

CORPORATE ENVIRONMENTAL RESPONSIBILITY IN PUBLIC SECTOR ORGANISATIONS: A STUDY OF THE SINGARENI COLLIERIES COMPANY LIMITED

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ABSTRACT

The globalization made the world a small village and with the revolution of communication technology the distance among the nations was further narrowed. This lead to the growth of large scale/ multinational companies whose concentration is on huge production utilizing the natural and human resources in large quantity. This lead to the destruction of environment and violation of human rights, from which the term 'corporate social responsibility' (CSR) arise. CSR includes the responsibility of the business organization towards the employees, society and environment. The concept 'Corporate Environment Responsibility' is gaining importance these days due to the continuous degradation of natural resources that lead to Global Warming and Green House effects. This paper focuses on the corporate responsibility on environment, how the public sector organizations concentrate on protection of environment and in reduction of the environment pollution which is the inherent part of the Brundtland Report of 1987, in the light of amendment of Indian Companies Act in 2013.

KEYWORDS

globalisation, human rights, global warming, green house effects.

INTRODUCTION

Corporate Social responsibility is a popular concept these days, according to which the business and industry has to take care of the environment and community where it operates its activities. It is the ethical payment by the organization for utilizing the natural and human resources for its profit making. It is a voluntary obligation which may affect the performance of the organization, as many studies proved.

The CSR is not a new concept to India. However, in the light of the amendment of Indian Companies Act in 2013,¹ with the legal obligations of implementation of CSR by profit making companies, this concept gained a lot of importance. The Brundtland report² published in 1987 was the first to focus on global sustainability. It addressed governments, businesses and, also people whose welfare should be a key element for environmental and development policies. It provided a comprehensive outlook of the global environmental issues and suggestions on how to solve these problems. Following the publication of this report, many countries made legislations to make corporations incorporate environmental concerns into their own strategies. Recently India also made the legislation amending the company Law in 2013 making CSR expenditure mandatory.

In India, if any company harm or pollute the environment then liable under Indian law and have to pay damages. Office memorandum of the MOEF³, on corporate environmental responsibility guidelines defines, "Environment and natural resources are the prime source of all material inputs to economic activities. The environment also acts as a receiver and sink of the various kinds of waste generated through human activity. A proper balance between the developmental needs and environmental concerns, is necessary in order to pursue the path of sustainable development. Sustainable Development involves an enduring and balanced approach to economic growth, social protection and justice, and environmental conservation."

The Ministry of Environment & Forests issued the National Environment Policy (NEP)⁴ in the year 2006, as a "response to our national commitment to a clean environment as mandated in the Constitution in Articles 48A and 51A (g) and strengthened by judicial interpretation of Article 21." The NEP is intended to mainstream environmental concerns in all development activities. The overall theme of the policy is that "while conservation of environmental resources, it is necessary to secure livelihood and well-being of all. The most secure basis for conservation is to ensure that people dependent on particular resources obtain better livelihoods from the fact of conservation than from degradation of the resources."

The National Voluntary Guidelines⁵ on the Social, Environmental and Economic Responsibilities of Business were notified by Ministry of Corporate Affairs on 8th July 2011. The Guidelines are designed to be used by all businesses irrespective of size, sector or location. The Guidelines, which are voluntary in nature, also provide a framework for responsible business action for Indian MNCs planning to invest or already being operated in other parts of the world.

According to these guidelines, environmental compliance initiatives need to be incorporated to ensure efficient and effective implementation across the organization. The organization shall adopt an environmental policy.

REVIEW OF LITERATURE

Corporate environmental responsibility is the buzzing word in every sphere of the corporate sector. The Bhopal gas tragedy case, the landslides in the Chardham yatra in 2014 etc., are the examples for the damage caused to the environment, protection of the indigenous people and other similar social responsibilities. In this context various associations have developed their own definitions of CSR.

Commission of the European Communities (2001) stated that being socially responsible means investing 'more' into human capital, the environment and the relation with stakeholders⁶. According to the World Business Council for Sustainable Development (1999) "Corporate Social Responsibility is 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."⁷

Business for Social Responsibility(BSR) defines CSR as "...operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. CSR is seen by leadership companies as more than a collection of discrete practices or occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision-making processes that are supported and rewarded by top management..."⁸

Pinney, 2001 Corporate social responsibility (CSR) as: "CSR can most simply be defined as a set of management practices that ensure the company minimizes the negative impacts of its operations on society while maximizing its positive impacts they attempt to protect the environment"⁹. Anonymous respondent to an Accountancy Ireland survey defined csr as "Doing the right thing even no one is looking."¹⁰ Gitanjali says "Social Responsibility and Accountability of Corporate world towards the society and community for the protection of environment In public interest."¹¹

NEED FOR THE STUDY

A major proportion of the world's environmental problems can be attributed directly to production, use and disposal of products (Tukker & Jansen, 2006). The growth of large scale/ multinational companies, whose concentration is on huge production, utilizing the natural and human resources in large quantity, lead to the destruction of environment and violation of human rights, from which the term 'corporate social responsibility' (CSR) arise. CSR includes the responsibility of the business organization towards the employees, society and environment. The concept 'Corporate Environment Responsibility' has emerged from the concept of CSR, as the sustainability of environment and protection of natural resources is a part of responsibility of the business organizations. This paper aims to study the environmental protection practices of public sector organizations taking the Singareni Collieries Company Limited (SCCL) as a study in the light of the amendment of Sec.135 of Indian Companies Act in 2013.

OBJECTIVES OF THE STUDY

- To study the environmental protection practices of the sample unit.
- To study the expenditure made for the protection of environment by the sample unit
- To suggest measures for improvement of the environmental protection practices in the sample unit.

RESEARCH METHODOLOGY

DATA COLLECTION: This study is based on the secondary data obtained from the records of the Personnel dept., Environment dept., Estates dept., Finance dept., and Industrial Engineering dept., of the SCCL and also other reports, newspapers, magazines (Singareniyula Samacharam) etc.,

PERIOD OF STUDY: The data studied is of 12 years i.e. from 2003-04 to 2014-15.

STATISTICAL TOOLS USED: For analyzing the data simple average and percentages are used.

LIMITATIONS OF THE STUDY: The environmental expenditure on revenue and capital was not separately available for 2014-15 but available only total.

ENVIRONMENT MANAGEMENT IN THE SCCL

The Singareni Collieries Company Limited (SCCL) is a coal mining company of Telangana state in India, spreading across 4 districts Adilabad, Karimnagar, Warangal and Khammam. It is environmentally conscious, responsible and proactive.

'A business cannot succeed in a society which fails'. This clearly establishes the stake of a business organization in the benefits of a society of which it is a part. Singareni Collieries is playing a proactive role to meet future economic, environmental and social challenges arising out of its operations with the following policies. The mission statement of SCCL itself reveals that the company sincerely committed to the environmental protection and sustainable development.

It says that "To emerge as a responsible company through good corporate governance, by laying emphasis on protect of environment and ecology and with due regard for corporate social obligations."

The Vision of SCCL also integrates CSR which is as follows.
"The stake holder's expectations on economic, environmental, social and governance issue of CSR are dovetailed as an integral part of companies' vision and policy."

Hence, SCCL's prime objective is to ensure that coal mines are operated in a manner that protects citizens and the environment during mining. It also tries to ensure that the land is restored to beneficial use, following mining activities and to mitigate the effects of mining by aggressively pursuing reclamation of mines. SCCL's initiatives in protection of environment start from the exploration stage itself where preferences are given for mining coal in non-forest areas there by reducing pressure on natural eco-systems. Subsequently, in the operation stages, SCCL has been taking necessary measures for prevention/control of various pollutants.

SCCL is successful in implementing the unique Biological Engineering techniques for the reclamation of Overburden dumps. The objective of Biological Techniques is to transform the waste and degraded land created due to mining operations into a sustaining ecological landform which will also prevent soil erosion, siltation of water bodies, water pollution, dust pollution and re-create the aesthetic beauty of the environment.

The SCCL is successful in following various pollution control techniques for air pollution water pollution, noise pollution etc., it also concentrated in water conservation methods, eco-friendly mining, conservation of forests etc., in addition Bio-Diversity Conservation, Greenbelt Development, Top soil Management, Soil Conservation Measures, Bio-medical waste Management, Energy Conservation Measures, Waste Recycling and Reuse, Environmental initiatives beyond Mandate are the priorities of the SCCL for effective environmental policy.

DISCUSSION

TABLE 1: PERFORMANCE OF THE SCCL (in Rs. crores)

Year	Paid up capital	Net worth	Sales	Profit	ManPower (in no's)
2003-04	1733.2	1761.34	3178.65	503.99	93722
2004-05	1733.2	1923.78	3413.73	576.01	91970
2005-06	1733.2	1909.6	3629.10	332.49	86025
2006-07	1733.2	1849.07	4416.31	117.19	82224
2007-08	1733.2	2162.58	4499.68	176.17	75573
2008-09	1733.2	2437.38	5500.40	132.83	70586
2009-10	1733.2	2624.55	6853.84	268.01	69043
2010-11	1733.2	2875.20	8165.81	351.37	67615
2011-12	1733.2	3132.75	9238.04	358.27	66466
2012-13	1733.2	3432.50	10128.29	401.14	64600
2013-14	1733.2	3538.03	9782.03	418.74	61778
2014-15	1733.2	3873.27	11371.67	490.44	58837

Source: Records of Personnel dept. and Finance Dept., of the SCCL

TABLE 2: EXPENDITURE ON ENVIRONMENTAL CARE ON % OF NET PROFITS

Year	Net Profit (in Rs. Crores)	% change in the net profits compared to the previous year	Total exp. on env. (in Rs. Crores)	% change in the env. Exp. Compared to the previous year	% of total exp on env on profit	% change compared to the previous year
2003-04	503.99		71.83		14.25	
2004-05	576.01	+14.29	98.13	+36.61	17.03	+19.5
2005-06	332.49	-42.28	95.42	-2.76	28.69	+68.46
2006-07	117.19	-64.75	94.97	+0.47	81.03	+182.43
2007-08	176.17	+50.32	93.15	-1.91	52.87	-34.75
2008-09	132.83	-24.60	85.53	-8.18	64.39	+21.79
2009-10	268.01	+101.77	95.61	+11.78	35.67	-44.60
2010-11	351.37	+31.10	115.07	+20.35	32.75	-8.18
2011-12	358.27	+1.96	122.92	+6.82	34.31	+4.76
2012-13	401.14	+11.96	138.07	+12.32	34.42	+0.32
2013-14	418.74	+4.38	148.81	+7.78	35.54	+3.25
2014-15	490.44	+17.12	158.55	+6.54	32.33	-9.03

Source: Records of Finance Dept., Environment dept. and Estates dept. of the SCCL

The above table shows that the Expenditure on environment is more than 10% in all the years studied, and it is more than 30% except in the early 3 years. It is remarkable in 2006-07, 2007-08 and 2008-09 as it exceeded 50%. In 2006-07 the percentage of expenditure on environment out of net profits is maximum i.e. 81.03%. The reason is explained by the SCCL as that the company has the practice of allocating a stipulated amount in the budget every year. In this year the net profits show 64.75% decrease. However, the allocated expenditure on environment is showing a 0.47% increase. Consequently, the percentage of environmental expenditure in net profits of that year is showing maximum. In 2005-06 and 2008-09 also the net profit decreased 42.28 and 24.60. simultaneously, the expenditure on environment also decreased. Hence, the % of environment expenditure in net profits is showing less.

TABLE 3: EXPENDITURE ON ENVIRONMENTAL CARE ON % OF NET PROFITS

year	Net Profit (in Rs. Crores)	Revenue Exp. on env (in Rs. Crore)	% of rev.exp on Profit	Capital Exp on env (in Rs. Crore)	% of cap. Exp. on Profit	Total exp.on env. (in Rs. Crores)	% of total exp on env on profit
2003-04	503.99	57.28	11.36	14.55	2.89	71.83	14.25
2004-05	576.01	73.95	12.83	24.18	4.20	98.13	17.03
2005-06	332.49	75.42	22.67	20.00	6.02	95.42	28.69
2006-07	117.19	74.13	63.25	20.84	17.78	94.97	81.03
2007-08	176.17	73.30	41.60	19.85	11.27	93.15	52.87
2008-09	132.83	66.83	50.31	18.70	14.08	85.53	64.39
2009-10	268.01	71.86	26.81	23.75	8.86	95.61	35.67
2010-11	351.37	88.19	25.10	26.88	7.65	115.07	32.75
2011-12	358.27	98.25	27.42	24.67	6.89	122.92	34.31
2012-13	401.14	114.86	28.63	23.21	5.79	138.07	34.42
2013-14	418.74	137.92	32.94	10.89	2.60	148.81	35.54

Source: Records of Finance Dept., Environment dept. and Estates dept. of the SCCL

Table 3 shows that the revenue expenditure on environment is increased from 2003-04 to 2005-06 and later it started declining till 2008-09. The same trend is seen in terms of percentage of revenue expenditure on net profits. However, the rising trend is from 2003-04 to 2006-07 and declining trend is seen only in 2007-08 and again raised in 2008-09. This percentage again fell down and has shown a raise again. It explains that, though the allocation for revenue expenditure is increasing, its percentage in net profits is showing fluctuation. This is due to the fluctuations in net profits. On the whole the allocation is maximum in 2013-14 and minimum in 2003-04. Its percentage is maximum in 2006-07 i.e. 63.25 and minimum in 2003-04 i.e. 11.36. The allocation of capital expenditure on environment also showing fluctuations. Its percentage in net profits is in maximum in 2006-07 i.e. 17.78 and minimum in 2013-14 i.e. 2.60. The allocation is maximum in 2010-11 i.e. 26.88 crores and minimum in 2013-14 i.e. 10.89 crores.

TABLE 4: % OF ENVIRONMENTAL EXPENDITURE ON AVERAGE PROFITS OF 3 CONSECUTIVE YEARS

year	Net profit (in Rs. Crores)	Total of the profits of the previous 3 consecutive years (in Rs. Crores)	Average of the profits of the previous 3 consecutive years (in Rs. Crores)	Revenue Expenditure (in Rs. Crores)	% of Revenue Exp. On Net profit	Capital expenditure (in Rs. Crores)	% of Capital Exp. On Net profit
2000-01	89.41						
2001-02	326.3						
2002-03	411.72						
2003-04	503.99	827.43	275.81	57.28	20.77	14.55	5.27
2004-05	576.01	1242.01	414.00	73.95	17.86	24.18	5.84
2005-06	332.49	1491.72	497.22	75.42	15.15	20.00	4.02
2006-07	117.19	1412.49	470.83	74.13	15.74	20.84	4.43
2007-08	176.17	1025.69	341.90	73.30	21.44	19.85	5.81
2008-09	132.83	625.85	208.62	66.83	32.03	18.70	8.96
2009-10	268.01	426.19	142.06	71.86	50.58	23.75	16.72
2010-11	351.37	577.01	192.34	88.19	45.85	26.88	13.97
2011-12	358.27	752.21	250.74	98.25	39.18	24.67	9.84
2012-13	401.14	977.65	325.88	114.85	35.24	23.21	7.12
2013-14	418.74	1110.78	370.26	137.92	37.25	10.89	2.94

Source: Records of Finance Dept., Environment dept. and Estates dept. of the SCCL

Table 4 shows the percentage of environmental expenditure on the average net profits of the previous 3 consecutive years, as mentioned in sec. 135 of amended Indian Companies Act, 2013. Accordingly, this percentage of revenue expenditure is highest in 2009-10 i.e. 50.58 and lowest in 2005-06 i.e. 15.15. in case of capital expenditure, it is maximum in 2009-10 i.e. 16.72 and minimum in 2013-14 i.e. 2.94.

FINDINGS

According to sec.135 of the Indian Companies Act, 2013, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. The SCCL is spending a minimum of 14% of its average profits on environment care as shown in table 2. It is really appreciable and SCCL stood as ideal to other manufacturing units. Another observation is that the company has a dedicated CSR policy irrespective of legal obligations, prior to the implementation of Sec 135 of the amended companies act. So it shows that the SCCL is very much interested in the protection of environment and hence it is environmental friendly.

CONCLUSION

Corporate environment responsibility is not only the need of the day, but is a part of corporate sustainability. This concept has been accepted as a key for survival and success of business organisations throughout the world. CSR is getting a matured shape in India. The business atmosphere is more complex these days. Many studies proved that CSR may positively influence the corporate goodwill. It is in this context that this has to be given a lot of importance. The organizations which are taking care of the social and environmental responsibility should be encouraged by the government also.

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