

## Harmonizing Conscious Capitalism with Legal Frameworks Fostering Sustainable Business Practices and Social Responsibility

Vayu Tewari<sup>a</sup>  
Eronimus A.<sup>b</sup>

<sup>a</sup>Research Scholar, Department of Financial Administration, School of Management, Central University of Punjab, Bathinda, India  
E-Mail: [vayutewari@gmail.com](mailto:vayutewari@gmail.com) ORCID ID: 0009-0004-2819-7498

<sup>b</sup>Assistant Professor, Department of Financial Administration, School of Management, Central University of Punjab, Bathinda, India  
E-Mail: [eronimus.anthonysamy@cup.edu.in](mailto:eronimus.anthonysamy@cup.edu.in) ORCID ID: 0000-0002-2600-1920

### Abstract

In the contemporary global business environment, organizations are increasingly confronted with complex ethical, social, and environmental challenges arising from traditional capitalist practices. These concerns, including income inequality, labor exploitation, and environmental degradation, have necessitated the emergence of more responsible and value-driven business approaches. This paper examines the concept of conscious capitalism as a transformative framework that emphasizes higher purpose, stakeholder orientation, conscious leadership, and ethical organizational culture. It further explores the intersection between conscious capitalism and existing legal frameworks, with particular reference to the Indian regulatory landscape, including corporate governance norms, CSR mandates, and ESG reporting requirements. The study analyzes the role of institutions such as the Ministry of Corporate Affairs, Reserve Bank of India, Securities and Exchange Board of India, and industry bodies in promoting socially responsible business conduct. While existing regulations provide partial alignment with the principles of conscious capitalism, the paper argues that excessive legal enforcement may impose additional burdens on firms. Instead, it highlights the need for a balanced approach that combines regulatory support with awareness-building and incentive-driven mechanisms. The findings suggest that fostering internalized ethical consciousness among organizations, rather than relying solely on external compulsion, can more effectively integrate social responsibility with economic objectives, thereby contributing to sustainable and inclusive development.

**Keywords:** Conscious Capitalism; Corporate Governance; CSR; ESG; Higher Purpose; Business Ethics; Legal Frameworks

### Introduction

Organizations face various ethical challenges in the current global business world, and business management is responsible for developing and enforcing codes of conduct and ethics. Jha (2022) viewed business management ethical concerns as intricate and multifaceted, covering a broad spectrum of subjects within an organization's ethical norms. He mentioned promoting honesty, integrity, and trust as the basic ethical challenges and diversity, decision-making, and adherence to core values as some of the more complicated ones. Findings by Sullivan & Hickel (2023) suggested that human welfare dramatically declined as a result of the rise of capitalism, with wages falling, human stature reducing, and early mortality rising. Harriss-White (2006) examined the factors that contribute to poverty under capitalism, such as preconditions, petty commodity production, technological advancements, unemployment, commodification, and pauperization brought on by climate change. Selwyn (2019) looked at the way global value chains affect the electronics and clothing industries in China and Cambodia, and he finds that these industries lead to new kinds of worker poverty. It challenges the Global Poverty Chain theory by claiming that female workers are often extremely exploited. Donald K. Sharpes (2015) expressed concern over capitalism as it now prioritizes riches over societal objective. As a result, the economy has stagnated. This increases poverty by exacerbating the gap between the wealthy and the less fortunate. Sundaram (2022) stated the businesses as the key players in both causing and mitigating climate change, which is a serious issue. It was considered that something more comprehensive, socially conscious, and ethically sound was needed in light of the difficulties that traditional firms faced, including income disparity, wealth concentration, labor exploitation, environmental degradation, and other ethical issues. Thus, the idea of conscious capitalism originated. The study explores the challenges as well as the potential of integrating conscious capitalism into the current legal systems. It looks at how legal frameworks may change to support and reward companies that put social responsibility above profit. The study also looks at different corporate governance models that promote conscious capitalism and how laws might support and strengthen them.

### Conscious Capitalism

Sisodia (2009) discussed the concept of "Conscious Capitalism," as a new approach to business management that reflects on the importance of societal responsibility and a higher purpose beyond profits. Businesses adopting this approach create long-term wealth for society and outperform conventional firms on financial performance measures. The paper also highlights its compatibility with ancient wisdom and the potential for a golden age of leadership thinking that blends modern Western practices and ancient Eastern wisdom. Mackey & Sisodia (2013) mentioned conscious capitalism viewed free-enterprise system as a system that had favourable impact on people still it is now getting accused of exploiting employees, cheating customers, environmental destruction and the cause of the disparities between rich and poor which is a result of low-conscious business operating in the system. The need of introducing the concept lies in rising customer and employee consciousness and the world's challenges as opined by John Mackey and Raj Sisodia in their book *Conscious Capitalism: Liberating the Heroic Spirit of Business*. According to them, the concept is based on four main pillars that can also be referred as the principles based on which the whole concept stays on i.e., higher purpose, stakeholder orientation, conscious leadership and conscious culture. Conscious businesses prioritize a higher purpose beyond profit generation, focusing on societal or environmental well-being. This purpose inspires stakeholders, fosters a deeper connection, and emphasizes long-term value creation and positive societal impact, transcending short-term financial goals. Conscious capitalism values all stakeholders in the business ecosystem, prioritizing transparency, fairness, and open communication. It goes beyond shareholders, focusing on sustainable practices that contribute to the overall success and well-being of the entire stakeholder network. Conscious leadership is characterized by purpose, authenticity, and mindfulness, focusing on the company's higher purpose, stakeholder well-being, employee empowerment, and fostering a positive organizational culture. It encourages innovation, adaptability, and ethical decision-making. Conscious culture is the values, norms, and practices within an organization, promoting collaboration, respect, and a sense of belonging. It drives employee engagement, innovation, and organizational resilience, aligning actions with the company's mission and ethical principles. A company can work on its reputation, trust, improved hiring practices, reduced turnovers, appreciate talent, creativity, innovation by ensuring empowerment of the team, loyalty of stakeholders, rise of emotional and spiritual maturity, passion, commitment just to name a few as stated by Mackey & Sisodia (2013).

### The Intersection of Conscious Capitalism and Legal Frameworks

Like any other country, there are laws that have been made in India regarding corporate governance. There are certain areas where conscious capitalism tends to align with the legal frameworks of the country. Companies Act 2013 states at length about regulatory frameworks regarding companies. Governments play a crucial role in creating an enabling CSR environment, focusing on the failure of existing voluntary systems and the need for the private sector to address socio-economic challenges. Clause 135 of the Companies Act, 2013, the selected companies are required to report on their CSR activities in the annual board report, spend a certain amount on CSR for the relevant fiscal year, or provide an explanation if they were unable to spend (Kumar, 2013). The Companies Act 71 of 2008 regulates the creation of a social and ethics committee, which can embed the CSR notion in the corporate conscience (Kloppers, 2013). Companies Regulations, 2011 envisages social and ethics committee's possible role as a CSR driver (Kloppers, 2013). The Securities and Exchange Board of India (SEBI) mandates Business Responsibility and Sustainability Reports (BRSR) for India's largest 1000 companies from 2022-2023, initially voluntary for 2021-2022 (Motwani & Gupta, 2023) as an attempt to enhance Environment, Social, and Governance (ESG) disclosures (Menghnani & Babu, 2022). Ministry of Corporate Affairs has introduced the National Voluntary Guidelines on Social, Environmental and Economic Responsibility of Business (NVGs) guidelines in 2011

as an improved version to the 2009 Corporate Social Responsibility Voluntary Guidelines that have been enhanced by feedback from various stakeholders. They lay out the fundamental conditions that companies must meet in order to operate ethically, encouraging inclusive economic growth (*National Voluntary Guidelines 2011\_12jul2011.Pdf*). The document states that the businesses should adopt ethical governance structures, transparent communication, avoid abusive, corrupt, or anticompetitive practices, and truthfully discharge their responsibility on financial and mandatory disclosures. They should report on their adoption of these guidelines and avoid complicity with third-party actions that violate these principles. The Reserve Bank of India (RBI) defines Financial Inclusion as providing affordable financial products and services to all sections of society, including vulnerable groups. Financial inclusion, which turn will lead to empowerment (Behara & Suryanarayana, 2013) is defined by the Reserve Bank of India (RBI) as extending accessible financial services and products to all societal segments, including the most vulnerable ones. This program is a top priority for the Central Government and RBI, with the goal of bringing excluded people inside the purview of legitimate financial institutions (Subramanian, 2014). Saxena et al. (2021) explored sustainable banking practices at domestic and global levels, focusing on environmental, social, and governance dimensions. In order to be a leader in a world that is changing, it must also fast-track its globalization process and absorb the principles of sustainability and climate action as viewed by Confederation of Indian Industry (CII). Reaching outside the realm of business, CII helps the sector develop and implement corporate citizenship initiatives. Corporate activities for integrated and inclusive development across a variety of domains, such as affirmative action, livelihoods, diversity management, skill development, women's empowerment, and sustainable development, are carried out through partnerships with civil society organizations. The advancement and prosperity of India as a nation would be largely dependent on the role Indian industry plays. 'Towards a Competitive and Sustainable India@100: Growth, Inclusiveness, Globalization, Building Trust' being the theme at CII for 2023–2024. The organization has identified six action themes that will accelerate the nation's progress toward realizing the goals of India@100 (CII).

Hence, this can be concluded that a number of Indian regulatory bodies, such as the Ministry of Corporate Affairs, Reserve Bank of India (RBI), Confederation of Indian Industry (CII), and the Securities and Exchange Board of India (SEBI), are engaged in the formulation of compulsory and voluntary ESG compliance laws. We see the agencies touching different facets that will aid in transforming the way in which the capitalism works by enhancing the social good. However, Saxena et al. (2021) found out the research however also revealed no guidelines from the Reserve Bank of India for sustainable banking practices in India. Law is influenced by the expectations of a common man. Numerous laws have been introduced and implemented by the Government of India to ensure conscious treatment with the stakeholders by the business related to working conditions, wages, social security, employment and training, labour welfare funds, industrial relations as explained by Singh (2007) 27 of which are now codified under 4 codes i.e. Occupational Safety, Health, and Working Conditions Code, 2020 ('OSHW') Code by the government for easy compliance (Arghyadip Sen, 2022).

#### **Analyzing Legal Landscape for Conscious Capitalism**

Examining the legal landscape surrounding conscious capitalism entails evaluating the challenges and possibilities that companies have when incorporating moral, environmentally friendly, and socially conscious practices into everyday operations. A business house is legally accountable to a number of laws that are already in place. Adding more to the existing legislature will only make the businesses feel more burdensome. Moreover, the idea of becoming conscious lies in being mindful (Mackey & Sisodia, 2013) of one's action.

#### **Conclusion**

Harris-White (2006) drawn attention to the necessity of laws and safeguards against wealth disparity. As also emphasised by Jha (2022), it is imperative for corporate leaders and managers to establish clear rules and procedures to guarantee that ethical practices are implemented publicly and acknowledged by staff members. However, the establishment of clear rules or procedures will be an external force put on the staff members while the satiation lies in internalising the conscious behaviour. Trading consciousness for money is not an intelligent choice to be considered. Badigannavar et al. (2012) discovered insufficient safeguards and growing susceptibility to employer hostility despite Maharashtra's labor law system being acknowledged for its worker-friendly policies. A purely voluntary approach to ensure conscious capitalism without legislative intervention is not going to be successful, and a clear public policy requiring the implementation of socially responsible and conscious practices by the entire corporate sector is necessary. However, adding more rules will just add in the burden so the best possible way to incorporate conscious capitalism in the working of the business will be by making them more aware and incentivising the best business practices. The business houses should be made aware of the importance of balancing social responsibility with making profits. They should be told that there is no zero-sum game and all the aspects can be catered along with taking care of money making. Moreover, the tenants of conscious capitalism i.e. conscious culture, stakeholder integration, conscious leadership and higher values also can form the basis of functioning for the government sector of the country.

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