

BACKGROUND NOTE

Exploring the Interplay between Business Regulation and Corporate Conduct in India

1. Background

1.1 The Indian economy is the second largest growing economy after China. Indian economy has been propelled by the liberalization policies that have been instrumental in boosting demand as well as trade volume. The opening up of Indian economy has led to free inflow of foreign direct investment (FDI) along with modern cutting edge technology, which propelled India's economic growth. Deregulation of Indian economy has played a big role in the impressive growth of private sector, however to ensure that steep growth continues and benefits all segments of society, it is important to further iron out regulatory bottlenecks for the private sector and to promote culture and values of being “**A Responsible Corporate Citizen**”. To achieve this objective it is necessary to ensure that suitable conditions exist for stimulating private sector development on the one hand and on the other for inculcating responsible business behaviour – so that benefits from the growth of the private sector can accrue to the maximum number of people.

1.2 CUTS International through its various interventions aspires to make economic progress in India, efficient, inclusive and responsible. It is our endeavor to create an environment and capacity in India to foster growth that is hurdle-less and well integrates elements of sustainable development. It is with this goal in mind that CUTS has designed this project on ‘Business Regulation and Corporate Conduct’ referred hereafter as BRCC.

2. Introduction

2.1 CUTS plans to implement a project in partnership with Norwegian Institute of International Affairs (NUPI) to assess the business regulations with respect to ease of conducting business and corporate conduct in India and raise awareness thereof, to promote entrepreneurship and sustainable business development in the country. The project is supported by the Royal Norwegian Embassy in Delhi under an institutional cooperation window. NUPI will bring in international perspectives to the project as its contribution.

2.2 It would be implemented by undertaking research to comprehend constraints in business regulation across select states of India and in such a prevailing environment, how best to motivate corporate entities to emerge as champions of responsible business conduct.

3. Project Activities

3.1 The project would be officially initiated through an **inception meeting** to be held in India. This inception meeting would not only involve discussions on generic aspects of business regulation and corporate conduct but also help identify specific issues for future research and advocacy

3.2 The next step will be research on the interplay between business regulation and corporate conduct (corporate governance and CSR) in India so as to identify the scope for evolving a hybrid approach to business regulation which would promote entrepreneurship as well as responsible business conduct. Subsequently, the draft report would be placed before stakeholders at two regional dialogues to sensitise policymakers, opinion leaders, academicians, civil society representatives and the business community about the need for a holistic approach to sustainable business development. Collation of discussions at the regional dialogues lead to ‘pilot programmes’ to be undertaken in four states on issues related to business regulation and corporate conduct.

3.3 Subsequently, research would be initiated to assess the state of enabling business environment in the four selected states. The draft research reports would then be discussed in each state at state level dialogues. One of the aims of these discussions would be to highlight issues relevant for influencing state and central level policies. The same sequence of research and dialogues would also be undertaken to study corporate conduct (both corporate governance and CSR) issues in two sectors in the states.

3.4 Issues relevant for influencing policies at both the state and central levels would be discussed at a two-day national policy forum to be held in Delhi. The discussions at the forum would be collated into a policy brief, to be shared extensively with policymakers, civil society, regulators, media, etc. State level position papers would be developed to pursue policy advocacy in the states. The policy positions developed from the feedback received from each state would be collated into a national level policy position paper.

3.5 A manuals each on business regulation, corporate governance and CSR will be prepared, on the basis of the research findings and in line with the advocacy policy positions (from each state). These manuals/modules would be used to train representatives from the government, business community and civil society in two regional training programmes. As the project nears completion, efforts would be undertaken to see how the activities could be linked to ongoing programmes of business associations, governments or development partners on related subjects.

3.6 Successful implementation would lead to the achievement of the following outputs:

- Identification of specific constraints to business promotion in four Indian states
- ‘Good case practices’ related to corporate conduct (corporate governance and CSR) in two sectors
- State level policy inputs for sustainable business promotion
- National level policy inputs for balancing business regulation and corporate conduct
- Training modules on business regulation, corporate governance and CSR relevant for Indian states
- For dissemination through hard copies: One thematic research report and briefing paper; four research reports on enabling business environment (one for each state) and corporate conduct (two sectors); one monograph on enabling business environment and corporate conduct (two sectors); one policy brief and four state level policy papers and one national policy position paper.
- For electronic dissemination: Operational strategy note (OSN); report on inception meeting; roadmaps articulating the state level pilot programmes; and final project report.

3.7 The project would be implemented over the period from March 2011 to October 2012.
