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Good Governance and Corporate Social Responsibility: An Administrative Law Perspective

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1. Introduction

In today's world of globalization and economic openness, good governance and Corporate Social Responsibility (CSR) have become essential for achieving sustainable development and ensuring responsible business practices. Governments, businesses, and civil society are increasingly aware that economic growth must go hand in hand with ethical governance, social justice, environmental protection, and accountability. Good governance means exercising authority effectively, transparently, and accountably in managing public affairs and organizational tasks. It encourages the rule of law, responsiveness, fairness, and efficiency, while ensuring institutions serve the public interest. These principles are vital for building trust among governments, companies, and society. Corporate Social Responsibility has changed from a voluntary charity effort to a legal and strategic duty for businesses. Today's companies are not just expected to focus on profit; they must also consider the needs of employees, customers, local communities, investors, and the environment. In India, CSR gained legal standing with the introduction of Section 135 of the Companies Act, 2013. This law requires qualifying companies to allocate a certain percentage of their average net profits to socially beneficial activities. This shift highlights the growing importance of linking corporate responsibility to national development goals and sustainable business practices.

Administrative Law plays a key role in promoting good governance by regulating how administrative powers are used and ensuring that both public bodies and private companies follow legal rules. It sets up systems for accountability, transparency, fairness, and judicial review, helping to prevent arbitrary decisions and abuse of power. Administrative agencies, such as regulatory bodies and government departments, monitor corporate compliance with legal obligations, including CSR rules. Through licensing, inspections, reporting demands, audits, and enforcement actions, these agencies support the implementation of corporate responsibilities and protect the interests of various stakeholders.The connection between good governance, CSR, and Administrative Law has grown more important as corporations increasingly influence economic and social development. Businesses today significantly affect job creation, environmental sustainability, public health, education, and community welfare. As a result, governments have established regulations to ensure corporate activities reflect constitutional values, public policy goals, and sustainable development principles. Administrative Law provides the legal basis for these regulations by allowing authorities to oversee corporate actions, enforce compliance, and handle violations through proper legal processes. Despite several legal rules surrounding CSR, serious challenges still hinder effective implementation. Many organizations see CSR as just a compliance measure instead of a true commitment to social welfare. Issues like poor monitoring, lack of transparency, ineffective use of CSR funds, and inconsistent enforcement continue to undermine the aims of CSR laws. Additionally, administrative agencies often struggle with limited resources, coordination problems, and inadequate monitoring systems, which impact their ability to ensure real corporate accountability.

The growing focus on Environmental, Social, and Governance (ESG) principles, the United Nations Sustainable Development Goals (SDGs), and international corporate governance standards has further emphasized the need to integrate CSR within the broader concept of good governance. Today's corporations are expected to engage in ethical business practices that balance economic goals with social and environmental duties. Administrative Law offers the necessary institutional and legal framework to ensure these responsibilities are met while safeguarding the rights of all stakeholders. This study aims to explore the link between good governance and Corporate Social Responsibility from the perspective of Administrative Law. It seeks to assess how administrative institutions promote corporate accountability, enhance transparency, enforce legal obligations, and contribute to sustainable development through effective governance.

2. Statement of the Problem

Although India has set up a solid legal framework for Corporate Social Responsibility through the Companies Act, 2013, and related regulations, several practical challenges still hinder achieving its goals. Many companies view CSR mainly as a legal duty rather than a key part of responsible corporate governance. As a result, CSR efforts often focus on meeting legal spending requirements instead of making a lasting social impact.

One major concern is the lack of effective monitoring and evaluation systems. Regulatory authorities struggle to oversee CSR implementation due to limited administrative capacity, poor coordination among agencies, and a lack of transparency in corporate reporting. In some cases, companies do not provide complete information about CSR spending, project execution, and measurable results, which reduces public trust in corporate accountability.

Another significant issue is the effectiveness of administrative law in enforcing CSR duties. Even though regulatory authorities have the power to ensure compliance, enforcing CSR rules often remains inconsistent. Delays in regulatory responses, a lack of standard administrative practices, and minimal stakeholder involvement weaken the governance system. Additionally, finding the right balance between corporate independence and regulatory oversight remains a challenge for policymakers and administrative bodies.

The situation is complicated by the growing expectations for companies to contribute to environmental sustainability, social justice, and inclusive economic growth. As businesses take on more responsibility for societal issues, there is an increased need for stronger administrative systems that promote transparency, accountability, and ethical decision-making. It is essential to assess whether the current administrative framework effectively supports good governance and Corporate Social Responsibility.This research tackles these issues by examining the legal and administrative framework for CSR, evaluating how well regulatory institutions work, identifying implementation challenges, and suggesting reforms to boost corporate accountability and good governance in India.

2.1.Hypothesis

A robust administrative law framework enhances good governance by promoting transparency, accountability, and effective Corporate Social Responsibility (CSR) implementation, thereby contributing to sustainable development.

3. Concept & Evolution of CSR

The term CSR was coined in the 20th century. It has evolved from the long history of the industrial revolution, the period that depicts the labor movement, the creation of the business enterprise and the years of perfecting Corporate Giving as a power to do good for the society. To look at CSR as a much deeper process of evolving solutions to societal concerns and be proactive about the future, would involve exploring the possibility of how institutions could cultivate practices that will serve as a constant reminder to putting a “human purpose” to any endeavor. All ideas on “Giving” have their roots in the virtues and forms of re-distributing wealth. Triggered by religious as well as humanistic moral codes, “Giving back” has assumed several creative and cultural forms. The concept of Corporate Social Responsibility has evolved during last few decades from simple philanthropic activities to integrating the interest of the business with that of the communities in which it operates. By exhibiting socially, environmentally and ethically responsible behavior in governance of its operations, the business can generate value and long term sustainability for itself while making positive contribution in the betterment of the society. Similar examples resembling the idea of present day corporate social responsibility came from different sociological Businesses conducted these activities through specially dedicated charities or foundations and it developed to what we today have by way of charity work, philanthropy, welfare programs and recently under connotations of social responsibility.

The philosophy of giving back to the society has been an integral part of the culture, which has also been imbibed in traditional Indian businesses since time immemorial. India's ancient wisdom, which is still relevant today, inspires people to work for the larger objective of the well-being of all stakeholders. These sound and all-encompassing values are even more relevant in current times, as organizations grapple with the challenges of modern-day enterprise, the aspirations of stakeholders and of citizens eager to be active participants in economic growth and development. Indian business has traditionally been socially responsible and some of the business houses have demonstrated their efforts on this front in a laudable manner. However, the culture of social responsibility needs to go deeper in the governance of all business entities. In order to integrate CSR into the core business philosophy, the Government has obligated companies, those meeting certain threshold in terms of turnover, net worth or net profit to set apart two per cent of their net profit for CSR activities.

3.1.Relationship between Administrative Law, Good Governance, and Corporate Social Responsibility

Administrative Law, Good Governance, and Corporate Social Responsibility (CSR) are interconnected concepts that foster transparency, accountability, ethical governance, and sustainable development. Administrative law provides the legal framework within which public authorities operate, ensuring that their decisions are lawful, reasonable, fair, and not arbitrary. Good governance embodies the principles that guide public administration, such as accountability, transparency, participation, responsiveness, efficiency, and adherence to the rule of law. CSR complements these principles by urging companies to act responsibly and contribute to economic growth, environmental sustainability, and community welfare. Together, these ideas form a framework where both the State and corporations are held accountable to society for their actions.[1] The introduction of mandatory CSR requirements

[1] M.P. Jain & S.N. Jain, *Principles of Administrative Law* (9th ed. 2018).

under the Companies Act, 2013 has reinforced the connection between administrative law and corporate governance in India. Section 135 of the Companies Act mandates that certain companies meeting specific financial criteria establish a CSR Committee, formulate a CSR Policy, and allocate at least two percent of their average net profits to activities outlined in Schedule VII of the Act. Unlike traditional voluntary CSR, this legal framework imposes clear obligations on corporations and empowers administrative authorities to ensure compliance. Consequently, CSR has evolved into a crucial instrument for public policy, allowing corporate resources to bolster national development while remaining under administrative scrutiny.[2] Administrative authorities play a vital role in ensuring that CSR objectives are effectively implemented. The Ministry of Corporate Affairs (MCA), Registrar of Companies, National Company Law Tribunal (NCLT), and other regulatory bodies are responsible for monitoring compliance with legal standards, reviewing corporate disclosures, and taking action when companies fail to meet their obligations. These institutions wield the powers granted to them to ensure that CSR initiatives are not just a checkbox exercise but genuinely contribute to societal well-being.[3]

3.2.LEGAL FRAMEWORK

Administrative Law, Good Governance, and Corporate Social Responsibility (CSR) are interconnected concepts that foster transparency, accountability, ethical governance, and sustainable development. Administrative law provides the legal framework within which public authorities operate, ensuring that their decisions are lawful, reasonable, fair, and not arbitrary. Good governance embodies the principles that guide public administration, such as accountability, transparency, participation, responsiveness, efficiency, and adherence to the rule of law. CSR complements these principles by urging companies to act responsibly and contribute to economic growth, environmental sustainability, and community welfare. Together, these ideas form a framework where both the State and corporations are held accountable to society for their actions.[4] The introduction of mandatory CSR requirements under the Companies Act, 2013 has reinforced the connection between administrative law and corporate governance in India. Section 135 of the Companies Act mandates that certain

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[2] The Companies Act, 2013, No. 18 of 2013, § 135 (India); Companies (Corporate Social Responsibility Policy) Rules, 2014.

[3] Organisation for Economic Co-operation and Development (OECD), *G20/OECD Principles of Corporate Governance* (2023).

[4] Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended by the Companies (CSR Policy) Amendment Rules, 2021 and Ministry of Corporate Affairs, *General Circular No. 14/2021 on Corporate Social Responsibility* (25 August 2021).

companies meeting specific financial criteria establish a CSR Committee, formulate a CSR Policy, and allocate at least two percent of their average net profits to activities outlined in Schedule VII of the Act. Unlike traditional voluntary CSR, this legal framework imposes clear obligations on corporations and empowers administrative authorities to ensure compliance. Consequently, CSR has evolved into a crucial instrument for public policy, allowing corporate resources to bolster national development while remaining under administrative scrutiny. Administrative authorities play a vital role in ensuring that CSR objectives are effectively implemented. The Ministry of Corporate Affairs (MCA), Registrar of Companies, National Company Law Tribunal (NCLT), and other regulatory bodies are responsible for monitoring compliance with legal standards, reviewing corporate disclosures, and taking action when companies fail to meet their obligations. These institutions wield the powers granted to them to ensure that CSR initiatives are not just a checkbox exercise but genuinely contribute to societal well-being.[5]

4. CHALLENGES AND CONTEMPORARY ISSUES

Even though India has put in place a solid legal framework for Corporate Social Responsibility (CSR), there are still quite a few hurdles that make it tough to implement effectively. One major issue is the weak enforcement of CSR rules. While Section 135 of the Companies Act, 2013 requires eligible companies to spend on CSR, the focus tends to be more on disclosure rather than on evaluating the real social impact of these initiatives. Another big challenge is the difference between compliance and true social responsibility. Many companies see CSR as just a legal requirement instead of a genuine ethical obligation to society. As a result, CSR activities are sometimes carried out just to tick a box rather than to tackle urgent social and environmental issues. The lack of transparency in CSR reporting also shakes public trust. Companies are supposed to share their CSR activities in their annual reports, but often, the information about how projects are implemented, how funds are used, and what measurable outcomes are achieved is insufficient. This lack of clarity can limit stakeholder engagement and accountability. Corporate greenwashing is another growing concern, where companies inflate or misrepresent their environmental efforts to craft a favorable public image without making any real strides in sustainability. Such tactics not only damage the credibility of CSR but also mislead consumers and investors. Moreover,

[5] United Nations Global Compact (2000); United Nations, *Transforming Our World: The 2030 Agenda for Sustainable Development* (2015); OECD, *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct* (2023); International Organization for Standardization, *ISO 26000: Guidance on Social Responsibility* (2010).

challenges in monitoring and evaluation can diminish the effectiveness of CSR programs. Many organizations don't have standardized ways to assess the long-term impact of their CSR projects, making it hard to figure out if these initiatives are actually meeting their goals.[6] On top of that, administrative inefficiencies—like poor coordination among regulatory bodies, delays in policy execution, and limited institutional capacity—further undermine CSR governance. So, enhancing administrative oversight is crucial for ensuring compliance and fostering responsible corporate behavior.[7]

5. RECOMMENDATIONS

To really boost the impact of Corporate Social Responsibility (CSR) and foster good governance, a few key reforms are in order. First off, we need to **strengthen regulatory oversight** by giving the Ministry of Corporate Affairs (MCA) and other regulatory bodies the power to carry out regular inspections, audits, and compliance checks on CSR activities. This way, companies will be held accountable to both the letter and spirit of the law. Next, it's crucial to enhance **CSR monitoring mechanisms** through regular impact assessments and independent evaluations of CSR projects. These assessments will help us understand the real social and environmental effects of corporate initiatives, rather than just looking at financial spending. We should also push for greater **transparency and disclosure** by requiring companies to publish comprehensive CSR reports that detail project goals, spending, beneficiaries, and measurable outcomes. Making this information publicly accessible will build trust and accountability among stakeholders. Additionally, we need to focus on **capacity building** for administrative authorities to ensure effective implementation and enforcement of CSR regulations. Regular training and institutional support can significantly boost regulatory efficiency. Encouraging **active stakeholder participation**—including local communities, NGOs, and beneficiaries—during the planning and execution of CSR projects is vital to ensure that these initiatives truly meet societal needs. Implementing **digital monitoring and reporting systems** can enhance real-time tracking of CSR activities, cut down on administrative delays, and support data-driven decision-making. Lastly, we need **stronger accountability mechanisms**, such as stricter penalties for non-compliance and independent audits, to ensure that CSR serves as a genuine tool for sustainable development and good governance, rather than just a box to check off.

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[6] United Nations Development Programme (UNDP), *SDG Impact Standards for Enterprises* (2020).
[7] United Nations, *Transforming Our World: The 2030 Agenda for Sustainable Development* (2015).

6. CONCLUSION

In conclusion, good governance and Corporate Social Responsibility (CSR) are deeply intertwined, playing a vital role in fostering sustainable development, ethical business practices, and the well-being of the public. Administrative law lays down the essential legal and institutional framework that ensures corporations operate with transparency, accountability, and a sense of responsibility. In India, the mandatory CSR provisions introduced by the Companies Act of 2013, along with initiatives from the Ministry of Corporate Affairs and SEBI, showcase the government's dedication to aligning corporate growth with social progress. However, despite these important legal strides, challenges like weak enforcement, poor monitoring, a lack of transparency, administrative inefficiencies, and corporate greenwashing still hinder the effective execution of CSR. Tackling these issues calls for stronger regulatory oversight, greater stakeholder engagement, better disclosure practices, and the use of technology for monitoring. Administrative bodies also need sufficient resources and expertise to enforce CSR obligations effectively. Ultimately, CSR should be seen as more than just a legal requirement; it’s a fundamental part of responsible corporate governance. With a solid administrative law framework in place, CSR can significantly enhance inclusive economic growth, environmental sustainability, and the safeguarding of human rights. By strengthening governance mechanisms, we can ensure that corporate responsibility truly serves the public interest and plays a meaningful role in achieving India’s long-term sustainable development goals.

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