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# FDI AND CORPORATE SOCIAL RESPONSIBILITY: A CASE STUDY OF DEVELOPING COUNTRIES, NEPAL

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## **Abstract:**

In the globalization era, Corporate Social Responsibility (CSR) is emerging a debatable hot issue because of its ineffectiveness and poor performance in developing countries, when role of Multinational Corporation (MNC) has been effective as alternative investment in developing countries for economic development. This paper focuses descriptively on two variables: existence and performance of CSR to assess whether FDI attraction policy is right decision or not and what is its policy implication. This is purposive case study. This is basically based on primary data source and information.

Key Words: *FDI, MNC, CSR, minimum wage level, manufacturing sector, Community*

## **1. INTRODUCTION**

CSR appeared as issue at first when Dodd (1932) and Berle(1932) had published article on "For Whom Are Corporate Managers Trustees?" in a Harvard Law Review. Then after CSR was raised by Milton Friedman (1970) in 1970 through his article on "The Social Responsibility of Business Is to Increase Its Profits," in the *New York Times Magazine*. Thus, CSR has received public and academic attention for social interest. After the Second World War and in the 1960s, business acknowledged the need to commit some of their profits to social causes. Emerging from an era of depression, wars, and social, economic and political turmoil (1930s-1950s), citizens decided to fight against the abuse of power, corruption, tax evasion, discriminatory pricing, and lack of protection for workers and consumers and other anti social practices by industries (Afful, 2003). Even in 21<sup>st</sup> century, there are companies that don't treat their workers, customers and their communities any better. Some company owners who display humane attitude to their workers and supported social causes, do so for religious or charitable purposes. However, distributing food and money to the poor during festivals cannot be called the poor during festivals (Afful, 2003). At second, in recent years, corporate social responsibility (CSR) has become an interesting global issue because of its association with MNC, FDI and Globalization and of its on going discussion. On this issue, there are different perspectives and arguments. Elhauge(2005), Graff Ziven and Small (2005), Portney (2005) and Reinhardt (2005) have offered arguments of *sacrificing profits in the social interest*. Griffin (1998) explains it as the set of obligations an organization has to protect and enhance the societal context in which it functions. Afful(2003), Koontz and Wehrich (1990) and Kreitner (1999) argue specifically social responsibilities of business towards customers, workers, shareholders and the community. EU (2001) focuses more on the integration of social and environmental interest. Sriram and Achick(2003) conceptualize categorically on CSR issue with the statement, "Conceptually, CSR is a bridge that links corporate and social interests in two ways. First, the firm is presumed to have other goal that it strives to achieve in addition to its shareholder wealth maximization goals. Second, groups other than stockholders (e.g. employees, customers, and community) are perceived to have a vested interest in the consequences of firm's actions." Above discussion establishes CSR as a legal binding of investment responsibility of the firm on social interest.

## **2. LITERATURE SURVEY**

In this section, the relevant literatures on CSR and its effectiveness and performance are critically surveyed and its outcomes are presented and discussed below. Effectiveness and performance of CSR depends on effective CSR law. Studies show existence and function of corporate law in US, European and developing countries for social welfare. Choper, Coffee, and Gilson (2004) find that every US state recognizes the right of businesses to make charitable contributions. Seven states allow charitable donations regardless of corporate benefit, and nineteen other states allow donations that benefit the business or advance the public

welfare. Donohue (2005) emphasizes on legal clarification for benefits of donations. Sutton (2004) supports Donohue but emphasizes the inclusive of stakeholder participation, along with legal provisions. Roe (2000) finds stronger legal positions of Stakeholders in Germany and France than in the United States.

In Nepal, relevant literatures (Bista, 2004, Bista, 2005a, Bista 2005b, Bista, 2008, Bista, 2009, Bista, 2011 and Bista, 2011a). are very limited. FNCCI (2006) perceives CSR as the commitment from business enterprise towards sustainable economic development, creating good working environment for employee/ their families and local community/society welfare at large to improve the quality of life. Furthermore, employees should be put as business' best assets and ambassadors. Employee, share holders, customers, government, civil society and environment concerns as important components of the CSR. Any action by the company, which is either preventive or proactive, is an act of CSR. However, behavioral adaptation and practice of the firm and MNC are unclear. Further, Afful(2003) explains existence of CSR in Nepal but finds unclear legal definition of the relationship between the corporate sector and communities. Such gap between concept of CSR and practices will be focus of this study to understand CSR implication.

### **3. ISSUE, OBJECTIVES AND METHODS**

Corporate Social Responsibility (CSR) is a hope to the policy makers and government as a major social benefit from MNC in the host countries, along with other it's over talked financial, managerial and technical transfer benefits, when Multinational Corporation (MNC) in the World Economy is playing as an alternative source of investment(capital, technology transfer, brand, good will etc.)( Bista, 2004, Bista, 2005a, Bista 2005b, Bista, 2008, Bista, 2009, Bista, 2011 and Bista, 2011a). Therefore, developing economies have given top policy priority on FDI entry for making good destination of FDI because FDI helps to change two inputs capital and technology of the firm towards long run production for achieving higher profit at least cost and optimal production as well as for more efficient and productivity and CSR.

As a result of FDI friendly investment and industrial policy in recent years, growth of aggregate supply and demand of FDI in developing countries is at higher rate because of labor and resource comparative advantage; meanwhile developing countries are more interesting to get more FDI and MNC. However, studies have found its weak behavioral and policy implication in the host countries because of a lack of corporate law and non obligatory scenario. Studies argue that investment behavior and decision of MNC depends on profit and comparative advantage, rather than deserving developing countries. It is supported with the concentration of FDI in developed countries, although FDI policy is highly flexible and liberal as well as strong political commitment (Bista, 2004, Bista, 2005a, Bista 2005b, Bista, 2008, Bista, 2009, Bista, 2011 and Bista, 2011a).. Thus, CSR is being still critical issue in terms of CSR performance and effectiveness. Thus, CSR has generated a debatable hot issue whether CSR occurs or not, whether CSR is obligatory or voluntary and whether CSR is effective to provide social security because CSR depends on corporate law, obligatory situation and ethics of MNC.

In developing countries, performance and coverage of CSR is critical issue in accordance with the international rule and regulation. In Nepal, CSR has become a big problem associating with MNC (Bista, 2004, Bista, 2005a, Bista 2005b, Bista, 2008, Bista, 2009, Bista, 2011 and Bista, 2011a). Studies reveal a conflict between social responsibility and profit making of MNC. Besides it, there is a problem of CSR in terms of social development of the local community. In order to address this issue, objective of this study is to understand CSR performance and effectiveness of MNC in Nepal. Specific objectives of this study are to examine effectiveness of the corporate law and to assess structure and performance of CSR.

Method of this study was explorative and descriptive research method for addressing above objectives. There were two data sets. Firstly, primary data set collected from the MNC survey to those samples of MNC selected by *Stratified Purposive sampling method and cross-sectional method* from five selected study areas (Katmandu, Nwalparashi, Chitwan, Hetuada and Bara). Secondly, secondary data and information were collected from different publications (World Bank Report, Report of FNCCI) and agencies (Nepal Government, Central Bureau of Statistics, ADB, FNCCI, Department of Industry).

Note is that MNC related to beer, alcohol and cigarettes were excluded from the sampling method. The sample size was 18 different categorical FDI industries across the areas. For the depth study, only 5 different categorical sample FDI industries were selected.

## 4. RESULTS

### 4.1. CSR existence and Corporate Law

CSR existence is either voluntary or non-voluntary form. Studies and literatures note rare existence of voluntary CSR in the world if there is not the law, the regulatory mechanism and the pressure group because there is argument of higher cost of social sacrifice as profit deduction to be social responsible behavior of MNC. Almost CSR is non-voluntary behavior form in the world under the corporate law because MNC doesn't internalize negative externality and its social cost to the community as corporate responsibility in the sacrifice of profit margin. What is a reason behind it, although it gives business returns to MNC as good will and popularity along with skilled labor? Its possible major reason is short run business perspective. Thus, there is a conflict between the state and MNC because MNC ignores such responsibility intentionally. Therefore, existence of corporate law is assurance of CSR at very initial level.

Existence of CSR is not sufficient to deliver its effectiveness and performance in the right direction as defined clearly and comprehensively in the corporate law because it depends on enforcement of corporate law by the regulatory mechanism and the pressure group. However, internalization of social cost is important to the community for social welfare and benefit for their living standard improvement. It is possible when CSR is effective. Otherwise, the burden of social cost to the community will be a cause of conflict with MNC. Thus, MNC should be responsible to ensure social welfare of the community and the employee through CSR.

In general, the corporate law in developing countries is still critical because of backward corporate sector and traditional protected industrial sector. Thus, non-voluntary form CSR is questionable. Industrialization process in Nepal is top policy priority for a long time. However, its performance in GDP, trade and employment is still unsatisfactory more than agriculture sector. In order to accelerate industrialization, Nepal has initiated to attract MNC through creating investment friendly policy and law. Subsequently, corporate law and policies in Nepal such as Industrial Policy 1993, Foreign Direct Investment Act and One Window Policy 1992 and Interim Plan 2007-2010 are well formulated and have been effective since 1990's. Thus, corporate law exists in Nepal. There is possibility of CSR.

In content analysis of Foreign Direct Investment Act and One Window Policy 1992, the law defines CSR as social security of the employee (i.e. approximately 90,000) in terms of social security and minimum wage level. How much MNC must sacrifice regularly per annum is not mentioned, although international standard of CSR is sacrifice of 10 % profit and its investment in social sector at the local level. Therefore, CSR in the corporate law is just voluntary form and non-inclusive to CSR at the local but CSR to the employee is non-voluntary form (mandatory form). It gives a feeling of incomplete and unclear corporate law, which is in paradox in which CSR practices in Nepal is naturally interesting issue in the survey.

In the limited resource and time, optimal solution to understand CSR practice and performance was purposively selecting very few cases of MNC for the survey and observation. Brikuti Paper Mill and Kantipur publication in Eastern Development Region were selected and surveyed in 2005 by Center for Integrated Development Studies. The outcomes of the survey are as follows.

Existence of CSR practice was found in minority of MNC. It was only limited at the employee level in the form of non-voluntary form. However, majority of MNC could not be categorized into satisfactory level. For example: the employee closed Brikuti Paper Mill in 2006 for couple of days with issue of non response of the corporate sector on wage, security and development of employee. Meanwhile in the month of December 2008, the employee for similar issue closed Kantipur publication in Eastern Development Region. When we analyze these two cases of CSR, we should convince a lack of CSR in Brikuti Paper Mill

and Kantipur Publication. This is an example of violating mandatory provisions of social security and minimum wage level. In addition, social investment at the local level is a part of CSR that was not practiced in neither voluntary nor non-voluntary by most MNC. It indicates that CSR practice is critical and issue of conflict between management and stakeholders. It signals excessive profit motive of most MNC and profit maximization within short run. It defames MNC and discourages country enthusiasm for investment prospects. Therefore, policy maker should reach in the concrete policy decision after extensive and in depth study and discussion about MNC. Otherwise, it would be national business of loss.

#### **4.2. Structure of CSR and its delivery**

In order to meet social cost of the society, functional performance and effectiveness of CSR is important but it is possible only when structure and components of CSR are effective. For assessment of performance and effectiveness of CSR, let's assume CSR practices in MNC. There was MNC case survey conducted in five heterogeneous MNC in terms of type, sector and areas. For understanding structure and delivery of CSR, there were applied measures such as wage, financial and non financial security, investment on skill training and investment in community development.

##### **4.2.1 CSR for the Employee**

###### **4.2.1. Wage Aspect**

In developing countries, there is surplus labor having lower opportunity cost because of traditional agriculture. Thus, there are cheap and surplus labors, which are comparative advantage input variables to MNC for least cost combination and profit maximization at the optimal production are cause of FDI in developing countries, along with tax relief benefits from investment friendly and flexibility policy and adjustable national regulatory standards of environment and other. Therefore, MNC wants to invest in developing countries like in Nepal. However, how much MNC is beneficial in developing countries is very interesting issue.

In Nepal, there is also comparative advantage of cheap labor and investment friendly policy. However, Nepal has not become good destination of FDI (MNC) when we analyze figure of FDI size, trend and growth. Nepal expects that MNC plays a significant role in the transfer of surplus labor in agriculture to high valued industrial sector for higher labor productivity and employment opportunities so that it helps to boost up marginal agricultural labor productivity from negative marginal agricultural labor productivity and industrial sector can get competitive business environment and competitive market. In addition, it would help social security and welfare of Nepalese people from their CSR. However, small sized inflow of FDI has not offered noticeable employment opportunities in labor market, which could not tap significantly the unlimited supply of labor. Whatever else, there is a hope that MNC may provide higher wage level than agriculture. Its consequence cannot be as expected, although it is positive. However, how much it ensures social welfare and security is still critical question.

CSR is consisted of two variables: social security and minimum wage level, which are mandatory, are believed that they can ensure social welfare of Nepalese labor. Thus, national minimum wage level of Nepal is a reference of CSR. In the comparative study between national minimum wage rate and actual minimum wage rate in MNC, the result is as follows.

Majority of MNC (i.e. 80%) was found to use national labor structure and categorization in which labor is categorized into five such as high skilled, skilled, semi-skilled, unskilled and daily wage labor (Industrial Policy, 1992) (*see its details in table no 1 below*). In labor structure, MNC was adjusted structure, rather structure of mother MNC. The adaptability of MNC from management and knowledge transfer from developed countries to developing countries is not positive to developing countries like Nepal because Nepal desire to get modern, innovative and advance technology, knowledge and management for improving industrial sector. Therefore, there is confusion about relationship between labor categorization and productivity.

Table No-1: Minimum Wage Rate of the government (In NRs)

Labor categorization	Basic Salary	Dear Allowance	Total
Highly skilled	2050	860	2910
Skilled	1860	860	2720
Semi-skilled	1750	860	2610
Unskilled	1700	860	2560
Daily wage	90		

Source: Ministry of Labor, 2003

Wage level was indifference and homogenous between MNC and domestic corporate sector because of using national standard of industrial labor categorization and national minimum wage rate. Labor could not get benefits from

such behavior of MNC but MNC could be beneficial from such national minimum wage rate. However, certain percent increment in the wage can be accounted in some MNC, according to the standard of the mother multinational company. For example: *Nepal Lever Limited that was established by Hindustan Lever (Indian MNC). According to the rule and regulation of Hindustan Lever, the company has four different labor categorizations (skilled labor, semi-skilled, unskilled and daily wages and wage rates)*, which is different with national minimum wage standard. Minority of MNC had focused on social security of labor. It can be positive from social security and welfare of the employee.

Wage structure of MNC can be categorized into two groups: administration and production. In administration, wage level of the managerial employee was in the range from NRs.10000 to NRs. 50000 per month, which was higher than other national employee was given in accordance with the wage scale and standard of mother MNC. It could be related to foreign employee because Nepalese labor was only related to skilled, semi skilled, unskilled and daily

Table No- 2: wage structure of Labor

Labor Categorization	No of employee	Range of salary		average per month
		Min	Max	
Administration	427	10000	50000	30000
Production				
high skilled	95	2910	16000	9455
skilled	156	2720	8000	5360
semi skilled	235	2700	5608	4154
unskilled	337	2560	4514	3537
Daily wages	85	2160	2160	2160
Total	1346	23050	86282	54666

Source: Field Survey, 2007

wages. Therefore, it could benefit foreign employee, instead of national employee. (See its details in the table no- 2 below).

In production, wage level from unskilled to high skilled labor in production was in the range from NRs. 3537 per month to NRs. 9455 per month that is higher than the national standard wage rate fixed by the government with least percent. Thus, the correlation between wage and skill is positive in these industries. The expected higher wage cannot be found in practice in accordance with their mother company rule and regulation. In other

words, MNC has not implemented their mother countries wage level in the host country, except adopting host countries minimum wage standard, although it is not attractive to meet basic requirement of the employee. Responses were negative with ignorance.

In addition, national minimum wage rate is constant but market inflation grows annually more than 6%. It means declining social welfare of the employee but profit of MNC is inclining annually. This is social injustice until national minimum wage rate will be adjusted to the price hike of goods. This wage rate makes labor market non competitive instead of competitive. If labor market is competitive, then, labor can get higher wage rate than national minimum wage rate. In addition, entry of MNC has not improved competitiveness of labor market. Therefore, social security of the employee cannot be ensured by rigid national minimum wage rate.

#### 4.2.2. Financial and non-financial security to the employee

CSR is comprised of other measures with security index: provident fund, dashion<sup>1</sup> allowance, leave, Insurance, dress and bonus for minimum security of the employee. If these provisions exist, then financial and non financial security to the employee is said fulfilled. Therefore, it is must that MNC ensure CSR on

<sup>1</sup> Dashion is Great Hindu festival for Nepalese people lying in the September for more than 10 days. In Nepal, its allowance is practiced traditionally.

these ingredients guided and stated in the labor act and policy. Social security<sup>2</sup> of employee is a component of poverty reduction. Provident fund, leave, dashion allowance, dress and insurance are components of social security have been a compulsory provision in the *Labor Act*.

The study found mixed result of this social security. Except four indicators out of six social security indicators, the remaining two indicators (insurance of labor and bonus) were critical. In case of insurance, it is basic social safety for uncertain risk and incidents but except 60 percent MNC, the remaining 40 percent MNC totally ignored it, meanwhile 100 percent MNC hadn't Bonus provisions and practices. Among these MNC, financial and non-financial security of Brikuti pulp and paper Limited was better than other MNC. (See its details in the table no- 3.below).

Table No-3: Financial and non-financial benefits

Name of sample industries	P.F.	Dashion	leave	Insurance	Dress	Bonus
Bhrikuti Pulp & Paper Industries	1	1	1	1	1	0
Nepal Lever Ltd.	1	1	1	1	1	0
Hulas Steel Pvt. Ltd.	1	1	1	1	1	0
Lotus Energy P. Ltd.	1	1	1	0	1	0
Himalayan Feeds Pvt. Ltd.	1	1	1	0	1	0
Total	5	5	5	3	5	0

Source: Field Survey, 2004

Note:

P.F.= Provident Fund  
P.F.= 10% of basic salary  
Leave=30 days per annum  
Dashion(Puja) allowance = basic salary  
Insurance- NRs. 50000-NRs.100000

Source: *Field Survey, 2007*

Weak Social Index of MNC reveals not sufficient resource allocation of MNC on social security. Thus, there is an issue of minimum social security to the employee and then CSR, although their mother company has a better situation in this regard. In addition, the host MNC doesn't reflect social security standard of mother MNC. How it is possible? Its answer may be different level of literacy, information, attitude and behavior as well as weak government and civil society, despite strong and well network Trade union. Comment of Economist is non responses of MNC in Nepal on the social interest of the employee because MNC knows that Nepalese have very limited choices for employment opportunities in the absence of proper employment opportunities and also their poverty situation.

#### 4.2.3. Investment on Skill training

Like other developing countries, Nepal is suffering from lower labor productivity and lower national saving and investment GDP ratio in industrial sector for achieving higher economic growth rate and economic development. In order to address these issues in the course of development, Nepal emphasizes FDI inflow for technology, management and skill transformation from mother country of MNC for increasing labor productivity and efficiency, creating competitive environment, developing new areas of industrial investment and modernization of industrial sector. When we observed these three variables transfer in Nepal, there was unsatisfactory and failure.

When we talk about skill training to the employee as a variable of CSR, this is operational code and mandatory character in accordance with *Foreign Direct Investment and One Window Policy 1992 and Labor Act 1992*. This skill training that is development of labor productive capability is a factor of Increasing Returns

<sup>2</sup> Social security is a system to insure individuals against interruptions or loss of income and contingencies arising from retirement, marriage, birth, sickness, work injury, maternity, unemployment, death etc. in *Labor relations: Problems and Challenges*.

to Scale (IRS). In general, there is assumption of higher preference of MNC on it for higher productivity and efficiency. Thus, MNC invest as required resource on skill training as CSR.

In order to analyze CSR, there were applied three indicators: existence of Human Resource Development (HRD), size and regularity of skill training program and budget allocation in the survey.

HRD was available in all MNC but its objective was training and orientation. It indicates understanding about importance of skill training and CSR. It was positive. When we assessed function and structure of HRD, structure of HRD was just for show piece and its function was not as a part of MNC, except organizing orientation and advocacy related to safety measures more than skill training to the labor. Its frequency was 10 times within a year because it was very cost less program. Thus, there was rare proper skill training program for the employee as required to production activities of MNC.

Regularity of skill training is important provision and corporate culture for improving skill for maintaining productivity and efficiency. There was a gap between principle and practices of skill training. Skill training in almost MNC was demand based, rather than regular business. So, frequency of skill training is nearly two in a year. The size of participation was based on the MNC's rule and regulation and selection method. Therefore, skill training of MNC was irregular and rare.

Annual budget of MNC on skill training was allocated but its percent share was less than approx. 5 percent. It was relatively negligible. Therefore, MNC, despite its giant size ignored investment on skill training to Nepalese employee. Transformation of skill from mother country to host country was not as expected by the host country. Thus, motive of MNC in Nepal is to gain comparative advantage of cheap labor without providing social security.

#### 4.2.2 CSR for the community

CSR is a broaden approach in which MNC are in principle obliged to contribute in the preservation of environment, development of social sectors and community development as social interest of the community. This is external obligation in which the certain percent budget is allocated in social and economic sector in the local community. It is called social response of corporate sector. It contributes the community development at local community which makes good bondage between the corporate sector and the community. This is strength of MNC for further business activity.

There are four structural and behavioral variables such as occurrence of investment, resource allocated areas, size of investment and regularity of investment, which can illustrate CSR for the community. Despite unclear CSR in the corporate law, there was 100% occurrence of investment in the community. This structure and behavior of MNC was positive to the local people and FNCCI.

Resource allocation of MNC in the community was heterogeneous nature, which can be presented into three major areas: social sector (health and education), empowerment (training and advocacy) and infrastructure development. Priority of MNC were as follows infrastructure development, second on health (*ambulance and health camp*) and then on education (*school construction, scholarship, and salary of the teacher*). Local respondent responded it impressive benefit to the local development having multiplier effects in product, labor and land market. Features of investment in the community are in the box no-1 below.

##### Box No-1: investment in community of MNC

- Voluntary nature based on the community based
- Irregular, not uniform and not compulsory by the law
- Least percent share of in gross income of the company
- Not much social responsibility

As size of investment, Lotus Solar Energy Pvt. Limited has been in the first position among the MNC with investment of NRs.10.4 million. Then, Bhrikuti Pulp and Paper Limited has succeeded into second position with the investment of NRs.

0.926 million. In the third, Nepal Lever Limited has secured with investment of NRs. 0.865 million. The



investment of the remaining FDI industries (Hulas Steel Pvt. Limited and Himalayan Feed Pvt. Limited has not been significant. (see its details in the table no-4 below).

Investment of Bhrikuti pulp and paper limited and Nepal Lever Limited was in many different components of social sectors including education, health, clean drinking water, humanitarian and infrastructure development. But Hulas Steel Pvt. Ltd, Lotus Energy P. Ltd and Himalayan Feeds P. Ltd had invested only on infrastructure. Therefore, there was heterogeneity.

Table No- 4: Investment in the community (NRs in million)

Name of sample industries	education	health	clean water	infrastructure	humanitarian	training	Total	%
Bhrikuti Pulp & Paper Industries	0.175		0.025	0.6	0.126		0.926	7.4
Nepal Lever Ltd.	0.2	0.5			0.115	0.05	0.865	6.9
Hulas Steel Pvt. Ltd.	0.1						0.1	0.8
Lotus Energy P. Ltd.				10.5			10.5	84.4
Himalaya Feeds Pvt. Ltd.				0.045			0.045	0.36
<b>Total</b>	<b>0.475</b>	<b>0.5</b>	<b>0.025</b>	<b>11.145</b>	<b>0.241</b>	<b>0.05</b>	<b>12.44</b>	<b>100</b>
<b>%</b>	<b>3.8</b>	<b>4</b>	<b>0.2</b>	<b>89.6</b>	<b>1.9</b>	<b>4</b>	<b>100</b>	

Source: Field Survey, 2007

Size of investment was certain percentage of profit that is negligible and less than standard CSR ratio. Pattern of investment was neither annual nor regular, despite a provision in *Foreign Direct Investment and One Window Policy 1992*. Areas of investment were diverse and found local people's demand based but not policy obligation. Thus, size, pattern and ratio of investment in MNC were non uniform, voluntary and demand based in stead of uniform, certain and obligatory.

## 5. CONCLUSIONS

CSR is important benefit to the host country Nepal for social welfare and economic development in the cost of comparative advantage and tax holidays to MNC. Despite the strong commitment of FNCCI on effective CSR and business ethics in different public programs and voluntary obligation of CSR in Law and Policy, reality of almost MNC is very gloomy and contradicted with the so-called practice of CSR because the practice of CSR is very irregular, voluntary, small and poor. Therefore, its outcomes cannot be accounted at significant level in social interest and business promotion. However, they have positive impact on the community for improving the relationship between the corporate sector and the community. Therefore, the government should make clear and comprehensive corporate law as effective policy measures related to CSR, like as Europe and USA so that the corporate sector can sacrifice their profit regularly and uniformly in accordance with the CSR provision of Law and Policy. Then, the country will get significant benefit in the side of skill transformation, social security, community development and environment protection. Otherwise, developing country Nepal will not get benefits socially and economically from MNC but MNC will get optimal benefits in short run. In future, Nepal should change refocus on the policy priority from FDI to domestic investment.

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