International Journal for Multidisciplinary Research (IJFMR)

E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Comparative Analysis of Corporate Governance in India and Zambia in Relation to Csr

Deidre Kapijimpanga

School of Law, Galgotias University Greater Noida, Uttar Pradesh, India

ABSTRACT

This paper undertakes a comparative examination of how corporate governance is enforced in India and Zambia, with particular attention to its connection to Corporate Social Responsibility (CSR). Relying on a doctrinal methodology, the research explores the legal structures, regulatory mechanisms, and institutional dynamics that shape the practice and oversight of CSR in both countries. According to the report, while India has codified CSR duties under Section 135 of the Companies Act of 2013, creating a legally binding framework for select corporations, Zambia takes a more voluntary and principles-based approach. Weak enforcement procedures and little stakeholder engagement remain common issues in both countries, hurting the effectiveness of CSR projects. The report contends that the incorporation of strong corporate governance principles is critical for successful CSR implementation. It demonstrates how weak governance mechanisms, such as a lack of board accountability and regulatory inefficiencies, can increase agency costs and result in inefficient CSR compliance. The article finishes by proposing legislative and policy reforms to strengthen both CSR and corporate governance, emphasising the importance of increased enforcement, transparency, and stakeholder participation in India and Zambia. This study contributes to a better understanding of how CSR and corporate governance can work together to promote ethical, sustainable corporate behaviour in emerging economies.

Keywords: CSR, Corporate Governance, India, and Zambia.

INTRODUCTION

Corporate governance is the foundation for responsible corporate behaviour and long-term economic performance. Companies that lack or have insufficient enforcement are more likely to have internal inefficiencies, corruption, and resource misallocation. Poor governance frequently results in imprecise decision-making processes, reduced investor trust, and insufficient accountability, all of which affect a company's long-term profitability (Shleifer & Vishny, 1997). Governance frameworks are less effective when they do not adequately define corporate directors' fiduciary duties or provide avenues for oversight. Without adequate checks and balances, directors may prioritise personal or dominant shareholder interests over those of the company or other stakeholders. This disparity is a classic example of agency cost, which happens when managers' (agents') goals do not align with those of shareholders.Corporate governance laws in developing nations such as India and Zambia are not always consistent or adequate. This is especially problematic when it comes to Corporate Social Responsibility (CSR), as disclosure and accountability procedures are crucial for ensuring that businesses achieve their social responsibilities. In the absence of stringent governance and CSR requirements, firms may participate in cosmetic or performative actions, such as token donations or unsubstantiated claims, without providing a provable community impact. In India, for example, the incorporation of CSR under Section 135 of the Companies Act of 2013, as well as enforcement measures through SEBI's LODR framework, have helped formalise corporate accountability for social results (SEBI, 2015). Unlike India, Zambia lacks a unified and comprehensive corporate governance structure. This highlights the need to examine and adapt effective enforcement strategies that can promote responsible business conduct, with greater emphasis on openness and accountability within corporate operations and long-term stakeholder alignment. Thus, improving the corporate governance landscape is more than just a legal need; it is also a strategic objective for building confidence, cutting agency costs, and promoting an inclusive economy. Corporate governance encompasses the systems, standards, and processes by which companies are directed and monitored to ensure responsible management and accountability (OECD, 2015). Corporate governance is mostly driven by the boards of directors. The five essential concepts of corporate governance are responsibility, accountability, awareness, impartiality, and transparency. Shareholders and directors have a two-way relationship: if directors are appointed at the recommendation of shareholders, they must answer to those shareholders, their mission, observing the law, and respecting the sensitivities of the politics around them. A board should be able to justify any decision it makes. Important firm moves will undoubtedly create worries, which is not a bad thing, but rather a sign of engagement and diligence." Why did you choose this CEO above other candidates? Why did you choose this as your priority? Why are we focusing corporate resources on ESG? Policymakers' emphasis on corporate governance reform and combating corruption and cronyism in business is primarily motivated by economics and the efficiency of free markets. Gregory, H.J., and Simms, M.E. (1999). In recent years, there has been a strong emphasis on creating comprehensive corporate governance standards. Many countries have adopted or developed sophisticated legal texts and laws, which are widely imported.Internal firm procedures play an important role in governance enforcement. Internal audits, risk management committees, and ethics training programs must all be established within firms. The board of directors, particularly non-executive and independent directors, should actively participate in strategic oversight and managerial responsibility. Whistleblower rules and protection measures can encourage employees to report misconduct, leading to a more transparent organisational culture (OECD, 2015). Furthermore, companies with strong governance frameworks usually attract investors and outperform over time, reinforcing the business case for excellent governance practices (Gompers, Ishii, & Metrick, 2003).Enforcement, rather than rules, laws, or voluntary norms, is essential for sustaining an effective business climate and sound corporate governance, especially in developing and transition countries. A framework is presented to assist in explaining enforcement, the impact on corporate governance when rules are not followed, and what can be done to improve corporate governance in law enforcement settings.Another key purpose of corporate governance is to protect investors while simultaneously ensuring efficient resource allocation. Transparent financial reporting, internal controls, and independent auditing build trust in financial markets, making it easier for businesses to raise capital. (Shleifer & Vishny, 1997).Furthermore, corporate governance has macroeconomic consequences. Strong governance frameworks contribute to financial stability, reduce corruption, and promote economic growth. Countries with higher governance standards have stronger legal institutions, fewer instances of corporate fraud, and greater investor participation in equity markets (La Porta et al., 1998).This demonstrates that strong corporate governance benefits not only individual enterprises but also helps to develop credible economic institutions and reduce inequality. Improving governance standards, particularly in emerging nations, can help attract foreign direct investment (FDI) and integrate more successfully into the global economy (Claessens and Yurtoglu, 2013).The purpose of corporate governance is diverse. It is more than simply rules and regulations; it is about fostering a culture of responsibility, transparency, and ethical decision-making in enterprises. Good governance balances stakeholders' interests, ensures legal and ethical compliance, boosts investor trust, enhances long-term performance, and promotes economic growth.Good governance balances stakeholders' interests, ensures legal and ethical compliance, boosts investor trust, enhances long-term performance, and promotes economic growth. As organisations face increased scrutiny from regulators, investors, and the general public, the importance of strong governance systems will grow. Companies that identify and execute sound governance principles are more likely to build resilience, retain profitability, and add long-term societal value. Aguilera, R.V. (2023).

METHODOLOGY

This study employs a doctrinal legal research methodology, also known as library-based or black-letter law research, to critically examine and compare the legal frameworks and enforcement mechanisms governing Corporate Social Responsibility (CSR) in the corporate governance structures of India and Zambia. Doctrinal research involves the systematic collection, study, and interpretation of legal sources such as statutes, case law, regulations, legal commentary, and scholarly works. It is primarily concerned with determining the meaning, coherence, and application of the law in its present form. The impetus for utilising a doctrinal technique arises from the nature of the study task, which requires a thorough understanding of how CSR requirements are incorporated into corporate governance legislation and applied in two diverse jurisdictions. India is a unique example of compulsory CSR under the Companies Act of 2013, whereas Zambia has a mostly voluntary CSR framework comprised of legislative tools and sector-specific norms. Given the disparities between legal institutions, a comparative doctrinal analysis is both acceptable and necessary. The research approach begins with finding and evaluating the primary legal sources from both countries. In India, this includes the Companies Act of 2013 (particularly Section 135), related rules, Ministry of Corporate Affairs circulars, and judicial interpretations issued by Indian courts. In Zambia, the study looks at the Companies Act, investment restrictions, mining legislation, and any CSR-related policy frameworks promoted by governmental or regulatory authorities such as the Zambia Development Agency and the Zambia Environmental Management Agency. These papers are extensively reviewed to identify the nature and breadth of CSR responsibilities, institutional enforcement mechanisms, and legal sanctions or incentives. In addition to primary materials, secondary sources are often utilised to comprehend and contextualise legal systems. These include journal papers, legal commentary, books, reports from international organisations (e.g., UNDP, OECD, and World Bank), and academic discussions about CSR and corporate governance in the two countries. The doctrinal analysis is based on identifying gaps, inconsistencies, or strengths in the law and determining their practical implications for corporate behaviour and social responsibility. The comparative component of the doctrinal technique allows for cross-jurisdictional evaluation, exposing how diverse legal traditions and governance contexts affect CSR enforcement. Particular attention is given to whether the presence of legal mandates, such as in India, results in better compliance, transparency, and social benefits than Zambia's reliance on voluntary agreements. The study considers the role of regulatory bodies, judicial oversight, and non-legal elements, including public pressure and investor expectations. This methodological approach is appropriate for the study's objectives since it provides a clear, systematic, and critical framework for assessing legal norms. It also contributes to theory development by outlining how corporate law and governance concepts are evolving in the context of social responsibility. Furthermore, doctrinal research contributes to the production of policy suggestions based on current legal systems, as well as the identification of areas for reform.

FINDINGS

A comparison of India and Zambia indicates major disparities in legal recognition, enforcement mechanisms, and practical application of Corporate Social Responsibility (CSR) and corporate governance frameworks.

Legal Framework for CSR: Mandatory vs. Voluntary

CSR is legally mandated in India under Section 135 of the Companies Act of 2013, making it one of the world's first countries to impose a statutory obligation on corporations to allocate a minimum of 2% of their average net profits from the previous three financial years toward Corporate Social Responsibility initiatives.. This includes topics like education, gender equality, healthcare, and environmental sustainability.(Companies Act 2013) The law covers companies having a net value of ₹500 crore or more, an annual revenue with either a turnover exceeding ₹1,000 crore or a net profit amounting to ₹5 crore or above. Companies must declare their CSR spending in their annual reports and explain any shortages. Zambia, on the other hand, does not impose a required CSR policy. There is no dedicated CSR law; thus the notion is primarily driven by voluntary principles taken from corporate governance rules such as the Zambia Code of Corporate Governance (2018). While the Zambia Development Agency Act (ZDA Act) promotes responsible business activities, CSR is mostly voluntary. This absence of legal force leads to inconsistent implementation and reporting, particularly among small and medium firms.

Enforcement and Institutional Oversight.

CSR compliance in India is regulated by the Ministry of Corporate Affairs, which evaluates corporate disclosures and spending patterns to ensure alignment with statutory mandates.. Failure to meet reporting requirements may result in fines under the Companies (Amendment) Act, 2020. Furthermore, the Securities and Exchange Board of India (SEBI) mandates CSR and sustainability disclosures for top-listed firms under the Business Responsibility and Sustainability Report (BRSR) framework. Zambia lacks a centralised regulatory entity for corporate social responsibility enforcement. Oversight is divided among authorities such as the Securities and Exchange Commission, the Zambia Revenue Authority, and the Environmental Management Agency, each having limited authority over corporate accountability. (Zambia Code of Corporate Governance, 2018) This decentralisation reduces compliance and transparency, particularly in businesses with substantial social and environmental hazards, such as mining.

Corporate Governance Weaknesses and Agency Costs

Both India and Zambia are dealing with agency expenses as a result of shareholder, director, and stakeholder conflicts. In India, although legal reforms have increased board independence and transparency, challenges such as board capture (SEBI Circular, May 2021), non-independent directors, and inadequate whistleblowing channels persist, notably in public sector organisations. In Zambia (Mining and Sustainable Development in Zambia, 2020), the issue is more structural. Many organisations do not distinguish between the positions of CEO and board chair, and board diversity is restricted. This undermines accountability and raises the possibility of decisions that prioritise management interests over broader stakeholder benefits. The absence of a robust enforcement culture causes such governance flaws to fester, eventually harming CSR implementation. Public Perception and Stakeholder Engagement CSR has attracted public and media attention in India since it is mandated, with many corporations producing extensive CSR reports. Stakeholders, especially civil society organisations, are involved in monitoring and influencing corporate social responsibility choices. In Zambia, however, stakeholder engagement is lower. Few firms openly disclose their CSR initiatives, and civil society oversight is restricted. This results in a perception of CSR as charitable rather than strategic or rights-based, reducing its developmental impact.

DISCUSSION

One of the most notable contrasts between India and Zambia is the legal status and institutional treatment of CSR. India's required CSR approach, based on Section 135 of the Companies Act of 2013, establishes explicit eligibility criteria, defined spending responsibilities, and a regulatory structure that includes reporting, board scrutiny, and penalties for non-disclosure. This establishes a defined approach for CSR to be integrated into business decision-making processes and governance systems. Zambia, on the other hand, does not have a single CSR law and instead relies on voluntary codes such as the Zambia Code of Corporate Governance (2018) and principles included in sectoral laws. This leads to fragmented institutional monitoring, in which several authorities can indirectly affect CSR but lack a central coordinating or enforcing agency. The lack of binding legislative responsibilities frequently results in inconsistent and discretionary CSR efforts, particularly among domestic enterprises and SMEs.

Corporate governance plays an important role in determining CSR implementation in both nations, but its scope and structure vary. In India, governance enforcement—through agencies like as the Ministry of Corporate Affairs and SEBI—ensures that CSR is more than just a reporting checkbox, but also an accountability measure tied to board duties. For example, corporations must form CSR committees, implement policy frameworks, and involve independent directors in oversight to improve internal accountability and stakeholder confidence. Although Zambia's 2018 Code of Corporate Governance supports ethical conduct and stakeholder participation, its non-binding nature and inadequate enforcement mean that CSR is marginalised in boardroom conversations. Many businesses, particularly in the private sector, engage in CSR irregularly or solely for reputational reasons, with little integration into governance or strategic goals.

The mandated aspect of India's CSR law appears to have resulted in more uniform and transparent CSR procedures than in Zambia. Empirical data from India's business sector demonstrate that companies subject to Section 135 typically allocate and spend the mandated 2% of profits on CSR, with public disclosure increasing accountability (KPMG India CSR Reporting Survey, 2022). This has encouraged businesses to implement long-term, project-based CSR strategies in education, sanitation, and rural development. In contrast, Zambia's voluntary framework provides variable results, with CSR initiatives mostly determined by firm size, foreign investment impact, or sectoral pressure. For example, mining enterprises in the Copperbelt may adopt CSR under international scrutiny, but many local businesses lack a clear CSR plan. The lack of standardised reporting and enforcement methods reduces the scalability and consistency of CSR outcomes across industries. It is important to recognise that mandatory CSR does not guarantee impact. Critics claim that in India, some corporations participate in tokenistic or compliance-driven CSR, prioritising spending over efficacy (Rao and Sinha, 2021). This shows that in order to effectively improve corporate responsibility, legal mandates must be supplemented by meaningful stakeholder involvement and performance review.

When it comes to integrating CSR into governance institutions, both countries face similar but distinct issues. In India, bureaucratic roadblocks, a lack of flexibility in CSR expenditure, and poor monitoring of outcomes remain important challenges. Furthermore, some companies falsify CSR statements or redirect

payments to associated entities, undercutting the true social effect.
In Zambia, the main challenge is capacity, both institutional and corporate. Many businesses lack the technical expertise and financial resources to develop long-term CSR strategies. Furthermore, the lack of a national CSR strategy makes it challenging for businesses to link programs with national development goals. Despite these challenges, opportunities exist in both situations. In India, the evolution of Business Responsibility and Sustainability Reporting (BRSR) indicates a shift towards integrating ESG indicators with CSR and governance, resulting in a more comprehensive corporate responsibility framework. In Zambia, rising global pressure on sustainability, particularly in the extractive industry, presents an opportunity to formalise CSR norms and enhance regulatory frameworks through public-private partnerships. The analysis shows that, despite its flaws, India's statutory enforcement of CSR provides more consistency and integration with governance systems than Zambia's voluntary, principle-based model. However, effectiveness in both jurisdictions is determined not only by legislative structure but also by institutional capacity, corporate intent, and stakeholder engagement. For CSR to be a revolutionary force in both countries, enforcement must be combined with transparency, governance change, and context-specific policies that encourage ethical business behaviour beyond compliance.

CONCLUSION

This comparative study focuses on the important relationship between corporate governance enforcement and the effectiveness of corporate social responsibility (CSR) in India and Zambia. The conceptual study demonstrates that, while both countries recognise the value of CSR, their approaches differ greatly due to variations in legislative frameworks, regulatory structures, and institutional capability. India's required CSR policy, created under Section 135 of the Companies Act of 2013, has helped to improve the standardisation, transparency, and integration of CSR within corporate governance structures. Legal duties, board-level responsibility, and regulatory supervision have established CSR as a strategic function rather than an elective activity. Nonetheless, obstacles persist, notably in ensuring that CSR expenditure results in real, long-term societal benefit rather than simply being a compliance exercise. Zambia's voluntary approach to CSR, motivated by principles rather than statutory mandates, leads to inconsistent implementation and poor alignment with governance institutions. The lack of a central enforcement mechanism and inadequate stakeholder engagement reduce CSR's ability to successfully contribute to sustainable development. However, Zambia has the possibility to strengthen its framework by formalising CSR norms, enhancing board accountability, and leveraging sector-specific regulation, particularly in industries with high environmental and social risks. Finally, this research demonstrates the close relationship between corporate governance and CSR. Effective CSR requires not just legislative mandates but also transparent governance, board accountability, and institutional support. For both India and Zambia, establishing this link provides a road to more ethical, sustainable, and socially impactful corporate operations. Future changes should prioritise balanced enforcement and flexibility, increasing stakeholder input, and developing an ethical business culture across all industries.

REFERENCES

Legislation and Regulation

1. Company Act No. 18 of 2013 (India).
2. Company (Amendment) Act, No. 29 of 2020 (India).
3. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)

4. Regulations, 2015.
5. Zambian Code of Corporate Governance (2018).
6. Zambia Development Agency Act No. 11 of 2006.

Government and Institutional Reports

7. KPMG India (2022). India's CSR Reporting Survey 2022. https://home.kpmg/in/en/home/insights/2022/12/india-s-csr-reporting-survey-2022.html
8. Securities and Exchange Board of India. (2021). Business responsibility and sustainability reporting by listed companies (SEBI Circular). https://www.sebi.gov.in/legal/circulars/may-2021
9. Zambian Extractive Industries Transparency Initiative (ZEITI). (2020). Mining and sustainable development in Zambia. https://zambiaeiti.org

Journal Articles

10. Chifuwe M. (2021). A Critical Review of Zambian Corporate Governance. University of Zambia Law Review.
11. Mweemba, D.(2020). Corporate social responsibility in Zambia: Reality or Rhetoric? Zambian Business Review.
12. Rajagopalan, R.; Zhang, Y. (2019). Corporate governance failings in India: Implications for emerging economies. Journal of Business Ethics, 34, 665–678.
13. Rao, S., and Sinha, K. (2021). Examining the efficiency of CSR under Section 135 of the Companies Act. Indian Journal of Corporate Law Studies 8(1): 142-165.

Web Resources

14. Ministry of Corporate Affairs, India. (n.d.). Corporate Social Responsibility under the Companies Act of 2013. Retrieved on June 12, 2025, from https://www.mca.gov.in/.
15. Zambia Securities and Exchange Commission (n.d.). Corporate governance resources. Retrieved on June 12, 2025, from https://www.sec.gov.zm.