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ROLE OF GOOD CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY IN BUILDING FIRM'S IMAGE: AN EMPIRICAL STUDY OF CONTEMPORARY TRENDS

Dr. Shilpa Gopal[1], Dr. K. Balanaga Gurunathan[2], Arpita Sastri[3], Inayath Ahamed S B[4]

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Abstract

The way that business organisations communicate with a sizable number of stakeholders is through corporate social responsibility. Previously, corporate social responsibility was only limited to fundraising, volunteering, and charitable giving. However, today, it has expanded to include a new standard for corporate responsiveness to social issues, action on those issues, and demand for sustainability in order to realise the sustainable business strategy for good governance and the development of society and its people. The organisation reduces the issue and boosts performance by integrating good corporate governance and social responsibility into its strategy. In addition to lowering corporate crises and fraud, it also enhances an organization's standing with the public and stakeholders. As the industrial period enters its fourth iteration, there are numerous developments taking place in technology and information flow, necessitating the provision of meaningful information to users like investors and stakeholders. It is the fundamental responsibility of the company to practice corporate social responsibilities and adopt good governance practices.

Keywords: Good Corporate Governance, Social Responsibility, Business Reputation, Brand Image, Business Performance.

[1]Assistant Professor Senior scale, Department of Commerce, Manipal Academy of Higher Education, Manipal – Karnataka
[2]Professor, School of Commerce and Management, Jain University, Bangalore
[3]Assistant Professor, Sambhram Academy of Management Studies, Bangalore
[4]Kalasalingam Business School, Kalasalingam Academy of Research and Education (Deemed to be University), Krishnankoil, Tamil Nadu. India

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Introduction

In recent years, corporate social responsibility has drawn increased attention. A management principle known as corporate social responsibility pushes companies to integrate social and environmental concerns into their daily operations and interactions with stakeholders. The process through which a company balances its economic, environmental, and social responsibilities while also living up to the expectations of its stakeholders and shareholders is known as corporate social responsibility. The business is dedicated to acting morally, fostering economic development, and raising the standard of living for its personnel, their families, the neighborhood, and society at large. A strong brand can heighten a customer's familiarity with the product and support their favourable opinion of it. When a brand is perceived favourably by the consumer, the product will likely draw more attention. Corporate social responsibility and branding are linked in a number of ways, most notably by consumer attribution, trust, and reputation. Branding outcomes are influenced by firm characteristics like reputation as well as consumer characteristics like CSR initiative awareness and individual judgement. Businesses have worked hard to present a positive business image in order to have a positive impact on society, and consumers no longer take corporate social responsibility very seriously. Maintaining a company's social responsibility policy may enhance its reputation and give it a competitive edge. (Mathew, Dhanuraj, & Suresh 2016).

The policies, methods, and relationships that regulate organisations are referred to as corporate governance. It includes rules and procedures for making business decisions, as well as strategies for developing and pursuing an organization's goals in the context of the social, regulatory, and market settings. The four fundamental pillars of corporate governance are justice, openness, accountability, and responsibility. Ethics are critical because they go beyond corporation legislation. Different countries have different corporate governance regimes. The corporate governance system of a particular nation depends on a variety of factors, including the legal and regulatory environment, the economic climate, and the articles of association for each organisation. Good corporate governance is essential due to the considerable changes in the ownership structure of organisations over the past few years. Corporate governance is necessary to safeguard the interests of all parties throughout takeovers and mergers that the business sector undergoes in order to achieve economies of growth. As corporate social responsibility is becoming increasingly important in the current environment, society has certain expectations of business as well. Corporate governance is required for large cooperatives in order to carry out the practices of corporate social responsibility and to fulfil their obligations. In addition to this, excellent corporate governance fosters positive brand perception among stakeholders, including investors and consumers (Robin 2019 and Arora, & Sharma, 2016).

A company's image and reputation are significantly improved if it engages in corporate social responsibility, which raises its appeal to potential employees, clients, and investors. In addition to the advantage of being on the safe side when making decisions, doing so increases the possibility of unsavoury behaviour and harms one's reputation. Corporate social responsibility protects a company from being accused of unethical behaviour, and employees will be honoured to work for such organisations and see a rise in their productivity. Businesses who participate in CSR initiatives reap a number of advantages, including improved reputation, decreased risk, access to better and less expensive resources, enhanced consumer loyalty, stronger sales, and brand image sustainability. These factors and advantages encourage businesses to participate in CSR initiatives. Customers today are more influential and powerful than they were in the past, thus all business organisations need to interact with them successfully. With the rise of digitization, it is now simpler for the client to learn not just about the goods and services that the businesses are providing, but also about the business as a whole. Consumers who identify with a firm and find their self-definition needs satisfied by utilising its products and services and whose values are compatible with their own are said to sense a better value as a result of corporate social responsibility. (Hafez, 2016 and Dixit, Verma, & Priya, 2021). Figure 1 highlights how CSR contributes to the brand image of the firm.

Figure 1 Benefits of Corporate Governance and Social Responsibility for Firms Brand Image

Literature Review

According to a study, following corporate governance guidelines is equally as crucial to an organization's financial success as innovation, quality assurance, and efficiency. Corporate governance standards implementation boosts a company's financial success and has a beneficial effect on internal productivity. Poor disclosure practices and a lack of openness impair the effectiveness of corporate governance mechanisms. Corporate governance attempts to make it easier for corporations to be monitored and controlled effectively. Its core values are justice, transparency, and more disclosure of the interests of various stakeholders who are being protected. In order to attract investors, several companies in India are disclosing their corporate governance practices, which has also increased market valuation. Foreign investment has significantly increased due to improvements in corporate governance. Corporate governance gives the board the authority it needs to carry out its responsibilities while remaining impartial towards the company's senior executives, shareholders, or promoters. Corporate governance's primary goals are to find a solution and safeguard shareholders' interests. Corporate governance is the method used to oversee, administer, and rule over systems without letting anyone exert undue influence and in the best interests of all stakeholders. It is generally acknowledged that excellent corporate governance has a favourable impact on types of performance that are improved as a result of good governance (Goel, 2018 and Gupta, & Sharma, 2017).

According to research, The goal of corporate social responsibility is to assume responsibility for the company's deeds and encourage a positive impact through its operations on the environment, customers, employees, community stakeholders, and other members of the public sphere. Businesses' continued dedication to promoting economic progress while improving living conditions for their staff, their families, the neighbourhood, and society at large. Businesses that practice corporate social responsibility enjoy major benefits in risk management, charitable giving, capital access, customer relationship management, and innovation potential. Additionally, it improves corporate sustainability and innovation, which contributes to the development of a more sustainable economy. A set of principles that customers might use to create a more united society are mandated by corporate social responsibility. In order to stand out in a competitive market, businesses aim for a unique selling proposition. Companies can differentiate their brands through client preferences and employee engagement with the aid of corporate social responsibility. Using a particular ethical principle as a foundation, corporate social responsibility aids in developing customer loyalty. Corporate social responsibility is still crucial for creating and preserving a positive brand image and a high value. Initiatives for corporate social responsibility also assist in defending a business from harm during a contentious or difficult event (Srivastav and Mittal, 2021, Kaur, Tandon, 2017).

Initiatives for corporate social responsibility can be very advantageous for both the business and society. Numerous stakeholders are connected to business entities and gain from their CSR initiatives. Customers buy products from businesses that engage in CSR. By making the ethical choice to purchase the product made by the business that supports corporate social responsibility initiatives, consumers aid in supporting corporate social responsibility initiatives. Companies feel that engaging in corporate social responsibility improves their brand and raises their market repute. Customers and clients significantly value the efforts that businesses make for society, and this fact motivates businesses to do their part for the common good. This aids them in establishing their reputation in the world market. Employer turnover is minimal for companies that practice corporate social responsibility, which reduces absenteeism. If an employer practices corporate social responsibility, employees have a high level of confidence in the organization (Samantara, & Dhawan, 2020 and Nair, & Bhattacharyya, 2019).

Every year, a new company emerges, increasing competition amongst businesses. It highlights the company's efforts to boost value by using its competitive advantage to outperform its rivals. Shareholder wealth can be impacted by the maximisation of corporate value, thus they must increase. However, implementing excellent corporate governance is necessary to produce high company value. An investor will be more confident making an investment if a company performs well on the GCG since positive perceptions of the company have grown, increasing corporate value as a result. Companies who use superior GCG will be able to endure in the face of an increasingly competitive market (Sepriani, & Candy, 2022).

According to a study, firms that actively engage in corporate social responsibility are better able to contribute to society, which improves both their reputation and financial success. CSR initiatives draw a lot of investment from investors since they can give a general overview of the company's future prospects and send a strong signal that boosts the company's value. Companies that have disclosed CSR data have greater levels of corporate value. Extending the company's scale, investing more in CSR, and raising the proportion of institutional shareholders can all result in rising profits and rising firm's value. Companies can use CSR as a strategy to live up to stakeholder expectations while gaining their interest, support, and goodwill. The reputation of an organisation is enhanced via CSR reporting. Because of the advantages linked to corporate reputation, there is a beneficial effect demonstrating to managers that CSR practices can be an effective method to address the issue of legitimacy. For businesses to preserve and grow their competitive advantage and entice investors to invest, company reputation is a crucial component. Companies with a solid reputation have an advantage over investors. Businesses that practice CSR build a base of support that is vital to their existence. In order for a company to increase its financial success, it needs loyal customers and productive personnel. CSR can enhance a company's financial performance in terms of profitability and market returns. When a company implements CSR, it gives investors more information and encourages them to invest in the business (Rav, 2020 and Qonita, Moeljadi, & Ratnawati, 2022).

A process and technique for managing a business in compliance with laws, rules, and company culture and ethics is known as good corporate governance. Good corporate governance has developed into a basis for international management and reporting to stakeholders. The application of strong corporate governance can boost and enhance a company's performance. Business success can be measured in ways more than only financially. In recent years, several business practices have been used to gauge a company's success. One issue that includes the social, political, and environmental aspects of society is corporate social responsibility. These elements are together referred to as environmental, social, and governance aspects that might affect a company's overall reputation. Therefore, it is essential for an organisation to practice and put such policies that are advantageous for society, investors, and stakeholders into place. (Rahayu, Fadjarenie, & Oktris, 2023 and Lunawat, & Lunawat, 2022).

Objective of the Study

To ascertain the role of corporate governance and social responsibility in India

Methodology

This study utilized a structured questionnaire to conduct a survey, and statistical methods such as mean & t-test were used to analyze the responses from 209 participants. The sampling method used in this research was convenience sampling, where individuals were selected based on their accessibility & willingness to participate.

Table 1 Corporate Governance and Social Responsibility in India

Serial No.	Statement of Survey	Mean Value	t-value	p-value
1	Strong corporate governance practices can foster innovation by encouraging companies to invest in research and development.	4.20	9.010	0.000
2	Corporate social responsibility practices in India can help to build trust between companies and their stakeholders.	4.34	10.169	0.000
3	Corporate governance practices in India help to build and maintain strong relationships with stakeholders.	4.39	10.507	0.000
4	Companies with strong corporate governance and social responsibility practices are more attractive to investors.	4.03	5.344	0.000
5	Companies can contribute to the long-term sustainable development of India and the wider global community by adopting sustainable business practices.	3.98	5.079	0.000
6	Corporate governance and social responsibility practices in India aim to enhance transparency and accountability in business operations.	4.47	11.576	0.000
7	Strong corporate governance practices encourage better decision-making, which can lead to higher profitability.	4.44	11.655	0.000
8	Corporate social responsibility practices in India can help to enhance a company's reputation.	4.17	9.188	0.000
9	By adopting sound corporate governance practices, companies may reduce the risk of legal and regulatory non-compliance.	3.89	5.090	0.000
10	Corporate social responsibility in India encourages companies to adopt sustainable business practices.	4.43	12.215	0.000

Table 1 demonstrates the mean values for each of the statement of the study done the “role of corporate governance and social responsibility in India”, examining the average scores, the statement that obtains the highest mean score can be described as “Corporate governance and social responsibility practices in India aim to enhance transparency and accountability in business operations”, which has the mean score of 4.47, Looking at the next statement which is “Strong corporate governance practices encourage better decision-making, which can lead to higher profitability” the mean score is found to be 4.44. Looking at the mean value of 4.43 for the statement “Corporate social responsibility in India encourages companies to adopt sustainable business practices” shows that sustainable business practices is also responsible for CSR. Looking at the other benefit of CSR is, “Corporate governance practices in India help to build and maintain strong relationships with stakeholders,” which displays the mean score of 4.39, and the statement “Corporate social responsibility practices in India can help to build trust between companies and their stakeholders” showcase the mean value of 4.34. Then the statement “Strong corporate governance practices can foster innovation by encouraging companies to invest in research and development” obtains mean value of 4.20 and the statement “Corporate social responsibility practices in India can help to enhance a company's reputation” has 4.17. The statement “Companies with strong corporate governance and social responsibility practices are more attractive to investors” showcase the mean value of 4.03. Therefore, the last two statements fall within the lowest category or level, “companies can contribute to the long-term sustainable development of India and the wider global community by adopting sustainable business practices” mean value of 3.98, the statement “By adopting sound corporate governance practices, companies may reduce the risk of legal and regulatory non-compliance” has 3.89. The significance of the t-value for each statement in the investigation of corporate governance and social responsibility in India is significant. The t-value statements were positive, and their significance value was less than 0.05, indicating a significant relationship between the two variables.

Conclusion

Across the board, corporate social responsibility has gained popularity. Organisations must comprehend that raising the socially disadvantaged on their own is not possible for the government. The present societal marketing approach employed by firms has given rise to the concept of corporate social responsibility. Many of the most successful companies in the world now recognise how crucial it is to associate themselves with socially responsible problems in order to market their brands. In today's information-rich society, when information is readily available to the general public, CSR has been a key component of any organization's success. In order to obtain economies of expansion in the business sector through acquisitions and mergers, corporate governance is essential to protect the interests of all parties. In the contemporary context, where corporate social responsibility is becoming more and more significant, society also has expectations of business. For large cooperatives to carry out practices of corporate social responsibility and to achieve their commitments, corporate governance is necessary. Additionally, strong corporate governance promotes a favourable brand reputation among all stakeholders, including investors and customers.

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