

Can Business Regulation Stimulate Responsible Corporate Conduct – Gathering Evidence from a Few Indian States

Regional Dialogue (NORTHERN INDIA)

Exploring the interplay between Business Regulation & Corporate Conduct in India (BRCC Project)

Tuesday, 12th July 2011, Jaipur

Record of Proceedings

1. Sequence of Proceedings

1.1 Mr V K Mathur, Member, Project Advisory Committee of the BRCC Project welcomed the participants and emphasized the following points:

- It is imperative to identify the right people/driving forces while making recommendations. Also, it is necessary to identify the drivers that can ensure effective implementation of the recommendations.
- Public opinion is important and the Project needs to recognize that the findings should be of relevance to the common person.
- Recognized that the project is attempting to chase an accelerating target.

1.2 Mr Rijit Sengupta from CUTS shared the following information with the participants:

- BRCC project being implemented by CUTS and NUPI with the support from Ministry of Foreign Affairs of Norway
- Clarified that it is a design workshop to refine the implementation of the project and inputs are sought to ensure that the implementation leads to envisaged results.

1.3 Mr Karl Rich from NUPI mentioned the following:

- Involvement of NUPI with the project and its emerging partnership with CUTS that started with the GRANITE project and is continuing since then.
- Norwegian Government has prioritized India and Norway Research Partnership.

1.4 Ms Vasanthi Srinivasan from IIM Bangalore presented the following information:

- As Research Advisor on the project, it is important for her to see how government, business, civil society and various stakeholders interplay.

- It is a constant dilemma as to what is the role of business in aiding national growth and development – a role that is evolving. The project is meaningful in clarifying the relationship between business regulation and corporate conduct.

1.5 A presentation on the ‘Aspects of Business Regulation and Corporate Conduct’ was given by Mr Sameer Chaturvedi from CUTS. Major issues covered:

- The role played by business regulation for business performance has been recognized and there are various rankings being done in this regard. But the linkage among business regulations and corporate conduct are yet to be unearthed, especially in the Indian context.
- There are differential but complementary responsibilities of government and corporates towards various stakeholders. As the concept of responsible business has evolved globally as well as nationally, the time is opportune to come up with a robust and forward looking approach.

1.6 A presentation on ‘Overview of the BRCC Project’ was given by Mr Rijit Sengupta from CUTS.

- The project was launched on 21st April 2011 and since then; groundwork has been done towards the research methodology through consultations.
- Project tries to address in what ways business can contribute towards growth and development of country in a responsible way.
- Apart from the research component, the project also has the capacity building component. Thus, the learnings from the project will be utilized for building the capacity of government, business and stakeholders.

2. Floor Discussions (Moderated by Vasanthi Srinivasan)

2.1 Major Questions and Concerns

- What are the drivers of business regulation and corporate conduct?
- Why focus is being made on the role of government? Why not the project restricts itself to the determinants of corporate conduct and business behavior?
- Why is the project not using the term ‘economic regulation’ and what is the rationale for choosing ‘business regulation’ instead?

- What is the relevance of splitting the project field work only into four states? Why can't the project look at all those states that are getting located as a result of the choice of the two sectors and then undertake the field work according to the project resources, feasibility of study and time constraints?
- How will the project address the challenges posed on account of the charges of 'differential treatment' to certain states by the central government as such scenarios have a bearing on the business environment of states?
- Will the project be concerned with benchmarking only the good practices or will it also touch upon the bad practices in prevailing in both business regulation as well as corporate conduct?
- Would the project be envisaging creation of any standard on which different states could be ranked on corporate conduct? Are there examples of such nature in the rest of the world?
- Would the project be trying to assess the preferences of businesses on whether how they wish to go about fulfilling their responsibilities – through mandates by the government or on the basis of their own self-regulatory codes?
- What is the difference between value chain and supply chain and why the project proposes to look at the value chain for delving into the multi-level and intricate relationships among business regulation and corporate conduct?
- How will the project (if it will) address the issues related to corruption and the government-business nexuses that flourishes corrupt practices?

2.2 Major Inputs and Inferences

- Yardsticks will be required to assess the effectiveness of business regulations and the extent of responsibility of corporate conduct. It will also be a prerequisite to develop clarity over the scope of business regulations and corporate conduct because there are no clear boundaries for these two sets of concepts.
- The project will need to look at the cases of deviations registered with various government and voluntary entities. For instance, various business collectives have their fixed codes of conduct and therefore information could be sought from these over the number and nature of complains they have received.

- A timeframe of analysis has to be fixed for assessing business regulations and corporate conduct so that due comparisons could be made.
- It will be imperative to give weightage to various elements that will constitute the ‘effectiveness’ of business regulations and ‘responsibility’ of corporate conduct and accordingly these connotations could be measured.
- Business regulations could be assessed on the basis of their success in promoting responsible corporate conduct as well as in reducing the irresponsible corporate conduct. Thus a two way analysis has to be undertaken. The reasons for changes in the existing regulations could also be studied.
- For choosing the states, focus should not only be over the high ranking states but also the low ranking states (with regard to industrial/ business performance) because it is important to decipher the relationship among quality of governance, business performance, and business responsibilities.
- Some of the sectors that were proposed for the project:
 - Health Services
 - IT Enables Services
 - Media
 - Financial Sector
 - Pharmaceutical Sector
 - Mining
 - Agri-based sectors
- For choosing the sectors, it should be kept in horizon that the sectors should have:
 - Potential for high social impact
 - Should cover central as well as state regulations
 - Ethical issues involved with the manner in which it is regulated (under-over-optimal...)
 - Value chains from local to global scale

4. Summing up (by Karl Rich, NUPI)

- Reflections were made on the major issues covered during the dialogue.
- It was shared that on the basis of the inputs received from this dialogue and the one proposed to be organized in Bangalore (southern regional dialogue) on 15th July 2011, the research methodology will be finalized.

Agenda

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Tuesday, 12th July 2011, Jaipur

1300 to 1400hrs:	Registration and Lunch
1400 to 1415hrs:	Welcome and Introduction - V K Mathur (PAC Member)
1415 to 1435hrs	Aspects of Business Regulation and Corporate Conduct - Sameer Chaturvedi, CUTS
1435 to 1500hrs:	Overview of the BRCC Project & Progress - Rijit Sengupta, CUTS
1500 to 1515 hrs:	Q & A Session
1515 to 1530hrs:	Tea Break
1530 to 1700hrs:	Research Methodology - Sameer Chaturvedi, CUTS <i>Floor Discussions [Moderated by Vasanthi Srinivasan]</i>
1700 to 1730hrs:	Summing Up - Karl Rich, NUPI
1730 to 1800hrs	Closing Remarks - Rijit Sengupta

List of Participants

S. No.	Name	Designation/ Affiliation
1.	V K Mathur	CMD, Inapex Limited
2.	Vasanthi Srinivasan	Chairperson, Centre for Corporate Governance and Citizenship, IIM Bangalore
3.	Karl Rich	Senior Research Fellow, Norwegian Institute of International Affairs (NUPI)
4.	Yaduvendra Mathur	IAS, Director General, State Directorate of Revenue Intelligence, Government of Rajasthan
5.	Anthony De Sa	IAS, Director, UNIDO Centre for South-South Industrial Cooperation
6.	Rijit Sengupta	Associate Director, CUTS
7.	Rajendra Kothari	Independent Expert – Governance and Industry, Madhya Pradesh
8.	Sameer Chaturvedi	Assistant Director, CUTS
9.	Satyaprakash T L	IAS, Director, Department of Industries and Commerce, Mines and Geology, Haryana
10.	Vijay Vir Singh	HOD, Economics, University of Rajasthan
11.	Goran Stefatic	Operations Analyst, IFC Investment Climate Advisory Services
12.	Amita Joseph	Business and Community Foundation
13.	Reena George	Advocate, Supreme Court of India
14.	Manish Agarwal	Manager, Rajasthan State Industrial Development and Investment Corporation
15.	Ranjit Mohanty	VIKSAT, Gujarat
16.	A K Godika	Executive Director Rajasthan Chamber of Commerce and Industry
17.	Malti Jain	Resident Director, PHDCCI, Rajasthan
18.	Udai Singh Mehta	Assistant Director, CUTS
19.	Kshitiz Sharma	Assistant Director, CUTS
20.	Shankar Mondal	Manager, Jaipur Rugs Foundation