# A Study of Corporate Governance and Social Responsibility

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## Abstract

A number of firms and even some institutions have been forced to declare bankruptcy in the last few years. CG and CSR have grown more essential in recent years as a result of this trend. This thesis examines the importance of corporate governance (CG) and corporate social responsibility (CSR) in a company's growth. CG and CSR are also discussed, as well as how they may help a company flourish. It was decided that Grameen Bank (GB) was the best case study because of its extraordinary performance and expansion throughout the financial crisis, despite its location in Bangladesh. We are interested in learning more about how CG and CSR contributed to this achievement. This research is anticipated to provide light on the impact of CG CSR in a bank like GB, which has strayed from traditional banking methods, on its development. It has been a rough few years for many companies, and several banks have even gone bankrupt. CG and CSR have grown more relevant in recent years as a result of this shift in focus. The importance of CG and CSR in corporate growth is the subject of this thesis. Further, it explains what CG and CSR are and how they may help a company flourish. It was decided that Grameen Bank (GB) was the best case study because of its extraordinary performance and expansion throughout the financial crisis, despite its location in Bangladesh. CG and CSR play a significant part in this accomplishment, and we want to investigate it thoroughly. CG CSR's visibility in a bank like GB, which has departed from traditional banking patterns, and how this has effected its development are anticipated contributions of this paper.

***Keywords:*** *Corporate Governance, Social Responsibility, Bankruptcy.*

## 1. INTRODUCTION

CSR was founded on the principles of giving and receiving. Raw materials, human resources, and other resources from throughout the globe and society are used by every firm in the world. Companies have a responsibility to return something for the benefit and well-being of society as trustees. Corporate social responsibility is a term used to describe a company's responsibility to the society and the environment. CSR is a primary focus for the vast majority of multinational corporations. Despite this, there are fewer of these firms than you would expect. In an effort to better the society, the government is enlisting the help of more companies via CSR initiatives. As a result, the new Companies Act 2013 incorporates the concept of obligatory CSR mandated by the Indian government. In fact, on February 27th, the government announced the Section 135 and Schedule VII standards for corporate social responsibility (CSR) expenditure. To top it all off, on April 1st, the central government issued the requirements of the new Companies (CSR Policy) Rules, 2014. Consequently, an attempt has been made to explain the idea of corporate social responsibility (CSR) as well as India's CSR Policy.

To put it simply, corporate social responsibility (CSR) is the belief that firms can and should have a positive impact on the community and the environment. A company's social responsibility may be defined as the contributions it makes to the community via its business operations and charitable endeavors. This also serves as a link between the company's mentality and the idea of sustainable growth. Growing numbers of businesses have recently begun marketing their CSR plans because customers, the community, and investors want them to operate in a sustainable and trustworthy manner. Most of the time, corporate social responsibility (CSR) is the result of a combination of social, environmental, and economic factors. Charity and philanthropy are no longer synonymous with corporate social responsibility (CSR). Beyond economic gain is the most powerful institution in today's globe. With the rapid spread of commerce, globalization has shrunk the planet.

Globalization is gaining momentum, and as a result, its negative repercussions are becoming more apparent. A response to the ills of globalization has emerged in the form of Corporate Social Responsibility (CSR). For many years, companies throughout the globe have struggled to identify the social, economic, and environmental concerns that are the most important determinants of their ability to compete now and in the future. A company's competitive advantage and commercial opportunity will come from integrating social, economic, and environmental concerns, as defined by the Triple Bottom Line (TBL), if management is to meet these problems. This integration would serve as a foundation for long-term progress, expansion, and stability. To ensure the company's long-term viability, concerns about climate change and social responsibility in the operations sector are critical. Globalization and liberalization have had a significant positive impact on the Indian economy. Due to India's economic integration into the global economy, it is forced to compete on a global scale. Corporations face enormous pressure from stakeholders to be more accountable and open with their finances. While no one definition exists for corporate social responsibility, most of the definitions share an interest in learning how companies use their earnings in relation to their stakeholders. Business ethics and corporate governance are two of the most important facets of CSR.

## 2. LITERATURE REVIEW

**SANTHOSH BASAVARAJ (2013)** The purpose of this research paper is to identify and gain an insight in to the set of challenges faced by public sector and Private sector companies in implementing and good Corporate Social Responsibility practices and exploring the conceptual solution to face the challenges. This is an exploratory research design and it is used to seek insight in to challenges faced in implementing Corporate Social Responsibility (CSR) here an attempt is made to explore the conceptual strategies to meet these challenges. CSR remains a very relevant strategic Marketing tool. observed that CSR practices are more prevalent in organizations that employ relational marketing practices Consumers consider switching to another company's products and services, speak out against the company to family/friends, refuse to invest in that company's stock, refuse to work at the company and boycott the company's products and services in case of negative corporate citizenship behaviours In today's competitative environment CSR practically has the same effects as advertisements, because it sheds a positive light on a brand or product. People want to be engaged with companies that share their values CSR has shifted decisively from the realm of `nice to do' to the realm of `need to do' not just because it is a serious and sustained interest of consumers but also because opinion leaders recognize the fact and will act accordingly.

**KAUR, MANEET (2011)** “Way to creating positive image lies in building connections with society through Corporate Social Responsibility initiatives.” Corporate Social Responsibility creates a landing place in the minds of the target consumers. It not only caters to the Brand Equity awareness among the consumers but also leads to a positive Brand Image in the minds of the potential consumers. The purpose of this paper is to understand how Corporate Social Responsibility can lead to the creation of better brand image. It investigates the efficacy of Corporate Social Responsibility initiatives creating positive brand image in the minds of the consumers. The present study is based on secondary data, information collected from authentic sources such as books, journals, magazines and research reports and electronic data gathered through related web sites. Explanation and exploration of different types of conceptual information presented in the study is the result of observation, in depth reading, experiences and rational judgement of the author and co-author of the paper.

**GAURAV SEHGA Et Al (2010)** The paper intends to examine corporate social responsibility in Microsoft Corporation. Microsoft Corporation is committed to Corporate Social Responsibility (CSR) with the belief that CSR helps to improve the reputation and image of an organization. On this matter, the successful technology company, Microsoft Corporation has done significant initiatives on its CSR programs. One of the many reasons behind this success is their commitment towards sustainability as well as their commitment to all stakeholders. The paper discusses the various initiatives Microsoft Corporation have done for CSR. The paper concludes with some suggestion and recommendation. One of the largest software companies in world is Microsoft corporation. Microsoft lending developer of personal computer software systems and applications and also produces hybrid tablet computers, publishes books and multimedia titles. Moreover, Microsoft also sells video game systems, computer peripherals, portable media players and provides e-mail services. There are few popular software products can be found in Microsoft which includes Microsoft Windows line of operating systems, Microsoft Office, Internet Explorer as well as Edge web browsers

**RICHARD FLORIDA (2011)** C simultaneous gains in industrial and environmental performance? The past few years have seen increasing interest in this question from a number of quarters. This article examines the relationship between advanced production practices and innovative approaches to environmentally conscious manufacturing. It argues that adoption of manufacturing process innovations creates incentives for adoption of environmentally conscious manufacturing strategies. To put it another way, firms that are innovative in terms of their manufacturing process are likely to be more imaginative in addressing environmental costs and risks. Furthermore, close relationships across the production chain and between end users and suppliers facilitate the adoption of this bundle of environmental and industrial innovations. At bottom, adoption of advanced manufacturing systems creates substantial opportunity for adoption of green design and production strategies since both draw upon the same underlying principles-a dedication to productivity improvement, quality, cost reduction, continuous improvement, and technological innovation.

**STEPHAN MANNING (2012)** In this paper, we investigate the role of key industry and other stakeholders and their embeddedness in particular national contexts in driving the proliferation and co-evolution of sustainability standards, based on the case of the global coffee industry. We find that institutional conditions and market opportunity structures in consuming countries have been important sources of standards variation, for example in the cases of Fairtrade, UTZ Certified and the Common Code for the Coffee Community (4C). In turn, supplier structures in producing countries as well as their linkages with traders and buyers targeting particular consuming countries have been key mechanisms of standards transmission and selection. Unlike prior research, which has emphasized the role of global actors and structures in promoting – and hindering – sustainability initiatives, we argue that national economic and institutional conditions in consuming and producing countries have not only served as important drivers of standards multiplicity and coevolution, but also as catalysts for the entire global sustainability movement. In absence of inter-governmental regulation, private actors, including corporations and NGOs, have in recent years been increasingly concerned with regulating transnational affairs, including the promotion of social equity and ecological sustainability in global production and trade practices.

## 3. CONCEPT OF CSR

No one concept of corporate social responsibility (CSR) is accepted by everyone. Each concept emphasizes the company's impact on society as a whole and the expectations of that society. CSR's roots may be traced back to philanthropic endeavors such as charitable contributions, humanitarian aid, and charitable giving. Throughout the world, the concept of corporate social responsibility (CSR) has evolved and now includes corporate citizenship, the triple bottom line, philanthropy and shared value.

CSR may be defined as a company's endeavor to assess and take responsibility for its impacts on the environment and social well-being. The word is often used to describe undertakings that go beyond the requirements of environmental organizations or authorities. Taking on short-term expenditures that do not immediately deliver a financial benefit to the company but instead create good community and environmental change is what CSR is all about.

In the European Commission's (EC) view, CSR is the responsibility of corporations for their social repercussions. Businesses should have a mechanism in place to include social, environmental, ethical, human rights, and consumer problems into their company operations and core program in close collaboration with their stakeholders in order to fully fulfill their social obligation.. The World Business Council for Sustainable Development (WBCSD) defines corporate social responsibility (CSR) as a company's ongoing commitment to supporting economic growth while also improving the lives of its employees and their families, as well as the community and society at large. United Nations Industrial Development Organization (UNIDO) defines CSR as the integration of social and environmental issues into corporate operations and relationships with stakeholders. The Triple-Bottom-Line Approach defines CSR as the process through which a firm balances its economic, environmental, and social goals while also meeting the needs of its shareholders and other stakeholders. Although CSR may be a commercial strategy, it is vital to distinguish it from charitable activities like sponsorships or philanthropy in this regard. But although if CSR directly contributes to poverty reduction, it obviously goes beyond that and has a significant impact on a company's image and brand value.

CSR is not defined in the Companies Act, 2013. According to Rule 2(c) of the CSR Rules, CSR includes but is not limited to Projects or programs related to activities listed in Schedule VII of the Act; or Projects and programs related to activities undertaken by a business board in accordance with the Board's CSR Committee's recommendations as stated in its CSR Policy.

Chairman of CSR Committee further mentioned the Guiding Principle as follows: "CSR is a method by which a business thinks about and develops its relationships with stakeholders for the typical good, and also expresses its dedication in this respect by adopting correct corporate procedures and practices. As a result, CSR is distinct from charitable acts or even basic monetary gifts. Companies that practice corporate social responsibility (CSR) have a greater impact on society because they are more visible. When a company is committed to social responsibility, it does not only use its resources to enhance its bottom line. They utilize CSR to combine the company's development and operations with economic, social, and environmental objectives."

Using CSR as a framework for integrating social, economic, and environmental concerns into a company's core principles, culture, decision-making, operational processes, and strategy creates better techniques inside the company that make wealth and enhance society. CSR is defined by the World Bank as follows: By collaborating with workers and their families, local communities, and society as a whole, businesses are committed to contributing to sustainable economic growth while also improving their own bottom lines. As of this writing (Halina Ward, 2004).

A company's internal systems and processes, as well as their interactions with outside actors, should reflect and confirm the company's core concepts and values while implementing CSR. Enterprise-driven CSR refers to initiatives that are regarded to go above and beyond what is required by law."

As a company strategy that contributes to sustainable development, CSR delivers environmental, social, and economic benefits to all stakeholders. It is important for companies to have a socially responsible approach to their business practices. CSR) CSR has been described in this way by a number of international organizations.

A successful 'fit' between enterprises and the society in which they operate must be sought, according to the Organization for Economic Co-operation and Development (OECD). By UN definition, "CSR is a management concept wherein businesses incorporate social and environmental issues into their business operations and relationships with their stakeholders." In the EU, "CSR is the responsibility of firms for their influence on society," according to the EU. As a result, the concept of corporate social responsibility (CSR) arose in Western economies and expanded through time. CSR actions only imply that corporations can not succeed in their own right.

## 4. CSR IN ANCIENT INDIAN PERSPECTIVE

As early as the Chinese, Sumerians, and Egyptians, CSR may be traced back. It is a Western idea that dates back to the late 1800s. The CSR has been in India since the time of the Vedas. According to Rig Veda verses 5-60.6, an affluent community's wealth must be shared with those who lack it in order to progress society. Ancient books like Manu Smriti go into considerable length about the dynamics of the labor to be done by individuals, nations, and corporate organizations, including what would work best for contemporary civilization. Businesses, according to Manu Smriti, must be mindful of both the profit they earn and the resources they utilize to create that profit. Many management theories and procedures (including CSR) based on the Kautilya's Arthashastra were found in ancient India during the Chandragupta Maurya period in the 4th century BC. Sukhasya mulam dharma, as stated by Kautilya in the Arthashastra, is the only way to achieve happiness, and it is not a matter of accumulating money (Dass and Maniapan 2008 p.410).

Throughout the Bhagavad Gita, the fundamental moral principles of Vedic philosophy are re-enforced in the minds of Indians, reinforcing the importance of transcendental knowledge, the observance of the law of karma, self-realization, and the usefulness of measures within the framework of Vedic sciences in the quest for salvation. For centuries, the Bhagavad-Gita has been regarded as a global medicinal and spiritual blueprint for humanity. It prompts a search for self-awareness and the optimum course of action in a content-driven society. Bhagavad Gita (3-13) suggests that practically all of society's woes will be removed whether or not socially conscious inhabitants of a neighborhood enjoy the yagna spirit has lingering effects (selfless welfare of others). According to the Indian perspective on business, CSR is an integral part of corporate management.

## 5. HISTORICAL PERSPECTIVE OF CORPORATE GOVERNANCE

People who are trying to improve corporate governance and others who are trying to exploit the system for their own benefit have always been at odds. Almost all of the corporate governance scams and frauds have encouraged the government and other policy makers to enhance the system. An overview of corporate governance in different nations is provided in order to provide a broad understanding of the potential for abuse.

Corporations are required to have an internal control system that can be maintained, evaluated, and improved upon. Companies have been required to declare their internal financial controls since 1979, when the US Securities and Exchange Commission mandated that they do so. The Treadway Commission was established in 1985 in response to many high-profile company failures in the United States, notably the well-known Savings and Loan disaster. The panel was tasked with identifying the primary causes of financial reporting errors and recommending ways to reduce their occurrence. An independent audit committee and an impartial internal audit role were emphasized by the Treadway Commission in 1987, when it issued its findings.

Similarly, in the UK, the controversy surrounding Bank of Credit and Commerce International (BCCI) brought to light questions about corporate governance. The fall of the BCCI, a universal bank, sowed the foundations of current English corporate governance. As a result of several frauds and company failures that occurred in the late 1980s and early 1990s, investors lost faith in the safety of their money. For example, the British and Commonwealth, Bank of Credit and Commerce International, and Mirror Groups News International of Robert Maxwell have all been brought to their knees as a result of bad corporate governance. The Committee of Sponsoring Organizations (COSO) was founded in 1992 in response to these failures and a lack of regulatory mechanisms. A short explanation of each of the four UK committee reports (Report of the Cadbury Committee; Report of the Ruthman Committee; Report of the Hampell Committee; and Report of the Turnbull Committee) is provided below.

**Corporate Governance Committees**

The major committees are known by the names of the persons who chaired the committee.

(1) Cadbury Committee

The Cadbury committee was established by the London Stock Exchange in May 1991 in an effort to prevent corporate failures and to develop a code of best practices for British firms. As a result of the Cadbury committee's report issued in December 1992, the board's powers and responsibilities were put into perspective. Nineteen guidelines were included in the Cadbury Code of Best Practices Board members, non-executive directors (NEDs), as well as executives, should have an audit committee with independent members, according to these suggestions, which are focused on reporting and control.

(2) The Paul Ruthman Committee

Cadbury's problematic arguments were addressed by the Paul Ruthman Committee subsequently. Cadbury's committee's recommendation was scaled down by requiring corporations to establish internal financial controls, rather than guaranteeing the efficacy of the company's internal control system.

(3) The Greenbury Committee

Sir Richard Greenbury was the head of the Greenbury Committee, which was established in January 1995 to honor the Confederation of British Industry's best practices (CBI). This committee was in charge of deciding on director compensation and drafting a code of conduct for UK-listed public businesses. Remuneration committee, Compensation policy, Disclosures and Service contracts and compensation were all part of the Greenbury Committee's code of best practices.

(4) The Hampel Committee

Hampel Committee was formed in November 1995 under the leadership of Sir Ronald Hampel to promote strong standards of corporate governance in order to safeguard investors and strengthen company reputations on the London Stock Exchange.

**World Bank on Corporate Governance**

The World Bank and the Organization for Economic Co-operation and Development (OECD) have emphasized the relevance of corporate governance at the global level. For the first time, an international institution has looked at corporate governance and proposed certain guidelines. On the World Bank's report on corporate governance, fairness, openness, accountability, and responsibility are highlighted as universal concepts that may be applied to every organization.

Individual and collective interests must be balanced with economic and social aims in corporate governance. Governing structures are put in place to guarantee that resources are used effectively and that people in charge of them are held accountable. The goal is to align the interests of people, organizations, and society as closely as feasible. Public transparency is the cornerstone of every corporate governance framework. Funds will go to those areas of economic activity that engender public confidence in the corporate system. This study lays forth a path toward building trust and promoting entrepreneurship. For corporate governance, this is a significant moment (Fernando, 2006).

## 6. CONCLUSION

Clause 49 went into effect on April 1, 2001, and lasted through March 31, 2017, a 16-year timeframe, which was selected for the research in order to meet the aforementioned goals. Only BSE-listed S&P 500 businesses were included in the analysis. To comply with clause 49, only registered companies are required to report their financial accounts produced in accordance with the accounting standards in India. For this study, only 229 of the 500 businesses were included in the final sample of 229 enterprises. In all, it was a part of 18 separate businesses. In order to fill in the blanks, we used the company's average numbers. Prowess, Bloomberg, and the annual reports of the corporations provided the data. For the goals to be met Non-promoter institutional holdings, non-promoter institutional holdings, and board size are the independent factors. Tobin's Q and ROCE were included as dependent variables. Size, age, leverage, and sales growth were some of the literature-based control variables included in this study.

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