

Business Responsibility and Sustainability Report in India and Stakeholder Capitalism

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Abstract

As the world gains from expansion in GDP, its future is threatened by the effects of such expansion on the environment, and these effects have been laid bare by the Covid pandemic. The relentless race to deliver shareholder value has given primacy to shareholders, while delivering possible harms to the ecosystem, consisting of and sometimes at the cost of non-human elements (climate and natural resources) and human elements (customers and supply chain vendors), even as these elements are stakeholders in business, on an equal footing with shareholders. The model of stakeholder capitalism accords an equal space and attention to all stakeholders, including shareholders as one of the stakeholders and not the primary stakeholder. While the concept of stakeholder capitalism is not new, it got renewed attention at the Round Table Conference in 2019, under the aegis of the World Economic Forum (WEF). This manifested as 21 core and 34 expanded ESG metrics, that align broadly with the SDGs (Sustainable Development Goals), with the tacit understanding that the world needs businesses that go beyond 'profits' and include stakeholders- employees, environment, supply vendors, customers, along with shareholders. Stakeholders take centerstage in the latest reporting format (BRSR) issued by SEBI¹ in

¹ https://www.sebi.gov.in/sebi_data/commndocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure2_p.PDF

India. This paper employs the document analysis approach to review the BRSR framework and places it within the context of the model of stakeholder capitalism. We argue that the BRSR is important as it places various stakeholders at the center of the disclosures in the BRSR, implicitly embracing stakeholder capitalism as the key to India's global ascendancy in encouraging and promoting sustainable businesses responsibly. Finally, we offer suggestions on how the format can be expanded and the spillover effects of such an expansion.

Keywords: *Social responsibility, Stakeholder, Capitalism, India, BRSR.*

I. Introduction

In his first book in 1939, *The End of Economic Man*, the celebrated management guru Peter Drucker wrote, '*Capitalism ...means that economic activities must not be subjected to non-economic considerations, but must rank higher.*' Almost a century after his prophetic words, the non-economic, or qualitative considerations of a business have come to the forefront, thanks to the Covid pandemic, as the future sustenance as well as the interpretation of growth comes under severe scrutiny (Schwab 2021). In these eight decades the world has seen unprecedented growth in terms of economic considerations that are bundled as GDP, until the pandemic revealed the fragility of this growth. The economic system of shareholder capitalism which has been the engine of much of this growth, lies exposed as it inflicts environmental and social damages that threaten the pace and future of GDP growth itself.

As per a recent report by Swiss Re, climate change could wipe '*18% of GDP off the worldwide economy by 2050 if global temperatures*

rise by 3.2°C^2 . Climate change has been precipitated by harmful gas emissions from production facilities directly or from the goods they produce like air conditioners. Large scale deforestation of forest cover is done to satisfy the need for land for agriculture or habitat or to generate raw materials for production. Plastics are another environmental menace not just for the oceans, but also for smaller water bodies that run across cities. In response to the multitude of causes that impinge on the environment, the SDGs formulated by the UN were one possible guide for development with quantifiable environmental targets and constraints. The SDGs were adopted as part of the 2030 Agenda for Sustainable Development in 2015. Yet, as per a recent UN report (United Nations 2018), 140 quantified targets for SDGs are off the trajectory, while another third of the targets show no progress at all.

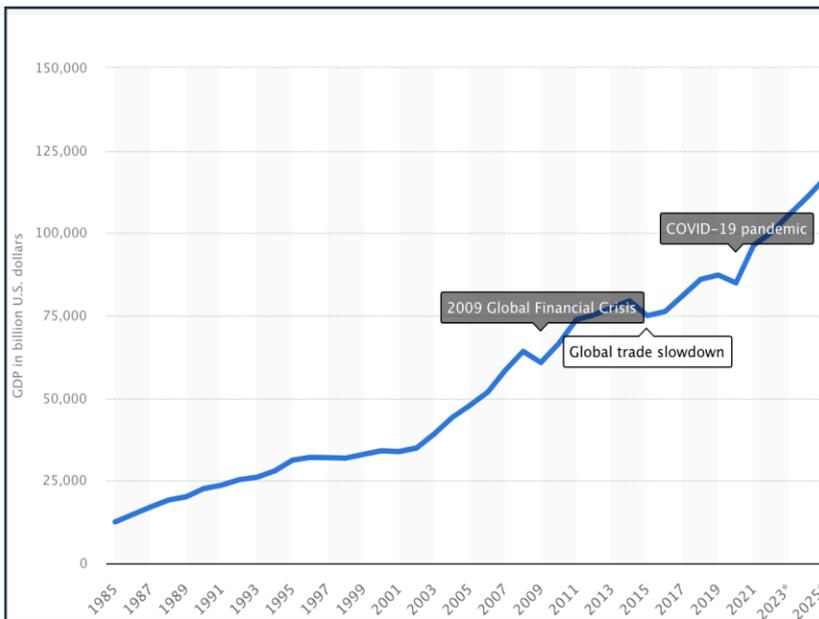


Figure 1: Global Gross Domestic Product, US Dollars

Data Source: <https://www.statista.com/statistics/268750/global-gross-domestic-product-gdp/>

² <https://www.weforum.org/agenda/2021/06/impact-climate-change-global-gdp/>

The failure to achieve the SDGs is perhaps unfortunately accompanied by the rising trajectory of world growth as an aggregate, with declines led by the most recent Covid pandemic, and the Depression of 2008 that appear like mere blips in the long-term trend. The GDP of the world has grown from 1.45 US\$ trillion in 1960 to 96.51 trillion US\$ in 2021³ (Figure 1). This growth piggy rides on the existing system of capitalism, with its focus on private ownership of the factors of production. From 45 countries that were socialist in their chosen mode of development at the start of the 21st century, only 5 remain socialist in 2021⁴. The rest have shifted to non-socialist modes of economic structures of varying degrees, with varying degrees of mix of state and private production. While the exact causation of how economic growth based on capitalist modes of production can lead to damages and negative impacts may differ across economies, it is safe to say that on an aggregate level the pursuit of profits as a metric of value creation has led to two sets of problems. The first⁵ relates to the environmental damage, with the attendant effects on natural resources, which has exacerbated climate change. These are quantified in terms of depletion of the ozone layer, forest cover, aquatic life, biodiversity, ocean acidification, global warming from rising levels of greenhouse gases, water pollution, air pollution, plastic pollution and threats to water and food security. The second set of damages are sprouted by the pace of economic growth, and take the shape of inequalities of opportunities faced by economic agents. While the most debated inequalities relate to income and wealth, there is much more inequality in the opportunities that growth creates which impinges on the future of growth itself. ‘Opportunities’ to access education, labor markets, health facilities, financial markets, and basic amenities act *‘as an umpire in the relationship between*

³ https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?most_recent_value_desc=true

⁴ <https://worldpopulationreview.com/country-rankings/socialist-countries>

⁵ <https://earth.org/the-biggest-environmental-problems-of-our-lifetime/>

income inequality and long-term growth'(Aiyar and Ebeke 2017). The inequalities in opportunities are an undesirable outcome of the prevailing business models as they operate in pursuit of shareholder value; this value is defined in terms of profits that deliver a value to the equity owned by the shareholders. Milton Friedman (Freeman, R.E. 1970) who won the 1976 Economics Nobel Prize even argued that '*corporations only have the social responsibility of maximizing profits for their shareholders*'. The dominance of profits as a metric for the success of the economic system, by giving primacy to shareholders led to neglect of other entities that have a 'stake' in the production output, as well as the costs imposed on the ecosystem by the profit-generating activities. The use of profits in the standard model of maximisation of value as a metric of success does not account for the cost inflicted on the environment in terms of depletion or degradation of water or other natural resources used. This is akin to, but more impactful and larger than the externalities caused by an economic activity. The almost exclusive focus on value derived by shareholders ignores the negative externalities created by a business, and those affected by it, and therefore, such stakeholders must have some voice/skin in the business activities that may adversely affect them. The inclusion of stakeholders like environment, and human resources- workers, suppliers, vendors, and families of employees in the matrix of profit calculation, was posited to led to the creation of wealth by Charles Schwab in his 1971 book. ("United Nations (2018)" n.d.) It was argued that 'wealth creation' can come from maximizing the stakeholders' value, rather than just shareholder value (shareholders are a subset of stakeholders) because the creation of an initial stock of wealth is a collective process involving all stakeholders. For wealth to grow, it must be created collectively and distributed among all stakeholders adequately. (Mazzucato 2021)

This exploratory paper begins with the concept of stakeholder capitalism, intertwined with an evolving list of stakeholders who have a stake in the ‘success’ story of globalization, aided by technological and computing advances. We use a document analysis method and focus our lens on the BRSR framework in India and evaluate its progress on the inclusion of stakeholders across businesses and the role that policymakers have to further the adoption of stakeholder capitalism in businesses within a circular economy framework that makes future growth sustainable enough to deliver an improved quality of life, rather than a quantitative impact alone.

II. Rise of Stakeholder Capitalism

The focus on stakeholder capitalism as a framework is recent, but the term stakeholders is not new in the management literature, as it has been used in broad terms as stakeholder theory along with an explanation of what/who constitutes it across business, management and economic literature.

It is not easy to define a stakeholder in terms of objective, purpose or interest, as the idea is descriptive and normative in itself. (Donaldson and Preston 1995) laid out the stakeholder theory by describing stakeholders as *‘persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity’ and are identifiable with their interests in the corporation, even while the corporation may have no interest in them’*. (Freeman, Phillips, and Wicks, 2005) assert, *‘the term stakeholder is a powerful one due, to a significant degree, as the term means different things to different people’*, alluding to the normative aspect of the concept itself. Additionally, and more importantly, *‘each group of stakeholders’ merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners’*. This clearly highlights the conflict among stakeholders

themselves, especially between shareholders on one side and other stakeholders on the other. Profits may further shareholders interest at the cost of stakeholders' interest in non-pecuniary effects of the business. The pursuit of non-pecuniary and longer-term objectives may dampen the pecuniary returns (like profits) which lie at the heart of a possible clash of objectives of different stakeholders.

A suggested way to deal with the range of possible stakeholders (Figure 2) in any business is to see business (Freeman 2007) as a set of relationships between different entities- which can be referred to as stakeholders as each of them comes together to create 'value'. The inner circle of stakeholders includes those without which the business is unviable or even impossible. The outer circle includes entities that become stakeholders due to their influence on the inner circle stakeholders. The government policies impact almost all the inner circle stakeholders. Competitors may have links with suppliers and customers. The all-pervasive media influences not just the activities of the stakeholders but even the perceptions about them.

Samant and Sangle (2016) provide a bibliometric study of literature on 'stakeholders' as it has evolved from the first mention in Stanford Research Institute documents (Freeman 1984) to its use in the theory of strategic management (Clarkson 1995), (Frooman 1999)) organization theory (Rowley 1997), business ethics (Phillips and Reichart 2000) and then into sustainable development (Wood 1991). The most recent evolution of stakeholders' interests involves embedding them within the capitalist system, or stakeholder capitalism. The annual World Economic Forum Meeting in 2020 (Robinson, 2023) at Davos, was convened under the theme 'Stakeholders for a Cohesive and Sustainable World', spotlighting stakeholders, and positing the model of stakeholder capitalism as the way forward for the world economy to continue growing.

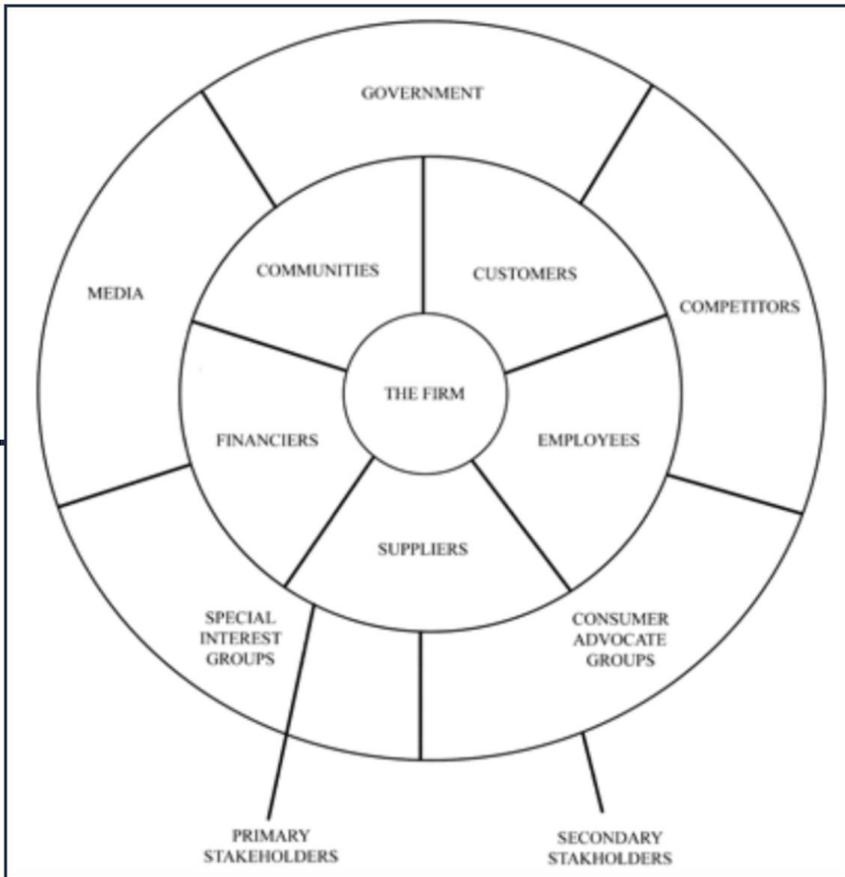


Figure 2: Range of Stakeholders
Source: (Freeman 2007)

This renewed focus on stakeholders among business leaders, beyond theory and business models, was preceded by a meeting of a group of CEOs of top MNCs in August 2019, (“Business Roundtable” 2019) where they pledged to a sustainable route to help customers and make it a part of their corporate mission, as reflected in the ‘The Universal Purpose of Business in the Fourth Industrial Revolution’, under the aegis of World Economic Forum. The discussions were crystallized after a consultative process with more than 140 stakeholders as non-financial disclosures to be made by businesses who agree to adopt the

ideas of stakeholder capitalism in their business decisions. These disclosures center around the four pillars (4Ps) - people, planet, prosperity and principles of governance, and are related to the SDGs, which align them with the sustainability of business as well. The consultative group formulated 21 core quantitative metrics and 34 expanded but less established metrics that can be used by businesses to report on their sustainability imprints on the ecosystem. (Hillyer. M. 2021). These metrics (“Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent,2020) include ESG disclosures as well as non-financial disclosures that allow businesses to measure their contribution towards SDGs progression in a consistent and comparable way, against their peers as well as over time.

The first pillar, **People** includes the human resources involved in the business which includes anyone that is connected to the business - employees, suppliers, vendors, delivery agents, and their extended families as well in the broadest sense. Business activities must provide dignity and equality, health and well-being, and impart skill sets to these groups of stakeholders. This takes the form of wage parity, inclusion, diversity, training programs, minimum wage guarantees, safety and absence of child labour and forced work, among others.

The second pillar is the **Planet** and encompasses all natural resources as stakeholders in a business since the latter necessarily draws on some part of the planet. The effect of businesses over time has been encapsulated in terms of air pollution, climate change, freshwater availability, loss of nature, resource availability, solid waste, and water pollution, guided by the Task Force on Climate-related Financial Disclosures (TCFD).

The third pillar - **Prosperity** is expansive and flexible in its contours. It refers to the shared prosperity of communities and societies within

which the business operates, even as prosperity could be culture-specific. A prosperous community evolves through employment opportunities, wealth creation, innovation in better products, and community activities, among its responsibility of tax payments.

The fourth pillar of **Governance** covers the role of government as a stakeholder in any business as it lubricates an economic system to minimize friction among economic agents. It could act as a rule setter, arbitrator and judge on matters concerning all stakeholders and encourages ethical and rule-based behavior that ensures smooth functioning of the ecosystem.

III. ESG Reporting as an antecedent to stakeholder centric reporting

While the focus on formalizing stakeholders' interests within the business matrix of objectives and constraints is relatively new, the impacts on business investments on the environment, society and governance were formally acknowledged by the UN Principles of Responsible Investing much earlier in 2006. (PRI, 2006). The six principles outlined called for incorporating ESG concerns in decision-making, ownership policies and practices, along with disclosures on these issues. They also called for the promotion of these principles by working towards wider dissemination about them, implementing them in businesses and reporting on the progress made. These principles were formulated by a group of institutional investors, who wanted to highlight the growing relevance of ESG for investments, as an effective way to involve ESG (Environment, Society and Governance) concerns in business investment and financial decisions. They listed suggestions for each principle for those investors who agreed to abide by them, without hurting their fiduciary duty. In June 2019, funds amounting to \$80 trillion were pledged by 2450 participants who are signatories to these principles.

ESG investing gained ground especially in Europe, with multiple consulting firms coming up with reporting standards for businesses to report on multiple facets (accounts, ethics, material used) of their businesses with respect to ESG concerns - EcoManagement and Audit Scheme (EMAS), International Organization for Standardization (ISO14000 series and ISO 26000), Social Accountability Standard, (SA8000), Institute of Social and Ethical Accountability Standard (AA1000), Sustainability Accounting Standards Board (SASB). The Global Reporting Initiative (GRI) is the most comprehensive standard today and is widely used across industries and countries, as it allows other standards to be integrated with itself for even wider reporting and 360-degree disclosures by businesses.

Such an acknowledgement of ESG concerns stemmed from the realization of the non-sustainability of existing ways of doing business, which lends primacy to shareholders at the expense /neglect of stakeholders. ESG disclosures and reporting standards can be seen as one form of acknowledging the ‘responsibility’ of business that must beyond profit generation. By 2015, the Paris Agreement brought sustainability into the limelight by declaring the SDGs that need an ‘economic and social transformation’. This agreement was agreed upon by 196 countries and it provided quantitative targets for each goal. It was a pioneer, as it was a universal and legally binding agreement, which forced ratifying countries to undertake decisive and actionable tasks to achieve these goals. It brought the consequences of climate change to the forefront of policy-making and business decisions, in a way that questioned the existence of the planet if adequate steps were not taken. It turned the spotlight on the sustainability of the planet so that ESG concerns meshed with sustainability concerns, fueling mandatory reporting and disclosures from businesses about their sustainability imprints on the ecosystem. Yet (Krueger et al. 2021) list countries where disclosures are

mandatory or on a comply-or-explain basis for three parameters- E, S and G, with France in the lead as it mandated disclosures in 2001 itself. They conclude that mandatory ESG disclosure regulation issued by the government improves the environment of corporate information along with beneficiary effects on the capital market. China's growth is shown to correlate positively with the use of cleaner energy and investments that are environmentally sustainable. (Majdi et al. 2023) show that Indian firms' ESG performance is positively associated with their own financial performance. (Coppola and Blohmke 2019) argue that financial costs for firms may rise in the event of legal cases that hold firms responsible for climate change repercussions, clearly outlining the importance of the environment as a stakeholder that needs inclusion on the financial metrics of success. (Whelan et al. 2023) analyzed more than 1000 research papers during 2015-2020 to showcase a *'positive relationship between ESG and financial performance for 58% of the studies (that) focused on operational metrics such as ROE, ROA, or stock price'* and *'59% showed similar or better performance relative to conventional investment approaches.'* Despite the illustrated benefits of ESG reporting in quantitative financial terms that contribute to shareholder value, the qualitative impacts of businesses on the ecosystem remain less researched, as the impacts are more indirect and rely on clear identification of 'who gets affected' for a reliable study to be done.

It has been argued that a business performs its social (the S part of ESG) responsibilities through its CSR activities as well. This argument is flawed as the funds for CSR come from the pursuit of shareholder primacy, which drives firms to ensure profits, to the exclusion of other objectives and stakeholders. These activities do not form the 'core' of the business by design of CSR itself, so that the beneficiaries of CSR activities are secondary to shareholders, even if both are considered as stakeholders in the business. The funds spent on CSR activities are dependent on profit generation itself, rather

than being a part of the profits generation process itself. As suggested by (Midttun 2021), business models need to give primacy to all stakeholders as part of their social and ecological responsibility to develop a sense of ‘partnered governance’ as the motivation to fulfill the social corporate responsibility is often weak.

Stakeholder capitalism as a model string together the framework of shareholder capitalism, corporate social responsibility, and ESG reporting with sustainability as the unifying theme. The inclusion of stakeholders lends a multidimensional aspect to the economic sustainability of any business in social and environmental ways (Doane, D. 2001) such that this sustainability of the firm gets embedded within the sustainability of the larger ecosystem, in a mutually reinforcing manner.

IV. A Review of India’s Position

Three giant Indian groups, Reliance Industries, Mahindra Group and Wipro voluntarily agreed to adopt the framework and metrics suggested at Davos 2020 by the WEF. The head of the Mahindra group, Anand Mahindra *‘support(s) the World Economic Forum’s effort to standardise reporting through the development of comprehensive ESG metrics and believe(s) that this will be a step forward for a sustainable world’* (Standard 2021). Reliance industries⁶ states that it increased its total monetary stakeholder value added to 3,38,208 crore in FY 2021-22 from 2,57,030 in FY 2020-21. Wipro has announced in its annual reports that it works in areas of primary healthcare and disadvantaged communities and focuses on providing human dignity to such communities along with its own employees. However, the explicit and formal recognition of stakeholders on a voluntary basis remains elusive, and CSR activities

⁶ <https://www.ril.com/ar2021-22/stakeholder-value-creation.html>

continue to be a dominant narrative in the annual reports of Indian businesses.

While this may seem tardy, India was one of the 20 nations that introduced mandatory disclosures on E, S and G simultaneously in 2015 though they were introduced in 2009 on a voluntary basis by the Ministry of Corporate Affairs (MCA) as Corporate Social Responsibility Voluntary Guidelines. Three years later, the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business were announced as a precursor to a better and uniform format under the Business Responsibility Report (BRR) in 2012. The top 100 listed firms were mandated to provide annual BRR. After a decade the NVGs were amended, expanded and replaced by National Guidelines on Responsible Business Conduct NGRBCs. This facilitated the replacement of BRR with a more exhaustive, uniform and quantitative report on the sustainability of businesses named the Business Responsibility and Sustainability report. (BRSR) whose format revolves around the nine NGRBC principles. The BRSR is more specific in its scope of questions, includes more quantitative data disclosures, expanded indicators list, allows interoperability with major international reporting standards, and can be cross-referenced with annual reports of the business. The filing of BRSR is mandatory for the top 1000 listed firms from 2023-24 onwards, though it was voluntary from 2021.

In July 2023 SEBI introduced BRSR Core as a subset of the BRSR. It is a set of indicators under nine ESG attributes. To improve the quality of disclosures and obtain assurances, large businesses are now mandated to follow BRSR core guidelines for their value chains. The mandatory filing of BRSR Core is to be done in stages, starting with the top 150 listed firms in 2023-24. By 2026-27 the top 1000 firms will mandatorily file disclosures under BRSR Core. In a related development RBI has mandated in June 2022 that all financial

institutions- scheduled Commercial Banks, Cooperative Banks classified as urban, and Non-Banking Financial Companies need to adopt the TCFD framework for climate-related and sustainability-related disclosures if their assets exceed Rs. 5,000 crores. As India ascends to the top 5 economies of the world, it is befitting that it takes a leader's role in leading the way to adopt stakeholder capitalism as a sustainable model for Indian businesses.

In terms of the regulatory environment India has taken the correct steps, even as it lags the European Union which has done much more. France took the lead in 2001 (Pietrancosta and Marraud Des Grottes 2022) with regulations and disclosures that extend to non-EU companies doing business in France. Scandinavia is another country where the notion of 'cooperative advantage' is argued as a model of stakeholder primacy (Strand and Freeman 2015) to shift the focus from competition to cooperation between company and stakeholders, in a way that delivers profitability to the company as well as sustainability for the world.

V. The Way Forward for India

While the adoption of ESG disclosures is a work in progress in most countries, led by mandates from regulators, and /or voluntarily, the adoption of the framework of stakeholders' capitalism as suggested by the BRT remains tardy. Bebhauk and Tallarita (2022) analyze 128 US companies' statements who were signatories to the BRT Statement and conclude that it '*was mostly for show and that BRT Companies joining it did not intend or expect it to bring about any material changes in how they treat stakeholders.*' In such an environment where the voluntary cognizance of stakeholders by businesses has not led to intended effects for them, we argue that the mandatory disclosures relating to stakeholders' recognition in the BRSR could hold the prospect for Indian businesses to do better.

The BRSR is divided into three parts- A, B and C. It recognizes six stakeholders explicitly in part A- communities, investors (other than shareholders), shareholders, employees and workers, customers and value chain partners. It provides space for 'others' as a stakeholder group that may be specific to a business as well. It mandates disclosures on the existence of a grievance mechanism for each stakeholder while allowing for special and dedicated policies for resolution.

In the same part an '*overview of the entity's material responsible business conduct issues*' gives centre space to business decisions that relate to the environment and social matters, asking for the policy adopted and financial implications of the identified 'issue'. The freedom to acknowledge such issues is predated on the wide range of business activities possible in a global economy. Across the three parts, quantitative disclosures on employee well-being and workplace environment, supply chain partners, treatment of customer concerns and complaints, and detailed CSR spending on marginal/ non marginalised sections of society are a tacit acknowledgement and relevance of these groups of stakeholders. The fourth principle of the NGRBC asks '*Businesses (to) respect the interests of and be responsive towards all its stakeholders*'. In part B the BRSR requires clear and explicit disclosures in terms of approved and formal policies, goals, targets and commitments, review policy and frequency of engagement-related stakeholders identified in section A of BRSR. The last part (C) is most comprehensible as it differentiates essential indicators from leadership indicators for each of the nine principles. The essential indicators are mostly mandatory and quantitative, while leadership indicators are qualitative and give a chance to businesses to showcase their commitment to doing business responsibly by catering to all stakeholders' concerns in multi-dimensional and industry specific ways.

The BRSR framework intertwines key disclosures in the realm of ESG disclosures and disclosures under the 4Ps' metrics developed by the World Economic Forum (WEF, 2020a) making it the key to the adoption of stakeholder capitalism by Indian businesses as they post their reports each year. This adoption may not be 'voluntary' in the strictest sense and is not a 'formal' way of subscribing to and abiding by the principles of stakeholder capitalism. In its very design of disclosures the interests of stakeholders and their treatment within the decision-making process are under public scrutiny. Once recorded, these disclosures are expected to serve the cause of progress made in giving primacy to stakeholders, which is really the crux of stakeholder capitalism as a model. Once we acknowledge the potential of BRSR as a tool to allow the adoption of this model, some additional tweaks and adaptations in the framework may be suggested.

First of all, there is no reason ascribed to the mandatory requirement of filing BRSR from top-listed companies only in India. A similar framework can be worked, by tweaking on existing BRSR for Micro, Small & Medium Enterprises (MSMEs). The requirement of listing or size by market capitalization does not lend itself to any logic, except that compliance costs for smaller firms may rise. Even if this was true, a framework for reporting on a voluntary basis merits a case. With a 30% contribution of MSMEs to GVA and a 40% contribution to Indian exports, (Ministry of Micro, Small & Medium Enterprises, 2022) there is no reason for the exclusion of these enterprises from reporting on the impacts of their business activities on stakeholders in the system. Similarly, the exemption of startups from filing a disclosure report similar to BRSR is questionable. India stands third in the world in terms of number of startups in 2022, with many of them pledging themselves to sustainable products as the main plank of their ideas. Such startups can be required to declare their 'mission' statement as they apply for registration with any governmental agency. This will put the sustainability of all

stakeholders at the forefront, besides these startups acting as role models for other firms, even front runners in the race for investor funds, besides being a champion of stakeholders. This can be furthered by providing special labels to such startups who continue to work along the lines of their stated mission. In France, 70% of the firms that enjoy the *société à mission* - loosely translated as 'company with a mission' label have less than 50 employees and belong to the service sector. There are stringent conditions to 'earn' this label, as it signals the consistent inclusion of stakeholder concerns in the firm's operation - (Pietrancosta and Grottos, 2022). A reporting framework for startups could adjust to their 'idea' and give space to some unique proposition that a startup presents. Some of the startups have sustainability of the environment as their DNA (Sharma and Jain 2021). Several startups build their consumer connection on the basis of their unique selling proposition of being eco-friendly (Khan 2023). Some of these may include a 'how we were born' or a 'Reason to startup' statement/description that highlights their origins. The sources of funding can be a part of the disclosures so that they can present such a report to potential investors in a transparent and consistent manner over time. With 'funding' of startups being a critical area that stymies their growth, such a report could be a key document for providing transparency as they seek loans from private entities and/or government schemes. Such a framework may contain more qualitative data as compared to BRSR, as the focus is on the novelty of the idea behind the business. An assessment of the treatment of stakeholders in the startup could make them 'habituated' to include the stakeholders in business decisions, as more entrenched businesses may find it more difficult to adapt to newer stakeholders' concerns. The suggested framework can lead to startups' gradual adoption of doing business with all stakeholders in tandem and striking a balance between their concerns. Such a responsible evolution of startups will go a long way toward sustainable business in the long run as the size of a startup increases.

Second, the government may provide fiscal benefits/relaxations to adopters of the model of stakeholders' capitalism, as demonstrated by voluntary reporting on prescribed formats. Voluntary disclosures may have a demonstration effect on businesses that do not disclose as advised, as it does not reflect well on the latter. This is clear in the number of firms that voluntarily reported through BRSR before the mandatory reporting kicked in. Non-fiscal concessions on funding opportunities and special mentions to women-led businesses, especially startups could encourage a lower gender divide among entrepreneurs.

Third, ESG investing needs a boost in India as it satisfies several criteria of accounting for the concerns of major stakeholders (environment, society in the form of employees, vendors, suppliers) and government in a business. Lending agencies may create faster routes to accommodate financing stakeholder-conscious firms, as revealed by their sustainability reports. Dedicated financing sources for businesses that take 'responsibility' for their stakeholders can accelerate the adoption of stakeholder capitalism as a model of doing 'good and responsible' business.

Last, but not least, the regulatory authorities need to lead the way by providing frameworks for different types of enterprises. This will help to institutionalize the inclusion of stakeholders, beyond shareholders for every business if it desires so. Over time, the example of France shows such frameworks create a healthy competitive spirit among businesses to join the 'bandwagon' of stakeholder capitalism as a model rather than getting left out. With greater activism from consumers across the world, a declaration of responsible business operations/practices and the impacts of such operations on sustainability in a formalized manner can help to forge a stronger consumer connect, with concomitant benefits to the environment.

VI. Conclusion

As of today, only three giants (Reliance Industries, Mahindra Group and Wipro India) in India have agreed to abide by the Davos 2020 declaration that embraces the criticality of including all stakeholders in a business model. These giants are yet to make any significant disclosures as suggested by the 4P metrics created to measure and evaluate the progress of the inclusion of stakeholders in business decisions and the impact of business activities on them. The BRSR could accelerate the adoption of a stakeholder lens on business operations, aided by a broader policy framework that encompasses reporting, disclosures, regulation, accountability, fiscal benefits, and funding support to newer businesses (especially start-ups that are often built on the very ideas of sustainability as the core of their work) among others.

India's motto of its presidency of G-20- 'One Earth · One Family · One Future' is a rallying point for the model of stakeholder capitalism, and is in the spirit of sharing the resources, and taking a collective responsibility of different constituents of our planet, irrespective of geographical boundaries. The BRSR framework is well suited to allow Indian businesses to acknowledge, involve and be answerable to relevant stakeholders in their areas of operations. It explicitly asks for the identification of stakeholders, along with mechanisms, policies, and redressal of how their concerns and interests are treated by the business managers. It also asks for quantitative disclosures of these aspects, allowing the creation of a record over time of the progress made. The BRSR of businesses in the same industry can be used for a comparative analysis, paving the way for future research; it also serves to foster a demonstration effect on businesses that are less focused on the adoption of stakeholders in regular business decisions. Further, such records may be assimilated into a Stakeholder Impact index (SII) that can be sector-specific. For example, banks do not consume natural resources (water, metal,

minerals) in the same way as manufacturing facilities do. A separate index for different types of activities/sectors can be drawn over time to rank businesses on their efforts at adoption of stakeholder capitalism as reflected in their BRSRs over time. The research possibilities are endless as the report is rich with data and information that could fuel competitive peer pressures to deliver better outcomes for all stakeholders, going beyond shareholder value creation.

This paper is exploratory in nature and makes a case for India to accelerate the adoption of stakeholder capitalism and place stakeholders at the core of every business in India. The most realistic part of stakeholder capitalism as a model is the flexibility it provides to each business to identify its own stakeholders and integrate their interests with business decisions. The Covid pandemic and 2008 financial crisis have acted as catalysts to usher in a ‘renewed’ form of capitalism that is ‘responsible’ to the ecosystem, and not just the shareholders in it. We suggest that appropriate regulatory frameworks need to be devised and tailored to different types of businesses, as they have the potential for faster adoption of stakeholders’ concerns. India can play a leading role in the South Asian region, akin to the role played by France in the EU. The BRSR mandate is a step in the right direction and needs to be reviewed over time to gauge its effectiveness in making businesses more sensitive and accommodating towards stakeholders.

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