**Social Audit:**

A social audit is a way of measuring, understanding, reporting and ultimately improving an organization’s social and ethical performance. A social audit helps to narrow gaps between vision/goal and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, report on and to improve the social performance of the organization.

**Corporate governance**:

**Corporate governance** is the system by which companies are directed and controlled. Boards of directors are responsible for the **governance** of their companies. The shareholders' role in **governance** is to appoint the directors and the auditors and to satisfy themselves that an appropriate **governance** structure is in place.

Corporate governance is an integral system encompassing policies, processes and people, which serves the needs of shareholders and other stakeholders.

**Importance of Corporate Governance:**

A good system of corporate governance is important on account of the following:

**1. Investors and shareholders:**

Investors and shareholders of a corporate company need protection for their investment due to lack of adequate standards of financial reporting and accountability. It has been noticed in India that companies raised capital from the market at high valuation of their shares by projecting wrong picture of the company’s performance and profitability.

The investors suffered a lot due to unscrupulous management of corporate that performed much less than reported at the time of rais­ing capital. “Bad governance was also exemplified by allotment of promoters’ share at preferential prices disproportionate to market value affecting minority holders interest”.

**2. Investors’ grievances:**

Corporate governance is considered as an important means for paying heed to investors’ grievances. Kumar Manglam Birla Committee on corporate governance found that companies were not paying adequate attention to the timely dissemination of required information to investors in by India. Though some measures have been taken by SEBI and RBI but much more required to be taken by the companies themselves to pay heed to the investors grievances and protection of their investment by adopting good standards of corporate governance.

**3. corporate firms:**

The importance of good corporate governance lies in the fact that it will enable the corporate firms to

(a) attract capital and

(b) perform efficiently.

This will help in winning investors confidence. Investors will be willing to invest in the companies with a good record of corporate governance.

In India there are several instances of corporate’ failures due to lack of transparency and disclosures and instances of falsification of accounts. This discourages investors to make investment in the companies with poor record of corporate governance.

**4. Global Perspective:**

The extent to which corporate enterprises observe the basic principles of good corporate governance has now become an important factor for attracting foreign investment. In this age of globalisation when quantitative restrictions have been removed and trade barriers dis­mantled, the relationship between corporate governance and flows of foreign investment has become increasingly important.

Studies in India and abroad show that foreign investors take notice of well- managed companies and respond positively to them, capital flows from foreign institutional investors (FII) for investment in the capital market and foreign direct investment (FDI) in joint ventures with Indian corporate companies will be coming if they are convinced about the implementation of basic principles of good corporate governance.