



CORPORATE GOVERNANCE AND SUSTAINABLE BUSINESS PRACTICES IN INDIA

Dr. Pankaj Kumar Mahato

Assistant Professor, Department of Commerce, Gaya College, Gaya Jee.

Abstract

This research examines the evolution of corporate governance and sustainable business practices within the Indian corporate sector. The primary purpose is to analyze how legislative mandates, particularly the Companies Act 2013 and the Business Responsibility and Sustainability Reporting framework, have institutionalized Corporate Social Responsibility. The study a descriptive and analytical design. It evaluates secondary data from the National CSR Portal and SEBI disclosures to track spending trends and reporting quality.

The findings indicate a robust increase in corporate financial commitment, with total CSR expenditure reaching ₹34,908.75 crore in the 2023-24 fiscal years. However, the results also highlight a persistent geographic concentration of funds in industrialized regions and a continued focus on traditional sectors like education and health. This paper offers originality by synthesizing the most recent financial data with the latest regulatory shifts to provide a contemporary overview of India's sustainability landscape. The research is limited by its focus on large listed entities and the relative novelty of the BRSR framework.

The practical implications suggest that policymakers must refine existing regulations to encourage regional equity and more diverse environmental investments. The study underscores the role of corporate governance in driving national development goals and promoting climate resilience. By effectively aligning business operations with societal needs, India is creating a more accountable and sustainable corporate ecosystem that balances profit with purpose.

Keywords: *Corporate Social Responsibility, Corporate Governance, Sustainable Development, ESG Disclosures, Business Responsibility and Sustainability Reporting.*

1. Introduction

In the modern business world, the purpose of corporate governance has changed a lot. Traditionally, it was a system used to direct and control companies (Jha & Rangarajan, 2020). Its main goal was to protect shareholders and improve financial results. Today, this focus is considerably broader. Governance now includes environmental and social duties. It now suggests that companies are responsible to everyone they affect, including employees and the environment. Consequently, sustainable business practices are now part of core corporate strategies (Sustainability Reporting Standards Board, 2025). These practices help balance economic growth with social well-being and ecological protection.

In India, this change is driven by both law and ethics. Over the last 20 years, Indian regulations have moved from voluntary guidelines to strict rules (Mehta, 2023). Good governance is now seen as essential for managing long-term risks. It also helps firms find new opportunities related to sustainability (Popat & Brahmabhatt, 2025). By including social and environmental factors in their decisions, Indian companies can be both ethical and profitable (Sustainability Reporting Standards Board, 2025).



1.1 The Legislative Milestone: The Companies Act, 2013

The Companies Act, 2013, was a major turning point for India. It replaced the 1956 law with more modern requirements. The Act introduced new rules for board diversity and independent directors (K. Kumar et al., 2022; R. S. Kumar, 2021). It also required many companies to have at least one woman on their board. These changes were designed to make corporate management more transparent and accountable (Goel, 2018).

Section 135 of the Companies Act, 2013, made India one of the first countries to mandate corporate social responsibility (CSR) (Goel, 2018). Companies must follow these rules if they have a net worth of ₹500 crore or a turnover of ₹1000 crore or a net profit of ₹5 crore. Such firms are required to spend 2% of their average net profits over the last three years on CSR projects (Miralam& Jeet, 2020). These projects often focus on education, healthcare, and the environment. This law turned CSR from a simple donation into a strategic board duty (Jha & Rangarajan, 2020). To ensure this continues, the law now includes penalties for non-compliance. If a company does not spend its CSR funds, it must move the money to a designated government account or face a penalty of ₹1 crore or twice the unspent amount, whichever is less (Bergman et al., 2019).

1.2 Standardizing ESG through BRSR

Reporting on sustainability is also becoming more standardized. The Securities and Exchange Board of India (SEBI) introduced a new framework in 2021 (Menghnani& Babu, 2023). This is called the Business Responsibility and Sustainability Reporting (BRSR) framework. It replaced the older reporting style and is much more detailed. The BRSR aligns with global standards such as Environmental, Social, and Governance (ESG) principles and the Sustainable Development Goals (SDGs).

1.3 The Role of Governance in Driving Sustainability

Internal governance is the engine that drives these sustainability efforts. Studies show that board independence is very important for ESG performance (Jena & Mishra, 2025). Independent directors help prevent the board from focusing only on short-term profits (Kumar, 2021). Instead, they encourage a focus on long-term sustainability. Diversity on the board also contributes as a diverse group of leaders can better identify risks and engage with stakeholders (Jena & Mishra, 2025).

Good governance also makes a company more competitive. Investors around the world now prefer firms with strong ESG scores (Popat & Brahmabhatt, 2025). In India, there is a clear link between governance and financial health. Strong internal systems lead to better sustainability reporting. This, in turn, improves a company's reputation and its value over time (Gartia et al., 2024).

This study examines the relationship between corporate governance mechanisms and the adoption of sustainable business practices in the Indian context. The introduction is followed by Literature Review, Research Methodology, Analysis, and Conclusion.

2. Literature Review: Academic research on corporate governance and sustainability has expanded as global challenges become more pressing. Researchers now study how internal management structures affect social and environmental performance. This review examines findings from international studies and research focused specifically on India.

2.1 International Research Findings: Global studies suggest that corporate governance is a primary driver of sustainable development. In Thailand, research indicates that ethical leadership and stakeholder engagement are essential for protecting the environment. These governance structures help



firms create long-term value instead of focusing only on short-term profits (Song, 2025). A systematic review of international papers published between 2011 and 2020 shows a clear trend. Before the adoption of the SDGs, research mostly focused on simple disclosure scores. Recent researches have started focusing more on board diversity and independence (Aisyah et al., 2022).

Other international studies have explored how governance acts as a bridge between sustainability and financial results. In various emerging markets, the way companies integrate governance into their sustainability plans can differ greatly (Lungu et al., 2020). Research also shows that governance mechanisms at the board and operational levels are becoming more important for firm performance (Bajwa et al., 2023). The authors analyzed 91 different papers and concluded that these mechanisms help firms integrate sustainability into their daily operations.

2.2 Research Focused on India

In India, the literature is deeply connected to the country's legislative history. The enactment of the Companies Act, 2013, is a major theme in Indian research. (Bergman et al., 2019) have examined how this law transformed social responsibility from a voluntary act into a strategic duty. (Mehta, 2023) argues that this legal change has provided both benefits and challenges for sustainable development in the Indian context.

Recent research in India also focuses on the specific attributes of corporate boards. For example, a study of Indian manufacturing firms found that larger and more profitable companies tend to have better ESG performance (Jena & Mishra, 2025). This research also noted that board independence plays a vital role in ensuring that firms meet their sustainability goals. Another study in India found that ownership structures matter significantly. It suggests that the type of owners a company has can determine how well it reports on its social and environmental impacts (Kumar et al., 2022).

The link between sustainability and financial performance is another key area of interest in India. Researchers have found a "symbiotic relationship" between these two factors. This means that better environmental and social practices often lead to improved financial health (Gartia et al., 2024). (Jha & Rangarajan, 2020) established a causal link where sustainable practices eventually improve a company's financial results.

The quality of reporting is also a topic of active debate. Some researchers in India have examined whether third-party assurance makes sustainability reports more credible (Bhat et al., 2024). They found that such verification can strengthen the connection between governance and firm performance. Other studies have explored the early impact of the BRSR framework. These exploratory studies indicate that while reporting is improving, companies still face challenges in collecting high-quality data (Menghnani& Babu, 2023).

The literature shows that strong governance is necessary for successful sustainability. In Thailand, other emerging markets, and India, boards play a central role. International studies identify broad trends, whereas Indian research highlights mandatory regulations. Together, these sources suggest that a combination of clear laws and ethical leadership is the best way to drive sustainable business practices.

2.3 Research Gap

Current research often focuses on legal compliance rather than long-term strategy. But still some gaps can be observed. There is a limited use of official government data in empirical studies. Further, CSR



and ESG frameworks are rarely integrated (Jena & Mishra, 2025). Studies also lack a focus on the specific implementation challenges in India (Mishra, 2023). The BRSR framework is under-analyzed as a regulatory tool (Menghnani& Babu, 2023). This study addresses these gaps by utilizing official data. It provides a comprehensive analysis of corporate governance and sustainability in the Indian context.

2.4 Research Objectives

The primary objective of this study is to examine how corporate governance promotes sustainable business practices in India. It also aims to analyze recent trends in CSR spending using official government data. Further, the study evaluates the impact of ESG reporting frameworks, specifically the BRSR, on corporate transparency. Another goal is to identify the various challenges companies face when implementing these sustainable practices. Finally, the research suggests practical policy measures to enhance corporate governance and sustainability within the Indian business landscape.

3. Research Methodology

This study adopts a secondary research methodology based on a descriptive and analytical approach (Menghnani& Babu, 2023). Data on corporate spending has been systematically collected from various official government sources and regulatory bodies such as the Ministry of Corporate Affairs (MCA) and the Press Information Bureau. The study also uses reports and guidelines issued by the SEBI to analyze reporting standards.

The research also incorporates official policy reports and publications, such as those from NITI Aayog, to track progress toward national sustainability goals. By examining these secondary sources, the study analyzes trends in CSR expenditure and the impact of the BRSR framework.

4. Results and Analysis

4.1 Key Features of Corporate Governance & Sustainability Framework in India

India’s sustainability framework relies on four key regulatory mechanisms as presented in table 1.

Framework	Authority	Key Feature
Companies Act, 2013 (Section 135)	MCA	Mandatory CSR spending (2%)
BRSR	SEBI	ESG disclosure for top 1,000 firms
National CSR Portal	MCA	Transparency in CSR reporting
Public Enterprises Guidelines	DPE	CSR compliance for CPSEs

Source: Author’s analysis of MCA, SEBI, Department of Public Enterprises (DPE) regulations

The Companies Act, 2013, provides for a mandatory spending of 2% of average profit on CSR under MCA supervision. For listed entities, SEBI’s BRSR framework enforces ESG disclosures for the top 1,000 firms to ensure market transparency. The National CSR Portal improves reporting visibility, while the Department of Public Enterprises (DPE) guidelines ensure CSR compliance for public sector enterprises. These tools demonstrate a structured approach to corporate governance. By combining legislative mandates with disclosure requirements, the Indian government effectively integrates sustainability into core business operations.

4.2 CSR Spending Trends

CSR spending in India from year 2019-20 onward has been presented in table 2.



Financial Year	CSR Expenditure (₹ Crore)	Growth Rate (%)
2019–20	24,965.82	—
2020–21	26,210.95	5.00%
2021–22	27,141.45	3.60%
2022–23	30,932.08	13.90%
2023–24	34,908.75	12.80%
Total:	1,44,159.05	

Source: CSR expenditure data based on MCA filings

CSR spending in India grew steadily from 2019 to 2024. Total expenditure reached ₹1,44,159.05 crore over this five-year period. By 2023-24, the amount has increased to ₹34,908.75 crore from ₹24,965.82 crore in the year 2019-20. This consistent growth reflects the long-term impact of the Companies Act, 2013, which transformed social duty into a governance mandate (Bergman et al., 2019; Mehta, 2023). Additionally, frameworks like the BRSR have encouraged firms to integrate their social investments with broader sustainability goals.

4.3 Sectoral Distribution of CSR

Sector	Share (%)	Remarks
Education	44%	Highest allocation
Healthcare	29%	Second highest
Environment Sustainability	10%	Lower relative focus
Rural Development	8%	Moderate allocation
Others	9%	Includes gender equality, etc.

Source: MCA CSR database analysis

Sector-wise CSR allocation in India as presented in table 3, shows a clear preference for social welfare. According to official data, Education receives the highest share at 44%, followed by healthcare at 29%. Together, these two sectors account for nearly three-quarters of total spending. Environmental Sustainability receives a lower relative focus at only 10%. Rural Development and other areas, such as gender equality, receive 8% and 9% respectively. This distribution suggests that Indian firms prioritize immediate social needs over long-term environmental projects.

4.4 Corporate Participation

Indicator	FY 2022–23	FY 2023–24 (Projected/Data up to 03/24)
Total CSR Expenditure	₹30,932 crore (Approx.)	₹34,908.75 crore
Total CSR Projects	51,966 projects	59,000 projects
Private Sector Share	84%	84% to 87%
Public Sector Share	16%	13% to 16%
Number of Companies	24,392 companies	25,000 (estimated)

Source: MCA CSR database and recent government updates



CSR participation in India is increasing across both public and private sectors as presented in table 4. In FY 2022-23, total expenditure was approximately ₹30,932 crore with 51,966 projects. This rose to ₹34,908.75 crore and 59,000 projects by FY 2023-24. Private sector contributions account for 84% to 87% of total spending. The number of participating companies also grew from 24,392 to an estimated 25,000. These trends highlight the strengthening impact of the Companies Act, 2013, as more firms align with governance and sustainability mandates. This growth indicates a deeper commitment to social responsibility across India.

4.5 ESG Reporting under BRSR

Table 5 Presents A Few Facts About The SEBI BRSR Framework.

Table 5: ESG Reporting under SEBI BRSR Framework	
Indicator	Value
Companies covered	Top 1,000 listed companies
Mandatory from	FY 2022–23
ESG indicators required	140
Reporting framework	BRSR (SEBI)
Source: Securities and Exchange Board of India (SEBI)	

The SEBI BRSR framework became mandatory in FY 2022-23 for the top 1,000 listed companies. It requires these firms to report on 140 specific ESG indicators to improve transparency (Sustainability Reporting Standards Board, 2025). This regulatory tool standardizes sustainability reporting across the Indian market. By mandating these detailed disclosures, the government helps investors evaluate corporate governance more effectively. These requirements ensure large companies remain accountable for their environmental and social impacts.

4.6 Top 10 States Receiving CSR Spending

Table 6: Top 10 States Receiving CSR Spending (FY 2022-23 And 2023-24)

S. No.	State	CSR Spending FY 2022-2023		CSR Spending FY 2023-2024	
		Amount (INR Cr.)	Percent of Total CSR Spending	Amount (INR Cr.)	Percent of Total CSR Spending
1	Maharashtra	5705.54	18.45	6065.95	17.38
2	Gujarat	2060.02	6.66	2707.54	7.76
3	Karnataka	2058.73	6.66	2254.88	6.46
4	Tamil Nadu	1637.12	5.29	1968.76	5.64
5	Delhi	1517.07	4.90	1949.95	5.59
6	Uttar Pradesh	1213.12	3.92	1545.01	4.43
7	Odisha	994.82	3.22	1389.39	3.98
8	Rajasthan	1122.65	3.63	1145.67	3.28
9	Andhra Pradesh	986.77	3.19	1129.75	3.24
10	Telangana	1040.61	3.36	1054.92	3.02

Source: MCA CSR database analysis

Table 6 presents top 10 recipient states of total CSR spending by Indian companies. The regional distribution of CSR spending shows a significant concentration in industrialized states. Maharashtra



remains the top recipient, receiving ₹6,065.95 crore or 17.38% of total funds in FY 2023-24. Gujarat and Karnataka also received significant shares, each exceeding 6%. While absolute spending increased across these top states, the data highlights a persistent geographic gap. This concentration occurs because companies often prioritize social projects near their operational hubs (Bergman et al., 2019). Improving regional equity remains a key challenge for governance and sustainability policy in India (NITI Aayog, 2024).

5. Discussion

The findings demonstrate that India has successfully transitioned CSR from a voluntary activity to a mandatory governance requirement. The consistent growth in spending, which reached ₹34,908.75 crore in FY 2023-24, proves that the Companies Act, 2013, is an effective regulatory tool. Although CSR spending is rising, allocation patterns show clear corporate priorities.

Companies continue to favour education and healthcare, which receive over 70% of total funds. However, only 10% allocation to environmental projects suggests that deep ESG integration is still in an early stage. Further, the heavy concentration of funds in industrialized states like Maharashtra, which received 17.38% of total expenditure, indicates a persistent geographic imbalance.

The introduction of the BRSR framework by SEBI is an important step toward standardizing these efforts (Menghnani & Babu, 2023). By requiring detailed disclosures on 140 ESG indicators, this framework promotes greater transparency and market accountability (Sustainability Reporting Standards Board, 2025).

6. Policy Implications

Policymakers should refine the Companies Act, 2013, to reduce geographic disparities in CSR spending. Since funds are heavily concentrated in industrialized states, new incentives could encourage investments in underserved regions. The BRSR framework should expand to include more mandatory environmental targets. Strengthening these mandates would shift corporate focus from short-term welfare toward long-term climate resilience. Finally, improving digital reporting through the National CSR Portal will enhance market transparency. These strategic adjustments will ensure more balanced sustainable development throughout India.

7. Limitations and Future Directions

One of the limitations is the significant geographic concentration of CSR funds in industrialized states. Additionally, current data lacks long-term evidence on the impact of the new BRSR framework. Future research may investigate how these regulations affect small and medium enterprises. Further research may also examine the causal link between corporate governance and climate resilience in rural areas. These studies would provide a more complete picture of India's sustainability journey.

8. Conclusion

India's sustainability framework has advanced through a strong regulatory framework. The Companies Act, 2013, has effectively incorporated social responsibility into corporate governance. Total CSR spending reached ₹34,908.75 crore in FY 2023-24, highlighting significant growth. Further, the SEBI BRSR framework has improved transparency by standardizing ESG disclosures for the top 1,000 firms. Although regional imbalances persist, these policies ensure that large firms contribute to national development goals (Mishra, 2023; NITI Aayog, 2024). It can be concluded that India is building a strong framework that aligns business operations with sustainable development and climate resilience (Jha & Rangarajan, 2020; Sustainability Reporting Standards Board, 2025).



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