

Role of corporate responsibility for ensuring social and environmental sustainability in an emerging economy like India

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Abstract

The rapid industrialization and urbanization over the previous decades has resulted in an increase in growth of population. This increase in business and industrialization are the fundamental sources of development, employment and improved options of livelihood. However, for commercial purposes and discharge emissions and wastes into the environment as well, these enterprises are considered responsible for compensating all negative impacts exerted on the environment as a result of their different activities. One strategy for ensuring the appropriate compensation in this regard is the incorporation of the concepts of social, environmental as well as economic sustainability of development. Appropriate strategies for ensuring the same are holistically referred to as Corporate Social Responsibility (CSR). This study reviews the attitudes of few Indian corporate enterprises associated with different sectors for addressing primary contemporary environmental issues, referred to as Corporate Environmental Responsibility (CER). This study also identifies and analyzes strategic opportunities and potential challenges encountered while executing mandatory CER (a significant component of CSR) that is beneficial for further development of both theory as well as policy.

Keywords: Environmental sustainability, Economic, Environmental issues, Corporate Social Responsibility (CSR), Challenges

Introduction

The issues of global warming, environmental degradation, scarcity of resources have become utmost importance for everyone, be it the government, public companies, private companies, and even the common man as a consumer (Jindal & Jain, 2018). It requires integrated efforts by all to tackle these issues so that the earth becomes a better place for the present as well as the future generations. Environmental Management is an integrated approach with the objective of minimizing environmental degradation by taking decisions, following processes, and undertaking steps that lead to maximum utilization, minimal wastage, and conservation of natural resources. It can also be referred to as managing the

interactions between human beings and the environment for developing harmonious relations between them (Jindal & Jain, 2018). The companies are tackling these environmental issues by developing up a robust Environmental Management System. As per, US Environmental Protection Agency “An Environmental Management System (EMS) is a set of processes and practices that enable an organization to reduce its environmental impacts and increase its operating efficiency” (USEPA, 2016). The companies are establishing this system through Corporate Social Responsibility (CSR) and Sustainability Policy. As per International Organization for Standardization’s Guidance Standard on Social Responsibility, ISO 26000, published in 2010, “Social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that: Contributes to sustainable development, including the health and the welfare of society; Takes into account the expectations of stakeholders; Complies with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced in its relationships (ACCSR, 2016).

The concept of CSR in India trails back to the 1850s when industrialists used to contribute towards religious causes. Rapid industrialization and globalization, along with the efficient use of resources and their conservation have become the mantra for the world to move on a sustainable development path. While companies are involved in various activities to produce and trade goods and services to maximize their profit and increase shareholder wealth, they need to simultaneously focus on Environmental Management, Corporate Social Responsibility, and sustainability policy. The most common definition of Sustainability is given by the Brundtland Commission of the United Nations. It states that “Sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Jindal & Jain, 2018). At the 2005 World Summit, it was recognized that sustainability is based on three things—economic development, social development, and environmental protection.

The responsibility towards society and the environment just no longer lies with the Public Sector and Government but also with the Private Sector (Jindal & Jain, 2018). It was in 2013, CSR had been mandated by law and incorporated in the Companies Act. Section 135 of this act states that “every company having: - net worth of Rs 500 crores or more, or - turnover of Rs 1000 crores or more, or - net profit of Rs 5 crores or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board” (Bahl, 2014). As per this act, every company must have a net worth of Rs. 500 crores or a turnover of Rs. 1,000 crores or net profit of Rs. 5 crores, to spend at least 2% of its average net profit for the immediately preceding three financial years on CSR activities. The corporates have dedicated resources and teams for planning and executing various CSR programs and initiatives.

Rio+20 outcome document, Future we want has emphasized the significance of Corporate Sustainability reports. It stresses that a corporate sustainability report by a private company sets up accountability and transparent standards in its reporting and in this way can contribute more towards sustainable development. The large companies are publishing various reports such as Sustainability Report, Business Processing Report, and CSR Report to inform their stakeholders about the work done by them for the environment and society. As a result, the companies are adopting CSR and Sustainability policy in their business pursuits to balance their economic objectives with that of environmental management. These help the company not only to increase its operational efficiency but increase its goodwill among the various stakeholders of the company. The companies have a significant role to play in this journey of sustainability as they cannot continue to keep on taking from the environment without giving back to it. A balanced relationship between companies and the environment has to be established. The companies are formulating sustainability policy or environmental policy to transform their systems and processes to minimize the adverse effects of their activities on the ecological system. Various activities undertaken by companies for Environment Management under CSR include water conservation, tree plantation, developing green products, using renewable sources of energy, and waste management.

Need for special emphasis on Corporate Environmental Responsibility (CER)

While Holtbrügge & Dögl (2012) identify a strong presence of institutional and resource- based theory in international CER research, they observe little application of international management theories and comparative institutional perspectives. The need for a better understanding of institutional conditions appears to be particularly important in the context of developing countries. We also note that almost all international CSR and CER research focusing on developing countries was published in non-IB journals. Apart from the need for a broader geographical focus of empirical studies, reviews also call for a move from single to multi- country studies (Holbrügge & Dögl, 2012; Pisani et al., 2017). Moreover, Holbrügge & Dögl (2012) advocate for a move beyond the current empirical focus of heavily polluting (chemicals, oil, and gas), environmentally affecting industries (mining and forestry), or globally affecting industries (automotive and electronics).

Environmental Challenges faced by Corporates

The corporate world is significantly contributing to unlimited economic growth alter from limited natural resources (Worldwatch, 2014). Globally industries are responsible for one-third of primary energy consumption (Mulia et al., 2017). The industrial revolution grounds its foundation with two basic notions; first: commodifying nature and its resources, second: society consists of human beings only. These two concepts have brought an anthropo-centric attitude of humans

which emphasizes only human existence and the existence of all other things in terms of their beneficial values to humans. And this attitude has brought a drastic change in the development process.

Sustainable consumption of natural resources

The ecological footprint has been an effective tool for analyzing anthropogenic impacts on nature and natural resources since its development. All environmental footprints quantify human assumption of natural resources as a source or sink (Fang et al. 2014; Galli et al. 2012). The footprint of a single individual is the fundamental unit of footprint analysis (as shown in Figure 1). At the basis of any footprint, the account is mutually exclusive unit footprints. A “unit footprint” is the footprint of a single process or activity and forms the basic building block for the footprint of a product, consumer, or producer or the footprint within a certain geographical area. The footprint of global production is equal to the footprint of global consumption. A “unit footprint” is the footprint of a single process or activity and forms the basic building block for the footprint of a product, consumer, or producer or the footprint within a certain geographical area. The footprint of global production is equal to the footprint of global consumption. Both equal the sum of the footprints of all human activities across the globe.

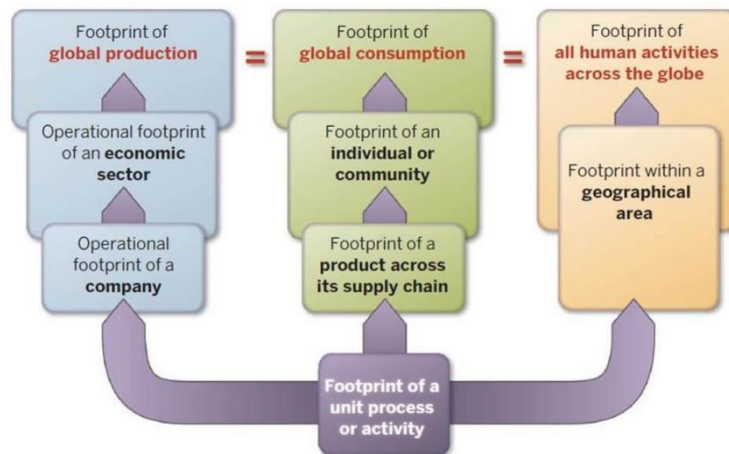


Figure 1. The relation between the footprints of different entities [Source: Hoekstra & Wiedmann, 2014]

The inner light grey shading represents the proposed safe operating space for nine planetary systems. The dark grey wedges estimate the current position for each variable. The boundaries in three systems (rate of biodiversity loss, climate change, and human interference with the nitrogen cycle), have already been exceeded.

For ensuring a sustainable environment, these footprints should not exceed their maximum sustainable levels both globally as well as at smaller geographical levels in certain cases. Environmental sustainability is dependent upon the size and spatiotemporal features of the human footprint concerning the carrying capacity of the Earth (Hoekstra & Wiedmann, 2014). Environmental footprints are strongly guided by the planetary boundaries (shown in figure 13.2) that determine the thresholds of Earth-system variables, those if exceeded may change the biophysical processes taking place in the planet's natural environments to an unacceptable extent (Rockström et al., 2009).

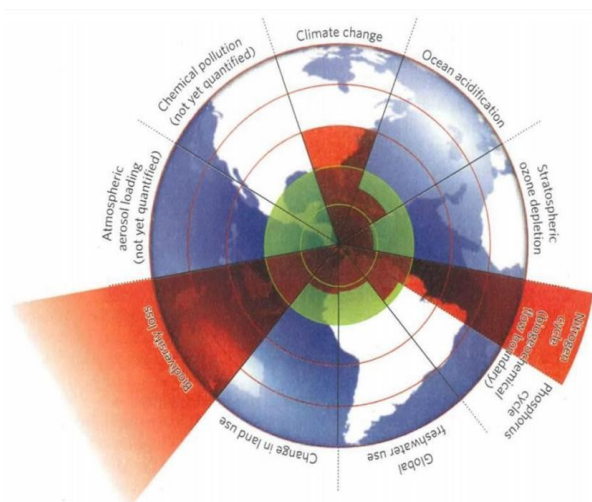


Figure 2. Beyond the boundary [Source: Rockström et al., 2009]

The inner light grey circle represents the maximum sustainable footprint. Dark grey bars represent estimates of the current level of each global footprint. Analysis of environmental footprints determines the extent of the planetary boundaries that have already been consumed. Estimation of the maximum sustainable level for each type of footprint is still in its infancy (Fig.3). Proposed maximum levels are shrouded by uncertainties, ambiguity as well as subjectivity.

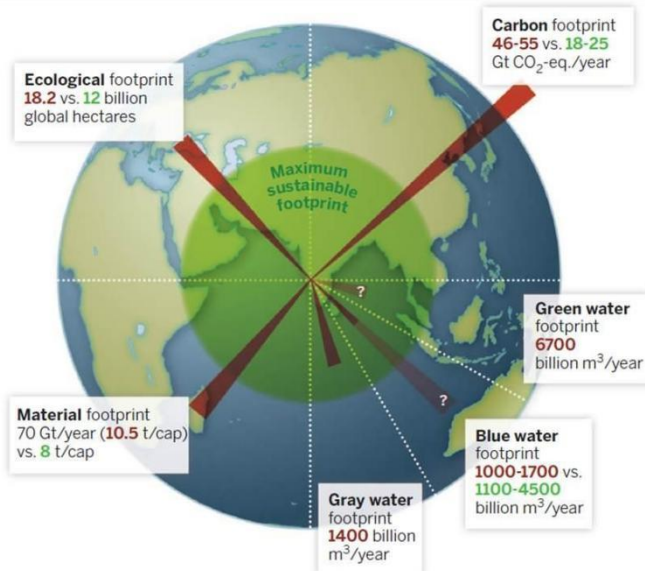
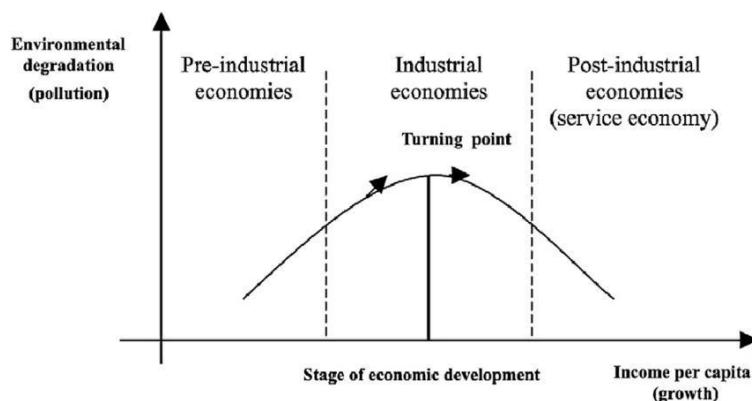


Figure 3. Estimated global footprints

Over the previous century, an uninterrupted increase has been observed in the case of humanity’s environmental footprint. This may have had resulted from a parallel rise in population, mobility, and affluence, as well as changes in patterns of consumption. If this continues, all footprints are anticipated to exceed further beyond sustainable levels (Ercin & Hoekstra, 2014; Moore et al., 2012). All producers compete for availing natural resources like land and water as well as for a part of Earth’s limited capacity of self-remediation. For ensuring maximum benefit per unit of natural resource appropriation as well as a unit of pollution, the footprint of the concerned activities and products should be maintained at their minimum levels (Hoekstra & Wiedmann, 2014).

There are many such instances where business activities are being accused of environmental destruction that directly and indirectly affect human health.



Environmental degradation vs. economic development
Figure 4. Environmental Kuznets Curve [Source: Tanger et al., 2011].

Ensuring sustainable development

The concept of sustainable development emerged in the 1960s as a response against environmental problems and social inequalities generated by the industrial revolution. However, was propagated and popularized by the World Commission of Environment and Development (1987) that considers equally the economic, social, and environmental aspects. According to this report, the development process should meet the needs of the present generation without compromising the options of future generations. It contains within its two key concepts viz., the concept of need(s) particularly referring to the poor to whom priority should be given and the idea of the limitation imposed on current technology and social organization on earth's restoration ability to meet the need of present and future generation. This concept of sustainable development focused on finding strategies to promote economic and social advancement in ways that avoid environmental degradation, over-exploitation, or pollution (Mulia et al., 2017).

Today's challenge to business is adopting environmental sustainable methods by ensuring profit. Business organizations always face criticality when it comes to environmental sustainability, even ethics is said to be inconsistent with business practices. Environmental sustainability is not easy to achieve as it requires information and knowledge that corporations do not possess or only partially possess, do not want to act or less act upon. Sustainability presupposes responsibility, so to practically implement corporate environmental sustainability there is a demand of corporate agents to act morally because only science is not sufficient to solve environmental problems (Mulia et al., 2017).

Economics of corporate environment sustainability

While there are a variety of measures that a firm may adopt to become environmentally sustainable, including the environment as part of the CSR strategy is argued to contribute positively towards being sustainable (Prasad et al., 2019). As both constructs environmental sustainability and social responsibility aim at reducing the impact of firms' activities on the environment, there is a complementarity in the definitions that result from both theoretical perspectives and practical perspectives. Williamson et al. (2006) note that social responsibility includes environmental sustainability, as the aim of CSR is to integrate social and environmental concerns into the firms' business model.

The theoretical complementarity between environmental sustainability and social responsibility has been termed as 'environmental CSR' that involves firms going beyond compliance to engage in environment-friendly

Voluntary participation

Voluntary environmental programs (VEPs) are being encouraged by the regulators to supplement the traditional CAC regulation to create incentives for the corporates to embrace flexible, self-regulated programs that are cost-effective and easier to implement (Potoski & Prakash, 2013). The limited regulatory resources with the enforcement agencies and increasing public concern about environmental protection and industrial safety push policymakers to consider VEPs complementary to traditional command- and-control regulation (Kumar and Shetty, 2018). These programs have been extensively used in the US (> 87 VEPs) and Europe (> 300 VEPs) (Morgenstern & Pizer, 2007). Several studies have been done to identify the drivers and benefits of the above programs in developed economies and not much study has been done in developing countries (Earnhart et al., 2014).

Indian corporates actively participating in CER

Indian Companies that are actively working in this area include Mahindra and Mahindra, Tata Steel, Reliance Industries, Hero Motors, Infosys, and Wipro to name a few. Various activities undertaken by companies for Environment Management under CSR include water conservation, tree plantation, developing green products, using renewable sources of energy, and waste management (Jindal & Jain, 2018). Concerning CSR spending on Environment related initiatives, they are spending only 1–13% of the total amount spent on all CSR activities. Concerning environmental initiatives under CSR, the following is observed:

All the five companies are planting more trees across different regions of India and some have even adopted certain villages; Very few are working towards wildlife conservation;

Some of them have set up biogas plants in the village, thereby providing villagers alternative source of energy; and Employee's campaigns are being organized on issues related to global warming and conserving the environment.

These companies are working towards environment management primarily by focusing their business strategy on sustainable development. This includes:

- Having a code of conduct stressing the environment, safety, and health;
- Developing production processes and utilizing eco-friendly equipment;
- Producing green products and services which do not adversely affect the environment;

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- Going for e-waste management and recycling the waste to produce biogas and using it as fuel;
- Creating awareness among the employees to judiciously use natural resources and how they can conserve it;
- The companies are reducing energy consumption in their offices and buildings besides their manufacturing plants;
- Almost all the corporates are undertaking various steps to develop and harness renewable sources of energy especially solar energy by setting up solar panels.

Conclusion

The challenges of corporate environmental sustainability are a global concern. The corporation must find ways to protect the intrinsic value of the natural environment and it may be difficult to practice as our ethical persuasion is dominantly anthropocentric but not impossible. No doubt our present social world is a corporate one. Almost every aspect of human life is greatly influenced as well as dependent on the corporate world. However, the world is an organic whole; every aspect of it (like a human and the natural environment) is interconnected. If we are concerned about the intrinsic properties of the natural environment then we should try to find appropriate ways to promote it. In this aspect humans, corporate, and society need to function more ethically and responsibly towards each other. Practical implementation of sustainable development is not only about adopted strategies but also about choices made by each individual. There is nothing wrong with profit-making while protecting the environment, to promote environmental sustainability, corporate houses should act ethically or morally and should give more emphasis on promoting environmental entrepreneurship. However, some discontentment is still there, not with the principle but with the practice when the business faces economic loss at the cost of environmental responsibility. Here lies the problem of conduct of business which affects their decision making. Lack of ethical conduct in business organization results in less practice of environmental sustainability. If money could buy happiness, or solve all problems then there would be no tragedy of commons.

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