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Sustainable CSR Approach in Mitigating Industrial Disaster/Accidents in India

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Abstract: ***The Economic and Social Council of the UN in its 45th session raised a concern about the environment and moved a resolution on this subject to intensify the urgent action at the national as well as international levels. Stock Holm Conference on Human & Environment again emphasized the issue of the environment and the suffering of poor people. It recommended the participating countries to make necessary arrangements in their countries to sustain the environment and development. The significance of environment and development made the UN General Assembly 1983 to establish the World Commission on Environment and Development. It submitted its report in 1987. Where the word sustainable development is coined and defined. Principle 1 of the Rio de Janeiro Declaration of 1992 used the word sustainable development.***

In order to meet the international obligations to achieve the sustainable development goal, respective countries adopted sustainable practices and policies. Business operation is very often associated with hazardous operations. This leads to industrial accidents and caused personal injury and property damages. Corporate Social Responsibility (CSR) is one such policy that is introduced in the 21st-century Business ethic and practice. In India, CSR is comprehensively dealt with in the Company Act, 2013. In this present research paper, the authors have studied the sustainable CSR approach to mitigate the industrial disaster for effective implementation of the Public Liability Insurance Act, 1991.

Keywords: Corporate Social Responsibility, Environment, Hazardous operation, Industrial disaster & Sustainable Development.

I. INTRODUCTION

Human beings are considered to be the most intelligent living species on the planet earth. The journey of human beings as documented in different literature show the evolving nature of human. The evolving character of men and women changes the status quo. Progress is denoted by the phrase "Development." In the initial period, development is directly associated acquisition and accumulation of material resources. The rapid accumulation of natural resources brought a significant change in the natural environment. Industrialization brings a drastic change in the physical environment. As a result of this environmentally concerned people advocate the idea of maintaining a balance between industrialization and the protection & and conservation of natural resources and are concerned with the growing number of industrial accidents & and disasters. This discussion takes place at different levels; i.e. International, & National. Similarly, the industry and the state agency are also taking adequate steps to check the incident of the industrial accident. Under the authority of the United Nations General Assembly, The Economic and Social Council[1] discussed international economic and social issues and made recommendations for better economic cooperation and development. This council in its 45th session takes cognizance of environmental issues and development and moved a resolution to amplify the importance of environmental protection and balanced development at the global level. It brings a competitive approach among the participating nations to design their development programs as environment-friendly.

The United Nations Conference on the Human Environment[2] was held in Stockholm in the year 1972 from 5th June to 16th June. Where the leaders of all different nations agreed on the need for a common approach and principles that inspire and guide peoples of the world. This integrated outlook of the whole world augments the preservation of the human environment. To realize the above things a declaration was made to that effect. In this declaration, all leaders unanimously acknowledge the human intellectual, moral, social, and spiritual to overcome the existing problems of imbalance development, environmental degradation, and the problem of developing & and underdeveloped countries. Primarily the protection and improvement of the human environment is a major problem. This affects the well-being of people and economic development. A brief analysis of the debate of the speakers of the UN conference on the Human Environment shows that the speakers from developing nations focus on two-thirds of the world's population.

[1]Available at https://www.un.org/en/model-united-nations/economic-and-social-council accessed on 16-10-2023 at 1:40 pm
[2]Available at https://digitallibrary.un.org/record/523249?ln=en accessed on 16-10-2023 at 2: pm

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The above-said size of the world's population is suffering from poverty, malnutrition, and illiteracy. Again, the developing nations' representatives spoke about the reckless exploitation of natural resources by the developed nations. This problem needs be to solved on an urgent basis. All the speakers whether they are from developed or from developing countries acknowledge the contribution of the industries to economic development. But they also emphasize the negative impact of industries on the human environment[3].

After this in the year 1983, the United Nations established a separate independent commission[4] to address the major problem that the entire world community faces. This commission is known as the World Commission on Environment and Development. The chairman of the commission was Gro Harlem Brundtland, so it is popularly called the Brundtland Commission Report. It submitted its report to the UN General Assembly on 20th March 1987. The commission set a global agenda for change in the development and environment. The concept of sustainable development is coined and defined in this report for the first time. It provides a long-term blueprint for achieving sustainable development. It advocates greater cooperation between developed countries and developing countries for economic and social development. The second chapter of the World Commission on Environment and Development laid down the concept of sustainable development and the strategy for achieving sustainable development. According to this sustainable development implies a form of development that fulfills the needs of the present without compromising the ability of future generations to meet their own needs. It contains two important concepts[5].

- Concept of need
- Idea of limitation

In the concept of need, the needs of the world's poor are prioritized, and preference should be given to the needs of the world's poor. Secondly, the idea of limitation speaks about the restriction imposed by the state of technology and social organization to sustain the environment's ability to meet present and future needs. Poverty and inequity in the world result in a greater ecological problem. The essential requirement of the vast majority of the population in developing countries like India is confined to food, clothing, and shelter. Although India made tremendous progress in economy and industry. It is not yet able to eradicate the poor and again the growing inequality in India created another complex problem. This needs to be addressed immediately. The living standard is a yardstick to judge the progress the society. This required a certain level of consumption which is more than the basic requirement. This consumption of goods and services is provided by industries and commerce. However, the consumption pattern and production of goods and service is not based on the sustainable model in India. A country without a sustainable model compromises its ability to meet the essential needs of the people in the future. The principal development challenge in the world is to meet the essential needs and aspirations of the people of developing countries. The primary need of all is a decent means of livelihood. That is employment. Industries and commerce play an important role in providing employment and producing essential goods and services for people to increase their living standards. For example, right now energy is essential for people. Primarily the energy requirement of people is met by fossil fuels; i.e. coal & petroleum. The production of energy involves a great degree of threat to the people and ecological environment. However, the government can't deprive people of energy consumption. So, the government should change its policy to sustain development for a longer time. Industrial growth brings economic and social change and development. It increases the income level. It provides an opportunity for women to participate in the workforce. Women's contribution to the family earnings brings women self-esteem in the family and gradually it improves female literacy, health care, and the standard of living of women. In the 1st half of the 19th century, the over-exploitation of natural resources caused an imbalance in the natural environment. The frequent industrial accidents affect the workers and the other nearby residents. Their health and property are damaged. However, they don't get any compensation. To improve the image of the industry in the eyes of society it started a charity in the vicinity of the industrial area. In the due course of time, this charity concept for social benefit became a core element of business ethics and practices.

A. The Era of Corporate Social Responsibility (CSR)

The concept of Corporate Social Responsibility (CSR) was developed by Bowen (1953)[6]. The author used this term in his celebrated book 'Social Responsibilities of the Businessman'. This term became popular to highlight the environmental issues caused by the company and industry. The incident of the Bhopal gas leak in India is a turning point in mass torts action in case of industrial disaster.

[3] ibid
[4] Available at 5987our-common-future.pdf
[5] Ibid
[6] Bowen, H. R. (1953).Social responsibilities of the businessman. New York: Harper & Ro.

The World Business Council for Sustainable Development (1997)[7] defined "CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

McWilliams and Siegel (2001)[8] define "CSR include actions that appear to further some social good beyond the interest of the firm and which are required by law." Kotler and Lee (2005) define CSR as "A commitment to improving community wellbeing through discretionary business practices and contributions of corporate resources".

Many scholars have explained CSR in terms of stakeholder relationships broadly constituting responsibility to consumers, employees, and other shareholders; responsibility to the environment; and responsibility to community development.

CSR is a corporate trump card to make goodwill of the company. The company acknowledges its responsibility toward the environment and social well-being where it operates its business. This may also be called corporate citizenship and performs its duty toward society. Initially, the company has to incur short-term costs in the form of CSR activities. This does not provide an immediate financial benefit to the company but promotes positive social and environmental change. CSR refers to a business practice that involves participating in initiatives that benefit society at large.

Maricarmen Hernandez (2022)[9] in his research article entitled "Putting out fires: The varying temporalities of disasters" mentioned the definition of disasters given by Charles Fritz. According to him, disasters are events confined in time and space, where society goes through severe danger and suffers losses to its members and disrepute the social structure. This results in the prevention of essential social functions. Orthodox researchers like Susman and O' Keefe say that disasters are the outcome result of political-economic progress that is dominated by capitalists. While documenting the disaster Bullard in 1994 and Enarson & Morrow in 1998 held that people with wealth, power, and privilege are less vulnerable to and they are more capable of overcoming disasters.

Monica & Raphael (2019)[10] in their research paper entitled "Dealing with Wicked Problems in socio-ecological Systems Affected by Industrial Disasters: A Framework for Collaborative and Adaptive Governance" amplifies the threat of industrial hazards to people while producing life support goods and services. Industrial disasters arise in such cases where humans are unable to cope with the threat that exists in the production mass of goods and services. This idea of industrial disaster was coined by Mitchell in 1996. Similarly, the authors have used the 2006 works of Waugh Jr. & Streib. They divided the disaster life cycle into five phases. Those are given below.

1) *Prevention:* Action plans to prevent disasters.
2) *Mitigation:* Steps taken immediately after the industrial disasters to reduce the loss.
3) *Preparation:* Actions focus on the proper response to disaster to minimize the damages and loss.
4) *Response:* Rapid actions against disasters to save human life and protect physical property.
5) *Recovery:* Take adequate steps in rehabilitating the natural environment, and rebuild infrastructure to bring normalcy after the disasters.

Corporate philanthropy and the welfare of the community are an integral part of Indian Business practices. Business Families from traditional business backgrounds established industries during the 19th century in India and contributed to the Swadeshi movement, Indian freedom struggle movement, and industrialization in the post-independence period.

The replacement of the Company Act, of 1956 with the Company Act, of 2013 brings a significant change in the working and functioning of Indian companies for the effective implementation of CSR. According to the Company Act 2013, companies with a net worth of more than Rs. 500 crores or annual turnover more than of Rs 1000 crore or minimum annual net profit of Rs. 5 crores are liable for CSR contribution and are compulsory to follow the rule and guideline as provided and amended from time to time in the Company Act 2013 and Rules[11].

[7] http://www.wbcsd.org/DocRoot/hbdf19Txhmk3kDxBQDWW/CSRmeeting.pdf
[8] McWilliams, A. and Siegel, D. (2001) Corporate Social Responsibility: A Theory of the Firm Perspective. Academy of Management Review, 26, 117-127.
[9] Maricarmen Hernandez (2022), Putting out fires: The varying temporalities of disasters, Poetics 93 (2022) 101613 Available on 1-s2.0-S0304422X21001091-main.pdf accessed on 17-10-2022 at 10:40 am.
[10] Mônica Cavalcanti Sá de Abreu & Raphael de Jesus Campos de Andrade (2019), Dealing with wicked problems in socio-ecological systems affected by industrial disasters: A framework for collaborative and adaptive governance, Science of Total Environment 694 (2019) 1333700 available at 1-s2.0-S0048969719336381-main.pdf accessed on 18-10-2022 at 11:00 am.
[11] The Companies (Corporate Social Responsibility Policy) Rules, 2014 notified on 27-02-2014 (inclusive of all amendments) https://upload.indiacode.nic.in/showfile?actid=AC_CEN_22_29_00008_201318_1517807327856&type=rule&filename=rules_2014_with_amendments.pdf

Such classified companies have to mandatorily contribute 2% of their net profit to CSR activities and develop their own CSR policy in consonance with Schedule- VII of the Company Act 2013[12]. Therefore, companies must have an effective CSR policy within the organization. Following are the given activities that are to be undertaken to meet the requirement of section 135 of the Company Act 2013 read with the Company Rules 2014.

1) Eradicating hunger, malnutrition, and poverty while encouraging preventive healthcare and sanitation, making sufficient availability of drinking water;
2) Development in the fields of education, involving employment enhancing vocational training, especially among women, children, elderly, and the differently abled;
3) Creating a balance in gender by empowering women in the workplace, building stays for women and orphans, day-care centers, nursing homes, and other social facilities like old age homes for senior citizens and economically backward citizens;
4) Enhancing maternal health by reducing child mortality rates, providing good hospital facilities, and providing medicines at reasonable prices;
5) Focusing more on the hygienic conditions of the hospitals and dispensary facilities and giving special attention to sanitation to combat HIV, malaria, and other diseases;
6) Taking care of environmental sustenance, ecological balance, protection of fauna and flora, natural resource conservation, and maintaining the quality of soil, air, and water;
7) Preserving historical art and cultures, in the form of buildings, arts and crafts, temples, paintings, books and scriptures, historical sites, and other significant factors of history, to preserve the national heritage;
8) Realize the importance of war widows, and armed forces veterans and provide special privileges to them, as a recognition of their services;
9) Support the budding sportsmen of the rural areas and provide them with training and encouragement to participate in National or Olympic Sports;
10) Encourage the rural and backward classes to adopt government policies for development and relief from poverty to the Scheduled Castes, Scheduled Tribes, and other backward classes, including women and minorities;
11) Funding for technological advancements within the educational institutions, approved by the Central Government;
12) Approving slum development projects;
13) Rural development projects

The union government enacted an Act to provide public liability insurance to the affected person of an industrial accident for their immediate relief. This act is known as the Public Liability Insurance Act, 1991[13]. This act applies to industries associated with hazardous business operations.

Clause (d) of Section 2 of the Public Liability Insurance Act, 1991[14] defined “hazardous substance” means any substance or preparation that is defined as hazardous substance under the Environment (Protection) Act, 1986 (29 of 1986), and exceeding such quantity as may be specified, by notification, by the Central Government.

Production of goods and services in the mass production unit posed a threat to the safety of the environment. Very often the production process is inherently dangerous and processes hazardous substances. The waste material is determinantal to the environment and causes the spread of disease.

To provide immediate relief to the affected person of the industrial accident that is defined in clause (a) of section 2. Section 4 of the Act[15] casts a duty on the owner to take an insurance policy to insure its business operation. When an industrial accident takes place then the affected person will be compensated immediately. It is mandatory on the part of the business owner, and company to take insurance before starting its products and services.

The primary objective of this study is to find out the CSR policies of companies associated with hazardous business operations to evaluate their performance and approach to achieving sustainable development that mitigates industrial disasters. Primarily the present study is based on the doctrinal method. The authors have gone through the relevant available literature, UN the Company Act 2013, the CSR policies of different Indian Companies, and the implementation of the Public Liability Insurance Act 1991.

[12] Schedule-VII (Sec.135) of Company Act 2013 https://upload.indiacode.nic.in/schedulefile?aid=AC_CEN_22_29_00008_201318_1517807327856&rid=79
[13] The Liability Insurance Act, 1991 available at https://www.indiacode.nic.in/bitstream/123456789/1960/1/A1991-06.pdf accessed on 28-10-2023.
[14] ibid
[15] ibid

II. CASE STUDY

A. *Jindal Steel and Power*

Jindal Steel & Power[16] is a prominent industrial house in India with a dominant presence in the area of steel, power, mining, and infrastructure. All the above business activities are somehow inherently dangerous in nature. This group diversified its business into cement and paint. It carries out its CSR program through the flagship of the JSP Foundation. In 2015 Jindal Steel and Power launched the "Swayamsiddh Samman" as a CSR initiative. This award is bestowed upon the person, who has shown exemplary courage, & commitment and become a source of inspiration for many others. This CSR initiative builds a good public image. However, a large amount of CSR corpus is used on education and infrastructure building even though the government has its own plan for that.

B. *Tata Group of Companies*

Tata Group companies[17] inherited sustainable practices in business. Its CSR policy is designed in such a way as to conserve plants & and animals, conservation of soil & water, and its sustainable use, and protect & conserve forests. Primarily the conservation plans of the group are divided into two categories. The first category consists of the endeavours of the Tata Group of companies to protect & preserve the environment in and around of operation area. The second category consists of the philanthropic activities of the Tata Trusts. This philanthropic trust financially supports different state government & non-governmental organizations for effective management of natural resources, community development & and livelihoods.

Project "Reef Recharge" is a joint effort of Taj Exotica Resort and Spa & Ocean Drive Maldives, beginning in 2011 to augment coral coverage near the resort. As a result fauna diversity levels are exponentially increased. It helps in preserving the marine environment. Tata Chemical created a 150-acre Botanical reserve on its soda ash facility in Mithapur, Gujarat. This Botanical reserve is home to 21 species of native plants and more than 114 species of other vegetation. Tata Motors in its 1160-acre plant in the Pimpri-Chinchwad industrial belt in Pune converted a barren area of 245-acre into a natural wetland habitat. This now served as the natural oxygen generator and a habitat haven for migratory birds. Similarly, TCS has been instrumental in protecting over 6000 turtle hatchlings. Tata Group of companies made a genuine effort on their part to make the CSR policy to enrich the environment in its true spirit.

C. *Vedanta Resources Limited*

Vedanta conglomerate is a leading multi-national company. it is a dominant powerhouse in natural resources management and diversified into oil & gas, Power, Ferro Alloys, and semiconductors[18]. It's all said business involved in the handling of hazardous substances, as defined in clause (d) of section 2 of the Public Liability Act, 1991. Vedanta carried out numerous community development programs under its CSR policy. However, this policy is not adequate to meet the industrial accident. For instance, Vedanta Project's ash pond lies 100 meters away from the Katikela Village of Jharsuguda district. This ash pond collapsed in Aug 2017 and caused damage to more than 100 acres of farmland in the village. In the Rehabilitation and Periphery Development Advisory Committee (RPDAC) meeting Vedanta agreed to compensate for the damage and conduct a survey[19]. The ironic part of the story is that Vedanta provides compensation only to 25% of the affected people of Katikela and the rest 75% of the affected have not yet received any compensation for farmland damages. Vedanta does not take any initiative under its CSR policy to rejuvenate the farmland and environment.

D. *Odisha Power Generation Corporation*

Odisha Power Generation Corporation Ltd. (OPGC)[20] is an Odisha Government undertaking enterprise to produce thermal power in its Banharpali power plant Jharsuguda. Thermal power plants are involved in the handling of hazardous substances for the production of energy from coal. OPGC has adopted its CSR policy[21] for community development in a sustainable way. But the lion's share of CSR funds is utilized for short-term activities instead of creating some green infrastructure that can able to sustain environmental degradation.

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[16] https://www.jindalsteelpower.com/about-us.html accessed on 27-10-2023
[17] https://www.tata.com/community/environment accessed on 28-10-2023
[18] Available at https://www.vedantalimited.com/eng/who-we-are-overview.php accessed on 28-10-2023
[19] Orissa Post- Daily English Newspaper Published on 28-08-17
[20] Available at https://opgc.co.in/ accessed on 28-10-2023
[21] Policy for implementation of CSR for the FY 2020-21 & 2021-22 available at https://opgc.co.in/com/CSR-Policy-2020-2021-2022.pdf accessed on 28-10--2023

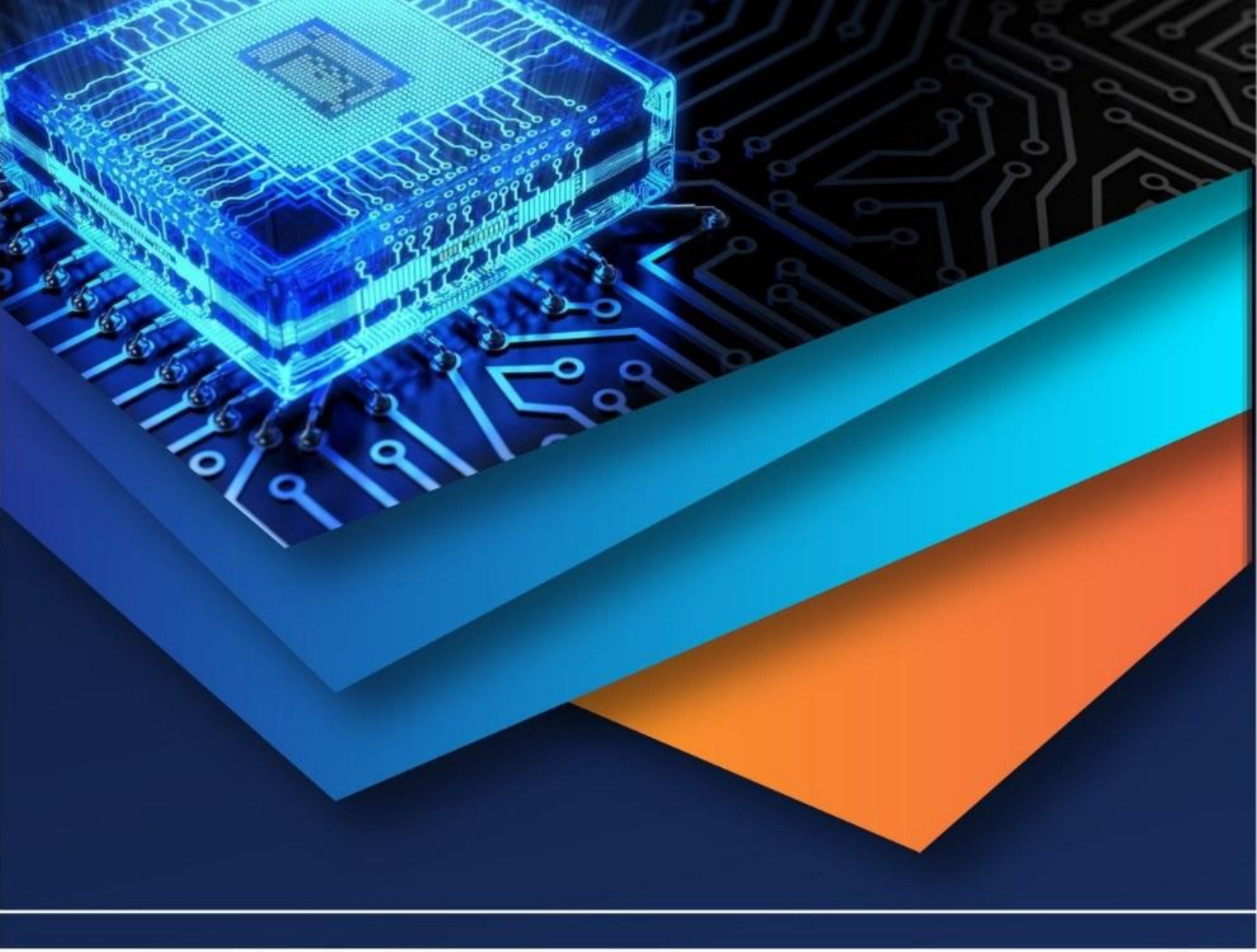
III. CONCLUSION

The concept of CSR evolution goes back to the 19th century. However, India became the 1st country to legislate a comprehensive legal framework for its Company Acts, 2013[22]. CSR expenditure[23] in India for the year ending 2012-13 showed that the industry associated with the Oil and Gas business in India spent 23.50% on health-related activities, 35.29% on education, 29.41% on community /rural development, and only 11.76% on the environment. Similarly, the automobile industry spent 40% of its CSR budget on health, 10% on education, 40% on community or rural development, and 10% on the environment. Consumer durables spent 24.46%, 21.34%, 15.25%, and 28.75% on health, education, community or rural development, and on environment respectively. Iron and steel industries for health, education, rural development, and environment spent 35.29%, 23.53%, 35.29%, and 5.88% respectively. Banking and financial services spend 8.57% on health, 20% on education, 48.57% on rural development, and 35% on the environment. The power sector allocated a budget of 10% to health, 10% to education, 45% to rural development, and 35% to the environment. Expenditure by the Infrastructure industry for health, education, rural development, and environment is 8.35%, 30.55%, 44.44%, and 16.66% respectively. Cement companies spent 22.20%, 25%, 29%, and 23.8% on health, education, rural development, and the environment respectively. Paper and pulp industries spent 19.20%, 24.10%, 18%, and 38% on health, education, rural development, and rural development respectively. Pharmaceutical companies spent 30% on health, 28% on education, 22% on rural development, and 20% on the environment. This expenditure revealed that the companies in their CSR activities give less priority & and preference to the activities that augment the environment.

The protection and improvement of the human environment is a major issue, which affects the well-being of the people and the economic development of the world tomorrow. Man who happens to be nature's best creation has turned his worst enemy. By misusing his capacity to transform his surroundings aimed at development he has been slowly transforming the biosphere into a graveyard of the human race. The business entities' activities undermine the natural environment.

[22] Schedule – VII of ssection 135 of the Company Act, 2013 available at https://www.indiacode.nic.in/bitstream/123456789/2114/1/A2013-18.pdf#search=The%20Company%20Act%202013 & https://upload.indiacode.nic.in/schedulefile?aid=AC_CEN_22_29_00008_201318_1517807327856&rid=79 accessed on 28-10-2023

[23] Rai, S. and Bansal, S. (2014). An Analysis of Corporate Social Responsibility Expenditure in India. Economic and Political Weekly. 49(50) available at https://www.epw.in/journal/2014/50/web-exclusives/analysis-corporatesocial-responsibility-expenditureindia.html?0=ip_login_no_cache%3D97cbb9abecc1df1ac9a870f1b114c994 accessed on 28-10-2023



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