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A STUDY ON INTER RELATIONSHIP BETWEEN INTELLECTUAL CAPITAL, CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT:

In the developed world, improving a company's success often relies on three key pillars: corporate governance, corporate social responsibility, and intellectual capital. This study intends to look into how these 3 key pillars interact with one another and what impact that has individually and collectively. They both share a theoretical foundation, and their mutual influence is stressed. Effect of corporate social responsibility on firm performance by taking into account the function of intellectual capital efficiency as a driving force behind the link between corporate social responsibility and firm performance. In the relationship between corporate social responsibility and financial performance, intellectual capital acts as a mediator. This study's main objective is to examine how corporate social responsibility, intellectual capital, and corporate governance are related to each other in terms of their traits and the influence they have on one another's growth. This study might be useful for understanding how far the company goes in pursuing intellectual capital, corporate social responsibility, and corporate governance in order to raise the company's worth. This paper examines the beneficial relationship that has developed between corporate social responsibility, corporate governance, and intellectual capital.

INTRODUCTION:

Intellectual capital, corporate governance, and corporate social responsibility are all interconnected in the modern business landscape. Intellectual capital refers to the intangible assets of a company, such as knowledge, skills, and innovation. Intellectual capital can be leveraged to increase productivity, create competitive advantage, and drive growth. Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. Effective corporate governance is essential for ensuring that a company operates ethically and responsibly, and protects the interests of all stakeholders. Corporate social responsibility involves taking actions that benefit society and the environment, beyond the legal requirements of the business. These actions may include philanthropy, sustainability practices, and ethical decision-making. The interrelationship between these concepts is strong: A company's intellectual capital can be harnessed to develop innovative products and services that meet societal needs while creating financial value for shareholders. Strong corporate governance practices help to ensure that company decision-making is ethical and socially responsible, and that intellectual capital is managed in a way that generates benefits across all stakeholders. Finally, corporate social responsibility helps to promote a long-term focus beyond immediate financial performance, and aligns a company's activities with positive societal value creation. Together, these three concepts are essential components of modern business success, ensuring that companies achieve not only financial performance goals, but also create positive impacts for society and the environment.

DEFINITIONS:

Intellectual Capital: Intellectual capital refers to the intangible assets that contribute to an organization's value, such as its knowledge, innovation, expertise, and reputation. In India, there is no specific section in the law that deals with intellectual capital. However, the Companies Act, 2013, requires companies to disclose information about their intangible assets in their financial statements.

Corporate Governance: Corporate governance refers to the system and processes by which a company is directed and controlled. It ensures that the company's management acts in the best interests of its shareholders and other stakeholders. In India, corporate governance is governed by the Companies Act, 2013, which requires companies to have a Board of Directors, Audit Committee, Nomination and Remuneration Committee, etc.

Corporate Social Responsibility: Corporate social responsibility refers to the responsibility of a company towards the society and the environment in which it operates. In India, Section 135 of the Companies Act, 2013[1], requires companies meeting certain criteria to spend at least 2% of their average net profits of the past three years on CSR activities. The Ministry of Corporate Affairs has also issued the Companies (Corporate Social Responsibility Policy) Rules, 2014, which prescribe the activities that can be undertaken under CSR and the reporting requirements.

[1] The specific legal provision is Section 135 of the Companies Act 2013 and the CSR rules are further outlined in the Companies (Corporate Social Responsibility Policy) Rules, 2014.

PRINCIPLES OF CORPORATE GOVERNANCE

The principles of Corporate Governance are:

Accountability

Accountability means to be answerable and be obligated to take responsibility for one's actions. By doing so, two things can be ensured-

1. That the management is accountable to the Board of Directors.
2. That the Board of Directors is accountable to the shareholders of the company.

This principle gives confidence to shareholders in the business of the company that in case of any unfavourable situation, the persons responsible will be held in charge.

Fairness

Fairness gives shareholders an opportunity to voice their grievances and address any issues relating to the violation of shareholder's rights. This principle deals with the protection of shareholders' rights, treating all shareholders equally without any personal favouritism, and granting redressal for any violations of rights.

Transparency

Providing clear information about a company's policies and practices and the decisions that affect the rights of the shareholders represents transparency. This helps to build trust and a sense of togetherness between the top management and the stakeholders. It ensures accurate and full disclosure timely on material matters like financial condition, performance, ownership.

Independence

Independence means the ability to make decisions freely without being unduly influenced. Decisions should be made freely without having any personal interest in the company. It ensures the reduction in conflict of interest. Corporate governance suggests the appointment of independent directors and advisors so that decisions are taken responsibly without influence.

Social Responsibility

Apart from the 4 main principles, there is an additional principle of corporate governance. Company social responsibility obligates the company to be aware of social issues and take action to address them. In this way, the company creates a positive image in the industry. The first step towards Corporate Social Responsibility is to practice good Corporate Governance.

PARTIES TO CORPORATE GOVERNANCE:

The main players in the area of corporate governance can be classified into two groups namely internal and external. Internal Corporate Governance controls and monitor activities and then take corrective action to accomplish organizational goals. The board with its legal authorities hire, fire and compensate top management, safeguards invested capital. Regular board meetings allow potential problems to be identified, discussed and avoided. External Corporate Governance on the other hand, controls external stakeholders exercise over the organization, debt covenants, Government regulations, media pressure, competition etc. Through Corporate Social Responsibility (CSR) organizations consider the interests of society by taking responsibility for the impact their activities have on customers, suppliers, employees, communities and the environment. This responsibility goes beyond compliance with regulations and is about organizations voluntarily taking further steps to improve the quality of life for employees as well as for the local community and society at large.

Key parties involved in corporate governance include stakeholders such as the board of directors, management and shareholders. External stakeholders such as creditors, auditors, customers, suppliers, government agencies, and the community at large also exert influence. The agency view of the corporation posits that the shareholder forgoes decision rights (control) and entrusts the manager to act in the shareholders' best (joint) interests. The board is responsible for the successful perpetuation of the corporation which cannot be relegated to management. A Board of Directors is expected to play a key role in corporate governance. The board has responsibility for: CEO selection and succession; providing feedback to management on the organization's strategy; compensating senior executives; monitoring financial health, performance and risk; and ensuring accountability of the organization to its investors and authorities.

FEATURES OF CORPORATE GOVERNANCE

The characteristics or features of corporate governance are listed below.

Transparency: This means that the Board of Directors must release all relevant information to the stakeholders. They must show all the necessary financial and operational data to the stakeholders. They must not hide any important information or maintain any secrecy.

Protection of Shareholders' Rights: The Board of Directors must protect the rights of the stakeholders. They must protect all the stakeholders, especially the minority stakeholders.

More Powers to CEO: The CEO must be given more powers so that he can approve the company’s plans and strategies independently.

Accountability: The CEO and the Board of Directors must be made accountable for their actions to the stakeholders and to the entire society.

Based on Ethics: Corporate governance is based on ethics, moral principles and values. So, the Board of directors must avoid unfair practices, cheating, exploitation, etc.

Universal Application: Corporate governance has universal application. That is, it is used by companies all over the world. It is given a legal recognition in many countries. All companies must use corporate governance voluntarily.

Systematic: Corporate governance is very systematic. It is based on laws, procedures, practices, rules, etc. All these laws are made to increase the wealth of the shareholders and to protect the rights of all the stakeholders of the company.

ISSUES AND CHALLENGES IN CORPORATE GOVERNANCE

i. **Selection procedure and term of Board:** The selection procedure adopted in Indian corporations is the biggest challenge for good corporate governance. Law requires a healthy mix of executive and non-executive directors, independent directors, and woman directors. Most companies in India tend to only comply on paper; board appointments are still by way of word of mouth or fellow board member recommendations. It is common for friends and family of promoters and management to be appointed as board members.

   Life-term board members can pose many problems to business say fixed beliefs, power gaining etc. so no business prefers to appoint board members for life-term. And if the board is very short then they will not take long term decisions with full of their efficiency because in long run they will be changed or relieved from their duties. So the term of board must be fixed with due attention. Typically in a board of directors, directors sit for a brief term say 2 to 5 years and it is good practice to switch some of directors at a fixed time interval instead of changing whole board at a single time.

ii. Performance Evaluation of Directors:

SEBI, India's capital markets regulator, has released a 'Guidance Note on Board Evaluation' in January 2017. Which cover all major aspects of Board Evaluation including the Subject & Process of Evaluation, Feedback to the persons being evaluated, Action Plan based on the results of the evaluation process, Disclosure to stakeholders, Frequency & Responsibility of Board Evaluation. But for achieving the desired objectives from performance evaluation, they need to make the evaluation result public and these disclosures may put the corporate in big trouble.

iii. Missing Independence of Directors:

Independent directors' appointment was supposed to be the biggest corporate governance reform by kumar mangalam committee on corporate governance in 1999. However in reality independent directors have hardly been able to make the desired impact. Till now the appointment of directors in most of companies is made at the discretion of promoters, so it is still questionable. For providing the true success it is necessary to limit the promoter's powers in matters relating to independent directors.

iv. Removal of Independent Directors:

Under law, an independent director can be easily removed by promoters or majority shareholders. When an independent director doesn't take the side with promoter's decisions, they are removed from their position by promoters. So to save their post directors have to work for the interest of promoters. To resolve this issue SEBl's International Advisory Board had proposed an increase in transparency for the appointment and removal of directors.[2]

v. Liability toward Stakeholders:

Indian company act 2013 mandates that directors owe duties not only towards the company and shareholders but also towards the other stakeholders and for the protection of the environment. But generally, board tries to limit and escape from these kinds of accountability good idea to require the entire board to be present at general meetings to give stakeholders an opportunity to pose questions to the board.

vi. Founder/Promoter's extensive Role:

In India, instead of separate entity of businesses, promoters or founders continuously influence the business decisions Family owned Indian companies suffer an inherent inhibition to let go of control. They affect the decisions by influencing the board and management. This is done because they had the significant portion of company's share. So to remove this issue it will be good idea to amplify the shareholder base and reduce the shareholding of founders.

vii. Transparency and Data Protection:

Corporate governance is based on the principle of transparency but it cannot be defined what information is to be disclosed or not. In today's cut throat environment of competition it can be very dangerous if wrong information be disclosed. In digitalization Privacy and data protection is a central governance issue. For this the board must be capable of handling data and to ensure the protection of such data from potential misuse. And by looking at the importance of data and the potential cost if data be misused, we can say that organization must invest a reasonable amount of resources to protect the data.

[2] Securities and Exchange Board of India, "Report of the Committee on Corporate Governance," February 2018, https://www.sebi.gov.in/reports/reports/feb-2018/report-of-the-committee-on-corporate-governance_37884.html.

viii. **Business Structure and internal conflicts:**

Business structures also put hindrance on the way to good governance as they require many layers of management, executives and other officers. This makes it very difficult for the company leaders to receive accurate, important data from the lower levels and to command orders to lower level of the company as the data may be distorted at any point of chain. Board of executives can make much good decisions and policies. But if the internal relationship in the organization says between board and managers is not good then the implementation of decisions and policies also get affected. Rebellious managers can sabotage corporate decisions and policies at many levels of the business.

ix. **Environment of mistrust:**

In recent years, many scams, frauds, misappropriation of public money, and corrupt practices have taken place and because of the doubtful practices of key executives and board members, confidence of investors and society has diminished. It is happening in the stock market, banks, financial institutions, companies and government offices. This has made the business environment distrustful.

IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY:

As per section 135 of the Company Act, 2013[3][i], a company with

Net worth of Rs.500 Crore or more, or

Turnover of Rs.1000 Crore or more, or

Net Profit of Rs.5Crore or more

during the immediately preceding financial year has to form a CSR Committee and contribute a minimum of 2% of its average net profits made during the last 3 years towards CSR.

However, CSR has a number of benefits for the company as well. They are listed below:

i. Strong brand image:

A well implemented CSR activity leads to a positive response to the brand image, reputation. It also leads to an increase in sales and customer loyalty.

ii. Ease to raise capital

As a result of an improvement in the brand image of the company, the share price is bound to increase which makes it easier for the firm to raise capital not only from the stock market but also through sources.

iii. Less Regulatory burden

A strong and a trustworthy relation t=with the regulatory bodies often leads to reduction of the regulatory compliances making the work of the company easier and less time consuming.

[3] "The Companies Act, 2013," India Code, https://www.indiacode.nic.in/bitstream/123456789/1961/1/201337.pdf.
- Sridhar Ramamoorti, "India's Corporate Governance Challenge," Journal of Business Ethics, vol. 107, no. 3, 2012, pp. 299-310.

iv. Cost saving

With a base of loyal customers, investors and suppliers are also happy and thus investing in operational efficiencies can result in operational cost saving.

v. Retained employees

Employees often prefer to stay in a company with a good brand image.

CATEGORIES OF CSR MODEL

There is no exact definition of CSR as it is a broad term and can take various forms depending upon the company and the industry. Therefore, the root idea behind the CSR policy of each firm varies and affects different sectors of the society in a sustainable manner.

Following are the broad categories in which the CSR initiatives can be categorized:

Environment Responsibility

Companies irrespective of their size have large carbon footprint. Environment is always the primary concern of the society and therefore all efforts of the company aimed at reducing pollution, greenhouse effect, sustainable use of natural resources, etc. are a big step towards the sustainability of the environment.

Philanthropic Responsibility

Businesses fulfill this by making donations usually in the form of money but sometimes even in the form of goods and services to charities and other not for profit organizations in support of a social cause.

Ethical Human Rights Responsibility

By supporting causes like equal pay for all workers, fair trade practices, advocating against child labor, etc. related causes, businesses demonstrate their ethical human rights responsibility which basically refers to the ethical, equal and fair treatment of the employees. This is the most famous category for businesses in the USA.

Economical Responsibility

By engaging in production of sustainable goods or replacing the use of harmful products with environment-friendly products, the companies demonstrate [4]and fulfill their economic responsibility of a company.

Volunteering

An upcoming field is of volunteering which also increases the trust of people in the company. Participating in the

[4] Sandro Cabral and Tania Slawecki, "Related Party Transactions in India: An Analysis of Disclosure Practices in the Private Sector," Journal of Accounting and Public Policy, vol. 39, no. 2, 2020, 106665.

local causes, community events, etc. have even lead to increase in returns to the country as this is the most active form of CSR.

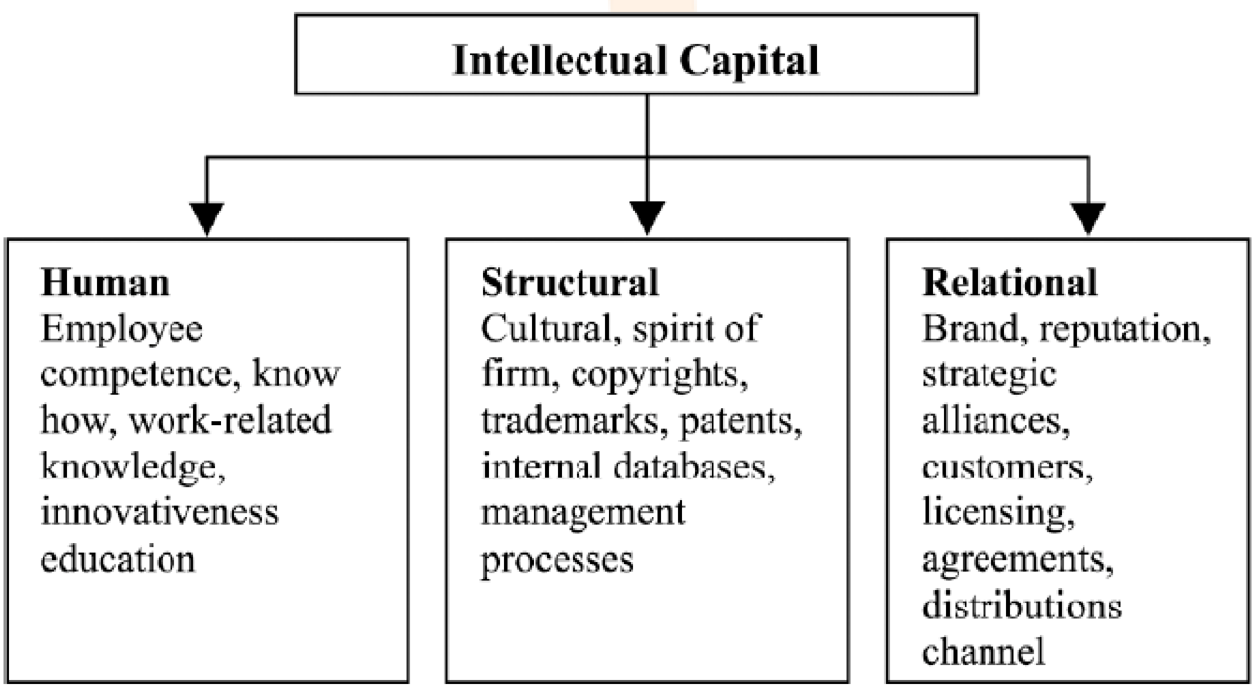
STRUCTURE OF INTELLECTUAL CAPITAL

Intellectual capital refers to the worth of a company's personnel knowledge, skills, business training, or other private information that can provide the organization a competitive advantage.Intellectual capital is seen as an asset and is generally understood to be the collection of all informational resources at a company's disposal that may be utilized to boost profitability, attract new clients, develop new products, or otherwise enhance the firm. The combination of organizational procedures, personnel skills, and other intangibles is what determines a company's bottom line.[5] Because they have identified all of the assets (tangible and intangible) at their disposal, businesses that effectively measure, report, and manage their intellectual capital are in a better position to operate at their full potential and make the best use of their asset pool. Additionally, knowing the true value of all assets gives a firm a better idea of its value, supporting the corporate objectives of openness to shareholders, potential investors, and market observers. Three fundamental elements of intellectual capital are acknowledged on a global scale:

(1)Human capital

(2)Structural capital and

(3)Relational capital.



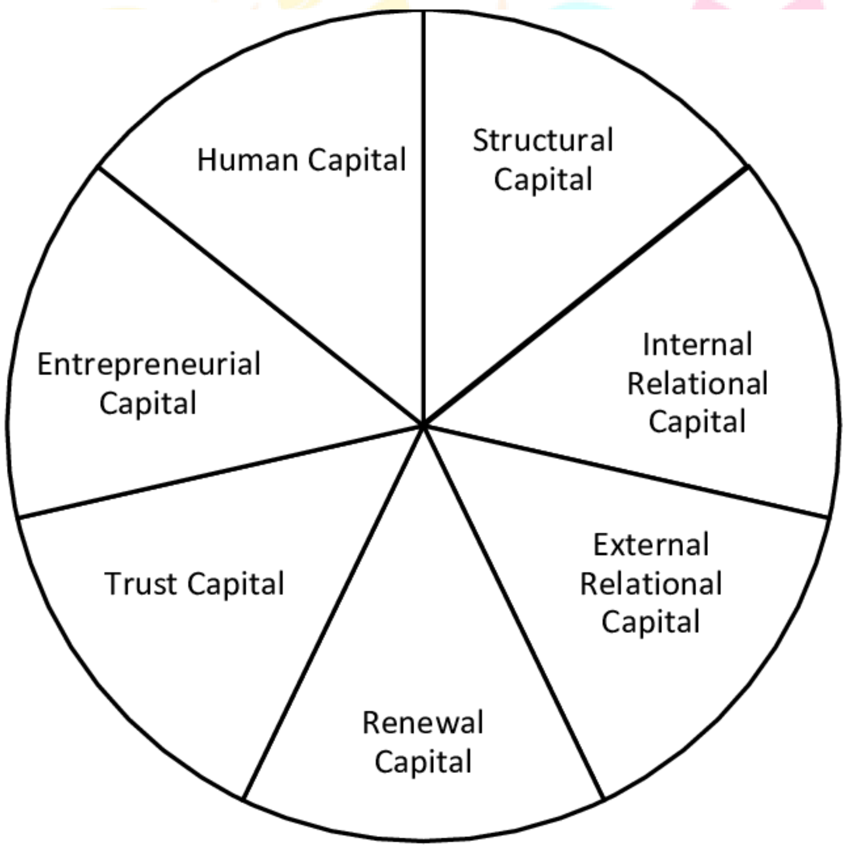
[5] (https://www.investopedia.com/terms/i/intellectual_capital.asp)

In a wide sense, these represent all expressions of a firm's knowledge stocks. This triple nature of intellectual assets has been revisited by different lines of research, which are trying to reconcile the concept of intellectual capital. In our research, based on the dominant stream, we adopt these basic three components of intellectual capital:

(1)Human capital, which includes values and attitudes, aptitudes and know-how;

(2)Structural capital, that contains both organizational and technological elements that pursue integration and coordination within the firm and

(3)Relational capital, which gathers the value of the relationships that the firm maintains with external agents (business activity close by or with other more distant social agents) [6]



HUMAN CAPITAL: The primary sub elements of an organization's human capital (HC) are the skill sets, breadth of experience, and depth of knowledge of its staff. The living and thinking component of intellectual capital resources may be conceived of as human resources. But the core of intellectual capital is human capital. It has to do with the knowledge, competence, skill, capability, and inventiveness of the employees. Additionally, workers create intellectual capital through their abilities, attitudes, and intellectual flexibility. The skill and abilities of employees,

[6] (International Journal of Information Management Volume 31, Issue 1, February 2011, Pages 88-95 Intellectual capital and organizational organic structure in knowledge society: How are these concepts related? Majid Ramezan)

their knowledge in certain industries that are crucial to the success of the business, and their aptitudes and dispositions all fall under the category of human capital. Because a firm's reservoir of talent and experience grows with time, employee loyalty, motivation, and flexibility are frequently important elements as well. A high worker turnover rate might indicate that a company is losing these crucial components of intellectual capital.[7]

RENEWAL CAPITAL:

Since organizational resources and capacities linked to knowledge distribution, leverage, organizational memory, and learning are particularly crucial for businesses' competitiveness, it makes sense to address these issues individually. In order to properly classify intellectual capital, it should also contain renewal capital, which refers to an organization's ability to innovate and grow through knowledge-related activities like research and learning.

Learning, or the generation of new information, as well as the development of fresh mental models and insights, are the two main mechanisms of organizational renewal from a knowledge-based approach. Therefore, the ability of an organization to learn and to produce new knowledge through actions like learning new information and honing new abilities is referred to as renewal capital.It stands for the company's resources for updating its know-how and skill set.An organization with strong renewal capital, also known as innovation capital, is able to build on existing knowledge and create new knowledge, as well as to continuously produce new goods, services, and creative ideas.

Additionally, companies that can innovate learn, and gain new information will probably be able to adapt quickly to problems in the future and to extreme changes in the market, maintaining its competitiveness despite these changes. According to the explanation above, the three-dimensional Intellectual Capital model has certain relationships between renewal capital and structural/organizational capital. However, because it specifically addresses renewal through learning and knowledge creation, renewal capital should be studied separately from other structural capital issues. In contrast, structural/organizational capital deals with strategies, cultural artifacts, databases, information systems, processes, manuals, patents, routines, mechanisms, charts, and other structural arrangements. As a result, there is no overlap in the information included in these dimensions, and both are necessary to provide a comprehensive understanding of intellectual capital.

ENTREPRENEURIAL CAPITAL

Entrepreneurial capital is connected to the entrepreneurial behavior that organization members exhibit. Renewal capital is discussed in terms of the firm's capacity to learn and gain new information and skills. Competence and dedication connected to entrepreneurial operations inside the company make up entrepreneurial capital. In the company, more self-determined growth activities are made possible by boldness, initiative, and proactivity.

[7](Accounting Auditing & Accountability Journal · June 2017 Structure of intellectual capital - an international comparison **Henri Hussinki Aino Kianto**)

Entrepreneurial capital is further defined as the company's reactiveness with new opportunities to develop products and strategies and acquire market signals, its risk-taking ability in terms of uncertainty acceptance and capitalizing on market instability, its aggressive decision-making to outperform competitors, and its empowerment of employees to make independent decisions, be creative, and be more self-directed.

Therefore, a company with significant entrepreneurial capital is likely to benefit from its workers' ability to make rapid choices, be proactive, and have a strong emotional connection to the company. The overall organizational environment fosters entrepreneurial capital, hence there is a connection between it and the structural/organizational capital dimension in the emerging mainstream three-factor model , dimensional IC model, even though previous IC studies have not typically discussed entrepreneurial orientation.However, it is important to introduce entrepreneurial capital as an independent dimension within the IC model, as its examination will increase the understanding on how entrepreneurial behavior influences firm performance outcomes. As such, it carries important managerial implications on issues such as power decentralization and motivation.

TRUST CAPITAL:

Trust, which is expressly separate from relationships in certain cultures and more ingrained in relationships in others, is an essential intangible socio-cultural characteristic of organizations. A relationship-related trust capital, which refers to the attribute of trust that adds value to internal and external connections, is included in the IC classification to ascertain the possible institutional variations in this respect."A psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another," is how trust is typically defined. Social capital, which promotes knowledge exchange and production across links, must have trust as a key component. Thus, trust encourages the flow of knowledge inside and across organizations, possibly promoting innovation and performance. As a quality that provides value for the organization, is uncommon, and is challenging to duplicate or replace, organizational trust has the potential to be a source of long-term competitive advantage. In other words, a high degree of organizational trust is a strategically significant source of competitiveness. Organizational trust is a valued intangible asset.Therefore, by fostering attitudes and practices that will ultimately form a distinct and unmistakable culture of trust, trust between and within organizations may contribute to the achievement of lasting competitive advantage.

Trust is also difficult to transmit to other organizations since it is a historical development that is challenging to duplicate. Although trust capital ought to be considered a separate, autonomous aspect of IC, there are certain linkages between it and the three-dimensional IC conception. First, trust is a crucial component of the climate and culture of the organization, which means that it has some bearing on structural and relational capital. Second, because trust is ingrained in an organization's interactions and relations, it may be considered a component of relational capital.In addition, trust is a part of social capital, as was said in the preceding paragraph.

However, given that trust frequently has a striking impact on the value of connections, researching it apart from other IC aspects and as an independent dimension has great importance. Trust has not yet been treated as a standalone IC component in empirical IC research, which has resulted in a relatively limited knowledge of how IC affects firm performance. In conclusion, trust may be viewed as an example of an intangible resource and, hence, an IC asset. The trust ingrained in a company's internal and external interactions is referred to in this article as trust capital.

STRUCTURAL CAPITAL:

Structural capital is the organization, process, and innovation capital that supports an organization's human and relational capital. It includes culture, processes, databases, intellectual property (IP), non-physical infrastructure, hierarchy, and more. It refers to the knowledge and value that belongs to an organization's structure and processes. There are three subcomponents that comprise structural capital:

- **Organizational capital** includes the organization philosophy and systems for leveraging the organization's capability.
- **Process capital** includes the techniques, procedures, and programs that implement and enhance the delivery of goods and services.
- **Innovation capital** includes intellectual property and certain other intangible assets. Intellectual property includes protected commercial rights such as patents, copyrights and trademarks. Intangible assets are all of the other talents and theory by which an organization is run.

RELATIONAL CAPITAL:

Relational capital refers to the network of contacts a company maintains with other economic entities. The value of a company may be raised through relationships with shareholders, strategic alliance partners, consumers, suppliers, and administrative networks. According to its definition, relational capital is built on the kinship between alliance members. Yes, the success of alliance partners is significantly influenced by relational capital. More specifically, it may significantly affect a company's ability to properly manage the dual objectives of learning from alliance partners while also defending its own crucial unique assets from them. Relationships between internal and external colleague memberships are referred to as relational capital.

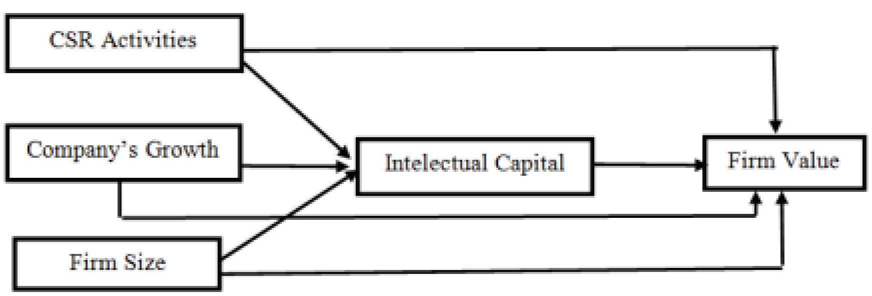
It details the relationships between the firm and its many strategic partners, who assist and work with the company's operations. Relational capital, which is an intangible asset dependent on the growth, maintenance, and promotion of elevated affiliation with various businesses, individuals, or associations influencing the organization, is the ability of a company or organization to forge relationships of a business or organization to maintain a harmonious and pleasant network of affiliates or unions between cooperative partners.

Another term for customer capital is relationship capital, which emphasizes the significance of relationships with external partners like customers, suppliers, and marketing channels as well as the knowledge that comes from these interactions. Relational capital includes more than just internal connections inside a company; it also includes facets like reputation and brand.

RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND INTELLECTUAL CAPITAL:

Initiatives inside organizations have recently been influenced by two significant managerial strategies: intellectual capital (IC) and corporate social responsibility (CSR). The adoption of voluntary CSR practices by organizations suggests a commitment that extends beyond simple deeds and is a step towards obtaining advantages for these organizations. IC, on the other hand, describes a group of intangible organizational assets (i.e., human, structural, and relational capital) that may provide more value than tangible assets now can. Organizations can gain competitive benefits by implementing both techniques on their own, including more credibility in their industry. Corporate responsibility, according to Pedrini (2007), incorporates consideration of human resources into the fundamental structure of the business. By not just meeting the expectations of its employees but also by acting ethically, which demonstrates the company's respect for its principles and interest in social concerns, it creates and maintains a social rationale for the business. Research has demonstrated that there are areas of overlap between CR and IC, supporting the hypothesis that CSR practices aid in the development of IC. In their 2012 study of the relationship between corporate social responsibility and intellectual capital in relation to Lithuania, Stankeviien et al. found that businesses with strong corporate social performance often had greater VAIC.

Saeed and Arshad (2012) demonstrated that social responsibility-related activities with both internal and external stakeholders were the best strategy to develop IC. From a practical standpoint, those social activities of an organization are viewed as intangible resources that support the idea that CSR activities help increase organizations' IC (Pedrini,2007) and help to develop the dimensions of IC (structural capital, human capital, and reputation of organization). The prospect of bolstering the relationship between CSR and IC by including socially conscious practices into how each IC component is set up is covered below.[8]



CSR AND HUMAN CAPITAL: According to the simplest definition, a company's human capital is the group of individuals who work there and support its success. According to experts, human capital is a company's most important source of competitive advantages. This resource has grown in significance in recent years as most organizations are forced to compete in globalized marketplaces and deal with mounting challenges via strategic

[8] (IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE: THE ROLE OF INTELLECTUAL CAPITAL , City University Research Journal Special Issue: AIC, Malaysia PP 247-263 , Muhammad Kashif Khurshid,2017)

human resource management. Internal organizational procedures and interactions with workers are crucial to both CSR and human capital, as emphasized by Voegtlin and Greenwood's meta-analysis of the relationship between CSR and human resource management.

The commitment of top management and the board of directors, employee recruitment and engagement, and the provision of training, resources, and incentives are all necessary, according to Musibah and Alfattani. These results suggest that the success of CSR programmes depends heavily on corporate personnel. Thus, CSR activities may be integrated into businesses through human resource practices, such as competency development, which shows that CSR initiatives have an impact on firms' human capital and its components. Better organizational performance is produced by a competent staff, especially when employees' abilities are developed appropriately. In addition, HR practices encourage sustained motivation and engagement among staff members. According to a study by Razafindramanana and Kariodimedjo, there is a correlation between the efficiency of the capital employed and the disclosure of CSR as well as between the efficiency of human capital and the disclosure of CSR. In other words, acts regarding CSR disclosure can be related to both human capital from employees and human capital in general. Employees, social action, and the environment make up the three categories now in use to categorize social acts. Additionally, as people today are the primary value generators in economies, investing in people is both the beginning and the end of the knowledge-based economy. So it becomes sense to assume that CSR increases human capital if it affects workers and improves human resources.

CSR AND RELATIONAL CAPITAL:

Relational capital is a collection of intangibles that are associated with a company's external activities. These resources include a wide range of ones that come from connections with stakeholders, customers, suppliers, communities, governmental authorities, and financial institutions, among others. Bhattacharya and Sen discovered proof of a favorable correlation between CSR initiatives and consumer behavior as well as the resultant bolstering of corporate brands. Companies that engage in high-profile socially responsible activities, according to Branco and Rodrigues, may build and considerably enhance connections with customers, suppliers, investors, and banks.

CSR may thereby enhance an organization's relationship capital, which will enhance its reputation. Porter and Kramer even go so far as to claim that adopting CSR tactics by businesses is justified by their improved reputation. Leire and Mont reached the same conclusion. Given their increased closeness to clients, the ties that CSR fosters in small and medium-sized businesses are particularly intriguing. These businesses almost inherently engage in CSR, which makes it easier for them to build relational capital. As CSR concentrates on customer-related practices, managers and employees tend to have more strong and direct interactions with clients.[9]

[9] (Corporate Social Responsibility and Intellectual Capital: Sources of Competitiveness and Legitimacy in Organizations´ Management Practices October 2019 Sustainability Dolores Gallardo-Vázquez)

CSR AND STRUCTURAL CAPITAL:

Intangible assets that are significant components of structural capital, or a group of assets related to a company's internal operations, include things like organizational culture, philosophy, business concepts, product quality, and innovation. The most representative components of structural capital are all strategic characteristics of current business practices, according to an analysis of these components. There aren't many studies linking CSR efforts to the development of organizational and/or structural capital. The study by Razafindramanana and Kariodimedjo, which sought to determine if a connection existed between the effectiveness of structural capital and CSR disclosure, is one of the outliers. The mentioned authors point out that while human and structural capital have only a tenuous connection to CSR methods, the efficiency of capital utilized has a substantial association with CSR.

CONCLUSION:

Based on the study on the interrelationship between intellectual capital, corporate governance, and corporate social responsibility, it can be concluded that these factors are closely related and have a significant impact on each other. Intellectual capital plays a crucial role in enhancing corporate social responsibility initiatives as it enables the organization to innovate, develop new products and services, and build a sustainable competitive advantage. Effective corporate governance practices help to ensure that corporate social responsibility and intellectual capital management strategies are aligned with the overall goals and objectives of the organization. Furthermore, corporate social responsibility initiatives contribute to the development of intellectual capital, which can improve the organization's performance and competitiveness. Therefore, it is vital for organizations to recognize the interrelationship between these factors and adopt a holistic approach to manage them effectively.