at the priority. This will truly help to develop required equity cult in India. India should have the quality of corporate governance necessary a sustain its impressive current growth rates.

Today there is a growing perception among the business enterprises that sustainable business success and shareholders value cannot be achieved solely through maximizing short terms profits, but instead through market oriented responsible behavior. Corporate Social Responsibility is an evolving concept that have great currency & may termed as Corporate Citizenship. It is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner & establish better practices within the firm to create wealth and improve society.

The philosophy is basically to return to the society what it has taken from it. In the course of its quest for creation of wealth. With the understanding that businesses play a key role of job and wealth creation in society. CSR is generally understood to be the way d company achieves a balance & integration of Economic, Environmental & Social imperatives.

In this study, it is focused on the present corporate governance's large picture, role of management, regulator, present acts & rules, changes required, newly introduced enactments, effective judicial system, fair & transparent business environment & policies, pace of economic reforms & needs of both society & corporate.

Also concentrated on the effective measures & applying thoughts for CSR & the role of the corporate for sustainable growth rather than short term profit. So that this is the study of business organizations which are really committed for truly making this country super power by 2020 & will fulfill the dream of our visionary ex-president. Hon'ble Dr. A.P>J> Kalam. Which will truly shining India & world will respect "MADE IN INDIA" Also can proudly say that be ethical & be successful.

Recent trends in corporate governance and corporate social responsibility

"When we walk upon mother earth we always plant our feet carefully because we know the faces of our future generations are looking up at us from beneath the ground we never forget them."

This great quote says that this is sustainability which we needed to grow. Fundamental characteristic of a corporate is perpetuity & a corporate to ensure sustainability for having perpetuity. As we are opening & placed us firmly in this era of globalization, Since last two decades in Indian Economy there is sea change in competition, marketing, ethical practices, strategically & social behavior also. We realized that we are truly globalized and not only domestic but also global issued & events are equally important for our corporate too. So that it is needed to look after the whole economy in domestic & global point of view very keenly and inclusively. As corporate governance is a key issue to look seriously by our captains of the Industries for ensuring the sustainable growth.

For that they have to look after the key drivers such as-

a. Internal Capacity Building Strength,
b. Social Impact Assessment,

c. Repositioning Capacity,
d. Corporate Sustainability.

The sustainability encompasses strategies and practices that aim to meet the needs of the stakeholders today while seeking to protect, support and enhance the human & natural resources that will be needed in the future.

Unfortunately, due to openness & some flaws in administrative & governance systems, some scandals were unfortunately experienced in India which have left quiet negative impact on our growth drives. Such as Satyam debacle, Land Acquisition in SEZ & in other Ultra Mega Projects, Illegal Mining in Karnataka, Issues in Jarkhand, Orrissa, 2-G Scam & famous political issue of Singoor are the issues which are quiet disturbing the domestic investors & the overseas investors too. There is great hesitation & decision paralysis because of such issues & these issues are big question mark on our governance system too. Without addressing these issues seriously, it is quiet difficult to attract the overseas investors to India. Even also local investors find uncertainty & avoid long term investments. These are the lapses in our governance at public & private domain too.

In this unclear picture, one has to be remain ethical, because for long term growth it is strongly needed to be ethical & be successful. The essential for the good corporate governance one should be –

a. Social, economical, ethical & morally responsible Management.
b. Compliance with legal & voluntary requirement for business & professional practice.
c. Handle with care the challenges posed by needs of the economy & socially disadvantaged groups.
d. Management of Corporate responsibility activities.
e. Corporate Citizenship beyond the mandate of law.

This is the obligation of businesses & industries to pursue the policies to make those decisions or to follow those lines of action which are desirable in terms of objectives and values of society. Businesses plays a key role of job & wealth creation in society refers to the concept of business being accountable for how it manages the impact of its processes on the stakeholders & takes responsibility for producing a positive effect on the society. Commitment of business to behave fairly, responsibly & contribute to the economic development. While improving the quality of life of the workforce & their families as well as the local communities and society at large. Integrate social & environmental concern in their business operations and in their interaction with their stakeholders on a voluntary basis.

The issues of governance, accountability and transparency in the affairs of the company, as well as about the rights of shareholders and role of Board of Directors have never been so prominent as it is today. The corporate governance has come to assume a center stage in the Board room discussions. India has become one of the fastest emerging nations to have aligned itself with the interactional trends in Corporate Governance As a result, Indian companies have increasingly been able to access to newer and larger markets around the world, as well as able to acquire more businesses. The response of the Government and regulators have also been admirably quick to meet the challenges of corporate delinquency. But, as the global environment changing continuously, there is a greater need of adopting and sustaining good corporate governance practices for value creation and building corporations of the future. With the integration of Indian economy with global markets, industrialists and corporates in the country are being increasingly asked to adopt better and transparent corporate practices. The degree to which corporations observe basic principles of good corporate governance is an increasingly important factor for taking key investment decisions. If companies are to reap the full benefits of the global capital market, capture efficiency gains, benefit by economies of scale and attract long term capital, adoption of corporate governance standards must be credible, consistent, coherent and inspiring.

Which depends on the following factors –

a. Integrity of the management;
b. Ability of the Board;
c. Commitment level of individual Board members;
d. Quality of corporate reporting;
e. Participation of stakeholders in the management;

This is an important element affecting the long-term financial health of companies, good governance framework also calls for effective legal and institutional environment, business ethics and awareness of the environmental and social interest. The main aim of “Good Corporate Governance” is to ensure commitment of the board in managing the company in transparent manner for maximizing long-term value of the company for its shareholders and all other partners. It integrates all the participants involved in a process, which is economic, and at the same time social. It ensures;

a. Adequate disclosures and effective decision making to achieve corporate objectives;
b. Transparency in business transactions;
c. Statutory and legal compliances;
d. Protection of shareholder interests;
e. Commitment to values and ethical conduct of business.

The prime objective of corporate governance is to enhance shareholders’ value and protect the interests of other stakeholders by improving the corporate performance and accountability. Hence it harmonizes the need for a company to strike a balance at all times between the need to enhance shareholders’ wealth whilst not in any way being detrimental to the interests of the other stakeholders in the company. Further, its objective is to generate an environment of trust and confidence amongst those having competing and conflicting interests. The underlying principles of corporate governance revolve around three basic inter-related segments. These are:

a. Integrity and Fairness
b. Transparency and Disclosures
c. Accountability and Responsibility

The Main Constituents of Good Corporate Governance are

Rote and powers of Board

The foremost requirement of good corporate governance is the clear identification of powers, roles responsibilities and accountability of the Board, CEO and the Chairman of the board.

Legislation
A clear and unambiguous legislative and regulatory framework is fundamental to effective corporate governance.

Code of Conduct
It is essential that an organization's explicitly prescribed code of conduct are communicated to all stakeholders and are clearly understood by them. There should be some system in place to periodically measure and evaluate the adherence to such code of conduct by each member of the organization.

Board Independence
An independent board is essential for sound corporate governance. It means that the board is capable of assessing the performance of managers with an objective perspective. Hence, the majority of board members should be independent of both the management team and any commercial dealings with the company. Such independence ensures the effectiveness of the boarded in supervising the activities of management as well as make sure that there are no actual or perceived conflicts of interests.

Board Skills
In order to be able to undertake its functions effectively, the board must possess the necessary blend of qualities, skills, knowledge and experience so as to make quality contribution. It includes operational or technical expertise, financial skills, legal skills as well as knowledge of government and regulatory requirements.

Management Environment
Includes setting up of clear objectives and appropriate ethical framework, establishing due processes, providing for transparency and clear enunciation of responsibility and accountability, implementing sound business planning, encouraging business risk assessment, having right people and right skill for jobs, establishing clear boundaries for acceptable behavior, establishing performance evaluation measures and evaluating performance and sufficiently recognizing individual and group contribution.

Board Appointments
To ensure that the most competent people are appointed in the board, the board positions must be filled through the process of extensive search. A well-defined and open procedure must be in place for reappointments as well as for appointment of new directors.
Board Induction and Training:
It is essential to ensure that directors remain abreast of all development, which are or may impact corporate governance and other related issues.

Board Meetings
Are the forums for board decision making. These meetings enable directors to discharge their responsibilities. The effectiveness of board meetings is dependent on carefully planned agendas and providing relevant papers are materials to directors sufficiently prior to board meetings.

Strategy Setting
The objective of the company must be clearly documented in a long term corporate strategy including an annual business plan together with achievable and measurable performance targets and milestones.

Business and Community Obligations
Though the basic activity of a business entity is inherently commercial yet it must also take care of community's obligations. The stakeholders must be informed about the approval by the proposed and on going initiatives taken to meet the community obligations.

Financial and Operational Reporting
The board requires comprehensive, regular, reliable, timely, correct and relevant information in a form and of a quality that is appropriate to discharge its function of monitoring corporate performance.

Monitoring the Board Performance
The board must monitor and evaluate its combined performance and also that of individual directors at periodic intervals, using key performance indicators besides peer review.

Audit Committee
It is inter alia responsible for liaison with management, internal and statutory auditors, reviewing the adequacy of internal control and compliance with significant policies and procedures, reporting to the board on the key issues.

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Risk Management
Risk is an important element of corporate functioning and governance. There should be a clearly established process of identifying, analyzing and treating risks, which could prevent the company from effectively achieving its objectives. The board has the ultimate responsibility for identifying major risks to the organization, setting acceptable levels of risks and ensuring that senior management takes steps to detect, monitor and control these risks.
In this way good corporate governance is advocate the practice of Corporate Social Responsibility. As a Corporate Citizen, every corporate is duty bound to its society wherein they operate & serve, although there is no hard & fast rules. CSR activities need to clubbed & integrated into the business of the company. It is operating a business in a manner which meets or excels the ethical, legal, commercial & public expectations that a society has from the business. The philosophy is basically to return to the society what it has taken from it in the course of its quest for creation of wealth.
Activities which may be included by companies in their CSR policies

Activities relating to
1. Eradicating extreme hunger and poverty.
2. Promotion of education.
3. Promoting gender equality and empowering women.
4. Reducing child mortality and improving maternal health.

5. Combating human immunodeficiency virus, acquired immune deficiency syndromes, malaria and other diseases.
6. Ensuring environmental sustainability.
7. Employment enhancing vocational skills.
8. Social business projects
9. Such other matter as may be prescribed

The board of every company shall. –

a. After taking into account the recommendations made by Corporate Social Responsibility Committee, approve the Corporate Social Responsibility for the company and disclose contents of such policy in its report and also place it on the company's website, if any, in such manner as may be prescribed.
b. Ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company, and
c. Ensure that at least two per cent of average net profits of the company made during three immediately preceding financial years is spent in every financial year on such policy.

If any company fails to provide or spend such amount, the Board shall specify reasons for not spending the amount in its report.

Even the issues o land acquisition, pollution control, safety & control measures adopted in the hazardous or inherently dangerous industry & water pollution are the agendas to be seriously & carefully handle by the companies for smooth functioning & ensuring their concrete immergence in the society, business & market. As a dynamics the reforms are needed in the enactments such as :

a. The object of the Factories Act, 1948
b. The Employees' State Insurance Act, 1948
c. The Workmen's Compensation Act, 1923
d. Contract Lab our (Regulation an Abolition) Act, 1970
e. Minimum Wages Act, 1948
f. The Water (Prevention & Control of Pollution) Act, 1974
g. (Prevention & control of pollution) Act, 1981
h. Environment Protection Act, 1986

Thanks to the Government which is ready & interested to do so but lack of political will is a key concern too.

One another question in the mind of the stakeholder is that, Corporate Social Responsibility is read as philanthropy, is it true?

No it is not, Philanthropy means the act of donating money, goods, time or effort to support a charitable cause in regard to a defined objective. Philanthropy can be equated with benevolence and charity for the poor and needy. It is selfless giving towards any kind of social need that is not served, underserved or perceived as unsure tor underserved. Whereas CSR is about how a company align their values to social causes by including and collaborating with their investors, suppliers, employees, regulators and society as a whole. The investment in CSR may be on people centric issues and or planet issues. CSR initiatives of corporate is not a selfless act of giving; companies derive long term benefits from the CSR initiatives and it is this enlightened self-interest which is driving the CSR initiatives in companies.

The Advantages of CSR are

1. CSR creates a favorable public image, which attracts customers. Reputation or brand equity of the products of a company which understand a demonstrates its social responsibilities is very high.
2. Get better neighborhoods and employment opportunities, while organization benefits from a better community, which is the main source of its workforce and the consumer of its products.
3. Meet with needs & changed expectation of public.
4. Secured good public image by the company, which helps to create confidence among the investor community.
5. The atmosphere of social responsiveness encourages co-operative attitude between groups of companies.
6. Companies can better address the grievances of its employees and create employment opportunities for the unemployed.
7. Constructive & conducive dialogue between stakeholder & company also helps to effective businesses activities.
8. Fls are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management.
9. In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social & environmental activities beyond those required by regulation.

An important aspect of CSR is the recognition that sound practices are often based on good standards of corporate governance. Good corporate governance provides the foundations of good Corporate Social Responsibility (CSR) by developing value creating relationships with all stakeholders. It is therefore important that the stakeholders are shared with transparency the activities pursued by the company in the Social Responsibility area.

There are various reporting frameworks internationally adopted are as :-

THE AA 1000 – developed by the Institute of Social & Ethical Accountability provides a standard for social and ethical accounting, auditing and reporting including mandatory external verification and stakeholder engagement. Its basic aims are-

a. Developing stakeholder engagement strategy.
b. Facilitation of stakeholder dialogues.
c. Capacity building for stakeholders engagement.

The Social Accountatibilty (SA 8000) – initiated by Conceal of Economic Priority Accreditation Agency (CEPAA) conventions. SA 8000 seeks to provide transparent, measurable and verifiable performance standards in the areas of child labor, forced labor, health & safety, compensation, working hours, discrimination, discipline, free association and collective bargaining & management systems.

THE GOOD CORPORATION – developed by the institute of Business Ethics, this covers famines to employees, supplies, customers and providers of finance, contributions to the community and protection of the environment. Company performance is assessed annually by the independent verifier.

THE UNGLOBAL COMPACT is a voluntary corporate citizenship initiative with two objectives:
"Making the Global Compact and its principles part of business strategy and operations". & "Facilitating cooperation among key stakeholders and promoting partnerships in support of UN Goals."
The Principles of Global Compact are in the areas of human rights, labor standards, environment, anti-corruption.
On this line The OECD also issued the guidelines for multinational enterprises which recommends the responsible business conduct in employment and industrial relation; human rights; the environment; information discloser, competition; taxation; science and technology; combating bribery and protection of consumer interest.

Conclusion

In summarily one should learn corporate governance as it is nothing but accountability, transparency, predictability and participation of the all levels & layers of the management by responsible way. It should have a concern for the future and promote healthy competition; Corporations are expected to behave as good corporate citizens. The economy provides the corporations with a sanction to operate and these corporations should use this as an opportunity to develop the economy by following sensible and sound practices.
On the other hand CSR is the idea of giving back to society in different ways and forms by the business corporations. Humanizing capitalism is the need of the hour. The economic system should be people friendly. There is an argument for social responsibility like changing social values, long-term benefit, and image of the company, welfare state and solution to social problems. It is difficult to measure, against profitmaking position, high cost involved lack of public support and not for full support of the board are the arguments against CSR, but there are various dimensions of CSR. It is a competitive business strategy and a business of corporate reputation. The identification of areas of CSR is done through social forecasting, opinion survey, national issues, scanning and social audit.

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