

Corporate Governance and Corporate Social Responsibility (CSR) in India: A Strategic and Regulatory Analysis

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Abstract:

Corporate Governance (CG) and Corporate Social Responsibility (CSR) are vital to the sustainable development of corporations and society. In India, CG and CSR have evolved significantly due to legal mandates and societal expectations. This paper explores the interplay between CG and CSR in the Indian context, analyzes regulatory frameworks, evaluates corporate practices, and provides a review of existing literature. The study highlights the strategic integration of governance and social responsibility and presents recommendations for enhancing transparency, accountability, and ethical conduct in Indian businesses.

Keywords:

Corporate Governance, Corporate Social Responsibility, India, SEBI, Companies Act, Stakeholders, Sustainability, Business Ethics

1. Introduction:

Corporate governance refers to the set of systems, principles, and processes by which a company is directed and controlled. It ensures accountability, fairness, and transparency in a company's relationship with stakeholders. CSR, on the other hand, refers to a company's responsibility to conduct its business in an ethical manner, taking into account the social, environmental, and economic impact.

In India, both CG and CSR have gained prominence due to regulatory interventions (like the Companies Act, 2013) and increased awareness of sustainability and ethical practices. The convergence of CG and CSR demonstrates a company's commitment to responsible business conduct.

2. Objectives of the Study:

- To analyze the concept and scope of corporate governance and CSR in India.
- To study the regulatory framework for CG and CSR.
- To review the existing literature and evaluate practical case examples.

- To examine the impact of CG on CSR performance and vice versa.
- To provide strategic recommendations for improving governance and social responsibility.

3. Research Methodology:

- **Type:** Qualitative and descriptive research
- **Sources:** Secondary data from journals, books, reports, and corporate disclosures
- **Tools:** Literature review, case analysis, comparative study

4. Literature Review:

4.1 Tricker (1984):

Defined corporate governance as the system by which companies are directed and controlled. It emphasizes the role of boards and accountability to stakeholders.

4.2 Carroll (1991):

Introduced the CSR Pyramid, outlining four responsibilities—economic, legal, ethical, and philanthropic.

4.3 Jamali & Mirshak (2007):

Argued that CSR and CG are interlinked as both address stakeholder engagement and ethical conduct.

4.4 Balasubramanian et al. (2010):

Noted that weak governance mechanisms in India led to scams and failures, necessitating stricter norms like Clause 49 and later, the Companies Act 2013.

4.5 SCSR Reports (SEBI, 2021):

SEBI's Business Responsibility and Sustainability Reporting (BRSR) mandates ESG (Environmental, Social, Governance) disclosures, pushing companies toward integrated governance.

5. Regulatory Framework in India:

5.1 Corporate Governance Norms:

- **Companies Act, 2013**
- **SEBI Listing Obligations and Disclosure Requirements (LODR)**
- **Clause 49 of the Listing Agreement**
- **Independent Directors, Audit Committees, and Whistleblower Policies**

5.2 CSR Provisions in India:

- Mandated under **Section 135 of Companies Act, 2013**
- Applicable to companies with:
 - Net worth \geq ₹500 crore
 - Turnover \geq ₹1000 crore
 - Net profit \geq ₹5 crore
- Minimum 2% of average net profits (last 3 years) to be spent on CSR
- Activities listed in **Schedule VII** (e.g., education, gender equality, environment)

6. Relationship between Corporate Governance and CSR:

- **Board Composition & CSR:** Boards with independent directors and women show higher CSR compliance.
- **Transparency & Accountability:** Good governance ensures accurate CSR disclosures.
- **Stakeholder Trust:** Integrated CG-CSR approach builds long-term stakeholder trust.
- **Strategic CSR:** Companies integrate CSR into core strategies, moving beyond philanthropy.

7. Case Studies of Indian Companies:

7.1 Tata Group:

Pioneer in ethical business and CSR. Focuses on education, healthcare, and rural development. Strong governance mechanisms.

7.2 Infosys:

Maintains high standards of CG. CSR focuses on digital inclusion, rural education, and sustainability.

7.3 Reliance Industries:

Extensive CSR programs through the Reliance Foundation. Governance practices evolving to match global standards.

8. Challenges in Implementation:

- Box-ticking attitude in CSR compliance
- Lack of clarity in impact assessment
- Board-level commitment to CSR varies across firms
- Greenwashing and poor transparency in ESG reporting
- Need for standardization in sustainability reporting

9. Recommendations:

- CSR should be treated as a strategic business function, not a charity.
- Independent directors must actively review CSR performance.
- SEBI should ensure strict compliance with BRSR norms.
- Companies should adopt international frameworks like GRI, UNGC, and SDGs.
- Regular impact audits and transparent public disclosures should be encouraged.

10. Conclusion:

Corporate Governance and Corporate Social Responsibility are essential pillars of sustainable and ethical business in India. While regulations have provided a strong foundation, the real challenge lies in effective implementation. Companies must go beyond compliance and integrate governance and responsibility into their strategic DNA. This convergence enhances reputation, stakeholder trust, and long-term profitability.

11. References:

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