

# Compassionate Capitalism

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## What is Compassionate Capitalism?

Compassionate capitalism combines the concepts of communism, which aimed for equitable distribution of wealth, with the principles of work, opportunity, and just economic compensation. The socialist paradigms from Marx and other contemporaries when seamlessly merged with “Economic Individualism” of Adam Smith and its contemporaries, should lead to what can be called Compassionate Capitalism.

Compassionate capitalism is currently defined as “the equal access of each person to unlimited economic growth opportunities and that helps other people within the same process to achieve among all personal and group rewards”.

Hence, Compassionate Capitalism is providing equal access of each person to unlimited economic growth, by rearrangement, and not exploitation, of the resources such that the rewards and benefits of the economic growth is accessed by all who contributed for the growth proportionately.

These principles are:

- ✚ Freedom,
- ✚ Reward,
- ✚ Resources repatriation
- ✚ Recognition
- ✚ Hope

According to Robert Hessen, the commonly held belief that capitalism was born out of a Puritan work ethic is inaccurate. Max Weber, a German sociologist, suggested in 1903 that seventeenth-century England was where capitalism was catalyzed by the Puritans who, under the influence of John Calvin's doctrine of predestination, directed their efforts towards hard work, reinvestment, and modest living, and then brought these attitudes with them to New England. However, Weber's theory is challenged by the fact that Jews and Japanese, who do not adhere to Calvinist teachings, also exhibit similar attitudes towards work and savings. Additionally, Scotland during the seventeenth century was both a devout Calvinist society and economically stagnant.

An alternative explanation for the Puritans' diligence is that due to their refusal to swear loyalty to the Church of England, they were prohibited from pursuing certain activities and professions such as landownership, law, military, civil service, and universities. This exclusion led them to concentrate on trade and commerce instead. A similar pattern of exclusion and ostracism can be observed among Jews and other religious or racial minorities in various countries and later periods, which led them to focus on money lending and retail businesses.

During the early-nineteenth-century in England, textile factories that employed women and children were the most visible representation of capitalism. Critics, including Richard Oastler and Robert Southey, criticized mill owners as merciless exploiters and highlighted the long working hours, low wages, and monotonous routines of the workers. These critics believed that poverty was a new

phenomenon, and compared contemporary times unfavorably to earlier centuries. However, their claims were based on an ignorance of the squalid conditions that existed earlier. Children used to work as unpaid servants, were sent to parish poorhouses, or worked as agricultural laborers. They often ended up as beggars, vagrants, thieves, or prostitutes. The "good old days" before capitalism simply never existed. Despite this, in the 1820s and 1830s, the growing concerns over child labor and "dark Satanic mills" - as memorably coined by poet William Blake - led to vocal opposition against unbridled self-interest and profit-seeking. Some critics called for legislative regulation of wages and hours, compulsory education, and minimum age limits for laborers. Others proposed more radical solutions. The socialists were the most vehement critics, aiming to eliminate individualism, the precursor to capitalism.

Socialist theorists rejected the fundamental principles of individualism, including the belief that individuals have inherent rights, that governments should not limit individuals' pursuit of their own happiness, and that the economy should be free from government regulation. Instead, they advocated for an organic view of society that emphasized values such as brotherhood, community, and social solidarity. They proposed detailed plans for creating utopian colonies where collectivist values would be institutionalized.

The brevity of these utopian societies limited the appeal of socialism. However, Karl Marx's new "scientific" version of socialism gained popularity by claiming that he had discovered the laws of history and that socialism was the inevitable successor to capitalism. Despite Marx's sweeping promises of economic equality, the eradication of poverty, the end of specialization, and the abolition of money, he did not provide any specific details on how a future socialist society would be structured or function.

Even nineteenth-century economists, who were considered defenders of capitalism, did not effectively defend the system because they did not fully comprehend it. They came to the conclusion that the most defensible economic system was one of "perfect" or "pure" competition, in which all firms are small, products in each industry are identical, consumers are fully informed about the available products and their prices, and all sellers are price takers who cannot charge a higher price for their goods.

In reality, companies in capitalist markets engage in fierce competition with each other, constantly striving to outdo each other in terms of product quality, features, and pricing. This rivalry often leads to innovation and improvements in product design, as well as cost-cutting measures that allow companies to offer their products at lower prices.

To succeed in this competitive environment, companies need to build a loyal customer base. They do this by investing in their brand names and reputations, and by offering assurances of quality and security to their customers. This can take the form of money-back guarantees, product warranties, or other consumer protection measures that give customers confidence in their purchases. Companies also use advertising and other marketing techniques to build brand recognition and attract new customers.

This process of competition and innovation, with companies striving to outdo each other and meet the needs of consumers, is what drives economic growth and progress under capitalism. As a result, living standards have improved dramatically over the past few centuries, with people enjoying better access to food, healthcare, education, and other goods and services.

Of course, capitalism is not without its flaws and critics. Some argue that it promotes inequality and exploitation, or that it fails to adequately address environmental concerns. Others point to instances of

market failure, such as the 2008 financial crisis, as evidence that capitalism needs to be reined in or replaced altogether.

Nonetheless, capitalism remains the dominant economic system in most of the world today, and its proponents argue that it offers the best means of generating wealth, innovation, and prosperity for society as a whole.

In the early 1900s when the Capitalism was receiving flak about extreme profiteering, church proposed “Profit to Shareholders” which was improvised and proposed by a top institution in America as “Shareholder value maximisation”. And most of the companies enroute to corporates, followed it blindly with rigour setting aside Marx and Angel’s philosophies. Labour movements started giving rise to the unions, forcing the corporates to share power and policies. It was then many of these industrial house and families realised, all is not right with the paradigm of “Profit to Shareholders” and “Shareholder’s value Maximisation”.

Along with this, there was also realisation that Socialist paradigm proposed by Marx to the latest proponents of communism is also not acceptable. And this was felt clearly by Baby boomers / owner families.

There has been a growing movement towards what is sometimes referred to as "conscious capitalism" or "stakeholder capitalism." This approach recognizes that a corporation's responsibility extends beyond maximizing shareholder value and includes considerations of the well-being of all stakeholders, including employees, customers, suppliers, and the broader community. Proponents of this approach argue that by prioritizing the interests of all stakeholders, companies can create long-term sustainable value for shareholders and society as a whole.

Some companies have already adopted this approach and are taking steps to promote ethical and socially responsible business practices. For example, companies may invest in sustainability initiatives, implement fair labor practices, or support community development projects. These efforts are often driven by consumer demand for ethical and socially responsible products and services, as well as increased scrutiny from regulators and other stakeholders.

However, critics argue that this approach may be difficult to implement in practice, as companies may face conflicting demands from different stakeholders. They may also be concerned that a focus on social responsibility may come at the expense of profitability and competitiveness. Ultimately, the success of this approach will depend on how well companies are able to balance these different priorities and adapt to changing market conditions.

“Corporate Compassion” stands for entrepreneurs who are interested in incorporating more compassionate practices into their businesses. It's becoming increasingly clear that a focus on profit alone is not sustainable in the long run, and that companies that prioritize social and environmental responsibility tend to be more successful and resilient over time. By thinking about how their organizations can contribute to the world, entrepreneurs can not only do good, but also create value and build a loyal customer base.

Compassionate capitalism is a term that has been used to describe an approach to business and economics that seeks to combine profit-making with a concern for social and environmental issues.

While there is no single mathematical model for compassionate capitalism, there are several theoretical frameworks that have been developed to explore the intersection of capitalism and social responsibility. One such framework is known as "triple bottom line" accounting. This approach emphasizes the importance of measuring and reporting not only financial performance, but also social and environmental impact. The three "bottom lines" are often referred to as "profits, people, and planet." The idea is that businesses should strive to optimize all three, rather than just financial profit.

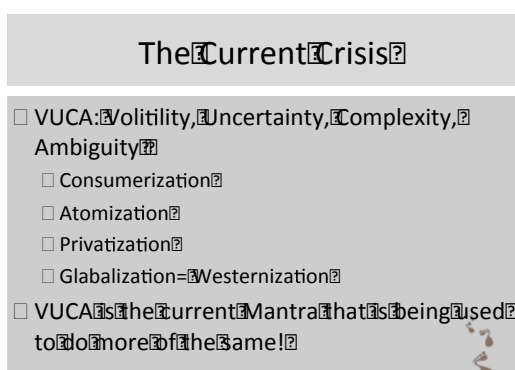
Another theoretical model that is often associated with compassionate capitalism is stakeholder theory. This approach emphasizes the importance of considering the needs and interests of all stakeholders in a business, not just shareholders. This includes employees, customers, suppliers, and the wider community.

A related concept is "conscious capitalism," which emphasizes the idea that businesses can create value for all stakeholders, including employees, customers, suppliers, and shareholders, while also contributing to the greater good of society.

While these frameworks do not provide specific mathematical models for compassionate capitalism, they do offer theoretical guidance for businesses seeking to prioritize social and environmental concerns alongside financial performance.

## The inflexion Point

Compassionate Capitalism is placed in a unique position to lead the process of dialogue that moves the world towards sustainability, equity and inclusive development. Peter Drucker once said that the purpose of being in business is to remain in business. The business families in India have acted from this premise for millenia. Now the way in which we conduct business threatens the sustainability of the world that business is supposed to serve while it makes profits. It is time we examined this crisis with compassionate attention.



VUCA is an acronym that captures the symptoms of the successful deployment of technology in the last few decades. The developed world is populated by "homoeconomicus", and seems to shine. The world is being changed by human activity, mainly technology and commerce in ways that challenges our ability to cope with it. The environment as we know it is also disappearing at an alarming rate, as a consequence of our success. These outcomes have also shown up the inadequacy of the present modes of resource usage and its ability to enhance humanness. The unintended consequences of creating the

“homoeconomicus” is captured in popular media through films like Anomalisa. (Anomalisa – A tragicomic search for Intimacy & Meaningfulness by Singh Gagandeep)

The price keeping the “homoeconomicus” alive and thriving in their idea of a good life, however is being paid by the earth!

The symptoms of the underlying malaise of the current econo-political systems have erupted many times in the form of various crises like the 2008 melt down, the world does not seem to be able to slow down the treadmill on which all of us are caught. It is in fact attempting to increase the speed of the track hoping that by doing more of the same, but faster and more efficiently, we can out run the effects it creates!

If we look a little deeper into the process that creates VUCA we see that it is sourced in the following: human being becoming consumers, individuals becoming atomised, resources being commercialised, essential services getting privatised, and the world getting homogenised and culturally unaligned.

The Current Crisis...

- This is a product of the four fallacies
  - Treating the indivisible as divisible
  - Treating the limited as unlimited
  - Treating the living as dead resource
  - Treating the shared as that which can be owned
- DUDO creates VUCA but is kept out of the discourse that focuses on consumerism
  - Applied to the commons and the "other"
- Capitalism and Communism share this fallacy, each choose to hegemonise power in a different way but agree on these fallacies!

The meta algorithm that business seems to follow has an uncanny resemblance to “slash and burn agriculture” that marks the beginning of what we generally call civilization. When the market for a product or service starts dwindling in one country it looks for a less developed country to hawk its wares, when labour costs in one country become higher, the business outsources its production to another country, when resources become scarce, it shifts its sources, when taxes become an issue, it shifts its operational centre to a tax haven and so on. Consumers do not seem to care either! They look for the next iPhone while the last years product is still serviceable and 90% of its features were never used. Where the raw materials that go to make inner parts is not their concern, nor do they stop to think where the discarded phone is disposed off! We believe that the entire techno-economic model operating today is built on four essential fallacies:

**The indivisible is treated as Divisible:** all the fundamental issues being faced by the world today are global, yet the solutions being worked upon are national, and fragmented

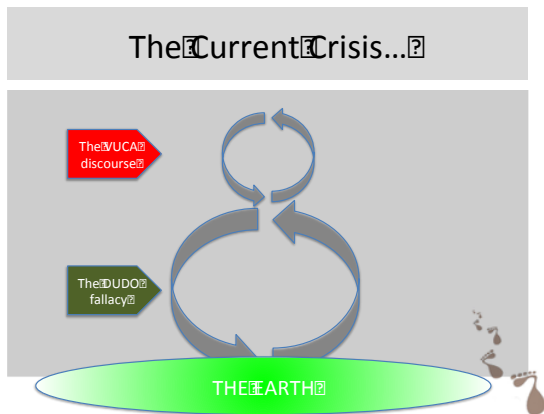
**The limited is treated as Unlimited:** the classic document generated by the Club of Rome “Limits to Growth” has clearly articulated the resource depletion that is going on.

**The living is treated as Dead:** the earth is a living evolving entity, the Gaia principle elaborates on this notion, and many cultures have held the earth as sacred.

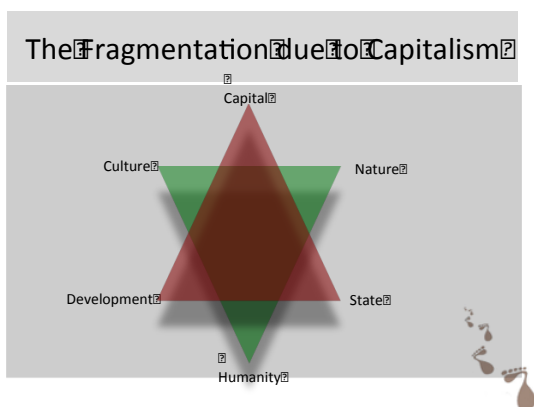
**The shared is treated as that which can be Owned:** the famous speech by Chief Seattle eloquently and poignantly articulates the preposterousness of this idea.

Though these underlying false assumptions have been called out, the dominant discourse does not take cognizance of the fundamental flaw in our ways of using resources, creating products and generating

waste! The idea of “externalities”, the components taken into account to calculate viability and profitability are all founded on these fallacies! We are calling this the DUDO fallacy, a poor attempt at humour as we rush headlong into a bleak future. While Capitalism and its focus on profit maximization has come in for criticism in recent times for creating income disparities and social tensions, Communist regimes have also operated on the same fundamental assumptions about the earth and the rights of man to extract and exploit nature.



The strategizing process that we see almost all organizations employ starts from listening to the Voice of the Shareholders, engages with the Voice of the Customer and spend enormous amounts of thought and energy figuring out how to outwit competition and maximise profits. The Voice of Technology is listened to in order to see how it can serve the Voice of the Shareholder. Often the Voice of the Employee is heard when the consequence of not listening starts to hurt. The Voice of the Earth on which the whole enterprise rests is hardly ever articulated, and yet the sustainability of all business enterprise is premised on the ability of the earth to regenerate and thrive inspite of the enormous abuse it is meted out! A few organizations have based their credo on a more balanced listening to the various stakeholder voices. However, the attempts of some nations like Bolivia for instance to legitimise the Voice of the Earth have been treated with contempt by private commercial interests insisting on their rights to pollute the land and rivers of Bolivia in their pursuit of Gold, and taking legal recourse to establish their right!!!



The upshot of an unquestioned and unexamined way of living is the growing gap between the “haves” the “have nots” who may never have and the “wanna bees” in-between. There is growing recognition that the State is supposed to protect the rights and well being of citizens, ensure that there is equity and fairness as well as a long term vision of sustainability of the nation becomes the hand maiden of Capital,

there in rampant immiseration of people and exploitation of Nature. Brazil is the most recent spectacle of this complicity between business interests and corrupt Government. A clean government that is hand in glove with business exploitation is no better. The current discourse that privileges GDP, private wealth accumulation, consumerization and commercialization creates a fracture and fragmentation from the ground of life and the source of meaning: Nature, Culture and Humanness. While many critiques of the current phenomenon have been examined through an economic lens, the human, cultural and ecological imperatives have not been sufficiently engaged with.

## India the Crucible

- Cleft Country and Torn Country
- All the transitions any country has gone through is happening here simultaneously
  - Colonial to Independent
  - Agrarian to Industrial to Post Industrial
  - Rural to Urban
  - Autocratic to Democratic
  - National to Global.....
- But we still have the flavour of Dharmic Civilization, therefore we can be the crucible of the new!

We believe that India is at the epicentre of the crisis and therefore has a great opportunity to forge a new path!

[https://www.youtube.com/watch?v=wVZXxP\\_hMPM](https://www.youtube.com/watch?v=wVZXxP_hMPM)

We are a country with a host of problems modern and traditional, world views that comprise of the post-modern and the ancient, and pioneering experiments in promising futures. No other country in the world is struggling to manage all the changes that have ever been encountered by a nation, all at the same time. We are struggling to come out of the effects of colonization, both materially and mentally. We are still a very agrarian economy, but with a large Industrial base and a viable service economy. Urbanization is proceeding at a fast pace. Power and Politics take all the forms from the most clannish to the most democratic. We have not discovered what it means to be a single nation, but we have to play in the global arena.

## We can forge a new paradigm

- Just as Gandhiji forged his idea of Satyagraha from the old traditions of protest in India, and mobilised the positives of the Indian identity, we can offer a viable alternative
- We are not choosing the good/bad of the traditional or the modern, but articulating a set of thoughts for a sustainable world, drawing from what is Indic, eternal in mans longings and inevitable in his journey

Gandhiji achieved an unprecedented feat, he fought for independence on the plank of Ahimsa and Satyam: Satyagraha. No oppressed people had ever won their independence through means other than

violent revolution. He astutely awakened the positives of our nation in doing this. He learnt from older forms of protest, used ancient institutions to spread the message and resonated with the heart of India. The current fashion seems to be “India Bashing”. Most of us are acutely aware of all that we hold in shame about ourselves, but rarely stop to examine where the shame arises from, in whose frame of evaluation and whom does it serve when we hold on to it? By using a lens of observation and standards of measurement that are not of our own we not only do great injustice to ourselves, we become incapable of critiquing our reality afresh, and discovering ways in which we can act growth fully. While the authors of this paper are very aware of the several dysfunctionalities of our Nation, we are also acutely aware of many of its positives, and the great strides that we have made in many fields of endeavour. These we have discovered by engaging with and addressing some of the most difficult developmental issues facing us, by working with water conservation, with rejuvenating war torn areas, influencing policy, dealing with disaster.

### **The Four Themes of Corporate Compassion are mainly:**

#### **Contributionism**

Contributionism is a social and economic philosophy that emphasizes the importance of giving and contributing to society, rather than simply taking or accumulating wealth. It advocates for a society where individuals and organizations prioritize making a positive contribution to the community over maximizing profit or personal gain. In this philosophy, businesses are encouraged to focus on creating value for society through innovation and socially responsible practices. The idea is that by contributing to society, businesses can also benefit and thrive in the long run.

#### **Business Spirituality**

Business spirituality is bringing together idealism and realism, to create a meaningful organization. Ideals can come from a religion but also from an personal (spiritual) belief.

#### **Social Sustainability**

Social sustainability encompasses human rights, labor rights, and corporate governance. For Corporate Compassion it means by example: make your business accessible to wheelchairs, use experience of older workers, or work with mentally handicapped.

#### **Work Smarter**

Many organizations are recognizing the need for more flexible and innovative ways of working to stay competitive in the fast-changing global market. This includes a shift towards more collaborative and team-based approaches, as well as a focus on social responsibility and ethical business practices. This trend is not limited to any particular region or industry, as organizations around the world are adopting similar strategies to stay ahead. The term "Compassionate Capitalism" or "Capitalism with a human face" reflects this growing trend towards more socially responsible and people-oriented business practices.

It's true that age discrimination can be a problem in the traditional job market, where some companies may prefer to hire younger, less experienced workers in order to pay them less or mold them to fit a particular company culture. In contrast, multilevel businesses may offer more opportunities for people of all ages and backgrounds to succeed, based on their skills and efforts rather than their age or other



factors. However, it's also important to note that multilevel marketing or direct sales businesses can have their own challenges and limitations, and may not be the right fit for everyone. It's important to carefully research and consider any business opportunity before investing time and resources into it.

Any enterprises should look at employee, ecosystem, raw materials, utilities like electricity & communication systems as resources rather than input costs. And the Enterprise should endeavour to replenish these resources back to the ecosystem or environment.

It is true that compassionate capitalism has the potential to change the economic history of millions of people around the world. By focusing on making a valuable contribution to society rather than just striving for profit, organizations can create a more equitable and inclusive society. Furthermore, by providing opportunities for people of all ages and backgrounds, compassionate businesses can create a sense of hope and optimism for the future.

One of the key advantages of compassionate capitalism is the opportunity for individuals to learn from successful mentors who have achieved significant economic results in the same business. This type of mentorship and guidance can help individuals overcome obstacles and achieve their goals more quickly than if they were working alone.

Overall, while compassionate capitalism is still a relatively new concept, it is gaining traction as more individuals and organizations recognize the need for a more people-oriented approach to business. By embracing these principles and working together towards a common goal, we can create a more equitable and prosperous society for all.

It is important to note that while compassionate capitalism may have its advantages, it is not a panacea for all economic and social problems. It is still important to address systemic issues such as income inequality, access to education and healthcare, and environmental sustainability. However, the principles of compassionate capitalism can be a step towards a more equitable and just economic system, where businesses are not solely focused on profit, but also on making a positive impact on society and the world.

And this can be well executed by governments who needs to simply marking up a price for refurbishing the depeltd resources to the corporations engaging in developing products or another economic activities

### **Here are some practical suggestions to form part of the culture of compassionate capitalism**

- While education and specialization are important, they are not the only factors that contribute to a prosperous economic life. Compassionate capitalism offers opportunities for individuals to create their own businesses and achieve success through hard work, dedication, and a willingness to learn from others. It also emphasizes the importance of service and contribution to society, rather than just personal gain. By embracing these values and being open to new ways of working and doing business, individuals can achieve economic prosperity and make a positive impact on their communities.
- The rise of the information age has brought about a shift in the way work is organized and conducted. The traditional hierarchical structure of organizations is being challenged by a more

open and flexible work culture that values collaboration, innovation, and creativity. This new way of working allows individuals to break through economic barriers and achieve success based on their merit, rather than their privilege, influence, or titles. It promotes a culture of equality, where everyone has the opportunity to contribute and succeed based on their skills and talents, rather than their social status or background. .

- Solidarity capitalism is indeed based on the principle of people helping people, and it emphasizes the importance of cooperation and mutual support in achieving economic success. The idea is that by helping others to succeed, you will ultimately help yourself to succeed as well. This approach is often contrasted with the more individualistic and competitive approach that is commonly associated with traditional capitalism.
- So, it is true that in solidarity capitalism, the focus is not solely on individual achievement, but rather on collective success through mutual aid and support. By helping others to achieve their goals, you are contributing to the success of the community as a whole, which can ultimately benefit everyone involved.
- However, it is important to note that while helping others is a key part of solidarity capitalism, it is not the only factor that determines economic success. Factors such as hard work, innovation, and effective management are also important for achieving financial stability and growth.
- Overall, the principle of solidarity capitalism emphasizes the importance of community and cooperation in achieving economic success, and it encourages individuals to prioritize the well-being of others in addition to their own personal goals.
- Compassionate capitalism aims to create a sustainable economic system that benefits not only the business owners but also the community and society as a whole. It emphasizes the importance of contributing to society and adding value to people's lives, rather than solely focusing on profits. This approach encourages businesses to create long-term relationships with their customers, suppliers, and employees, leading to a more stable and sustainable economy. In addition, by incorporating social and environmental responsibility into business practices, compassionate capitalism seeks to address issues such as poverty, inequality, and climate change.
- It is important to note that communism and compassionate capitalism are very different economic models with different values and principles. While compassionate capitalism emphasizes individual freedom, rewards, and recognition, communism values collective ownership and distribution of resources. It is not fair to compare or evaluate one against the other as they operate on different premises and have different goals. It is important to understand the strengths and weaknesses of each model and make informed decisions based on personal values and beliefs.

There are many resources available to help individuals succeed in compassionate capitalism within the open work culture business. Here are some suggestions:

1. Look for mentors or advisors who have experience in compassionate capitalism and are willing to share their knowledge and expertise with you.
2. Read books, articles, and blogs about compassionate capitalism, entrepreneurship, and open work culture to gain a deeper understanding of these topics.

3. Attend workshops, conferences, and seminars on compassionate capitalism and open work culture to network with like-minded individuals and learn from experts in the field.
4. Consider taking online courses or enrolling in a business program to develop your skills and knowledge in areas such as marketing, finance, and leadership.
5. Stay up-to-date with the latest trends and developments in the field by subscribing to newsletters, following industry leaders on social media, and regularly reading relevant publications.

Remember that success in compassionate capitalism requires a combination of hard work, dedication, and a willingness to learn and adapt. By taking advantage of the resources available and continually striving to improve, you can achieve your goals and make a positive impact on society.

### **The Nuts and Bolts of Compassionate Capitalism**

Compassionate Capitalism is a form of capitalism that emphasizes the importance of social responsibility and sustainable practices. It recognizes that businesses have a responsibility to not only generate profits, but also to contribute to the well-being of society as a whole. This includes being accountable for the impact that their operations have on the environment, communities, and other stakeholders, and taking steps to minimize any negative impacts. It also involves treating employees with respect and providing them with fair compensation and opportunities for growth, and being transparent and accountable to consumers and other stakeholders.

The shift towards compassionate capitalism requires corporations to take responsibility for their actions and impacts on society and the environment. It means valuing the well-being of all stakeholders, not just shareholders, and recognizing that social and environmental sustainability are just as important as financial profitability. It also involves creating a culture of transparency, honesty, and ethical conduct, where businesses are accountable for their actions and decisions. By embracing compassionate capitalism, corporations can contribute to creating a more equitable and sustainable world for everyone. Each of the economic activities has its lacunae and disturbs the fine balance of the nature and this imbalance needs to be purged. An exploratory company imbalance the mother nature even though , it is extracting the fossil fuel. Once the Oil or Gas is pumped out , it make the soil arid and uncultivable . And hence , the cost involved in the trade of the land has to take into account the loss of future revenue from that piece of land.

Thus, the stakeholders of a company is not limited to Shareholders but the ecosystem, employees, environment and governance. All of them should benefit from the economic activity of the corporates.

### **A Case for a Rethink and Retooling of Capitalism**

Compassionate Capitalism not only needs a complete rethink of the existing paradigm of “profit before people” but also needs a retooling of the principles underpinning distribution of gains by “placing people before profit”.

The proponents of Compassionate Capitalism make a case for not externalizing the environmental and ecological damages that corporations which mean that such damages should no longer be treated as “external” to the costs of doing business and hence, not needing to be included in the costs of doing business.

The employers take-home should be limited to 25% more than the median salary of the employees . The benefits to employer and employees should be similar except that the security concerns are covered.

The idea of limiting executive pay and reducing income inequality is a key aspect of Compassionate Capitalism. The proponents of this model argue that there should be a fair distribution of wealth and benefits within an organization, and that employees should have a stake in the success of the company through profit-sharing and other mechanisms. By doing so, corporations can create a more sustainable and equitable economic system that benefits all stakeholders, including shareholders, employees, customers, and the environment.

### **Business : Direct Taxes**

Here's an example of an accounting system for a corporate where profit is calculated after savings of 20% are taken into account:

1. Revenue: Revenue is the total amount of money earned by a company from its primary business activities, which is usually the sale of goods or services. It is calculated by multiplying the number of units sold by the price of each unit. Revenue is an important metric for businesses as it indicates the level of demand for their products or services and can help in determining their profitability.
2. Cost of goods sold: Cost of goods sold (COGS) represents the expenses directly related to the production of the goods or services being sold. It includes the cost of raw materials, labor costs, and other expenses that are necessary to produce and sell the goods or services. COGS is an important factor in determining the profitability of a company.
3. Gross profit: Gross profit represents the profit a company makes after deducting the cost of producing and selling its goods or services. It does not include other operating expenses such as rent, salaries, utilities, and taxes.
4. Operating expenses: Operating expenses are the indirect costs that are not directly related to producing the goods or services but are necessary for running the business. These expenses are deducted from gross profit to arrive at operating profit.
5. Operating income: Operating income is the income earned from the company's primary operations after deducting all operating expenses. It reflects the company's ability to generate profits from its core business activities.
6. Savings: This is the amount of money the company sets aside for future investments or to cover unexpected expenses. In this case, savings would be calculated as 20% of the operating income. The use of the saving fund should be for the stake holders and employees to cover the uncertainties of business notably the lack of income due to foresight in business leading to troubled times for employees as well as stakeholders including the shareholders. This fund should be managed by a trust including employees, shareholders and persons of impeccable credibility approved by Central banks.
7. Net income: This is the operating income minus the savings. This represents the final profit earned by the company after all expenses and savings have been taken into account. This amount is not taxed.

Here's an example of how this accounting system might look in practice:

Revenue: \$500,000 Cost of goods sold: \$250,000 Gross profit: \$250,000 Operating expenses: \$100,000  
Operating income: \$150,000 Savings (20% of operating income): \$30,000 Net income: \$120,000

In this example, the company earned \$500,000 in revenue and had \$250,000 in direct costs associated with producing and selling their goods or services, resulting in a gross profit of \$250,000. After deducting \$100,000 in indirect operating expenses, the operating income is \$150,000. The company sets aside 20% of this amount, or \$30,000, for savings. The net income, or final profit, is \$120,000, which is calculated by subtracting the savings from the operating income.

Now this net income be divided into 3 parts of which 1 part is treated as profit and tax paid on that and other two need to spend on social development and environmental replenishment.

The savings is primarily for the rainy days when the business eco-system changes and hence the Government taxes should not be levied for this saving component.

An example of an accounting system for a corporate where net income is divided into three parts: profit, social development, and environmental replenishment:

1. Net Income: This is the final profit earned by the company after all expenses and savings have been taken into account.
2. Profit: This is the portion of the net income that will be treated as profit and on which the company will pay taxes.
3. Social Development: This is the portion of the net income that will be dedicated to social development projects such as education, healthcare, or community development. It is here the decisions are taken into
4. Environmental Replenishment: This is the portion of the net income that will be dedicated to environmental replenishment projects such as reforestation, conservation, or reducing the carbon footprint of the company.

Here's an example of how this accounting system might look in practice:

Net Income: \$120,000 Profit (1/3 of net income): \$40,000 Social Development (1/3 of net income): \$40,000 Environmental Replenishment (1/3 of net income): \$40,000

In this example, the company's net income is \$120,000. The profit portion of the net income is \$40,000, which will be treated as profit and on which taxes will be paid. The social development portion of the net income is also \$40,000, which will be dedicated to social development projects. The environmental replenishment portion of the net income is also \$40,000, which will be dedicated to environmental replenishment projects.

The exact breakdown of the social development and environmental replenishment projects will depend on the company's values, goals, and priorities. However, by dedicating a portion of their net income to these areas, the company is able to make a positive impact on society and the environment while also earning a profit.

The social development income needs to be spend needs to be divided in 30:70 ratio where 30% goes to social activities which impact the corporates areas of interest and 70% on the national agenda.

Here's an updated example of the accounting system for a corporate where net income is divided into three parts: profit, social development, and environmental replenishment, with 30% of the social development portion allocated to corporate areas of interest and 70% allocated to national agenda:

1. Net Income: This is the final profit earned by the company after all expenses and savings have been taken into account.
2. Profit: This is the portion of the net income that will be treated as profit and on which the company will pay taxes.
3. Social Development: This is the portion of the net income that will be dedicated to social development projects.
4. Corporate Social Development (30% of Social Development): This is the portion of the social development budget that will be dedicated to projects which impact the corporate areas of interest.
5. National Social Development (70% of Social Development): This is the portion of the social development budget that will be dedicated to projects which align with the national agenda.
6. Environmental Replenishment: This is the portion of the net income that will be dedicated to environmental replenishment projects such as reforestation, conservation, or reducing the carbon footprint of the company.

Here's an example of how this accounting system might look in practice:

Net Income: \$120,000 Profit (1/3 of net income): \$40,000 Social Development (1/3 of net income): \$40,000 Corporate Social Development (30% of social development): \$12,000 National Social Development (70% of social development): \$28,000 Environmental Replenishment (1/3 of net income): \$40,000

In this example, the company's net income is \$120,000. The profit portion of the net income is \$40,000, which will be treated as profit and on which taxes will be paid. The social development portion of the net income is also \$40,000, which will be split into corporate social development and national social development.

Of the social development budget, 30% or \$12,000 will be dedicated to corporate social development projects that align with the company's areas of interest. The remaining 70% or \$28,000 will be dedicated to national social development projects that align with the national agenda. The environmental replenishment portion of the net income is also \$40,000, which will be dedicated to environmental replenishment projects.

The exact breakdown of the social development and environmental replenishment projects will depend on the company's values, goals, and priorities, as well as the national agenda. By dedicating a portion of their net income to these areas, the company is able to make a socially responsible impact investments while also earning a profit.

The environmental replenishment fund can certainly be used to in line with the SDGs of the country. The United Nations Sustainable Development Goals (SDGs) have given directions with a set of 17 goals which if pursued can end poverty, protect the planet, and ensure that all people prosper and are in peace. The goals cover a most of social concerns including ending poverty and hunger, promoting good health and well-being, ensuring quality education, achieving gender equality, promoting clean water and sanitation, reducing inequality, promoting sustainable cities and communities, and combating climate change and its impacts, among others.

By using the environmental replenishment fund to support sustainable development projects that align with the SDGs, the company can make a positive impact on the environment and society while also contributing to the achievement of national and international development goals. Examples of sustainable development projects that the fund could support might include renewable energy initiatives, waste reduction and recycling programs, conservation and restoration of natural ecosystems, sustainable land use and agriculture practices, and sustainable transport and infrastructure development, among others.

Overall, using the environmental replenishment fund to support sustainable development goals can help to promote responsible corporate citizenship, demonstrate the company's commitment to sustainability and social responsibility, and contribute to a more equitable and sustainable future for all.

How the \$28000 be spent on the social development projects that align with the national agenda be in sync with the sustainable development goals?

To ensure that the \$28,000 allocated for national social development projects aligns with the sustainable development goals (SDGs), the company can follow a few steps:

1. Identify the SDGs: The company can identify the SDGs that are relevant to the national agenda and align with its values, goals, and priorities. For example, if the national agenda prioritizes access to clean water and sanitation, the company can focus on SDG 6 (Clean Water and Sanitation).
2. Define objectives: The company can define specific objectives for the social development projects that align with the SDGs. For example, if the company chooses to focus on SDG 6, it could define the objective as providing clean water and sanitation to a certain number of communities or households.
3. Develop project plans: Based on the objectives, the company can develop detailed project plans that outline the activities, timelines, and resources needed to achieve the objectives. The project plans should also include metrics for measuring progress and impact.
4. Partner with stakeholders: To ensure that the social development projects are in sync with the national agenda and SDGs, the company can partner with relevant stakeholders such as government agencies, local communities, non-profit organizations, and other businesses.

Collaborating with stakeholders can help ensure that the projects are aligned with the needs of the target communities and that resources are used effectively.

5. Monitor and evaluate: Once the projects are implemented, the company can monitor and evaluate their progress and impact. This can involve tracking project activities, measuring outputs and outcomes, and collecting feedback from stakeholders. The monitoring and evaluation process can help the company identify areas for improvement and make adjustments to ensure that the projects are effective and aligned with the SDGs.

By following these steps, the company can ensure that the social development projects funded by the \$28,000 allocation are aligned with the national agenda and SDGs. The specific projects and activities will depend on the national agenda and the SDGs that are relevant to the context, but some examples might include supporting education and training programs, improving healthcare access and outcomes, promoting sustainable agriculture and land use practices, or supporting renewable energy initiatives.

Incorporating this model into indirect taxes would require the government to design and implement policies that incentivize businesses to invest in social and environmental initiatives that align with the national agenda and the SDGs.

One way to do this could be to offer tax incentives for businesses that invest in social and environmental initiatives that meet certain criteria. For example, businesses that invest in renewable energy projects or that implement sustainable waste management practices could be eligible for tax credits or exemptions. These incentives could be designed to encourage businesses to contribute to the achievement of the SDGs while also promoting economic growth and development.

Another approach could be to introduce taxes or fees on activities or products that have negative social or environmental impacts. For example, a tax could be introduced on single-use plastics to discourage their use and encourage businesses to invest in alternative, more sustainable packaging solutions. The revenue generated from such taxes could then be directed towards social and environmental initiatives that align with the national agenda and the SDGs.

Overall, incorporating the model of allocating a portion of corporate profits towards social and environmental initiatives into indirect taxes would require a comprehensive approach that considers the interests of businesses, consumers, and the government. The key is to design policies and incentives that encourage businesses to act in a socially and environmentally responsible manner while also promoting economic growth and development.

There are various policies and incentives that governments can implement to encourage businesses to act in a socially and environmentally responsible manner while promoting economic growth and development. Here are some examples:

1. Tax incentives for sustainable practices: Governments can offer tax incentives for businesses that implement sustainable practices, such as investing in renewable energy or reducing waste. This



can encourage businesses to adopt more environmentally friendly practices while also providing a financial benefit.

2. Carbon pricing: A carbon pricing policy can incentivize businesses to reduce their carbon emissions by putting a price on the carbon they emit. This can encourage businesses to invest in renewable energy and energy-efficient technologies, while also generating revenue for the government.
3. Green procurement policies: Governments can implement green procurement policies that prioritize the purchase of products and services that have a lower environmental impact. This can encourage businesses to develop more environmentally friendly products and services, while also creating a market for such products.
4. Social impact bonds: Social impact bonds are a type of investment that allows private investors to fund social and environmental initiatives. The government sets the goals for the initiative, and if those goals are met, the investors receive a return on their investment. This can encourage businesses to invest in social and environmental initiatives while also generating a financial return.
5. Voluntary standards and certifications: Governments can encourage businesses to adopt voluntary standards and certifications that demonstrate their commitment to social and environmental responsibility. For example, businesses can obtain certifications for sustainable sourcing, fair labor practices, or carbon neutrality. This can incentivize businesses to adopt more responsible practices while also enhancing their reputation and competitiveness.

Overall, there are many policies and incentives that can encourage businesses to act in a socially and environmentally responsible manner while promoting economic growth and development. The key is to design policies that balance the interests of businesses, consumers, and the environment, and that provide clear benefits and incentives for businesses to act responsibly.

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## Compassionate capitalism the need of the hour: Narayana Murthy

Indians are price sensitive and so are some of its founders, like Narayana Murthy, Chairman Emeritus of Infosys, who is calling for a value-based compensation system for senior management. In keeping with his stand, Murthy absented himself from a board meeting where a resolution was passed to increase the salary of Chief Operating Officer UB Pravin Rao.

The dust from the battle between Infosys founders and the board — over the compensation paid to Rajiv Bansal, former Infosys CFO, on his exit from the company — had barely settled when Murthy spoke up against Rao's 35 percent pay hike of Rs 12.5 crore. This is going to have far-reaching consequences on the company's brand capital. However, trouble for the IT major can brew from one of two sources.

On one side, it could be Murthy's reaction towards the pay hike while on the other, it could be the increment itself. Either way, Infosys or its employees are sure to be looking at this drama very closely. While the last time around, CEO Vishal Sikka had told the employees to focus on work and not worry about any of these reactions, some of the questions Murthy has raised are rather pertinent:

- He has praised Pravin Rao for being an Infosys loyalist but questioned his acceptance of such a high salary.
- He says as a founder, in Infosys' early days, he let the juniors take more to add credibility. In an email sent to media agencies he said:

"I have always felt that every senior management person of an Indian corporation has to show self-restraint in his or her compensation and perquisites. He or she has to fight for maintaining a reasonable ratio between the lowest salary and the highest salary in a corporation in a poor country like India. The board has to create a climate of opinion for such fairness by their actions". The chairman emeritus also called for compassionate capitalism.

"The board has to create a climate of opinion for such fairness by their actions. This is necessary if we have to make compassionate capitalism acceptable to a majority of Indians who are poor. Without compassionate capitalism, this country cannot create jobs and solve the problem of poverty."

With damage at every level, Infosys has had an inauspicious start to the year, and maybe there are yet more skeletons to come out of the closet. That said, the stock markets would want the company to sort out its governance issues and focus on what's truly important — growing the business.

<https://yourstory.com/2017/04/infosys-compassionate-capitalism/>

### Media coverage on Compassionate capitalism:

#### Indian Express

#### Understanding the debate around 'compassionate capitalism'

Narayana Murthy's constant battle for 'democratisation of wealth' reached a flashpoint last week. The debate on corporate salaries, which has raged for long in both India and the West, is complex.

*Written by Shaji Vikraman | Published: August 21, 2017*

Some years ago, as the West debated unconscionably high executive salaries and compensation, the fabled investor Warren Buffett observed that the way to get fatcat corporates to change was to embarrass them. Infosys founder and Chairman Emeritus N R Narayana Murthy may not have had exactly Buffett's solution in mind — but his skirmishes with the company's management and board over what he saw as sliding corporate governance standards has probably had, in the exit of CEO Vishal Sikka, exactly the effect that Buffett predicted.

Since Sikka made his announcement on August 18, a wider debate has raged over whether a founder who has stepped down and is not a dominant shareholder, ought to indulge in the kind of public campaign that NRN mounted — rather than making an unambiguous choice between total detachment and committing himself to addressing Infy's challenges as part of the board. The debate has also touched on issues of conformity to a company's core cultural values and ethos.

Murthy has flagged the issue of distributive justice in corporate India — the widening gap between the top earners and the bulk of those lower down, especially at a time when the economy is slowing. On COO Pravin Rao's high salary, he said this April, "I have always felt that every senior management person of an Indian corporation has to show self-restraint in his or her compensation and perquisites. He or she has to fight for maintaining a reasonable ratio between the lowest salary and the highest salary. In a poor country like India, the board has to create a climate of opinion for such a fairness through their actions. This is necessary if we have to make compassionate capitalism acceptable to a majority of Indians who are poor."

Beginning 1994, Murthy's ideal of the "democratisation of wealth" saw practical manifestation in the granting of stock to company staff down to the level of drivers, and went on to contribute to a culture of donations from personal wealth by all the founders of the company.

But the idea of self-restraint has not often sat comfortably with the new generation of professionals. The environment is far more competitive now, it is argued, and to attract global talent, you need to pay top dollar. That would seem a fair point for a company that operates and competes globally — software services, for instance — but not so much in the financial services sector. And yet, compensation for the top deck has continued to soar higher above the company median in some of India's celebrated private banks — at least one of which, interestingly, had an Infy-like culture of granting stock until some years ago.

Proxy advisory firms such as IiAS redflagged governance practices at Larsen & Toubro, whose executive directors, they said, issued stock options at face value from a couple of subsidiaries before these firms were to go public. There is also the case of a company whose promoters — husband and wife — individually take home among the largest pay packets in the country, besides dividend payouts and capital appreciation. And the National Stock Exchange (NSE) of India Ltd was in a controversy regarding payouts to top executives.

The counter-argument, of course, is that these practices are not illegal, and have the sanction of the board of directors and shareholders. But what the case of Infosys underlines is not merely ethical behaviour — which, many argue, is bound to show in operational practices — but also the role of compensation committees. In his annual letter to shareholders in 2006, Buffett made the point that compensation reform will only occur if the largest institutional shareholders demand a fresh look at the system. In India, the largest shareholder is LIC, which is owned by the government.

Regulators in India have been careful not to intervene — even though the central bank has, in the past, shot down proposals from private and foreign banks to offer sign-on bonuses and parachutes designed to protect bosses who are fired. To return to Buffett — he once observed that politicians respond only when the public is outraged. This has happened in the West to an extent — with economists like Thomas Piketty mapping the growing levels of inequality.

In his recent book, *Adults in the Room*, Yanis Varoufakis, who was the Finance Minister of Greece when the country was negotiating with creditors after defaulting on loans, refers to a conversation he had with Larry Summers, economist and former US Treasury Secretary. Summers told Varoufakis that there was a kind of politician — the “outsider” — who may have prioritised the freedom to speak his version of the truth, but who, as a result, was ignored by the “insider” who made the important decisions. “The insiders follow a sacrosanct rule: never turn against other insiders and never talk to outsiders about what insiders say or do.”

Summers asked Varoufakis which of the two kinds he was. That’s the question shareholders — especially institutional shareholders — must put to those on the boards and the compensation and audit committees of many Indian firms.