LITERATURE REVIEW OF STAKEHOLDER THEORY, ISSUE OF LAXMI VILAS BANK AND FAMILY BUSINESSES IN INDIA

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ABSTRACT

In this paper, we conduct a comprehensive literature review of Edward Freeman's stakeholder theory. We explore the various types of stakeholders in a firm, examining their utility to the firm and the mutual value addition between stakeholders and the firm. We then analyse the managerial implications of stakeholder theory. Subsequently, we apply this theoretical framework to the case of Laxmi Vilas Bank, interpreting its issues through the lens of stakeholder theory. Furthermore, we assess family businesses in India, identifying the advantages and disadvantages of such enterprises from a stakeholder perspective. Finally, we conclude by highlighting gaps in the current stakeholder theory.

Keywords: Stakeholder Theory, Family Business, Business Groups and Banking, Shareholder Theory.

INTRODUCTION

Stakeholder theory has been in the academic dialogue in management since 1963 when Freeman mentioned it for the first time. The theory started developing when firms started proactively paying attention to it, and it started growing when the firm's board of groups began discussing it and providing value to the stakeholders; it had tension (at the least) with the shareholder’s theory. There are many interpretations of the stakeholder theory. The sustainability of a modern-day business is mainly dependent on the stakeholders of the organisation (Alkhafaji, 1989).

Historically, there has been a fundamental question about property rights or business objectives. What an organisation should focus on? According to “Fligsten”, shareholders have the right to determine how their capital and properties are used as owners, resulting in shareholder wealth maximisation as a goal; how far is it true? For a business to succeed, the business objectives should be achieved, including the stakeholders' rights (American Law Institute, 1992). If a stakeholder performs poorly, the organisation will have difficulty acquiring resources to run its day-to-day operations (Aoki, 1984). All these studies (shareholder theory, stakeholder theory) are about who should have the claims or rights over a firm’s leftovers (Carroll, 1989). A significant stream of literature says stakeholders should first claim over it. A literature stream states the size of the total value stakeholders should have in their claims (Sundaram, 1989).

The economic measure captures the value created by the stakeholders. Stakeholder theory also challenges the Neo-Classical theory of economics, which states that only shareholders’ interests are to be upheld (Baumhart, 1968). Another perspective is from a managerial standpoint; which managers often miss out on while focusing on higher performance (Becker, 1978; Becker, 1992a, 1992b, 1992c). While the firm's managers only look at the economic measures these stakeholders bring, they should also look at the intangible value they create (Berle, 1932; Bok, 1993). Hence, they should interact more with the stakeholders of a firm, and by using their insights, they should be able to generate more

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value (Brenner, 1991; Molander, 1977). From an academic point of view, many empirical studies are done to identify the econometric measures of these stakeholders, with stakeholders' performance as an independent variable and organisational actions as the independent variable (Anderson, 1989).

LITERATURE REVIEW

The basic stakeholder theory definition says, “Stakeholders are those groups from whom the organisations have voluntarily accepted benefits (Brummer, 1991). By doing so, the organisation incurred obligations of fairness to attend to the wellbeing of these stakeholders”. The stakeholders of a firm include its financiers, employees, customers, suppliers, local communities, etc. It forms the fundamentals of organisational management and ethics (Carroll, 1989).

There are two types of stakeholders, normative and derivative, defined by their legitimacy. Normative: The organisation will be morally obligated to attend to their wellbeing (Chirelstein, 1974). It is used to identify the function of the corporation. Normative stakeholder theory is predominantly dominated by classic stakeholder theory (Clarkson, 1991). It tries to interpret the idea of investor-owned corporations based on underlying philosophical principles. It is “perspective” in nature; it comes from different bases (Connolly, 1980; Cropanzano, 2005).

Derivative: Derivative stakeholders are individuals or individuals who can harm or benefit the organisation. In the case of derivative stakeholders, the firm will not have any moral obligation to attend to their well-being as they are not directly connected to the firm. However, these people can indirectly affect the firm. Stakeholders should always serve in the best interest of the organisation. When the organisation has a moral hazard problem, the stakeholders cannot justify the opportunistic manager. Hence, the stakeholders of an organisation should always serve the best interest of one master, *i.e.,* the organisation over the managers. If the stakeholders of an organisation have one or more fiduciary duties to attend to, that might lead to confusion and create a paradox (Deiner, 2002; Preston, 1995).

Instrumental: Although it is not a significant branch of stakeholder theory, it still plays an important role. Instrumental stakeholder theory works in hand with derivate stakeholders. Many of the observations are mainly done from direct observations or interviews (Dyer & Singh, 1998). This is used to identify the relations of the company's stakeholders and the management and how these relations are being used to achieve the company's corporate objectives. It is observed that many highly successful companies, like HP, Walmart, etc., share their stakeholder's perspectives (Economist, 2011).

However, there are combined and contrasting approaches; each stakeholder brings some value to the table, and each is different Elkington J. Derivative stakeholder tells us the relations of the company with external attributes; when you look at the derivative stakeholders, they have three states of connections with the firm, *i.e.,* in the past relations, the present relations with the company and its possible outcomes and uses, and the future relations of the company and its implications (Fama, 1983; Fehr, 2000).

When you look at the instrumental stakeholders, they try to identify the relation between a particular stakeholder and the value it brings to the table; it’s a possible outcome of ties with another possible stakeholder (Frederick, 1992). It is intangible, and without these stakeholders' support, the company's functions cease to exist in the first place. However, when it comes to normative stakeholders, the relationship between theory and the evident facts in the corporate world is not significant in nature or the association of stakeholder management and its conventional performance measure. However, these normative stakeholders offer guidance to the company (Freeman, 1984).

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Now, there is a contrasting aspect between the Normative and Instrumental stakeholders. Normative stakeholder theory gives us guidelines for what is right or wrong (Freeman, 1994; Freeman, 2007; Freeman, 1994). It tells us to Do this (Don't do this) because this is right (incorrect). An Instrumental tells us, "If you want to get a desired output, follow a specific path". Edward Freeman endorsed instrumental stakeholder theory. In his theory, he stated, "explore the logic of this concept in practical terms, *i.e.*, how organisations can succeed in the current and future business environment" (Freeman, 2010; Freeman, 2004).

There needs to be more clarity with the justification of these theories. Why should a stakeholder theory be accepted? What are its alternatives over which stakeholder theory has to be preferred? This discussion can only be pointed out if the above question is answered. Different stakeholder theories are justified in the literature under different paths. When descriptive stakeholder theory is taken, it tries to show us the observed reality. That is, it tries to link the theory and reality (Frey, 2002).

When Instrumental Stakeholder theory is considered, we understand that it tries to explain to us the connection between a stakeholder theory and the corporate objectives of the firm and its performance (Friedman, 1970). The normative stakeholder theory attempts to explain the concepts of utilitarianism or social contracts, as they are directly correlated with the company and bound by a social contract (Gilbert, 2005).

Now, coming to the justifications of these stakeholder theories, we have descriptive stakeholder theory (Goodpaster, 1994). However, it is unethical on the part of management to favour the decisions of shareholders of the company, and managers often refer to the stakeholder theory. However, they might not explicitly refer to it. It is usually followed, even though it is not directly related to the firm, but its actions will affect the derivative stakeholders. When a wrong decision is made on the firm's behalf, the derivative stakeholders react negatively to it, which indirectly affects the company. For example, when the company Adani Ports of India took up a project in Australia, some protesters said that it might disturb the ecological balance of that particular region, and the stock price of the company dipped. Although there is no direct relation between the company and the activists, they significantly impacted the company. Hence, the company would keep them in mind while making a decision (Spiller, 2011).

Although there are no direct examples of the instrumental, the instrumental stakeholder theory justifications show us our choices and the outcomes of the respective decisions. This theory adds intangible value to the company. Since there is no empirical evidence, we cannot ignore the instrumental considerations (Stone, 1999).

The normative stakeholder theory is directly connected to the firm; by this, it means that normative stakeholders are directly influenced or affected by the decisions of the firm. These normative stakeholders are usually the distributors or creditors to the firm, and the managers will carefully consider their impact on the company. The legal contracts generally bind them. Numerous examples show how vital these normative stakeholders are to the company. The company might even go bankrupt if these stakeholders are not adequately cared for. For instance, In the recent past, Apple (A mobile manufacturing company, had to change their suppliers from Foxconn to a local Indian company when they started manufacturing the iPhone 11 in India.

Similarly, Softbank, which was funding the booming e-commerce giant Flipkart in India, stopped funding the firm when the appropriate decisions resulting in company profit were not taken, and ultimately, the company had to be sold off to an outsider. So, it is always essential to identify the needs of the normative stakeholders and take good care of them (Susniene & Vanagas, 2006).

Once this stakeholder theory was proven to be sound, the Labour Party leader of Britain, Tony Blair, tried to expand it to Public Institutions. This brought in unwarranted dilution of stakeholder

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theory, resulting in the identification of more flaws and comparisons, like the relationship between benefits (rights) and obligations (Ekeh, 1974). These are usually conceived as voluntary actions over duties in stakeholder theory. This drives us to conclude that stakeholder theory is applied only to organisations, and its inference towards public institutions can't be justified. Stakeholder theory has three different distinctions: stakeholder theory, agency theory, and the Fiduciary duties of stakeholder theory. These fiduciary duties are extended to all the stakeholders of an organisation. These multi-fiduciary duties are creating a paradox, as mentioned earlier. And these fiduciary duties are considered to be irrelevant to the topic of shareholder's theory and practice (Waddock, 2006).

We are talking about the stakeholder theory of identity, which identifies all stakeholders of an organisation. As previously mentioned, there are two types of shareholders: Normative and derivative. A long-contested attribute of stakeholder theory is the Natural Environment and Activists. Mark Starik has argued that the Natural Environment must also be considered a derivative stakeholder of an organisation as it indirectly affects the organisation. Another researcher, Donna Wood, discussed the environment as a social context within which an organisation's business operates.

But Starik meant natural environment as the natural, nonhuman ecological environment. He even drew comparisons between the natural environment and slaves, women, minorities, homeless and abused children, who also don't have any political voice but qualify as stakeholders of an organisation. This discussion ended by stating, the natural environment cannot undertake the requisite obligation-generating activities to qualify as a stakeholder. When discussing social activists as stakeholders, it is said that they are considered part of larger communities or societies (Wade-Benzoni, 2002).

Hence, they are not considered as derivative legitimate stakeholders. Therefore, they represent a small part of a larger community and are deemed archetypal stakeholders.

There are eight different types of stakeholders in the stakeholder salience model, where the stakeholders are divided into primary and secondary stakeholders under three broad attributes: Power, legitimacy and urgency. These attributes will overlap, resulting in 8 stakeholders: Dormant, dominant, discretionary, dependent, demanding, dangerous and definitive stakeholder (Walsh, 2005).

After this primary discussion about the stakeholders and their identity, legitimacy, and limits by different authors like Freeman, Starik, Donna Wood, M.C. Jensen, and J. Rawl, let us discuss some unanswered questions in the stakeholder theory. *i.e.*,

- Why are managers deserting stakeholders, and why should they pay attention to them?
- Who are the stakeholders of a firm, and what do they want?
- Do the Manager's fiduciary duties include prioritising stakeholders? And if yes, why?

By solving the first question with its primary origin, we arrive at the fundamental question of business objectives. According to Milton Friedman, "A manager should be working to maximise the shareholder's wealth". If the shareholder's wealth is not maximised, then the manager is considered to be stealing from the Shareholders, Violating the moral code. At the same time, the relationship between a stakeholder and a manager is based on fairness without obligation. Hence, the manager is deserting the stakeholders as no obligation is involved here. If involved, it will be dependent on fairness.

The basic definition of a shareholder is already given at the top, but how legitimate the shareholders of a company are being a question; stakeholders of a company are legitimate if they are owed an obligation from the company. Usually, any stakeholder is unsatisfied with a simple allocation of organisational funds or values; they want a stake in the company's decision-making and a say in its decisions. They have a valid argument by saying that they contribute to the organisation's profit and, hence, have a say in it.

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Managers' fiduciary duties include prioritising the stakeholders. Still, here, the normative stakeholders will have an advantage over the derivative stakeholders as normative stakeholders are morally obligated to be answered by the manager. Unless any derivative stakeholders threaten the firm, the manager can prioritise the derivative stakeholders, which is understandable.

Looking at different theories over two decades, we understand that the stakeholder theory is still imperfect, and some questions don't have a proper answer.

- Is stakeholder theory considered to be an excuse for opportunism?
- Stakeholder theory still cannot provide a Specific objective function for the corporation.
- It's still concerned with distributing the company's financial output and allocating resources.

These above questions will provide answers that could be more convincing and can be labelled as limitations of stakeholder theory. The first question can be answered by saying it's an excuse for opportunism: stakeholders are looking for equal rights and want to have their say in the firm's decision-making. However, remember that the stakeholders are obligated based on fairness, but the manager morally obligates the shareholders, and this argument leads to further questions in the future. The second question leads us to the origin, *i.e.,* a question of wealth maximisation or looking at business objectivity. This led to many discussions, but an outcome has yet to be. The third question might also be a never-ending question, as allocating resources will only satisfy some stakeholders and create a paradox at any given time.

Now that we have identified different company stakeholders, let's determine their stake in the company. It's technically unethical to serve the stakeholders of a company concerning the stake held in the company. Every company stakeholder must be given equal importance and treated equally, which is the primary line of any company. Given the diversified number of stakeholders in the company, it's different from perceiving their organisational behaviours. Depending on the given scenario, a specific stakeholder might be given more importance. For example, if a new product is being launched in the company, marketing will be done at greater heights, and the respective stakeholders, be it the marketing team, the investors in that particular project or the creditors, are given more priority for that specific instance (Freeman, 1994)

Ultimately, the firm's manager must balance all the company stakeholders by prioritising them appropriately. It is often difficult for the manager to identify a stakeholder's positive and negative influence on the company. Hence, the accurate determination of each stakeholder's stake in the company has to be made. However, there is no method to identify these stakes. The manager needs to go with the company's strategy and give priority to the stakeholders.

Identifying how well the expectations are met is another critical task. It might look like a simple task, but it is essential. For that, we first need to know the expectations of various stakeholders in the company. Even with different communication mediums, the stakeholders sometimes need clarification on their objectives. With clear stakeholder groups with their objectives, the manager and the company need to achieve them. Sometimes, the stakeholders' goals or objectives might be subjective, so the manager has to understand them and make appropriate decisions. If there is a communication channel between the company and the stakeholders, it should be established, which is a different and challenging task.

Now, the strategy for a firm should be determined to achieve this expectation. It is up to the firm's manager to identify its essential stakeholders and meet their expectations. For example, if a firm is in the steel manufacturing sector, its key stakeholders will be the creditors and the raw material suppliers. So, the firm's manager needs to appease their expectations by repaying the creditors on time and selling off all the goods. There is no alternative way.

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Now that we have identified the stakeholders' stakes and expectations and the strategies to meet their expectations as a firm, it is equally important to identify the values the stakeholders are generating for the firm and the value the firm is generating for them (Werhane, 1999)

They are looking at the stakeholders based on their perspective on the firm and its value generation, which is done through different activities. Each company will have a company and stakeholder relationship, and the firm will engage with a stakeholder for utility. Stakeholders will also have similar utility concerning the firm; this is how it usually engages with its stakeholders in a transaction. There are four different attributes through which a stakeholder attains his utility from a company. 1) Goods and services; 2) Organisational justice; 3) Affiliation; 4) Perceived opportunity cost.

Goods and services: It is a primary utility source for the firm and its stakeholders. Goods and services offered to the firm can be tangible and intangible. There is an economic measure of the goods that a company gives to their stakeholders, which can often be found in the economic theories measuring up the value of it. Some services to the firm are just in the form of time and effort, which are intangible. These stakeholders who offer intangible services to the firm are legitimate stakeholders. “Similar thinking applies to all of a firm’s legitimate stakeholders” (Freeman, 1984).

Organisational justice: The firm provides three different types of judges: 1) Distributional, 2) Procedural, 3) Interactional. These three can be again linked with three kinds of firm stakeholders classified under a broader perspective. Distributional justice is often between the normative stakeholders of the company and the company. A contract binds both parties, and raw materials or finished goods are exchanged here. Instrumental stakeholders often use procedural justice when information is exchanged, which can be used for decision-making in the company that might impact other parties or stakeholders (Wicks, 1996). In the third scenario, Derivative stakeholders use the interactional procedure; here, there is no exchange of goods or services, and any contracts do not bind both parties. Hence, there is no direct relation between the two parties’ derivate stakeholders.

Affiliation: Many stakeholders in the company often affiliate themselves with the utility they have with the firm. They categorise themselves based on their utility. For example, affiliation is frequently felt by the company's employees, as they work in that particular company and invest their efforts, energy and time. These employees often feel esteem and satisfaction. They think that the company is supporting them. The employees feel satisfied when the company recognises them.

This affiliation can have negative and positive impacts. Suppose the company is identified as having done some wrongdoing that resulted in public humiliation. In that case, it will be negative. In contrast, if there is some scientific breakthrough with a significant identification, the stakeholders affiliated with that particular company will have a positive impact.

Perceived opportunity cost: In the three attributes mentioned above, we have the utility in tangibles and intangibles, whereas perceived opportunity cost is now a mix of both. It can be in the form of tangibility if it is about goods and services. It can be in the form of intangibles if it is a particular service. Relating it to the stakeholders, we have the Instrumental stakeholders who have intangibles with them but can be used to generate tangible utilities out of them.

Stakeholders perceive value from the firm in different forms and *vice versa*. The firms will generate value if the stakeholders provide not only goods and services to the firm but also some value perceived by that stakeholder in the market.

Managerial implications of stakeholders and their decisions: There can be a debate on the managerial implications of the stakeholders, but it can be summarised in two points. Namely, 1) The Company recognises specific stakeholders and their stakes in the company, 2) Management functions and managers' role in the stakeholder theory model. Looking at point 1, the manager must identify the

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stakeholders and their stakes on behalf of the company. There was a broader discussion above on who will be considered legitimate stakeholders of the firm and who will not be.

Due to the excessive identifications, we had to adopt "anything influencing or influenced by" the firm (Freeman, 1984, quoting with approval Thompson, 1967). Competitive firms were introduced as stakeholders "an influence on managerial autonomy" in Dill's (1958) article; when it is looked at from a different perspective, even employees of a firm are stakeholders of the company; in that case, even a manager who chooses the stakeholders of a firm is also a stakeholder. So, it is legitimate to ask, “How fair is it to choose a stakeholder of a firm by another stakeholder?” As the scope of the stakeholder theory increases, different dimensions are added to it, which causes unnecessary complications. However, it is also unfair to restrict the scope of the stakeholder theory; we have seen it implemented in politics in management, looking at it from a firm perspective and the value addition it has made.

One interesting point to look at is the usual stakeholders of a firm must always cooperate to achieve the corporate objectives, but it is not always possible; there are instances where there is a conflict of interest between the company stakeholders, and the manager has to meddle in the middle to subside these conflicts. Another viewpoint is that it is only sometimes possible for the firm and society to be on the same side. There might be a conflict of interest here. How the stakeholders of a firm, along with the manager, face such complicated situations is also a question? All these questions are subjective, but the gaps in the theory persist and go unanswered. Firms always optimise their performance, but it should come at a cost other than value generation (Aoki, 1984).

Suppose there is a dilemma in the scenario where the value generation could be more in favour of optimising the firm's financial performance. What kind of decisions will the manager make? Will the firm's stakeholders be made scapegoats, or will the stakeholders be given priority? If the firm's growth is improved, such questions still need to be identified.

DISCUSSION

Laxmi Vilas Bank and Its Relation to Stakeholder Theory

Laxmi Vilas Bank was set up in the 1920’s. In Karur (Tamil Nadu) by a local businessman.

In the last ten years, *i.e.,* from 2010 to 2020, The bank saw a succession of five CEO’s. None of them lasted their full term except Mr. Parthasarathy Mukherjee (He couldn’t complete his second term). Indian banks have one locus of power in private banks, *i.e.,* with their shareholders, whereas in public sector banks, it’s with both shareholders and the government of India. The bank saw tremendous growth in the first half of the decade, but then the bank started to lend big loans to big corporates like Jet Airways, Reliance Housing Finance, and Cafe Coffee Day, to name a few. The bank couldn’t recover the amount lent to these corporations due to a sudden surge in the bank's NPAs. In the third quarter of 2017, the bank went for the fitting issue and raised 786 crores. Post which they disclosed a loss of 39 crores. Eventually, the share price of the bank was decreased to Rs.12.

Looking at what Friedman had said about shareholders' wealth maximisation, “The manager must strive for shareholders' wealth maximisation,” the bank cannot achieve that. Now, relating the stakeholder theory to the issue, the normative stakeholders of the bank are its employees, customers who deposit money, customers who borrow money, and many third-party users and service providers. The derivative stakeholders of the bank are the people using the bank’s ATMs and customers of another bank who transact through this bank. Now, both the normative and the derivative stakeholders are affected by the bank's mismanagement (Williamson, 1985).

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As the theory suggested by E. Freeman, a manager should always act in a balanced way. He should take care of the shareholders and stakeholders; here, the managers prioritised shareholders, which led to them being more interested in profit generation and lending to risky corporates, who couldn't pay back in the later period. Another way to look at it from the stakeholder theory is that the manager prioritised one stakeholder over another, and the manager prioritised borrowers over depositors (both were normative stakeholders), which created a paradox.

Now, a few directors with substantial shareholding interfered in the day-to-day operations of the Bank. As stakeholders, it is legitimate to have certain expectations. Still, a greater responsibility is to give autonomy to the CEO and top management team to work within the policy framework they formulated in the board. The CEOs selected by the said directors could not possibly rise above the master and servant relationship. There is also a negative impact on the other stakeholders affiliated with the bank.

The justification we discussed above wasn't possible; there was no distributional justice to its stakeholders, *i.e.*, the customers were allowed to use only a specified amount of 25,000 rupees to be withdrawn from the bank. The normative stakeholders were affected here, as the cash was not allowed to be withdrawn; others using this bank as a medium to transact were also affected, *i.e.*, the derivative stakeholders. The instrumental stakeholders of the bank were also affected as there was no positive news coming out of the bank, and no one was interested in investing in the bank either; hence, all the stakeholders of the bank were at a loss. Due to this, a complaint was raised to SEBI on mismanagement and lack of governance standards, and the Reserve Bank of India placed the bank under "Prompt Corrective Action" (PCA). This tells us how the stakeholder theory plays an influential role in the bank's day-to-day activities (Aupperle et al., 1985).

The stakeholders of the bank, who also happen to be the bank's shareholders, voted against the board of directors of the bank, who are its normative stakeholders out of the bank. Here, we saw that one normative stakeholder of the bank voted out another normative stakeholder due to performance, and the value addition needed to be more significant. Now that the bank has merged with DCB under RBI guidelines, the bank's stakeholders might change with this move, and the new stakeholders should add value and perform well so that other stakeholders affiliated with the bank will have a positive impact.

Family Business in India

Family Businesses are very prevalent in India. According to recent data from BSE and the Commerce Ministry of India, 60% of the companies are family-run businesses, with 65% of the exchange's total market capitalisation. There are 11 major family houses in India. Since many of these companies are owned by the same family members, information is apparent in these companies. The normative stakeholders of the company will be the family members themselves, and the derivative stakeholders will be the dependents on the family members; a part of this tunnelling of funds is ubiquitous among these business groups. These companies are not transparent and have a wide-spread pyramid structure hierarchy (Zajac, 1993).

Another critical aspect of these Family businesses is cross holdings. Cross holdings are very prevalent; although one can argue that these cross holdings are used to prevent hostile takeovers or to have a better stakeholder advantage, there is a befit of doubt on these companies when they are not transparent and often use non-public trusts, which creates doubt around their shady businesses. For example, TATA is a significant family business in India. A single person majorly manages this firm, and the normative stakeholders of this firm will be the family members and employees. Now, looking at the cross-holding pattern in TATA, we have all the firms in the TATA group interlinked through

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cross-holdings, So the employees of all the firms are normative stakeholders to all the firms in the group. A significant advantage of this is that the affiliation will have a very high positive impact on the firms. Negative impacts won't have much affiliation with the stakeholders.

Many things can be identified when the family businesses in India are viewed from the lens of the stakeholder's theory. All different types of stakeholders will be present in the companies.

Still, normative stakeholders play a significant role in the firm's decision-making and will be significantly affected by the firm's decisions. This leads to a situation where instrumental and derivate stakeholders will eventually become dormant and won't play a role in the firm's decision-making. Conflict of interest is another crucial aspect; However, the decisions of normative stakeholders negatively impact the derivative stakeholders. They won't be in a stage to fight for their rights, but the normative stakeholders might consider the requests of derivative stakeholders if there is a choice of benefit for them in that particular case.

If it is perceived from the utility point of view, the goods and services offered to the company or provided by the company to the normative stakeholders won't significantly impact derivative stakeholders as they are very few. The decision-making authority and the majority are normative stakeholders; usually, such practices are considered unethical in nature. If it is viewed from an organisational justice point of view, distributive justice is where a contract and the normative stakeholders bind the majority of the stakeholders in the firm; hence, distributive justice will be high.

In the next one, we have procedural justice, that is, between instrumental stakeholders and the company, and any contract does not bind them. In the case of family businesses, the instrumental stakeholders are almost none. Procedural justice is done, as the majority are normative stakeholders only. The interactional justice between the derivative stakeholders and the firm needs to be more significant, as the proportion of derivative stakeholders in family firms is significantly lower.

According to recent data, 11% of these family business companies comprise a 22% market cap. The average promoter holding is 53%, with 38% of companies having promoter share of 50-75% and 8% with 75% to 100% ownership. Although there was a recent RBI regulation, "private bank promoters need to lower their holding to 40 percent within three years, 20 percent within ten years and 15 percent within 15 years of obtaining the banking license". This brings down the shareholdings of private banks in India, such as Kotak Mahindra Bank, HDFC Bank, etc.

With individual stake holding reducing, we see an increase in the number of stakeholders in the company both in a normative and derivative way, which leads to stakeholders having more say in the bank's decisions; it is also important to observe whether these are not cross holdings of the previous owners. With a family business, we see that the manager will be prioritising specific stakeholders in the company, which will affect the minority stakeholders in the company. This leads to paradox or opportunism in the companies again, which might lead to disasters.

CONCLUSION

Stakeholder theory mainly talks about the importance and the needs of stakeholders in the company. There are three types of stakeholders: Normative who interact directly with the firm and are bound by a contract; derivative stakeholders, who are not bound by any contract and who are affected by the decisions of the firm but not directly related; and instrumental stakeholders who are majorly used in information transformation that ultimately results in the benefit of the company.

Literature has vastly developed over time, from the basic definition of the stakeholders to the types of stakeholders, their rights in the company, the bottlenecks of prioritisation by managers, and the legitimacy of these stakeholders in the company who should be accepted as stakeholders.

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The utilities of the company, Implementation of this stakeholder theory in different verticals of the society. Due to this, some conflicting arguments arose, and this stakeholder theory is confined to corporations. Family businesses in India are widely prevalent, and the stakeholders that play a significant role in decision-making will be normative stakeholders due to biased decision-making in the firm. However, with the change in recent regulations, a significant change is coming up as companies' proportion of normative stakeholders is decreasing.

FUTURE PROSPECTS

Although stakeholder theory is being explored, there are still some areas in which further research is required.

- This theory should be looked into carefully in interdisciplinary research, as there were conflicts when this theory was used for public institutions.
- The identity of the stakeholders should be more precise; as the issue of the Natural Environment arose, boundaries should be clearly defined.
- Fiduciary duties should be clearly defined as there were a lot of paradoxes that arose due to these fiduciary duties.
- If there is a conflict of interest between the firm's stakeholders and the society, how will it be resolved?
- How fair is it to choose a stakeholder of a firm from another stakeholder?
- If there is a conflict between optimising firm performance and value generation, how will the stakeholders manage it?

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