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Business Sustainability Approaches: Shareholder Primacy and Stakeholder Primacy

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ABSTRACT

Business sustainability has recently advanced from branding and greenwashing to strategic imperatives with its integration into corporate culture, business models, corporate governance, and managerial decisions. Business sustainability focuses on financial activities that generate long-term economic sustainability performance (ESP) to create shareholder value as well as non-financial activities that result in the achievement of environmental, social, and governance (ESG) sustainability performance to protect interests of all stakeholders. In recent years, investors have demanded, regulators have required, and companies have disclosed long-term financial ESP information as well as non-financial ESG sustainability information. Global public companies today face the challenges of adapting proper sustainability strategies and practices to effectively respond to social, ethical, environmental, and governance issues while creating sustainable financial performance and value for their shareholders. Two approaches of shareholder primacy and stakeholder primacy are suggested to promote business sustainability and adopt the concept of profit-with-purpose to create long-term shared value for stakeholders from shareholders to customers, employees, suppliers, society, and the environment. These approaches have been at the center of debates in business sustainability and corporate governance in the past decades in redefining the primary purpose of a corporation and its, governance and responsibilities to investors, society, and the environment. This paper intends to compare the shareholder primacy concept and the stakeholder primacy as well as shareholder governance and stakeholder governance. The shareholder primacy/capitalism model suggests that the primary fiduciary duty of a corporation is to its shareholders in maximizing their returns on investment and wealth. The shareholder governance model defines corporate governance functions to manage a corporation for the benefit of its shareholders. The stakeholder primacy/capitalism approach asserts that a corporation considers the interests of all its stakeholders including shareholders, employees, customers, society, suppliers, communities, and the environment. The stakeholder governance model consists of functions designed to protect the interests of stakeholders in creating shared value for them. Based on the above stated concepts, the paper has dealt with four themes of corporate sustainability including the focus on stakeholder aspect, the main objective function of creating shared value for all stakeholders, multidimensional, and time horizons aspects of ESG sustainability. The paper has discussed shareholder primacy and stakeholder primacy models of corporate structure, all five dimensions of sustainability performance including economic, governance, social, ethical, and environmental (EGSEE) and dealt with the concept of profit- with-purpose in promoting shared value creation for all stakeholders. This paper has also highlighted corporate

sustainability theories, standards, guidelines, and best practices. And addressed drivers, sources, and international guidelines (GRI, IIRC, SASB, FASB, PCAOB, TAASB, ISSB) in promoting business sustainability factors of performance, risk and disclosure. The paper has also examined the collaboration between various sustainability standard setters including the GRI, the SASB, the ISSB in establishing standards for material and measurable ESG metrics and examined the present business sustainability from the perspective of investors, corporate governance, shareholder engagement and capital markets by discussing hybrid model of shareholder primacy and stakeholder primacy. Corporate sustainability risks including strategic, operation, financial, compliance, reputation and cyber security risks have been discussed in this context. The paper has considered the present sustainability capitals including financial, human, social, environmental, reputational, operational, and intellectual and management role in integrating sustainability performance and reporting into corporate culture, business environment, strategic decisions, and corporate reporting. Expanding the scope of the study discussions have been made on the current status of integrated/sustainability performance reporting and assurance and the United Nations Sustainability Development Goals that are expected to be implemented by 2030. The paper has also attempted to provide the foundation for quality-driven business sustainability and technology research and bring forth research opportunities in corporate sustainability performance, reporting and assurance.

Key words: Business Sustainability, Economic Sustainability Performance, Shareholder Primacy, Stakeholder Primacy

Earnings Management Practices in the Indian Automobile & Ancillary Sector – An Empirical Study

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ABSTRACT

Over the last few decades, Earnings Management (EM) become a burning issue in the field of Accounting. The Indian Automobile & Ancillaries sector being one of the rapidly growing sectors in the last decade, attracts many investors to invest their hard-earned money in this sector. Since a huge amount of funds has been invested in this sector, there is always a chance of occurrence of accounting fraud and manipulation. Several frauds like Harshad Mehta Scam (1992), Satyam Computers Scam (2009), Vijay Mallya Scam (2008-17), Nirav Modi PNB Bank Fraud (2018), Karvy Stock Broking Limited Scam (2021) in India raised a big question about the reliability of the financial statements. Against this backdrop, the objective of the paper is to assess the EM of the Indian Automobile & Ancillaries sector and its impact on the wealth of the shareholders. Based on past research, discretionary accrual (DA) is considered as a proxy for EM and Market Price per Share (MPS), Earning per Share (EPS) and Dividend per Share (DPS) as a proxy for the wealth of the shareholders. To measure the value of DA, we have used the Modified Jones Model, which is one of the most widely used empirical models to estimate discretionary accruals. To understand the relationship between EM and the wealth of the shareholders, regression analysis and cointegration tests have been employed. The result of the study shows the existence of EM in this sector and a long-run relationship between EM and the Wealth of the shareholders.

Key words: Earnings Management, discretionary accruals, Indian Automobile & Ancillaries sector, Wealth of the shareholders

A Study on the Forecast Accuracy of the ARIMA model based on the Volatility Index of India

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ABSTRACT

The study employs auto-regressive integrated moving-average (ARIMA) modelling to forecast the India Volatility Index (VIX), providing insights into market sentiment. A thorough literature review highlights the nuanced relationship between India VIX and market returns, showcasing its practicality for investors. Subsequently, we highlight the significance of forecasting India VIX. Using the Box-Jenkins approach, we carefully perform the steps of identification, estimation, diagnostics, and forecasting on a six-year dataset. Ensuring data stationarity, we select an ARIMA (2,1,0) model meeting diagnostic and stability criteria. The forecasting phase validates model accuracy using Theil-Inequality-Coefficient, Mean-Absolute-Error, Mean-Absolute-Percentage-Error, and Root-Mean-Squared-Error. In conclusion, this research underscores ARIMA's potential as a tool for financial decision-makers, enhancing risk management, portfolio optimization, and informed investment decisions regarding India-VIX. While not infallible, this tool proves valuable for navigating market volatility, with the potential for exploring alternative approaches like Generalized Autoregressive Conditional Heteroskedasticity models in future research.

Key words: ARIMA, Forecasting, India, and VIX

Sustainable Water Management Reporting Practices of Top CSR Ranked Indian Power Companies

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ABSTRACT

Industrial water consumption has been increasing rapidly, and it is expected that it will reach a situation where water paucity will be the result of that. In the Indian perspective, after agriculture, industry holds the second position in water consumption. In the era of UN SDG 6, which aims at “Clean water and sanitation”, the companies should consume water sustainably and report the same to stakeholders. Indian companies should report sustainability facts in their annual reports mandatorily from 2022–23, complying with GRI guidelines, which were previously voluntary. Consequently, noticing this development the present study unveils the reporting pattern of Indian power sector companies in terms of sustainable water management practices in the voluntary regime i.e. from 2016–17 to 2020–21. Content analysis and a scoring methodology have been followed to analyse the scanned reports that would reflect their performance. As per reporting of water related facts, Tata Power Ltd. wins the race, followed by Adani Power Ltd. and NTPC Ltd. The paper suggests for transparent reporting to achieve the confidence of the stakeholders at large.

Key words: Corporate Reporting, Voluntary Disclosure, Scoring Methodology, Sustainable Water Management Practices, Indian Power Generating Companies

A Study on Performance and Volatility of Select Indian Equity Mutual Funds

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ABSTRACT

India has one of the highest savings rates in the world at over 31%. It is also vital to raise the rate of savings while also enhancing the holding pattern of such savings in order to hasten the economic growth and development of our nation. Mutual funds have improved their ability to mobilise and allocate resources since investing in equity shares is currently too risky and requires technical expertise. The present paper explores the performance of select open ended equity mutual funds for the period January 2008 to December 2021. The paper also explores whether the market return and portfolio return influences each other. The closing value of every month of all the selected mutual fund schemes have been used to calculate the risk and return of select Mutual Funds. BSE Sensex and Nifty 50 is used as the market portfolio. Various performance indicators like Sharpe ratio, Treynor's measure and Jensen's Alpha are used to make a comparative analysis. The paper has shown that the market fluctuations have impacted significantly the fluctuations in the performance of the select mutual funds, using OLS and GARCH (1,1) model.

Key words: Mutual Funds, NAV, risk, return, BSE Sensex, Nifty 50, volatility

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