

Private pocketbooks for public goods: Policy delegation through mandated CSR

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Abstract

Do firms act as complements or substitutes for the state when mandated to undertake corporate social responsibility (CSR) initiatives? In this project, I leverage data on firms' mandated CSR spending in India from 2016-2023, and test if foreign multinationals and domestic Indian firms make efforts to advance government development priorities through their CSR expenditures. I examine the extent to which firms align their CSR spending patterns with state governments, with the Indian central government, and with their home country governments to examine the extent to which firms may be acting as agents of the state, on behalf of both their home and host countries. Firms with a track record of CSR prior to the mandate, which I interpret as firms selecting into CSR, behave as complements after the law is enacted. I find that large domestic Indian firms more closely mirror the expenditures of the central government than those of the state governments in the states in which they operate. At the local level, both foreign and domestic firms seem to substitute for states' social spending by allocating CSR to different categories than the state. Taken together, my findings suggest that mandated firm CSR can support the state in its public good provision efforts, but that firms rise to the occasion differentially based on their respective potential reputational, instrumental, and compliance-related gains. My project surfaces a channel through which developing states can expand their policy toolkit to achieve social outcomes that the state may be unable to achieve on its own, but highlights the principal-agent challenge that may arise when delegating social policy implementation to private non-state actors.

1 Introduction

In 2013, the Indian government enacted a corporate social responsibility mandate, requiring large firms to spend 2% of their average net profits on specific social and economic development activities. Despite fierce corporate opposition at the time of its passage, in particular due to fears of hindering liberalization and economic growth by increasing the

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costs of doing business in India, the mandate has now been in place for nearly a decade. Why would a state aggressively courting foreign investment and publicly promoting a pro-business regulatory environment through subsidies and incentives impose a novel tax on large corporations? I argue that the state implemented the CSR mandate to enlist firms to help tackle the state’s key development challenges, thereby delegating social policy implementation efforts to companies. I examine firm responses to this delegation by the state to assess if firms are more likely to act as substitutes or complements to the government, at the state and national level.¹

In this paper, I use a project-level dataset on all CSR expenditures reported by domestic and foreign firms in India since 2016, containing close to 500,000 observations and geocoded at the district level. Using this data, previously unused in political science to the best of my knowledge, makes it possible to understand the strategic behavior of firms in the face of policy delegation at a granular level. I combine this dataset with detailed state and federal spending data, as well as rich information from Moody’s Orbis database and the Centre for Monitoring the Indian Economy (CMIE). I leverage this data to test theoretically-driven hypotheses on firm behavior by estimating the treatment effect of several variables while including fine-grained fixed effects.

I find that both foreign and domestic firms tend to act as substitutes at the state level regardless of firm size, and that large domestic firms act as complements at the federal level. Notably, firms with a track-record of voluntary CSR prior to the enactment of the mandate are more likely to serve as complements at the federal level. I find that political turnover and changes in ideology within the home state of foreign firms do not affect those firms’ CSR allocation across categories, suggesting that foreign firms are more responsive to the environment they are operating within, relative to the environment they originate from.

This paper aims to make several contributions. First, the attention I seek to draw towards unpacking the competing motivations of firms in their CSR decisionmaking is not

¹I use substitute as a term to describe a firm that spends differently than the government (e.g., firm spends on health, state spends on education), and complement to describe a firm whose spending patterns are similar to those of the state (e.g., both firm and state spend on health).

without precedent, though it has remained relatively unexplored by political scientists. Some work in international business suggests that investment in CSR can be proactive and strategic (Napier and Delios, 2023), with economic investment-related motivations driving CSR practices in pursuit of profit maximization (Kitzmueller and Shimshack, 2012). Management scholars argue that these approaches underestimate the extent to which the demand for CSR comes from stakeholders within the firm (Zhou et al., 2024). Related work has explored the extent to which extrinsic and intrinsic firm motivations drive CSR behaviors, and uncover heterogeneity by firm size and level of internationalization (Grimstad, Marina Flø et al., 2020). Literature from international business and business ethics has examined relationships between home and host country environments, leveraging institutional and stakeholder theories (Yang and Rivers, 2009) to advance the argument that firms often develop and enact CSR in response to the external environment. I add to the CSR literature by suggesting that the interaction between firms' CSR practices and the external environment is not static as in a one-shot game, but rather dynamic, continually evolving over time as host country governments update their priorities and periodically intervene to shape the external environment through policy in order to extract more desirable behaviors from firms.

Through this project, I hope to contribute to a broader understanding of how states strategically respond to internal development challenges and the pressures of economic integration (Frieden and Rogowski, 1996; Rodrik, 2011; Mosley, 2005; Keohane and Nye, 2003) by taking advantage of opportunities provided by the presence of large firms. In arguing that the state deliberately delegates public good provision to firms, I suggest that governments are thinking strategically about how to manage the benefits and harms of economic openness. In investigating strategic interactions that take place between states and firms through the case of CSR, I shift the construct of interest from the firm as a profit-maximizing agent to the firm as an agent of the state. Importantly, this framing adds nuance to existing narratives around globalization and state sovereignty. While globalization exerts pressures on developing economies that can result in reductions in host country sovereignty (Rodrik, 2000), I argue that developing states can perhaps

restore some of their agency by more strategically managing firms' non-market activities by monitoring and steering CSR expenditures. Inward FDI, by expanding the pool of CSR spending, may actually expand states' toolkit for pursuing policies and increase the feasibility of achieving distributive outcomes desired by the state.

This paper contributes a framing of CSR as but one example of the channels through which firms can directly affect the social context in which they operate, outside of their day-to-day business activities, by studying a context in which firms must necessarily develop their CSR in response to the imposition of a new law by the central state. By examining firm-level responses to the imposition of this new political obligation, I shed light on how domestic and foreign firms integrate into the contexts in which they operate, and examine how they balance at times competing obligations to the local and national governments, and for foreign firms specifically, the extent to which they may internalize and then diffuse the norms of their home country government as opposed to the context in which they are operating.

This project also builds on existing work that finds that large multinationals are an important vehicle for social change in host countries (Prakash and Potoski, 2007; Malesky and Mosley, 2018; Harrison, 1994). While my theory suggests that changes in home country social policies—which translate to HQ corporate priorities and consequently impact firm CSR decisionmaking—may have downstream effects on host countries, my results suggest otherwise. My findings instead suggest that if and when foreign firms become tasked with acting as key agents of social development, they are no more likely to advance the social priorities of their home government or the values or norms that are aligned with the political climate at home. Instead, firm decisions seem largely driven by either corporate culture or leadership (which I do not investigate in this project, but is explored extensively in the business literature), or the political and social context in which they are operating abroad.

Finally, this project contributes to the vast literature rooted in a rich comparative tradition of state-building and state capacity (Besley and Persson, 2009; Muralidharan et al., 2016; Suryanarayan, 2024) by showing how governments may be able to induce

firms to directly undertake development efforts in order to supplement existing levels of state capacity. By showing that states may be able to spend beyond their traditionally conceived means by delegating to firms, I suggest that we may at times underestimate the true capacity of a state in contexts where states hold bargaining power and leverage over non-state actors, such as private firms.

2 Theory

2.1 Delegation and CSR Policy

States may face various obstacles in attempting to enact their preferred social policies and pursue their aspirational development objectives. States may be capacity constrained, and forced to make difficult tradeoffs, resulting in underinvestment in an area that the state wishes to further develop. Another obstacle may be that the implementation of some policies prioritized by the state may be politically risky; governments seeking to improve the well-being of historically marginalized groups face the threat of a reduction of electoral support if the promotion of cultural change implies a loss of status for majority groups in society. States may also be ineffective in implementing certain types of policies; for example, a state's effort to change cultural attitudes and norms in low-education environments where institutional trust in the state is low may be unsuccessful. When facing obstacles such as these, I suggest that the state may consider involving actors beyond the state, such as large private firms.

Take the example of women's labor force participation—a core tenet of the Indian government's broader objective to empower women. In such a case, direct regulation may be infeasible. Mandating that firms hire women, for example, could both engender political backlash from male voters, and could face legal challenges in court due to concerns around discrimination. Delegation may be an appealing alternative in such a case. Successfully nudging firms to undertake initiatives that have positive downstream effects pertaining to women's employability, such as upskilling and educational programs, has two important potential implications. First, firms' involvement can both improve local

and national outcomes over a longer time horizon by simply increasing the amount of resources being funneled towards these types of programs. Second, communicating this priority to firms, and having firms internalize this priority through shifting their social spending accordingly in line with the requirements of the CSR mandate, may cause firms to update their conceptions of the attitudes of the state towards women, and their outlook on the economy overall. Firms may consider updating their business activities accordingly, in hopes that shifting corporate behaviors in line with the preferences of the state may yield more favorable treatment—such as by increasing their hiring of women. Firms may also perceive that women are becoming increasingly employable, feel more positive about the overall economic conditions, and increase investment in the region accordingly. Foreign firms specifically may communicate this prioritization back home to shareholders and stakeholders, thereby improving the image and reputation of the Indian state and Indian society. Foreign firms, in particular the large multinationals that are most likely to be affected by the CSR mandate, may hold significant sway with their respective host country governments, and can act as effective bridges in aligning home and host countries on social priorities. For example, several U.S. firms are members of the U.S.-India Alliance for Women’s Economic Empowerment, an initiative launched in 2019 aimed at bringing together companies, government agencies, and NGOs and non-profits to identify actionable ways to increase women’s entrepreneurship, employment, and educational attainment in India. In the instance of women’s labor force participation, delegating development initiatives to firms—particularly, foreign firms—may be especially attractive to the state.

If a state chooses to delegate, what may this look like? I examine in this project the Indian state’s delegation—the deliberate entrusting of a state responsibility to a non-state actor—of social policy implementation to firms through the CSR mandate enacted as part of the Companies Act, 2013. I argue that the Indian government’s CSR mandate is an effort by the state to steer firms’ non-market social behaviors through requiring CSR expenditures towards a set of activities selected by the state, with a financial penalty associated with non-compliance. By requiring firms to undertake social

and economic development initiatives that the state would otherwise fund itself, I argue that the government is effectively delegating the provision of public goods to private firms.

Since the initial law mandating CSR spending and disclosures was passed in 2013, several amendments have been made that suggest that the MCA closely monitors the allocation of funds in aggregate, and provides revised guidance to reporting firms when funds could be allocated more optimally given the government’s dynamic needs. The government has periodically updated and revised the list of approved activities for firms’ CSR spending over the past decade; for example, during the COVID-19 pandemic, the government issued guidance that pandemic relief-related activities could count towards a firm’s CSR spending requirements. The state continues to adjust its demands of firms as the state’s own needs and priorities change, which I suggest is evidence of delegation.

The CSR Policy Rules, first published in 2014, stated that any activity that exclusively benefits employees of the company would not be considered as appropriate CSR activity. Revised guidance in 2021 redefined this as any activities “benefitting more than 25% of employees and their families.” In later guidance published in 2024, the Deputy Director of the Ministry of Corporate Affairs wrote that CSR is intended to “benefit the public at large and the activity should be nondiscriminatory to any class of beneficiaries.” I interpret this periodic guidance as an indication that the state clearly intends for firms not to simply reinvest CSR dollars into their own firm, but rather to allocate these funds towards public good provision.

2.2 Firms’ Strategic Response to CSR Delegation

Although mandating CSR spending by firms as a way to delegate policy implementation is an innovative way by a capacity-constrained government to channel funds into its policy objectives, it introduces a principal-agent problem. Firms follow their own objectives, which may diverge from those of the government. A central question in this paper is how firms decide to allocate their funds when policymaking has been delegated to them via a CSR mandate. Assuming that firms are mandated by a government to

conduct CSR activities up to a set budget, they face the following two decisions:

1. Where to spend their CSR budget. This can be locally (to a particular district and state) or nationally, with CSR activities not geographically targeted. When firms decide to allocate CSR spending locally, they must decide where to do so.
2. What activities/sector to spend their CSR budget on. This may or may not be explicitly guided by the government. In the case of the Indian CSR mandate, a menu of permissible CSR activities is provided by the state, and firms are only eligible to count projects within those defined activities towards their required spend amount.

In making each of these decisions, firms optimize the potential return associated with different combinations of project geography and project sector. Firms may benefit from their CSR expenditures in three key ways. First, a firm may realize **instrumental gains** if CSR activities have direct economic effects on communities that may benefit the firm economically (Fu et al., 2021). For example, female educational programs may train women that may subsequently join the labor force of a company. Transportation or environmental programs may benefit the vicinity of a firm’s facilities, which may contribute to the productivity of its employees, etc.

Second, firms may achieve **reputational gains** with several relevant audiences (Arevalo and Aravind, 2017). First, CSR activity may improve a firm’s reputation among potential customers. Under the assumption that a firm’s brand, broadly defined, affects consumer choices, this may benefit the firm by ultimately increasing its revenue. A firm may prefer to install its CSR activities in an area that is home to potential future customers. Reputational benefits are primarily likely to be a consideration for firms involved in business-to-consumer activities, but may also apply to larger transactions between businesses. For example, the reputation of an Indian firm may determine whether global brands, who are accountable to progressive audiences, select them as business partners.

The other audience with which a firm can seek reputational gains from is state actors. The state (local or federal) is not only a potential customer for a firm through public

contracts, but also a decisionmaker that may decide whether the firm is granted a regulatory exemption, a tax break, a subsidy, etc. The state includes a variety of actors, most notably bureaucrats and politicians. While bureaucrats' careers may not directly benefit from CSR spending, politicians may do so when they are able and willing to claim credit for, or share credit with the firm for welfare gains achieved through CSR spending.

Finally, firms may realize direct **gains from compliance**. This is most obviously true at a high level because firms comply with the CSR mandate, but it may also play out at other levels: for example, politicians may informally promise firms conditional subsidies or other forms of economic support if the firm is willing to act in accordance with a request made by the state (e.g., diverting more funding towards a highly visible fund run by the central government). In that case, the firm will gain from complying with its end of this informal bargain.

In this section, I review the different decisions made by firms in more detail in light of this brief framework.

2.2.1 Geographic Decisions: where to allocate CSR spending?

Firms can allocate their CSR budget to local activities or national (non-geographically targeted) activities. When they do choose to spend in a geographically targeted way, they must choose where to do so strategically to maximize the gains outlined in the previous section.

Non-local spending: first, given that the CSR mandate is overseen at the national level, firms may feel pressure to signal compliance to the central government by allocating funds towards central initiatives. In India, one such initiative is the Prime Minister's funds. Doing so ensures that the firm reaps gains from compliance, perhaps additionally signaling this to important policymakers for future subsidy decisions. But firms may also benefit from allocating their CSR budget to non-local initiatives in other ways. National initiatives may be expected to have a larger pool of beneficiaries, which will realize higher instrumental gains. Moreover, as high-profile CSR projects, they may garner more attention domestically or abroad, which may lead to greater reputational

gains for the firms. That said, the case for non-local spending remains ambiguous: if all firms strategically choose national projects, their own contribution is diluted into a larger pool of contributing firms, leading to smaller marginal gains in reputation.

Local spending: first, firms may be slated to more directly benefit from CSR initiatives at the local level instrumentally. Investing in the local community and fostering local economic development may in turn benefit locally-based firms in the long run. Second, for local firms, this is also true in terms of reputation among customers: local CSR may be less diluted among many firms, and therefore have a stronger effect on the local firm's brand, which customers might reward economically. Third, firms may be able to leverage their local connections, infrastructures, networks, and staff, to more efficiently conduct CSR activities. In other words, by allocating a larger share of their CSR budget to local projects, firms may be able to do more CSR per dollar spent. Finally, firms may decide to signal compliance to local policymakers, in particular if they are more sensitive to local policy decisions than to national policymaking.

Geographic decision: assuming that a firm decides to allocate a share of its CSR budget in a geographically targeted way, it still faces the decision of where specifically to do so. One clear consideration, already highlighted above, is the footprint of the firm itself, which may allow it to increase the efficiency of its CSR activities. My first hypothesis tests whether firms are more likely to establish their CSR projects in geographies where they are already present.

Hypothesis 1 *Firms will be more likely to situate their CSR projects in the districts in which they have an existing investment or footprint.*

Another consideration is the political alignment, or partisanship, of local government. A firm may decide to allocate its CSR money where the most influential party is in power, in order to achieve reputational gains with political stakeholders that may come to make relevant decisions in the future. There may be moments where state and national interests are relatively aligned, in particular if the state's Chief Minister is a member of the alliance that the Prime Minister is a member of. Firms operating in states with

an NDA Chief Minister, for example, may be able to satisfy both state and national stakeholders through a local investment. This yields an additional hypothesis:

Hypothesis 2 *States with a Chief Minister that is associated with the governing political alliance will receive greater CSR spending.*

2.2.2 Sectoral Decisions: what to direct CSR spending to?

The second key decision made by firms under a CSR mandate is the selection of substantive sector in which to conduct CSR activities. In keeping with the terminology used by the MCA and reporting firms, I use the term “sector” not in reference to the industry of a particular firm, but to the type of activity or area that the firm allocates its spending towards (e.g., education, health).

Mandated firms, once they have determined the geographic scope of their CSR efforts, must then decide what type of CSR projects to undertake substantively. Firms can choose to align with the state, mirroring the priorities and ongoing efforts of the government, in which case they act as complements to the state in terms of public good provision. Alternatively, firms can alternatively choose to focus on areas that the state does not focus on, in which case they act as substitutes for the state. Firms can also choose to make their allocation decisions entirely independently of the state’s priorities.

Firms may opt to allocate CSR to types of projects that are more visible (e.g., road building) and more easily allow for credit claiming, either for their own reputational benefit with consumers and stakeholders, or to make the state aware of their compliance with the mandate. Firms may also pursue projects with their own indirect benefit in mind by pursuing initiatives that may have longer-term positive impacts on the firm’s investments or business activities.

Additional factors that could drive firms to allocate CSR expenditures towards particular topics are intrinsic motivations such as those stemming from organizational culture (including the composition of their Board and shareholders), and other extrinsic, consumer-facing motivations, such as the composition of their consumer base. On the former, there may be pressure from internal stakeholders; for example, Shen and Zhang

(2024) show that firms with greater representation of women at a managerial level tend to employ more women in foreign contexts. On the latter, firms that produce goods not just for the Indian market, but predominantly foreign markets (e.g., Apple and the iPhone) may feel more incentivized to undertake corporate social responsibility initiatives aligned with the host country's development strategy, as the expected reputational benefits from both domestic and foreign markets may be greater than a sector that is neither consumer goods-focused, nor produced for a foreign consumer base.

2.2.3 Heterogeneity: Foreign and Domestic Firms

There are theoretical reasons to believe that foreign and domestic firms may exhibit distinct patterns of CSR spending. MNCs are importantly distinct from domestic firms in many ways; for example, MNCs are unique in the relative costs and benefits associated with political activity and lobbying, with a lower marginal cost and larger marginal benefits from lobbying due to their economic dominance and transnational activities (Kim and Milner, 2019). Due to their larger operating scale and budgets, MNCs are structurally different from domestic firms, often allocating more resources to long-term investments; Bae and Noh (2001) find that MNCs spend a significantly higher percentage of their budgets on R&D than their domestic counterparts. Yet MNCs are also constrained in a way that domestic firms are not: governments can impose additional restrictions, such as capital controls, transfer pricing regulations, or foreign ownership caps that directly impact MNC operations but leave domestic firms relatively unaffected (Mooij, 2018).

The “obsolescing bargain” (Vernon, 1971; Kobrin, 1987; Jensen, 2008) predicts that the balance of bargaining power between MNCs and host country governments rests with the MNC at first, as the host country must make the investment environment as appealing as possible to ensure the firm does not settle elsewhere. Over time, however, bargaining power increasingly shifts towards the state, as the investments of the MNC become sunk and the firm becomes more vulnerable to political risk.

These characteristics of MNCs suggest that foreign firms may have different, and perhaps stronger, incentives than domestic firms to comply with a given policy. Further,

if there are additional incremental gains to be realized by complying *better*, for example by adhering more closely to one or two categories that the state specifically wants firms to allocate CSR towards out of the full menu, foreign firms may be under greater pressure than domestic firms to pursue these. MNCs may have more to lose or gain by complying in a particular way, for example by acting in accordance with the state. The state may be able to extract more value out of foreign firms' CSR due to two additional characteristics that differentiate MNCs from foreign firms:

- **International Signaling:** If the state is seeking to signal to foreign audiences some policy commitment (e.g., women's empowerment, promoting environmental sustainability), foreign firms may be more effective messengers than domestic firms as they are wholly integrated into their home country (from which, plausibly, the state seeks to increase FDI), and are likely to be more integrated into the global economy given their status as multinationals. These signals are also potentially more credible coming from MNCs than from the state themselves (Jervis, 1970), given that firms have comparatively fewer (if any) incentives to misrepresent the extent of social progress made in the host country, as they, unlike the state, are not seeking to signal progress in an effort to increase inward FDI.
- **Norm Importation and Cultural Insulation:** There may be greater synergies or similarities between the norms of the home country of the foreign firm and the set of norms the state is seeking to import into the host country through its social development objectives. Foreign firms may thus be more effective in instilling these norms and associated practices. Foreign firms are also likely to be more insulated from shifts in host country norms than domestic firms, who are more culturally embedded in the host country and may be more beholden to, and therefore more responsive to, local attitudes and reactions to firm activity. If the goal of the state is to pursue certain social development objectives (e.g., women's empowerment), regardless of the potential backlash that may arise within some groups, foreign firms may be a more reliable delegate.

My next two hypotheses examine whether firms' CSR expenditures act as a form of public good provision at the state level and at the national level, and whether this varies by ownership (foreign vs. domestic).

I suggest that domestic firms, the largest players of which have long engaged in CSR even prior to the mandate's enactment, are embedded in a similar political and institutional environment as the state. As such, I predict that their CSR programs tend to mirror public priorities rather than substitute for them. By mandating CSR expenditures by all firms above a certain profit threshold, the government expands the pool to include firms that did not self-select into CSR; these entrants are more distinct from the state, and therefore more likely to act as true substitutes. In practice, these new spenders are more likely to fill gaps by funding areas the state does not—or cannot—prioritize, while still operating within the state's authorized menu of eligible CSR activities.

The government is poised to extract more value from CSR if firms act as substitutes, as opposed to replicating or adding to ongoing government efforts. Therefore, I expect that foreign firms, who are more vulnerable to political risk and may seek to comply as fully with the state's preferences as possible, are particularly likely to act as substitutes at both the state and national levels. This theoretical discussion yields two testable hypotheses at the state and national level respectively.

Hypothesis 3 *I predict that foreign firms are more likely to act as substitutes than domestic firms, displaying misalignment with states' ranked-choice priorities in terms of spending, compared to domestic firms.*

Hypothesis 4 *I predict that foreign firms are more likely to act as substitutes than domestic firms, displaying misalignment with the federal government's ranked-choice priorities in terms of spending, compared to domestic firms.*

I expect that firms that selected into CSR practices prior to the mandate are more similar to the government in terms of composition of elites and ideology. I thus predict that they are more likely to complement the state's priorities rather than fill gaps the state could not or did not address.

Hypothesis 5 *Firms that were reporting some voluntary CSR disclosures prior to 2014 are more likely to exhibit complementarity with the federal government after the mandate takes place due to shared values, norms, preferences, and priorities.*

Finally, while foreign firms may be responsive to the host country environment, they may also feel responsible for representing the values and preferences of their home country government. This would imply:

Hypothesis 6 *Firms from foreign countries experiencing political turnover are likely to shift their spending on certain categories in alignment with the ideology of their current executive.*

3 Background and Context on CSR in India

India became the first country to mandate firm-level CSR with Section 135 of the Companies Act, 2013. Per the law, covered firms—private or public, including Indian subsidiaries of foreign companies—must spend at least 2% of average net profits over the preceding three years on CSR activities from a government-defined schedule of eligible areas (Companies Act, 2013).

Firms are responsible for spending and disclosing if they meet any of the following criteria: net worth $\geq$ INR 500 crore, turnover $\geq$ INR 1,000 crore, or net profit $\geq$ INR 5 crore. Firms must constitute a CSR Committee of the Board to recommend a CSR policy, approve an annual action plan, and monitor implementation. Disclosure of CSR spending behaviors is mandatory: companies report project categories, locations, amounts committed and spent, implementation mode, and the treatment of any unspent balances via board reports and annual returns to the Registrar of Companies. Firms meeting the CSR criteria must, on their websites, detail the membership of their CSR Committee, publish their CSR Policy, and share information on all CSR projects approved by the Board. While the government does not play any direct intervening role in the allocation decisions or implementation efforts, it does monitor firm compliance with all provisions of

Table 1: Companies Act, 2013 — Schedule VII: Eligible CSR Activities

Item	Activity
(i)	Eradicating hunger, poverty and malnutrition ; promoting health care (including preventive health) and sanitation (including contribution to the Swachh Bharat Kosh); and making available safe drinking water.
(ii)	Promoting education, including special education and employment-enhancing vocational skills (especially among children, women, elderly, and persons with disabilities), and livelihood enhancement projects.
(iii)	Promoting gender equality; empowering women; setting up homes and hostels for women and orphans ; setting up old age homes, day care centres and such other facilities for senior citizens; and measures for reducing inequalities faced by socially and economically backward groups.
(iv)	Ensuring environmental sustainability , ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources, and maintaining quality of soil, air and water (including contribution to the Clean Ganga Fund).
(v)	Protection of national heritage, art and culture —including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts.
(vi)	Measures for the benefit of armed forces veterans , war widows and their dependents; Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans and their dependents (including widows).
(vii)	Training to promote rural sports , nationally recognised sports, paralympic sports, and Olympic sports.
(viii)	Contribution to the Prime Minister’s National Relief Fund or PM CARES Fund, or any other fund set up by the central government for socio-economic development and relief and welfare of the Scheduled Castes, Scheduled Tribes, other backward classes, minorities and women.
(ix)	(a) Contributions to incubators or R&D projects in science, technology, engineering and medicine funded by Central/State Government, PSU or any agency thereof; (b) Contributions to public-funded universities; IITs; National Laboratories and autonomous bodies (DAE, DBT, DST, Dept. of Pharmaceuticals, AYUSH, MeitY, DRDO, ICAR, ICMR, CSIR, etc.) engaged in research in STEM aimed at promoting the Sustainable Development Goals (SDGs).
(x)	Rural development projects.
(xi)	Slum area development. ^a
(xii)	Disaster management , including relief, rehabilitation and reconstruction activities.

^a “Slum area” means any area declared as such by the Central/State Government or other competent authority under applicable law.

Note: This table reflects Schedule VII with amendments through 2019–2020 notifications (e.g., inclusions of Swachh Bharat Kosh, Clean Ganga Fund, PM CARES, CAPF/CPMF, and SDG-oriented R&D/Incubators).

the Companies Act based on annual disclosures made through the Ministry of Corporate Affairs’ CSR platform.

The rules also structure how unspent funds are treated. If unspent funds are tied to an ongoing project, they must be transferred to a dedicated account and utilized within three years; if not tied to an ongoing project, they must be transferred to specified central funds (e.g., PM CARES, Prime Minister’s National Relief Fund, Swachh Bharat Kosh, Clean Ganga Fund, or welfare funds for SC/ST, minorities, and women), with financial penalties for non-compliance.² Initially, companies were instructed to give preference to areas local to their operations, but a clarifying amendment in 2021 diluted this language, and instead suggested that firms should also take into account national priorities and use their discretion to allocate appropriately (Government of India, Ministry of Corporate Affairs, 2021).

Over time, certain activities have become explicitly excluded from CSR (e.g., activities outside India, political contributions, benefits to more than 25% of a firm’s employees, or actions undertaken to satisfy other legal obligations). Other clarifying guidance has been issued regularly in response to questions by the Indian corporate community. For example, the Companies Act, 2013 stated that a company shall give preference in its CSR expenditures in the areas local to its investments and operations. This was expanded upon in later guidance, where the government stated that firms should balance this preference towards the local area with a recognition and awareness of priorities at the national level. Overall, however, the distribution of CSR spending throughout India does not seem to map neatly to the distribution of firm presence throughout India. Some states appear to be disproportionate beneficiaries of CSR, while other states—even those with fairly high levels of corporate activity—receive next to nothing, raising an important distributive question.

Corporate philanthropy in India long predates the passage of the CSR mandate in 2013. Large Indian conglomerates—often controlled by generations of the same family (e.g., Tata, Birla, Reliance)—have funded education, health, and community development programs since the late nineteenth century, with allocation decisions shaped largely by

²The Amendment Act drafted in 2021 initially detailed a criminal penalty for non-compliance with a prison term of up to three years. This provision ultimately did not make it into the enacted version of the law, due to fervent opposition from members of the corporate community in India.

family norms and regional ties (Sharma, 2009; Kansal et al., 2014). As a result, such voluntary CSR initiatives were predominantly grounded in the preferences of specific corporate elites and their own philanthropic agendas.

This history of CSR is important to take into account when applying my theoretical argument to the India case for two reasons: first, many leading domestic firms already engaged in CSR prior to the passage of the Companies Act, which raises the question of why the state would choose to institutionalize something that was already quite commonplace amongst large domestic firms, particularly if doing so came at the risk of provoking the ire of firms who were not voluntarily contributing but would now be required to by law. Opposition to the initial announcement of a CSR mandate, rooted in concerns that a once voluntary behavior was now being mandated, and that such a mandate would hinder Indian liberalization, was so severe that the government originally changed the mandate to a “comply or explain” policy, (Dharmapala and Khanna, 2016). Yet, in 2020, the government adopted a formal financial penalty to ensure compliance, formalizing CSR as a mandate despite continued outcries from corporations (Companies (Amendment) Act, 2020).

I suggest that the enactment of the mandate was aimed at encouraging increases in CSR activities amongst domestic firms not already voluntarily contributing or contributing at levels below the threshold, increasing uptake of the practice by foreign firms, and steering existing and new CSR expenditures in a manner that furthers state interests. CSR spending by reporting firms in FY 2023-2024 was the equivalent of USD 3.9 billion, totaling approximately 0.8% of the Indian federal government’s total budget for the same year. Indeed, the mandate specifically seems to have significantly increased the CSR engagement of foreign firms, as shown in Figure 1.

4 Data

My primary source of data for firms’ corporate social responsibility spending comes from the Indian Ministry of Corporate Affairs (MCA). In 2013, the Indian government

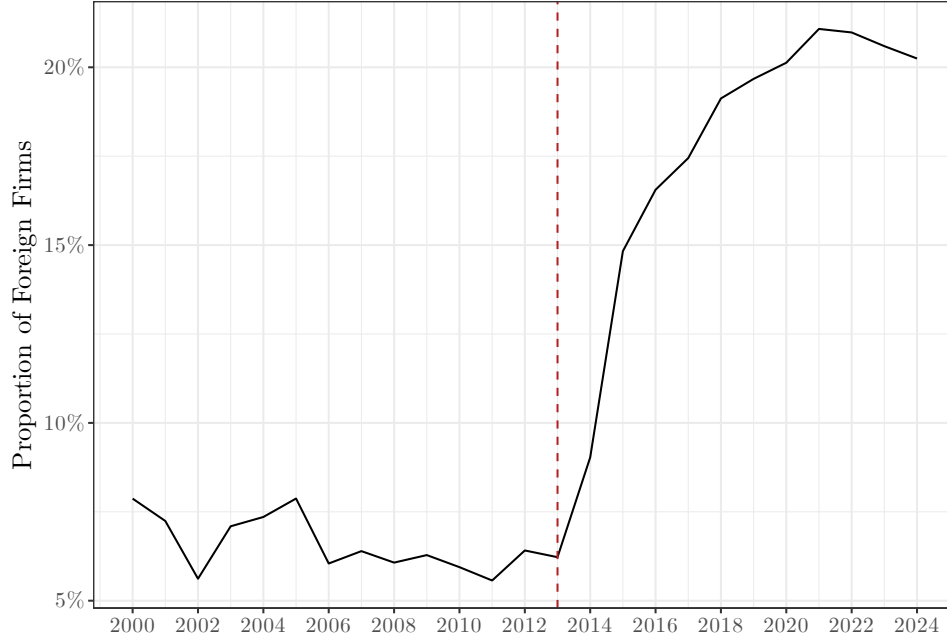


Figure 1: Ratio of foreign firms reporting CSR spending pre- and post-mandate

passed the Companies Act, legally requiring that large private firms allocate a portion of their profits to corporate social responsibility (CSR) activities and establish a CSR committee to oversee this spending. Per Section 135, firms meeting certain profitability or size thresholds (profits above INR 50 million, income above INR 10 billion, or net worth exceeding INR 5 billion) must spend at least 2% of their average profits over the preceding three years on social causes, and report to the MCA detailed project-level information, including project descriptions, geographic information (district and state ID, or Pan-India), total project amount, amount spent to date, and implementation details. Detailed project-level expenditures, including written project names and self-reported project categories (known as project sectors), are disclosed to the MCA on an annual basis by all firms meeting one or more of the three thresholds. This data is publicly available on the MCA’s website from 2016 onward.

5 Secondary Data Sources

My data for state level spending on social policies comes from the Reserve Bank of India, which annually publishes reports of the budgeted and actual spent amounts

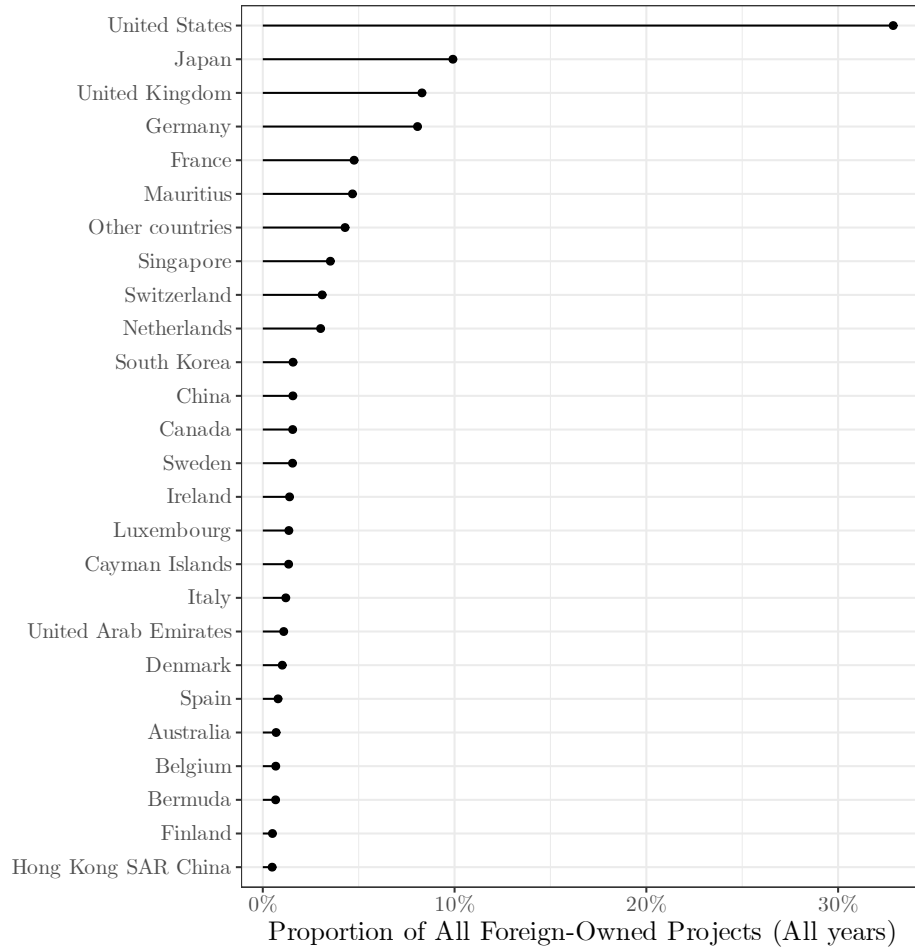


Figure 2: Country of origin for foreign firms affected by CSR mandate

of all state governments, based on primary data provided by the states, and a corresponding report for the central government’s annual spending. This time-series data, available publicly on the RBI’s website for FY 1990-1991 onwards, provides detailed, disaggregated data on each state’s annual revenue account, capital outlay and loans and advances. I specifically focus on states’ development expenditures, which encompass their spending on social services, such as health, education, and family welfare, and economic services, such as agricultural services, rural development, and road building. I exclude non-development expenditure, which includes administrative services, interest payments, and debt servicing, as these categories do not contain information that could be pertinent in inducing the state’s ranked-choice social development priorities.

All Indian states, as well as the Indian central government, report expenditure using a common chart of accounts. I classify spending at the Major Head level—functional

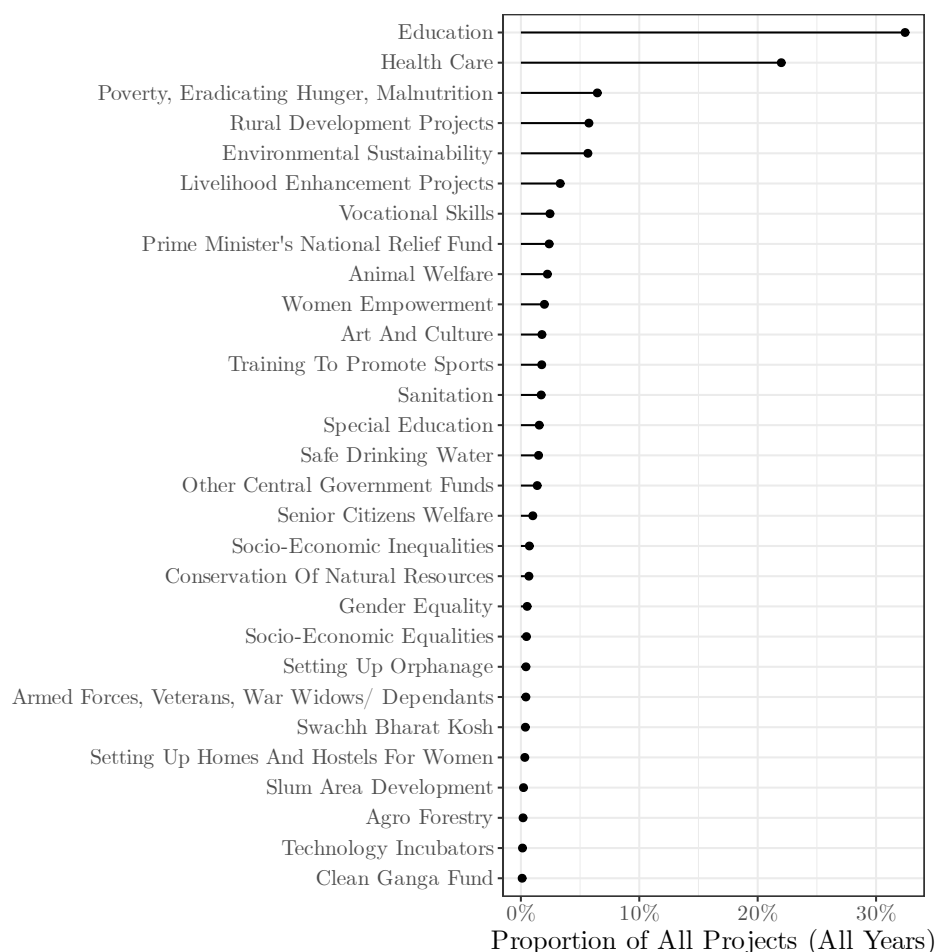


Figure 3: Self-reported CSR categories by project count

headings that identify the purpose of expenditure (e.g., Education, Health, Rural Development). For analysis, I consolidate closely related Major Heads into a development taxonomy: Education, Sports, Art, and Culture; Health; Family Welfare and Women’s Initiatives; Social Security, Welfare, and Related Services; Urban Development; Irrigation, Water Supply, and Sanitation; Agriculture and Allied Activities; Rural and Targeted Area Development; and Energy, Technology, and the Environment. Within each state–year–sector cell, I aggregate Revenue Expenditure and Capital Outlay to obtain total expenditure on that sector. I use the RBI’s “Revised” figures (the end-year revision to the budget), which are the closest available measure of in-year outlays.

To align with activities permitted by the MCA to constitute as CSR spending, I exclude some categories from the state and federal budgets: General Services and Tourism; Industry and Minerals; and Communications. The resulting panel is merged to the

CSR data recoded into the same, harmonized taxonomy of spending categories, enabling within-state-year comparisons of government budget composition and firms' CSR allocation.

My data for capital expenditures (in terms of projects) is constructed using data from the Centre for Monitoring Indian Economy (CMIE). CMIE was created in 1976 as an independent think-tank that now makes available business databases to companies and researchers via a subscription system. I use CMIE's CapEx database, which includes rich information on domestic and international capacity projects conducted in India. This information includes the location of new plants and facilities created, the cost and industry of these projects, and their implementation progress. Each project record includes a completion date or expected completion date if in the future. Importantly in the context of this project, the CapEx data specifies whether each project is foreign or domestic.

My data for firms' pre-mandate CSR activity come from CMIE Prowess. I construct a pre-2014 proxy (Marshall et al., 2022) by summing up three accounting items—social and community spending, environment-related, and donations—at the firm-year level.

My data for foreign home-country politics come from a leader-tenure panel (2016–2023) that I manually compile from public records. I assign each executive an ideology score (−2 far left to +2 far right) and compute, for each country-year, a weighted average.

My data for state partisan control come from a hand-coded state-year dataset (2016–2023) of Chief Ministers and alliance membership. I use these data to construct an indicator for whether the sitting CM in a given year is aligned with the National Democratic Alliance (Prime Minister Modi's governing party, which has been in power since 2014).

To classify domestic and foreign firms, I extract ownership information on CSR reporting firms from Moody's Orbis, a cross-country, firm-level database.

6 Empirical Approach and Results

While the MCA's CSR dataset has a panel structure, there is no readily available parallel-trends-based identification approach readily justifiable: the treatment is usually

a feature of state governments or of the Union government (e.g., their spending composition) that varies over time. It is therefore continuous, and units enter and leave treatment, which excludes possible staggered-adoption approaches.

Causal interpretation therefore relies on conditional ignorability within the fixed effects. All specifications include high-dimensional fixed effects (including firm, state, sector, and/or year) to absorb time-invariant heterogeneity and common shocks. Standard errors are always clustered at the level at which treatment is conceptually assigned. For example, when thinking of state-spending as the treatment, standard errors are clustered at the state level.

I first test Hypothesis 1 whether the location of CSR projects is a function of pre-existing firm presence. I do so at the district-level, which is the most granular level of analysis available in the data. For each firm c in each district d in each year t , I measure $\text{Number CapEx}_{cdt}$, the number of CapEx projects announced in the district up to year t in the history of the company. I then estimate the following equation:

$$\text{Some CSR}_{cdt} = \beta_1 \text{Number CapEx}_{cdt} + \beta_2 (\text{foreign}_c \times \text{Number CapEx}_{cdt}) + \alpha_{ct} + \delta_d + \varepsilon_{cdt} \quad (1)$$

Where Some CSR_{cdt} takes value 1 if firm c carries out any project in district d and 0 otherwise, and where I interact the main variable of interest with foreignness, to test whether the effect is different for domestic and foreign firms. Estimates from Equation 1 are reported in Table 2.

The physical presence of a firm (in terms of capital expenditure) in a given district increases the probability of launching a CSR project in that district by four percentage points for domestic firms and ten percentage points for foreign firms. This suggests that firms may be motivated by instrumental and reputational gains when determining the geography of their CSR activities. The gap between foreign and domestic firms may be driven by the higher cost of setting up CSR projects for foreign actors, who do not benefit from an existing network of on-the-ground civil society organizations and government partners, and therefore are more likely to rely on their own corporate headquarters.

Table 2: Probability of CSR as a Function of Capital Expenditures (Projects) in District

	Outcome: Prob. of New CSR Project in District	
	Simple	By Ownership
N Capex Projects in District	0.04*** (0.00)	0.04*** (0.00)
Foreign Owned		0.00 (0.00)
N Capex $\times$ Foreign Owned		0.06*** (0.01)
Year $\times$ FE	Yes	Yes
District FE	Yes	Yes
Num. obs.	90278695	90278695

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. Standard errors clustered at district level.

Figure 4 shows the geographic distribution at the state level for CSR projects alongside the geocoded location of the 60,000+ capacity projects in India that have been initiated since 1995 that are captured in CMIE's CapEx. Despite the positive relationship between capital expenditures and CSR, firms' CSR expenditures appear to disproportionately flow to certain states.

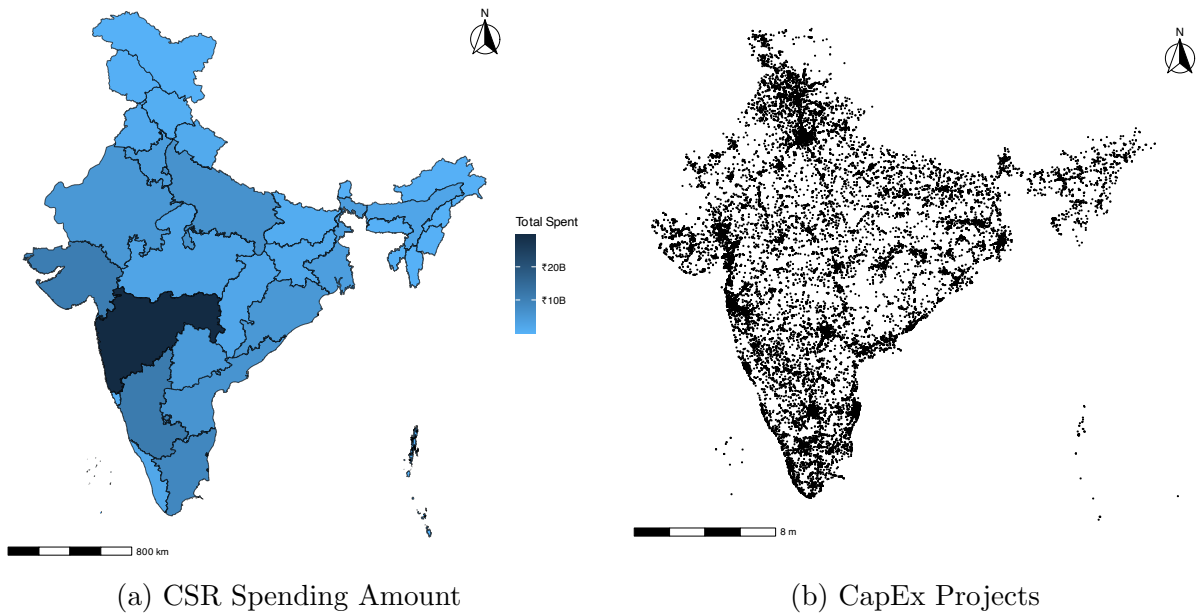


Figure 4: Data on CapEx Projects and CSR Spending

6.1 State partisan control (NDA) and within-state allocation

Next, I test Hypothesis 2, whether their firms' geographic allocation decision is a function of the partisan alignment of the state governments. I use the share of each company's CSR spending allocated to each state s as an outcome and estimate the following equation:

$$\text{CSR in state}_{cst} = \beta_1 \text{NDA}_{st} + \log \text{Total State}_{st} + \alpha_{ct} + \delta_s + \varepsilon_{cst}. \quad (2)$$

Where NDA_{st} takes value 1 if the National Democratic Alliance (led by Narendra Modi's Bharatiya Janata Party) is in power in state s in year t , and 0 otherwise. α_{ct} are company by year fixed effects and δ_s are state fixed effects. I report results in Table 3.

Table 3: CSR Spending and State Politics

	Outcome: Prop. of CSR projects in State to a Given Sector		
	All	Foreign	Domestic
NDA Government	-0.01*** (0.00)	-0.01** (0.01)	-0.01** (0.01)
Total State CSR	0.01* (0.01)	0.01 (0.01)	0.01 (0.01)
Firm $\times$ Year FE	Yes	Yes	Yes
State FE	Yes	Yes	Yes
Num. obs.	52640	12076	40563
R ²	0.25	0.27	0.25
Adj. R ²	-0.15	-0.14	-0.15

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. Standard errors clustered at district level.

Results reported in Table 3 suggest a substantively small but statistically significant negative relationship between the proportion of CSR spending allocated to a state and whether the NDA is governing that state. This suggests that firms are not strategically locating their projects in states that are politically aligned with the central government; if anything, they are slightly less likely to situate themselves in a state led by a Chief Minister who is allied with the NDA.

6.2 State budgets and firm CSR allocation across sectors

To examine whether firms act as complements or substitutes for the state’s public good provision efforts, I next evaluate whether the composition of firms’ CSR spending is systematically aligned with the public spending of the states in which they conduct their CSR activities, testing Hypothesis 3. First, I reclassify self-reported project categories in the CSR data to harmonize the CSR data with the state budget line items. Then, I test whether the share of a state’s total spending spent in a given sector predicts the CSR amount spent by a firm in that same sector, as proportions of its total CSR spending. I measure state spending by creating, for each state s , sector k , and year t , the following state spending variable (where all spending is measured in Indian Rupees):

$$\text{State}_{skt} = \frac{\text{Amount spent in sector } k_{st}}{\text{Total amount spent}_{st}}$$

Similarly, I measure the share of a firm c ’s CSR spending in state s in year t spent on a sector k as:

$$\text{CSR}_{cskt} = \frac{\text{CSR amount spent in sector } k_{cst}}{\text{Total CSR amount}_{cst}}$$

I estimate the following regression equation and cluster standard errors at the state level, which is the unit at which treatment (state spending) varies. For this specification and all the following, I use the `fixest` package in R.

$$\text{CSR}_{cskt} = \beta_1 \text{State}_{skt} + \beta_2 (\text{State}_{skt} \times \log \text{Total State}_{st}) + \alpha_{cst} + \delta_k + \varepsilon_{cskt}. \quad (3)$$

Where Total State is the total amount spent by state s in year t , reflecting potential heterogeneity in the relationship if firm spending is more aligned with states with a larger budget, plausibly wielding more influence. α_{cst} and δ_k are respectively firm-by-state-by-year fixed effects and sector fixed effects. To test whether the effects are different between foreign and domestic firms, I run subgroup analyses for the sample restricted to domestic firms and the sample restricted to foreign firms. Estimates from Equation 3 are displayed

in Table 4.

Table 4: State Budgets and CSR Spending

	Outcome: Prop. of CSR Spending in State for Given Sector		
	All	Foreign	Domestic
Proportion allocated (state)	−0.110*** (0.033)	−0.175* (0.085)	−0.093** (0.035)
Proportion × Total Expenditures	0.036 (0.037)	0.036 (0.031)	0.035 (0.044)
Firm × State × Year FE	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes
Num. obs.	85527	16492	69031
R ²	0.223	0.239	0.220
Adj. R ²	−0.263	−0.260	−0.264

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. Standard errors clustered at state level.

Table 4 suggests that one-standard deviation increase, i.e., a 10-percentage-point increase, in the share of state spending allocated by states to a specific budget category is associated with a 0.73 percentage-point decrease in the share of CSR spending that companies allocate to that same budget category in the state. The heterogeneity analysis suggests that this result is stronger for foreign firms for which a similar increase in the share of state spending results in a 1.2 percentage-point decrease in CSR spending, although the difference in coefficients is not significant. Contrary to my theoretical predictions, both domestic and foreign firms, not just foreign, appear to substitute for public good provision at the state level.

While the interaction term is not significant, its sign suggests that companies might be more likely to align their CSR spending with the spending priorities of state governments in larger states. This could be because states with a higher capacity invest more in CSR coordination, or because firms are more likely to cater to states that wield stronger influence over firms through levers such as subsidies.

6.3 Union Budget and All-India Sectoral Alignment

I next test Hypothesis 4 to see whether the composition of firms' CSR spending is aligned with the composition of the Union government's spending. The specification is

analogous to Section 6.2. This time, instead of the share of each state’s spending allocated to sector k , I use the share of the Union government’s spending allocated to sector k , which varies by year t and is fixed across India:

$$\text{Union}_{kt} = \frac{\text{Amount spent in sector } k_t}{\text{Total amount spent}_t}$$

I estimate the following regression equation and cluster standard errors at the year level:

$$\text{CSR}_{ckt} = \beta_1 \text{Union}_{kt} + \beta_2 (\text{Union}_{kt} \times \log \text{Total CSR}_{ct}) + \alpha_{ct} + \delta_k + \varepsilon_{ckt}. \quad (4)$$

Where Total CSR is the total CSR amount spent by company c in year t . α_{ct} and δ_k are respectively firm-by-year fixed effects and sector fixed effects. I also run subgroup analyses for the sample restricted to domestic firms and the sample restricted to foreign firms. Estimates from Equation 4 are reported in Table 5.

Table 5: Union Budget and CSR Spending

	Outcome: Prop. of CSR Projects in Sector (Central)		
	All	Foreign	Domestic
Proportion allocated (Central)	−0.097 (0.085)	−0.010 (0.084)	−0.119 (0.086)
Proportion allocated × Total CSR Spent	0.016** (0.004)	0.000 (0.008)	0.022*** (0.004)
Firm × Year FE	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes
Num. obs.	924876	186912	737964
R ²	0.280	0.325	0.270
Adj. R ²	0.190	0.241	0.179

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. Standard errors clustered at year level.

Estimates from Table 5 are not significant, suggesting the absence of a systematic relationship between firms’ CSR spending and the priorities of the Union government. Note that the interaction term is significant, which seems driven by domestic firms. As firms begin to spend more on CSR, they start to align significantly more with the spending priorities of the Union government; this suggests that large domestic firms act as

complements to the central state. This could suggest that the central government targets larger firms and attempts to exert more steering influence upon their CSR portfolios, since the spending patterns of larger firms could plausibly move the needle in a given sector.

Heterogeneity by Selection into CSR Spending

I then test Hypothesis 5, examining whether firms that were voluntarily engaging in CSR prior to the mandate are more likely to demonstrate complementarity with the federal government than firms that only commenced their CSR program after the law. I do so by estimating the same specification as in Section 6.3, but interacting the main variable of interest with a binary variable, taking value one if the firm was reporting CSR spending before the law came into effect in 2014, and zero otherwise. More specifically, I estimate the following equation:

$$CSR_{ckt} = \beta_1 \text{Union}_{kt} + \beta_2 (\text{Union}_{kt} \times \text{Pre 2014}_c) + \alpha_{ct} + \delta_k + \varepsilon_{ckt}. \quad (5)$$

Where Pre 2014_c is the new variable of interest. Table 6 reports estimates from Equations 5.

Table 6: Alignment with Federal Government for Firms Reporting Voluntarily

	Outcome: Prop. of CSR Projects in Sector (Federal)		
	All	Foreign	Domestic
Proportion Allocated (Federal)	−0.083 (0.084)	−0.012 (0.085)	−0.099 (0.086)
Prop. Allocated × Present Pre-2014	0.038*** (0.005)	0.025** (0.009)	0.035*** (0.005)
Firm × Year FE	Yes	Yes	Yes
Sector FE	Yes	Yes	Yes
Num. obs.	924876	186912	737964
R ²	0.280	0.325	0.270
Adj. R ²	0.190	0.241	0.179

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$. Standard errors clustered at year level.

Indeed, firms that voluntarily contributed CSR spending prior to the mandate being

enacted (before 2014) display complementarity with the federal government’s spending patterns even after the CSR mandate goes into effect. This result suggests that voluntarily reporting firms, once they become mandated by law to spend on CSR, have a similar set of priorities and values as that of the state. This suggests that there may be some attributes or features of voluntary reporter firms that make them more similar to the government than firms that do not self-select into CSR (the true targets of the CSR law).

6.4 Foreign home-country politics and CSR categories

Since foreign firms do not align with the Union government, I then test Hypothesis 6, evaluating whether their CSR spending decisions are a function of the ideology of their home government. I assign to each firm c in year t an ideology score determined by the ideology of their home country government. I first classify every foreign head of state or government on a score from -2 to 2, ranging from *far left* to *far right*. Recognizing that governments can change in given years, the ideology score of a company in a given year is calculated as:

$$\text{Ideo}_{ct} = \frac{1}{365} \sum_{g=1}^G [\text{Ideology}_g \times \text{Days in Power}_g]$$

Where $\{g \in 1, \dots, G\}$ are the governments in power in the country of origin of firm c in year t . For example, if a left-wing government and a right-wing government share power for exactly half of a given year in a given country, then $\text{Ideo}_{ct} = 1 \times 0.5 - 1 \times 0.5 = 0$. Because the mapping of ideology onto sectoral priority is ambiguous *ex ante*, I then estimate the following equation for each sector k :

$$\text{CSR}_{kct} = \beta_1 \text{Ideo}_{ct} + \alpha_c + \delta_t + \varepsilon_{ct}. \quad (6)$$

Where CSR_k is the proportion of CSR spent in sector k in year t by firm c , α_c are firm fixed effects and δ_t are year fixed effects. The results from Equation 6 are displayed in Figure 5 for each CSR sector.

Even without accounting for multiple-comparison adjustments, the estimates are non-

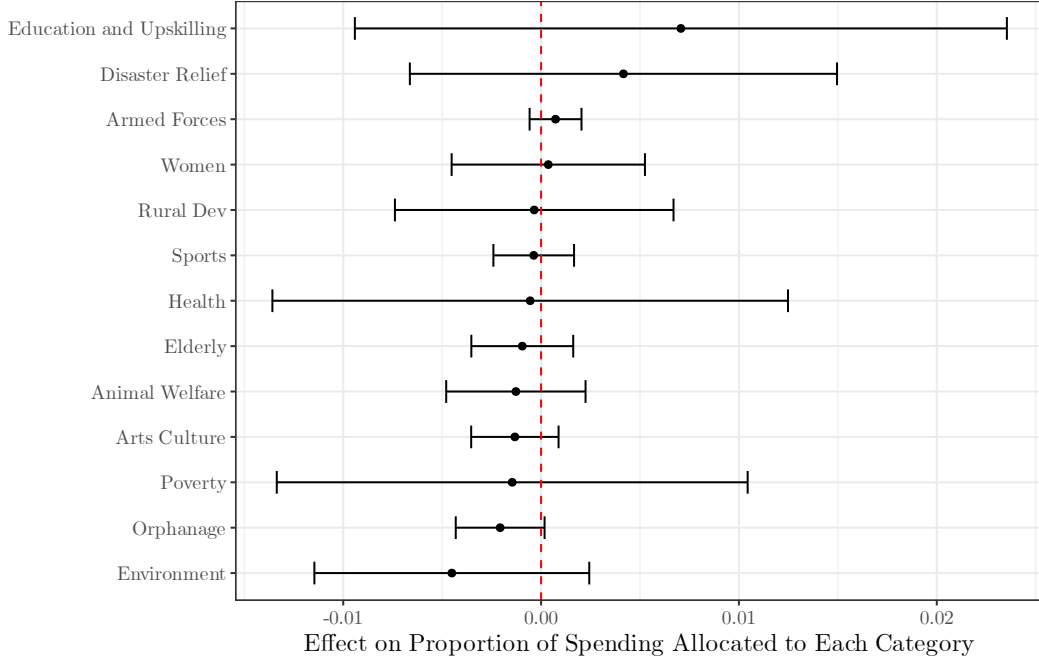


Figure 5: Ideology of Chief Executive (Home Country) and Spending on CSR Category

significant across all sectors. This is particularly striking for sectors such as *Women* or *Environment* that we might initially believe to be functions of ideology. This is consistent with the idea that foreign firms’ CSR allocation is not primarily aimed at their home country audience, and that foreign firms are perhaps less likely to import norms from their home country than we may expect.

6.5 Conclusion and Implications

In this project, I argue that India’s CSR mandate can be viewed as a deliberate act of delegation, in which the state enlists firms to provide public goods. I examine whether mandated firms complement or substitute public spending at the state and national level. I test this with a new CSR project-level CSR dataset (500,000 geocoded observations since 2016), and find that at the state level, both foreign and domestic firms mainly act as substitutes, directing CSR toward categories where governments spend less. At the national level, the larger a domestic firm is, the more likely it is to behave as a complement. Firms with a track record of CSR prior to the mandate, which I interpret as firms selecting into CSR, behave as complements after the law is enacted. Foreign firms’

CSR mixes do not move with ideological turnover in their home countries, suggesting that firms are not merely importing norms and values from their place of origin. Taken together, my findings suggest that mandated firm CSR can support the state in its public good provision efforts, but that firms rise to the occasion differentially based on their respective potential reputational, instrumental, and compliance-related gains.

While I have focused this study on the CSR decisions of firms, I suggest that my delegation argument could apply to other types of non-market corporate actions that states can steer to produce desired social and political outcomes. States can leverage firms' capital and geographic presence, as well as their organizational culture—including norms that may diverge from the existing societal status quo—to step in for the state. This can take the form of public good provision, or the importation and diffusion of norms (e.g., labor standards, environmental practices) that may be politically or administratively challenging for the state to deliver on its own.

I close with one related observation regarding the consequences of delegation in practice. As firms continue to deepen their investments and expand their physical presence in India, particularly in light of geopolitical competition between China and India, if my theory holds, the Indian state's capacity to affect social change may grow rapidly in the coming years. There already exists tremendous heterogeneity between states in their economic development indices (Singh, 2019) and metrics of social development. For example, there are stark variations in rates of women's employment throughout India. Over two-thirds of women working in the private sector across India are concentrated in just four states in South India (Tamil Nadu, Andhra Pradesh, Karnataka and Kerala). Importantly, these states also happen to be the largest domestic beneficiaries of foreign direct investment. As I show in this project, foreign firms are far more likely to situate their CSR spending in the same local districts in which they invest their capital. If the benefits of not only FDI, but also the CSR that accompanies FDI, are being distributed only in select parts of the country, this could result in an exacerbation of the existing disparities between Indian states in terms of economic and social development. While firms may be effective delegates for the state when given express instructions, conferring

them with discretion in *how* they comply may yield other distributional challenges that the state may later have to contend with.

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