

ECONOMIC GROWTH AND ENVIRONMENT DEGRADATION: AN INDIAN EXPERIENCE

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The process of economic growth influences environment in many ways. The quality of environment has been reduced by introduction of impurities by the actions of man. The environment which is the habitat for the entire living world has turned rather hostile which is known as environmental degradation. Man uses various elements of the environment to fulfill his needs. The relationship between man and nature has vastly changed over time due to the development of human consciousness represented by science, technology, values and culture. The process of development involves an improvement in the living conditions which in turn depends upon the availability of human capital, man-made capital, renewable and non renewable natural resources. Human progress is not possible without economic development. At the same time we cannot render our environment unfit for enjoying the fruits of such progress. It is the social responsibility of the corporate to carry on developmental activities in such a way that the damage to the environment is bearable. It is man who should be responsible for judicious use of resources in the environment for the benefit of the current and future generations. Man is the custodian of the mother earth and must use his intellect to protect her by adopting measures to preserve the environment. We must all adopt the philosophy of the 3Rs; reduce, reuse and recycle to take care of the global crisis. Each of us has a role to play in rehabilitating our environment.

Key Words: Economic Growth, Environment Degradation, CSR

“The time is always right to do what is right”

- Martin Luther King Jr.

Introduction

The field of responsible business practice is one of the most dynamic and challenging subjects, corporate leaders face today. The need is more felt because, the world is waking up to the fact that, the worldwide problems of poverty, indebtedness, child labour, pollution and corruption are still with us. The attention has been focused upon the publicly financed international organizations. Yet many are also wondering about the role of large multinational organizations and private sector in general. Companies operating in globalised markets are increasingly required to balance the social, economic and environmental components of their business, while building shareholder value.¹ The extent to which corporations must consider non financial aspects of their business or in other words their level of ‘Corporate Social Responsibility’ is an area of intense research today.

In the words of *Edward Goldsmith*, an ecologist-

‘By now it should be clear that the environment is becoming less capable of sustaining the growing impact of our economic development’.

¹ S.C. Shastri, Environmental Law, Eastern Book Company, Lucknow, p 45

The quality of environment has been reduced by introduction of impurities by the actions of man. The environment which is the habitat for the entire living world has turned rather hostile which is known as environmental degradation. Thus, environment degradation involves rendering the environment a less conducive habit- at for the living world due to excessive intervention of man. Man uses various elements of the environment to fulfill his needs. The use of different elements of the environment has increased as result of increasing population and industrialization for the expansion of settlements, agriculture and industries, man has cut forests and has released harmful gases and wastes. This has led to air and water pollution.

Human progress is not possible without economic development. We have to raise agricultural productivity. We need industrial development; poor people's lives depend on the produce of forests and fisheries. We cannot render our environment unfit for enjoying the fruits of such progress. Therefore, we have to carry on developmental activities in such a way that the damage to the environment is bearable.² Economic policies affect the scale and efficiency of production. These policies can provide incentives for adopting less damaging technologies and practices. The Finance Minister of India, P. Chidambaram in his key note address at the ET awards 2012-13 for corporate excellence said that growth in statistical terms is meaningless unless it benefits every individual and all sections of the society.³ His focus was on inclusive growth. However climate change looms large on mankind. Hence it is necessary to blend growth with ecological dimensions. Continuous onslaught of environment has evoked concern in government, industries, consumers and public globally. Indicators like waste per capita and CO₂ emissions per annum can be aggregated into a sustainable development index to indicate economic development. This green GDP could serve as an indicator of economic growth taking into account all environmental consequences. With the economy booming, India has a significant ongoing development burden. An industry that is growing by leaps and bounds to tackle global warming is the Low – Carbon and Environmental Goods and Services.

Corporate Social Responsibility: Meaning and definitions

There is today a growing perception among enterprises that sustainable business success and shareholders' value cannot be achieved solely through maximising short-term profits but instead through market-oriented yet responsible behaviour. Companies are aware that they can contribute to sustainable development by managing their operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environment protection and promoting social responsibility, including consumer interest. Corporate social responsibility (CSR for short and also called corporate conscience, citizenship, social performance, or sustainable responsible business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of public interest into corporate decision-making, and the honouring of a triple bottom line: people, planet, profit.

² Shiva Ram, *Corporate Crisis Management: Challenges for Survival*, Response Books, New Delhi, p 23

³ The Chronicle Magazine, November 2013

Corporate social responsibility (CSR) is about how businesses align their values and behaviour with the expectations and needs of stakeholders - not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR describes a company's commitment to be accountable to its stakeholders. CSR demands that businesses manage the economic, social and environmental impacts of their operations to maximize the benefits and minimize the downsides.⁴

The World Business Council for Sustainable Development in its publication *Making Good Business Sense* by Lord Holme and Richard Watts used the following definition, *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.*⁵ The same report gave some evidence of the different perceptions of what this should mean from a number of different societies across the world. *It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government from Ghana, through to CSR is about business giving back to society from the Phillipines.* For instance, the CSR definition used by Business for Social Responsibility is: *Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.* On the other hand, the European Commission hedges its bets with two definitions wrapped into one: *A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.*⁶

The term Corporate Social Responsibility refers to the concept business being accountable for how it manages the impact of the processes on stakeholders and take responsibility for producing a positive effect on the society and protection of natural resources as well as protection of environment. CSR has been defined as the continuing commitment by business to behave properly, fairly and responsibly and contribute to economic development while improving the life of the workers and their families as well as the local community, society, environment, natural resources at large.⁷

Environmental Degradation vis-à-vis Economic Growth

The process of economic growth influences environment in many ways. The economic forces are the root cause of environmental degradation at the same time economic growth also helps in enhancing the environmental standard through increased income. The relationship between man and nature has vastly changed over time due to development of human consciousness represented by science, technology, values and culture. The process of development involves an improvement in the living conditions which in turn depends upon the availability of human capital, man-made capital, renewable and non renewable natural resources.⁸

⁴ Nina Boeger, Dr. Rachel Murray, *Perspectives on Corporate Social Responsibility*, Edwar Elgar Publishing, p. 232

⁵ Sanjay Kumar Thakur, *Corporate Social Responsibility*, University Book House, Jaipur p 45

⁶ Ibid 2

⁷ Ibid 3

⁸ Legal News Magazine, September 2013

The problem of pollution did not exist in the beginning of civilization. This was because the economic activities at that time created pollution that was within nature's capacity to clean up. However, with more and more industrialization, productive capacity of economies grew very rapidly. Huge factories employing thousands of workers and catering to global markets came into existence. Improvements in medical science brought down the death rates at the rate faster than the birth rates. Therefore, rising population on the one hand have led to increase in the pollution levels beyond the clean up capacity of the nature. The economic forces like demand, supply and profit, market mechanism, change in the consumption pattern and many such factors have been responsible for rising pollution levels.

Corporate Social Responsibility and Environment protection: A myth or reality

Always arguments are made by the corporations that they are making their industries environment friendly but it always becomes only to say, never comply with. The corporate houses claim that they are incorporating the CSR agenda for making their corporations environment and human friendly but the reality is somewhat different. Actually corporations wants there shareholders benefited.⁹ There are various reports which shows that main source of environment pollution is made by the industries. Industries for maximizing their profits degrade the environment and pollute it, in the following ways:

- a) Use of natural resources by industries, as it destroys nature and affects the natural environment. Cotton, textile, paper, iron, coal, oil, fodder, plywood, food processing, etc all need natural products as raw materials. Thus increasing needs of industries have resulted in over exploitation and stress on natural resources.
- b) Residues of industries known as effluents are released in water and land without any treatment which pollutes the water and land, effecting the aquatic life and underground water.
- c) Fossil fuel used by industries like coal, kerosene, diesel, and atomic energy also pollutes the air in the form of smoke and radioactive particles.
- d) Noise, also a major by-product of industries and industrial products causes noise pollution.
- e) Industrial wastes – particularly hazardous waste and radioactive waste- have also become a major environment pollution problem.

There are variety of cases has been occurred which shows that due to over exploitation of natural resources and industrial wastes, the human generation was in danger. The *Bhopal Gas Tragedy* (1984), where more than 3000 person died and about 2 lakh were affected by the leakage of MIC gas, *Love Canal Incident* of USA (1978) where residents of an area were evacuated and the US Government spent more than \$30 million in a cleanup operation, *Seveso Incident* in North Italy (1976) where contaminated debris, contained in steel drums, were disposed of innocuously with 5 barrels of vinegar in a pickle factory and it played havoc later on. Methyl-mercury poisoning in the *Minamata Bay* (Japan, 1956-80) caused by the industrial release of Methyl and Mercury compounds resulted in several deaths and several types of diseases including pre-natal brain damage, nuclear accidents at *The Three Mile Island*, nuclear power station of the USA in

⁹ Sanjay K Aggarwal, Corporate Social Responsibility in India, SAGE Publications, p 48

1979 and *Chernobyl* in the then USSR are representative sample of the works kind of threat to the present generation and to posterity by the industrialization.¹⁰ Studies of these incidents reveal various kinds of short-term and long term effects on human beings, flora and fauna. A complete list of the various kinds of ailments and reversible and non-reversible effects is still to be drawn up. Some ill effects have been identified and evaluated and some have not been realized. The evaluation is not easy.

Judicial Response for Protection of Environment and emphases on Corporate Social Responsibility

There are variety of cases have been come before the Apex Court of India and before various State High Courts, where corporate houses are made liable for environment pollution and is degradation. In *M.C. Mehta vs. Union of India*¹¹, which is famous as Ganges Pollution Case, an industry (tannery) was found to make holy river Ganges toxic. In this case, tanneries used to discharge untreated effluents in the rivers water and near Kanpur, the water of river Ganges was found highly toxic. The court ordered that tanneries should stop functioning and before restarting, must install pre-treatment plants for trade effluents. Further it was held that statutory must be strictly enforced and obeyed. Recently in *A.Q.F.M. Yamuna vs. CPCB*¹² the Supreme Court ordered the closure of industries or to shift them from the territory of the State of Delhi as their untreated effluent and sludge was polluted the holy river Yamuna. In *M.C. Mehta vs. Union of India*, (*Taj Trapezium Case*) yellowing of historical Monuments – the Taj Mahal at Agra – was also found to be due to foundries, chemical and hazardous industries and an oil refinery. The sulphur dioxide emitted by the Mathura Refinery combined with oxygen – with the aid of moisture – in the atmosphere, forms sulphuric acid called ‘acid rain’ affecting the marble of the Taj Mahal.

Therefore, the Supreme Court issued orders for shifting of 292 industries from the Taj Trapezium or to close them. The leakage of MIC gas from the Union Carbide Corporation, Bhopal gave impetus to the development of environment-law and principles of quantum of compensation in the case of *Union Carbide Corp. vs. Union of India*¹³. Again, leakage of oleum gas from *Shri Ram Food and Fertilizer Corp.* gave an opportunity to propound the principle of ‘no-fault liability’ and ‘absolute liability and non-delegable duty of the industry dealing in inherently dangerous and hazardous activity as held in the case of *M.C. Mehta vs. Union of India*¹⁴. Further, *Indian Council for Environment legal Action and Others vs. Union of India*¹⁵, the SC accepted the Polluter Pays Principle. In this case some chemical factories in Bichhri (Udaipur District) produced hazardous chemicals like oleum etc. These industries did not have the requisite clearances, licenses etc. Nor did they have necessary equipment for the treatment of discharged toxic effluents. Toxic sludge and untreated waste waters resulted in the percolation of toxic substances into the bowels of the Earth. Aquifers and subterranean supplies of water got pollutes; wells and stream turned dark and dirt; water not only became unfit for human consumption but also unfit for cattle to drink and for irrigation of land. So much so, even the soil became unfit for cultivation. Death, disease and other disasters gradually resulted and the villagers in the area revolted as a result of this enormous environment degradation. The SC

¹⁰ www.wikipedia.com, last visited on 5th December 2013 at 5pm

¹¹ (1988)1 SCC 471

¹² (2000) 9 SCC 440

¹³ (1989)3 SCC 38

¹⁴ AIR 1987 SC 1086

¹⁵ (1996) 3 SCC 212

held that as per the Polluter Pays principle, once the activity carried on is hazardous or inherently dangerous, the persons carrying on such activity is liable to make good the loss caused to any other person by his activity irrespective of the fact whether he took reasonable care while carrying on his activity.

Hence, it was ordered to polluting industries to pay to the villagers for damages caused to them. These are the some of the important cases where the corporate houses were held to liable for environment degradation & eco-imbalances.¹⁶ The world in general and in India particular, almost all the corporations in order to maximize their profit exploit the natural resources and thereby harms the natural environment.

Conclusion

'Love to nature' is as ancient phenomenon as the existence of humanity. Man is the measure of all things's so said Plato. Man loves nature and nature in turn nourishes him. Man loves society and society in turn protects him. Nature and society are thus interdependent and duty of man to protect them is inherent. This basic percept envisages the protection of environment and preservation of humanity. Hence, man is both creator and moulders of his environment, which gives him physical substance and affords him the opportunity of intellectual, moral, social and spiritual growth. In the long and tortuous evolution of human race on this planet, a stage has been reached when; throw the rapid acceleration of science and technology, man has acquired the power to transform his environment in countless ways and on an unprecedented scale.¹⁷ Thus the natural environment, i.e. air, water, land, trees, plants, animals, micro organism, rivers, lakes, mountains etc, is adversely effected by manmade environment- by scientific and technological advancements. Corporate houses- particularly chemical corporate industries development in the field of atomic energy, excessive use of fossil fuel had badly affected the natural environment. In India, there are variety of specific environment laws and an umbrella legislation i.e. Environment Protection) Act 1986 have been passed for protection of the environment, but the corporations are evolving or have evolved a new agenda of CSR, for protecting the environment from going beyond the law. But the question click in the mind that there are variety of laws under which the provisions have been bade and environment Policy 2006 in India, why they not comply with them first. As it has been discussed in various cases, the industries are found guilty for harming environment and creating ecological imbalances, which shows, the reality of their CSR agenda. Actually it is nothing but a bad capitalism. They are incorporation CSR to show that they are actually socially responsible for environment and human resources and they are doing well for the society at large but the truth is that they are doing so for hiding their irresponsible business. Further, most of them show that they are socially responsible for the company image but in actual they are not concerned about the environment.¹⁸ Lastly, I would submit that the CSR agenda is futile, unless the corporate house does not comply with the existing law. There is no need to go beyond the law; the existing law should be complied with.

¹⁶ R.K. Sharma, *Environment Issues in India*, Pearson Education India, p 66

¹⁷ C V Baxi, Ajit Prasad, *Corporate Social Responsibility: Concepts and Cases*, Excel Books India, p98.

¹⁸ Mahesh Rangarajan, *Environment Issues in India: A Reader*, Pearson Education, p 106

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