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Corporate Social Responsibility and Administrative Law: Bridging the Gap between Profit and Public Interest

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The idea of corporate social responsibility, which emphasises that companies must take into account not only their financial goals but also the social and environmental effects of their actions, has grown to be a crucial component of the modern business world. To gain a better understanding of the relationship between administrative law and corporate social responsibility (CSR), this research paper examines how regulatory frameworks affect CSR activities and company activity. By analysing the distinct regulatory bodies allocated in the business sector and the role that administrative law plays in promoting and regulating CSR, this research study seeks to examine the intersection between administrative law and business Social Responsibility (CSR). It does this by looking at case studies, approaches to regulation, and analysing judgments from case law.

Keywords: *corporate social responsibility, company law, administrative law.*

INTRODUCTION

Corporate Social Responsibility (CSR) represents an ongoing dedication by businesses to embed social and environmental considerations into their operational frameworks. Given the evolving global landscape, companies worldwide are compelled to extend their focus beyond financial

performance and incorporate social and environmental factors into their strategic decision-making processes.

On August 29th, 2013,¹ the Companies Act 2013 replaced its predecessor, the Companies Act of 1956, ushering in substantial changes affecting corporate formation, management, and governance. A notable addition under the new legislation is Section 135², which mandates Corporate Social Responsibility obligations for listed companies in India. This clause outlines fundamental requirements concerning the implementation, allocation of funds, and reporting mechanisms necessary for the successful execution of CSR projects.

Administrative Law pertains to the legal framework governing the powers, functions, and duties of governmental bodies. The concept of administrative law varies in interpretation among different scholars, leading to the absence of a singular universal definition. **K. C. Davis**³ defines Administrative Law as the law concerning the powers and procedures of administrative agencies, including especially the law governing the judicial review of administrative action. Administrative law is the branch of the law governing the *relationship between the individual and the executive branch of the government* when the latter acts in its administrative capacity.⁴

The objective of this research paper is to examine the integration of corporate social responsibility with administrative law to bridge the gap between profits and public interest.

¹ Mayashree Acharya, 'Corporate Social Responsibility Under Section 135 of Companies Act 2013' (*Clear Tax*, 19 July 2024) <<https://cleartax.in/s/corporate-social-responsibility>> accessed 15 October 2024

² Companies Act 2013, s 135

³ Bhavnee Gilhotra, 'Faulty concept of administrative law' (*St Soldier Law College*, 09 May 2024) <<https://stsoldierlawcollege.in/Blog-Details/Faulty-concept-of-administrative-law-#:~:text=According%20to%20K.C%20Davis%2C%20Administrative,judicial%20review%20of%20administrative%20actions.&text=Administrative%20law%20involves%20the%20administration,federal%20and%20state%20government%20agencies.>> accessed 15 October 2024

⁴ Samridhi M, 'Definition and Importance of Administrative Law' (*Lawctopus*, 17 July 2023) <<https://lawctopus.com/clatalogue/clat-pg/administrative-law-notes-nature-and-definition/>> accessed 15 October 2024

ADMINISTRATIVE LAW AND CORPORATE GOVERNANCE

The integration between corporate governance and administrative law involves the convergence of legal principles governing the internal management of corporations and the regulatory oversight provided by administrative agencies.

Corporate governance encompasses the rules and procedures guiding the management and oversight of a company, aiming to ensure ethical operations and the best interests of all stakeholders. An essential aspect of corporate governance is to prevent unethical conduct and encourage transparent and responsible business practices.

The regulatory framework for corporate governance in India has evolved, with regulatory authorities such as the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI) playing key roles. Formal regulatory frameworks have been introduced to enhance corporate governance standards, including guidelines for transparent and accountable practices.

PERSPECTIVE ON CORPORATE SOCIAL RESPONSIBILITY AND ADMINISTRATIVE LAW IN INDIA

In India, the intersection between the concept of administrative law and Corporate Social Responsibility (CSR) is shaped by a complicated legal foundation that includes statutes, regulations, judicial rulings, and government policies. The following section covers significant legal perspectives on CSR and administrative law in India, focusing on emerging jurisprudence and its implications for corporate governance.

JURISPRUDENTIAL ANALYSIS

Indian courts have given several landmark judgments that highlight corporations' legal obligations regarding CSR and Administrative Law. For instance, the Supreme Court, in the case of *Vodafone Essar Gujarat Limited v Union of India*,⁵ laid down an extensive and elaborative judgment regarding the affirmation of the constitutional validity of Section 135 of the

⁵ *Department of Income Tax v Vodafone Essar Gujarat Limited and Anr* (2015) 16 SCC 629

Companies Act 2013 that elaborates upon how corporations must voluntarily opt to contribute to a better society and a cleaner environment - a notion in which firms incorporate social and other helpful concerns into their business operations for the benefit of their stakeholders and society in general.

Further, the Doctrine of Public Trust, which establishes a great burden on the state to ensure that natural resources are not destroyed or depleted, is also a creation of the Court. Citizens are accountable for the effective management of these natural resources. They must also apply them wisely and it is their job to ensure that no natural resources are destroyed or polluted as a result of their actions.⁶ This principle was propounded in the case of *M.C Mehta v Union of India*,⁷ reinforcing the notion that businesses have a responsibility beyond profit-making, aligning with the principles of Corporate Social Responsibility.

Hence, the aforementioned provision specifies that a company will face a penalty if it fails to comply with the provisions of sub-sections (5) and (6). The penalty is twice the amount that the firm should have transferred to the fund stated in Schedule VII, often known as the Unspent Corporate Social Responsibility Account. The business might face fines ranging from ₹50,000 to ₹25,000, as well as imprisonment for employees who fail to comply.⁸

CORPORATE SOCIAL RESPONSIBILITY AND ADMINISTRATIVE LAW

Regulatory organizations play an important role in regulating Corporate Social Responsibility (CSR) compliance in India, ensuring that companies meet their legal duties and follow regulatory requirements. The Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA) are the key regulatory organizations in charge of monitoring CSR efforts and ensuring compliance.

⁶ Naincy Mishra, 'Corporate Social Responsibility (CSR) under Companies Act, 2013' (*iPleaders*, 08 April 2024) <<https://blog.ipleaders.in/csr-laws-india/>> accessed 15 October 2024

⁷ *M C Mehta v Union of India* (1987) 1 SCC 395

⁸ 'Extract of Section 135 of Companies Act 2013' (*Institute of Chartered Accountants of India*, 2013) <<https://csr.icai.org/wp-content/uploads/2021/02/Extract-of-Section-135-of-Companies-Act-2013.pdf>> accessed 15 October 2024

1. The Securities and Exchange Board of India (SEBI) oversees India's securities market through the Securities and Exchange Board of India Act, 1992. While SEBI's primary focus is on capital market regulation and investor protection, it also oversees CSR compliance, particularly for listed companies.⁹ SEBI's Listing Obligations and Disclosure Requirements (LODR) laws require listed companies to make certain CSR-related disclosures. These requirements mandate listed companies to disclose information about their CSR policies, initiatives, and expenditures in their annual reports and on their websites.¹⁰

SEBI supervises listed companies' CSR compliance via periodic filings and disclosures. Noncompliance with CSR reporting obligations may result in regulatory scrutiny, including penalties, fines, and other enforcement actions. SEBI has the jurisdiction to investigate and impose disciplinary action against companies that fail to meet CSR requirements, emphasizing the necessity of adhering to regulatory guidelines.

2. Ministry of Corporate Affairs (MCA): The Ministry of Corporate Affairs is India's major regulatory authority in charge of regulating corporate activities and ensuring that corporate rules and regulations are followed. MCA has an important role in overseeing CSR activities under the Companies Act of 2013 and related guidelines.

CSR Provisions Under the Companies Act of 2013: The Companies Act of 2013 included statutory requirements requiring CSR investment for some qualifying companies. Section 135 of the Act compels companies that meet certain financial levels to allocate a part of their income to CSR efforts. The Companies (Corporate Social Responsibility Policy) Rules, 2014 govern CSR activities, expenditures, and reporting obligations.

Compliance Monitoring: MCA supervises companies' CSR compliance through annual filings and disclosures to the Registrar of Companies (RoC). Companies must disclose data about their

⁹ 'SEBI – Objectives, Functions, Purpose, and Structure' (Byju's, 21 January 2021)

<<https://byjus.com/commerce/sebi-objectives-and-functions/>> accessed 15 October 2024

¹⁰ TeamLease RegTech Legal Research Team, 'Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024' (TeamLease RegTech, 18 May 2024)

<<https://www.teamleaseregtech.com/updates/article/32019/securities-and-exchange-board-of-india-listing-obligations-and-disclos/>> accessed 15 October 2024

CSR policies, efforts, and expenditures in their annual financial statements and CSR reports. Noncompliance with CSR duties may result in penalties, fines, or other legal consequences under the Companies Act.

Non-compliance with CSR reporting obligations can result in significant legal ramifications for companies. Regulatory organisations such as SEBI and MCA have the jurisdiction to levy penalties, fines, and other enforcement actions against companies that fail to meet CSR commitments. Noncompliance can also harm companies' reputations, lose stakeholder trust, and have negative implications in the marketplace.

In conclusion, regulatory authorities like SEBI and MCA play an important role in monitoring and enforcing CSR compliance in India. Companies must strictly comply with CSR reporting standards to avoid regulatory consequences and fulfill their legal and ethical obligations to society and stakeholders.

CONCLUSION

In conclusion, the intersection between administrative law and corporate social responsibility (CSR) is an important area where business objectives meet the needs of the general public and the welfare of society. Regulatory frameworks under administrative law that impose CSR responsibilities aim to close the gap between profit-driven goals and wider public interests by encouraging a corporate culture that places a premium on sustainable practices, stakeholder involvement, and ethical behaviour. Through jurisprudential analysis of prominent cases and regulatory frameworks, it is made evident that corporate social responsibility (CSR) is not simply a voluntary activity but also an essential component of corporate governance and regulatory compliance. As companies navigate through the nexus of legislation and cultural expectations, they must connect their corporate social responsibility (CSR) strategies with administrative law ideas of accountability, transparency, and public confidence.