



Damage and the Reparation: CSR and Environmental Sustainability

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Abstract: Industries have become the engines of growth in the contemporary world at the same time it is a source of great pressure on nature and environment. Industrial activities are the source of negative externalities for the environment. Therefore it becomes necessary for the corporations to become responsible for the environment. In this context this paper attempts to explore Corporate Social Responsibility (CSR) practices particularly in the context of sustainability of the environment. The research questions examine whether the corporate take initiatives for environmental sustainability as mandated in the Companies Act 2013? If so, what CSR initiatives have been taken for environmental sustainability? For this purpose, ten public and private sector companies have been selected to study their CSR practices in the context of environmental sustainability. This study is based on the secondary sources which are, review of various related literature, respective company's annual status report and data obtained from the website of ministry of corporate affairs. The study found that companies which are eligible for CSR have elaborated CSR policy for environmental sustainability but they have not been found fulfilling their promises by spending an appropriate amount of funds for the environmental sustainability projects, which shows firms are not committed to save the environment.

Keywords: Corporate Social Responsibility (CSR), Companies Act 2013, Environmental Sustainability, Annual Status Report

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Introduction

Industries are often located in resource rich areas from where they can extract the maximum amount of resource available. Many times it has been found that the

locations where company buildings are situated have high risks. We could never forget the historical man-made catastrophe of Union Carbide, where the Bhopal Gas Tragedy took place due to leakage of highly intoxicating gasses. Local areas where the company is situated runs high risks, therefore it is the duty of the corporate and the state to keep in mind the safety and security and interests of the host community and assure them of a good health and risk free environment. After the introduction of Companies Act 2013 it became mandatory for the companies/firms of a certain turnover and profitability to spend at least two percent of their average net profit of the past three years on corporate social responsibility and the act has stated certain areas on which the company needs to invest the earmarked amount. There is also a clause which makes it almost mandatory on the part of the businesses to prefer the local area community where the company is situated in spending of the amount. Although the damages or the environmental harm a factory or an industry does to the planet could never be retrieved. But to the extent possible, the state has indirectly made the corporations accountable for their actions affecting the environment in an indirect way. However many times the companies/firms have been found not giving preference to the environmental issues at the time of CSR project implementation. This all has been happening since firms have been found practicing CSR in a way which is more suitable to their business practices, in other words they do not hire expert agencies or NGOs to implement CSR in a way which is suitable for the needs of the society. Therefore, there is a need to study whether the corporations give preference to environmental sustainability, what CSR initiatives have been taken for the environment and what are the impacts of these CSR initiatives on the community. This paper is divided into five sections, the present paper shall review literature related to CSR initiatives of the companies in section one. Section two includes a conceptual and theoretical framework. Section three includes the objectives, methodology and the limitations of the study. Section four is meant for results and discussions. And the last section concludes the study.

Review of Literature

Before the introduction of Companies Act 2013 the CSR was just a philanthropic activity on the part of businesses. But after the Companies Act made it mandatory for companies of a certain profitability to spend on CSR the whole idea of CSR has been changed considerably. Although much research has been done so far for CSR, there is a dearth of literature which studies the environmental impact of company's operations to the community and the appraisal of works done for environmental sustainability under CSR.

Pradhan & Ranjan (2010), in their paper ‘Corporate Social Responsibility in Rural Development Sector: Evidences From India’ attempted to study CSR especially in the context of rural development. Through their research questions they tried to examine whether the corporates consider rural people as stakeholder, initiatives taken for the socio-economic development of rural areas and the mode of implementation of CSR initiatives as a part of their business strategy. And concluded that the companies regard social responsibility as an important issue and all the surveyed companies have CSR policies and practices. A wide range of CSR initiatives like livelihood, education, healthcare, agriculture and infrastructure development have been carried out. Companies implement CSR initiatives through different agencies but many do not have full fledged dedicated CSR departments. The initiatives have a positive impact on the overall development of society. However, they suggested few important things like alignment of CSR with the then MDGs (Millennium Development Goals), the company should have a dedicated CSR division for planning, implementation and evaluation of CSR initiatives, local people must be involved in planning and implementation, social audit must be done by an external agency, government should act as a facilitator and the annual reports should be prepared by the companies to highlight the company’s commitment for the social responsibility.

Kumar (2019), in his article ‘Corporate Social Responsibility: An Analysis of Impact and Challenges in India’ analyzed the status of CSR in India and focussed on issues and challenges faced by CSR activities in India. He stated key challenges in hindering CSR initiatives in India like there is a lack of community participation in CSR initiatives, need for capacity building among NGOs, lack of transparency on the part of local implementing agencies, there is a lack of well organized NGOs in rural areas could work with the community and could implement the initiatives, and non-availability of clear cut statutory guidelines for CSR and many more.

Berad (2011), in his article, ‘Corporate Social Responsibility – Issues and Challenges in India’, studied issues and challenges for CSR in India by using secondary data. He concluded that the CSR is now considered an important activity for businesses’ agenda, but there are many obstacles which need to be overcome. One such challenge is the need for a more reliable indicator of progress in the field of CSR. Transparency is also needed to make it more trustworthy. If the corporation incorporates such responsible mechanisms it can help businesses and larger society get positive outcomes. And it will benefit the environment also.

Sridevi (2015), in her article, ‘Corporate Social Responsibility Towards Women Empowerment’, studied CSR in the context of women empowerment, and stated

that CSR can play a key role by providing education and economic participation. She insisted that the inclusion of gender perspective in CSR can play a key role in achieving gender equality in the workplace through various activities, initiatives, strategies and policies that provide equal access to job opportunities to female employees and provide for equality of the treatment of women in the workplace. And concluded that in order to address the gender issue and make them empowered some empirical evidence and linkages between different factors related to women empowerment needed to be established.

Acharya & Patnaik (2017), in their paper 'Corporate Social Responsibility in community development and sustainability: Rourkela Steel Plant, a unit of SAIL, India' made an attempt to understand CSR performances for community development and sustainability in the specific context of Rourkela Steel Plant of Steel Authority of India in Odisha. The paper is based on content analysis and narrative inquiry. Interviews were conducted with project participants, women leaders, youth, community stakeholders, NGO partners and officials. Field visits have been done for impact analysis. They concluded that CSR has now been considered more than a governmental obligation but it is getting transformed into a responsible business and are setting the pace for responsible growth.

Conceptual Framework

Corporate Social Responsibility

Corporate Social Responsibility is the initiatives and works taken up by the companies for the welfare of the society and the stakeholders. Section 135 of Companies Act 2013 made it mandatory for companies having a turnover of rupees 1000 crore or more, or a net worth of rupees 500 crore or more, or a net profit of rupees 5 crore or more during any financial year to spend in every financial year, at least 2 percent of their average net profit of last three financial year to spend on the list of activities mentioned in the schedule VII (Companies Act, 2013). Companies Act has also given a variety of areas in its Schedule VII for the companies to spend for CSR.

Theoretical Framework

There are a number of sociological theories which can be applied to corporate social responsibility. According to the social contract theory, the business is obliged to act responsibly, not only because of its commercial interests, but also because it

is a part of how society implicitly expects business to operate. Business should be regulated as a social institution and should join with other social structures like the family. According to the instrumental theory, if a business chooses to support or implement some social welfare programs, it will create a good image of the business and will create competitive advantage to the business. There is also the stakeholder theory which concerns the relationship between organization and its stakeholders, which expects business to take care of interests of each stakeholder like employees, environment, customers and local community. Freeman (1984) defines a stakeholder as “any group or individual who can affect or is affected by the achievement of the firm’s objectives.” This study uses stakeholder theory.

Objectives

- To explore the CSR initiatives taken by the companies for environmental sustainability of the communities.

Methodology

This study is exploratory and descriptive in nature. To study the objectives, top ten public and private sector companies (Financial Year 2020-21) in respect of CSR spending have been taken from the Ministry of Corporate Affairs. The study has used the data from the secondary sources which are, review of various literature, respective company’s annual status report and data obtained from the website of ministry of corporate affairs.

Results and Discussion CSR initiatives of the companies and the Environmental Sustainability

All the 10 companies under study are the giant companies in terms of turnover and CSR expenditure and they have elaborated CSR policies. Almost all companies reflect their social, ethical, and environmental concerns in their vision documents for CSR. Companies have worked on almost all the development sectors prescribed in schedule VII of the Companies Act such as art and culture, education, gender, health, infrastructure, livelihood, poverty, rural development, socio-economic inequalities, sports and environment. It can be seen from the table that 7 out of 10 companies have given preference to take CSR initiatives for environmental sustainability. Which means a majority of companies spend on the projects for sustainability of the environment. However, if we see total

CSR expenditure for environmental sustainability it is disheartening, as only a miniscule 3.31% of the CSR funds invested by ten companies in total have been spent for the environment.

Reliance Industries Limited - in its preamble mentions that protection of environment is a prime concern for it. And it is responsible for operating in a safe and clean manner and cares for the needs of the communities. It follows international environmental standards and takes appropriate measures to prevent environmental incidents and conserve natural resources. It tries to reduce waste, discharges and emissions. Promote tree plantation, green surrounding and protects biodiversity at its locations of operations and remains in harmony with nature. It shares responsibility along with its stakeholders for environmental protection (RIL, 2022). However, in the financial year 2020-21 the company undertook an initiative to promote a sustainable environment worth rupees two crore only which is extremely low given the turnover and total CSR expenditure of the company. The volume of CSR for the betterment of the environment was extremely far below its commitment.

Tata Consultancy Services Limited- in its CSR vision have mentioned that their strategic objective is to be a responsible corporate citizen, and their constant endeavor is to reduce the impact from their operations to the environment. Its vision is to decouple business growth and ecological footprint from its operations to address the environment bottom-line. The green approach is embedded in its internal processes and services offerings (TCS, 2022). Despite these mentionings the company did not spend any amount for the cause of environmental sustainability in the financial year 2020-21 for CSR.

HDFC Bank Limited- spent only nearly one percent for the projects under environmental sustainability. This extremely low amount has been spent on building infrastructure for water accessibility, solar ATMs, solar lamps and tree plantation in various states of India.

Tata Sons Private Limited- did not take any initiative for the environment under CSR despite its commitment to work for environmental sustainability.

The vision of the **Oil and Natural Gas Corporation Limited**- is to support responsible and sustainable initiatives, while taking care of the concern for People, Planet and Profit. And its objective is to adopt environmentally sustainable business practices in its normal operations with an intention to gradually reduce carbon and water footprint, reduce waste and biodiversity conservation (ONGC, 2022). But the company has spent less than a half percent of its total CSR spend amount for the environment, which is not at par with its vision and objective.

Indian Oil Corporation Limited- despite being an oil company which runs various environmental and climate related risks, did not spend any amount for environmental sustainability.

NTPC Limited- is a power generation company. Power generation companies use different raw materials and burning of which releases toxic gasses in the environment. These industries are the great contributor of environmental pollution and understanding these risks and taking the responsibility the company mentions in its sustainability policy that it is firmly guided by its philosophy of harmonizing the 3Ps People, Planet and Power (NTPC, 2022). However, it has spent less than one percent of its total CSR expenditure for the environment.

Infosys Limited- has spent nearly 12% for the environment which is a good amount in comparison with the other companies under study. Various initiatives undertaken by the company are, aiding flood relief efforts in Bihar and Smoke-Free Kitchen Through Installation Of Biogas Units And Promoting Organic Farming in Karnataka.

Table 1: Expenditure of Top 10 CSR Companies for Environmental Sustainability (FY 2020-21)

S. No.	Company Name	Total Amount Spent on CSR (INR Cr.)	Amount Spent for Environmental Sustainability (INR Cr.)	Amount spent for Environmental Sustainability in Percentage (%)
1	Reliance Industries Limited	922.00	2.00	0.21%
2	Tata Consultancy Services Limited	674.00	0	0
3	HDFC Bank Limited	634.42	7.37	1.16
4	Tata Sons Private Limited	554.83	0	0
5	Oil and Natural Gas Corporation Limited	531.45	2.43	0.45%
6	Indian Oil Corporation Limited	445.09	0	0
7	NTPC Limited	418.87	33.41	0.80%
8	Infosys Limited	361.82	42.05	11.62%
9	Itc Limited	335.43	43.73	13.03%
10	Wipro Limited	246.99	39.09	15.82%
	Total	5124.90	170.08	3.31%

Source: Ministry of Corporate Affairs, GoI, <https://csr.gov.in/>

ITC Limited- has spent the second highest amount for the environment as compared to the other studied companies. It has spent nearly 13% of the total CSR funds under various environmental initiatives such as conservation Of Natural Resources And Maintaining Quality Of Soil, Air And Water and Social Forestry in Andhra Pradesh.

The top company with the highest expenditure on environment is **Wipro Limited-** it has spent more than 15% of the total CSR amount for various environment related projects such as ensuring environmental sustainability, ecological balance, protection of flora and fauna, in Karnataka and Maharashtra and contributions to public funded universities and institutions engaged in conducting research in science in Tamilnadu.

It has been found that although companies are committed to the environmental sustainable business and safeguard the environment in their business operations they are not taking CSR initiatives for the same. That means they are considering environmental issues in their business operations only, which might be mainly because of the obligation to comply with the legal norms. They are not reflecting this commitment in their CSR.

Conclusion

CSR is now integral to a company which is making profit and eligible for CSR. Every company studied has elaborated CSR policy statements and vision documents. Companies are spending on various development sectors with a range of initiatives like, building of schools, toilets, various healthcare initiatives, support for eradication of various diseases , construction of rural roads, and various disaster relief activities. They are involved in almost every sector mentioned in the schedule VII of the companies act. However the expenditure patterns for CSR show the priorities of the companies and it is apparent that companies are not concerned about the environment wholeheartedly. They are just fulfilling their obligations because environmental degradation being the top issue for the world and India, firms are not doing CSR projects to address the environmental issue and CSR spending is very less for that. Therefore, it is suggested that companies must always take environmental sustainability initiatives to undo the harm done to the society.

Limitations

The main limitation of this paper is that only 10 public and private sector companies which have topped in terms of CSR spendings have been selected from a list of

20,789 companies; however these 10 companies have spent more than ten percent of the total CSR across the country and therefore the results we have found are substantial to generalize.

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