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## **SUSTAINABLE DEVELOPMENT IN THE INDIAN PUBLIC SECTOR- THE NEED FOR A HOLISTIC APPROACH**

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### **ABSTRACT**

*Sustainable development (SD) refers to the kind of development which shall suffice the needs of the present as well as the future generations. It is often defined as the balance of the three E's: the environment, the economy, and social equity in the process of development. From the year 2011, the Department of Public Enterprises have made "Sustainable Development" as a compulsory element in measuring the Public sector enterprise's performance through their MoU system. The responsibility of the public sector has witnessed a transformation over the past decade from their embedded concept of being 'Special purpose vehicles created for socio-economic development' to also that of a corporate entity which needs to create a sustainable environment to achieve an inclusive growth of the society where they exist.*

*The study will critically examine the progress of Sustainable development initiatives in the public sector enterprises and a case study of a public sector enterprise on their efficacy on SD initiatives viz; Environment, Energy conservation, Green Initiatives etc. The study emphasises the need for voluntary SD initiatives from the public sector through a holistic approach rather than the induced SD initiatives for a long term advantage.*

**Key words:** Central Public Sector Enterprises (CPSEs), Environment, Green Initiatives, Sustainable Development etc.

## 1. Introduction

The origin of Sustainable Development dates back to the “Brundtland Report” which is also known as the “Our Common Future” which was published in 1987 by the United Nations World Commission on Environment and Development (WCED). The report aimed to discuss environment and development as a single issue and advocated multilateralism and interdependence of nations in the search for a sustainable development path. It is said that “Sustainable development is the pathway to sustainability”. To achieve sustainability in Sustainable development it is pertinent that we optimally balance the economic, environmental and social factors in equal harmony.

- a) Environmental Sustainability aims at living within our means of natural resources by ensuring that we consume our natural resources, such as materials, energy fuels, land, water etc. at a sustainable rate by considering the material scarcity, environment impact on extraction etc. while consumption.
- b) Economic Sustainability implies efficient and responsible utilisation of its resources by a business or country so as to operate sustainably to consistently produce an operational profit.
- c) Social Sustainability refers to the ability of the society/ social system, to persistently achieve a good social well-being.

Through a developmental model if we could achieve only two out of the above three pillars then the resultant development shall be deemed;

- Social + Economic Sustainability = Equitable
- Social + Environmental Sustainability = Bearable
- Economic + Environmental Sustainability = Viable

Only through an optimal balancing of economic, social, and environmental aspects, organisations can strive to achieve a true and viable sustainable development for a creating a “circular

economy”. The global Sustainable Society Index (SSI) ranks all countries based on the aforesaid three factors.

The United Nations Commission on Sustainable Development (CSD) was established in December 1992 to ensure effective follow-up of the various United Nations Conference on Environment and Development (UNCED) known as the Earth Summit recommendations, at the local, national, regional and international levels.

The Sustainable Development Goals (SDGs), also known as the Global Goals, which had come in force since January 2016, is aimed at collective actions to end poverty, protect the planet and ensure that all people enjoy peace and prosperity(UNDP, n.d.).The SD goals are interconnected and work in partnership and pragmatism to improve life, in a sustainable way, for future generations. These SDGs provide clear directions to all countries to adopt in accordance with their own priorities and the environmental challenges of the world at large.

The 17 sustainable development goals (SDGs) which had been adopted universally to transform this world are as under:

Table 1 List of UN approved Sustainable Development Goals to be achieved by member countries

<b>List of Sustainable Development Goals (SDG)</b>			
1	No Poverty	10	Reduced Inequality
2	Zero Hunger	11	Sustainable Cities and Communities
3	Good Health and Well-being	12	Responsible Consumption and Production
4	Quality Education	13	Climate Action
5	Gender Equality	14	Life Below Water
6	Clean Water and Sanitation	15	Life on Land
7	Affordable and Clean Energy	16	Peace and Justice Strong Institutions
8	Decent Work and Economic Growth	17	Partnerships to achieve the Goal
9	Industry, Innovation and Infrastructure		

Source:(UNDP, n.d.)

One of the major focus areas of these summits were the multi-dimensional aspects of corporate responsibility with regards to sustainable development goals. The corporate responsibility dimensions were focused on changing the corporate environmental and social behavior through

efforts by corporations to achieve sustainable development goals and to reduce their negative environmental and social impacts.

In India also the Sustainable development goals (SDG) has attained national priority in line with the international practices. The expression “Sabka Saath Sabka Vikas,” which translates as “Collective Effort, Inclusive Growth”, forms the cornerstone of India’s national development agenda. Policy making Agencies like NITI Aayog had devised various initiatives to improve and attain the SDG Goals 1, 2, 3, 5, 9, 14 and 17.

Sustainable Development is been aggressively pursued in the Indian Corporate world also since the past decade. The big thrust to SDG came with the new Companies Act, 2013 wherein the Indian Companies were mandated to spend atleast 2 percent of the average net profits of the company made during the three immediately preceding financial years” on “CSR” activities which mainly included the SDG’s.

In this context, the case of the largest single segment in the PSEs, Central Public Sector Enterprises (CPSEs), is adopted for a closer analysis in the backdrop of the mandatory CSR & SD guidelines issued by DPE and the CSR provisions in the new Indian Companies Act, 2013.

### **Literature review**

(SINGH, 2017) in his article had highlighted the multi-dimensional and interconnected nature of SDGs, and the scale of the challenge at hand. The article emphasis that to achieve the 17 SDGs, it will require deep commitment, huge investments, innovative ideas and approaches by institutions and individuals to bring together their very best in order to achieve this shared vision of prosperity for all.

(Deloitte, 2011) on their report on PSE pursuing triple bottom line approach had reported that CPSEs have also embraced the Triple Bottom Line -social (people), ecological (planet) and economic (profit) approach in their quest for total sustainable development

(OECD, 2007) Report on Innovation emphasises that innovation is crucial for addressing the challenges on sustainable development.

(Mondal, 2016) in her article upholds India’s response to UN policies on SD which states that the proposed green economy should not result in creation of new green barriers such as carbon tax,

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impose new conditions on aid and finance and increase dependence of the developed countries on rich nations for cleaner technologies.

## **2. Aim of the study**

The aim of this study is to describe the existing practices of Sustainable development as adopted by the Public Sector Undertakings in India. For the purpose of this study 20 public sector companies and a case study of one CPSE's SD/CSR have been taken into consideration.

## **3. The Policy framework on Sustainable Framework of Central Public Sector Enterprises and the companies Act, 2013.**

The Department of Public Enterprises (DPE) is the nodal agency which sets the broad guidelines for the governance and management of the public sector enterprises in the country. The salient features of the DPE guidelines (DPE, 2012) with regards to Sustainable development are as under;

- a) Since 2010-11, DPE had included Sustainable development as a mandatory parameter under their MOU system with a weightage of 5% marks.
- b) CPSEs were asked to select projects from the following areas viz; Waste Management, Water Management, Energy Management, Biodiversity Conservations, Materials and natural resource conservation, Carbon Management, Lifecycle analysis etc. to promote sustainable development within the public sector
- c) The SD projects may also be integrated into the CPSE's existing environmental management systems or sustainability initiatives of the company

Later, with the amendment of the Companies Act, 2013(India, 2013), the CSR and SD activities were brought under a single fold.

- a) With effect from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities.
- b) Companies are permitted to take projects in the areas viz; eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, combating AIDS and other

communicable diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women etc.

#### **4. The Public sector landscape on Sustainable Development**

Ever since the DPE had mandated Sustainable Development parameters to be a compulsory parameter under the Non-financial (dynamic) parameters of the MOU with a weightage of 5% out of the total weightage of 50%, CPSEs had been adopting SD parameters as part of their MOU commitment. Since most of the CPSEs belong to the manufacturing/production sector there were much scope for SD activities and many of the activities adopted during the start of MOU-SD parameters were related to Waste management, Effluent treatment, reduction of wastages, reduction of fuel and other raw material consumption etc.

Most of the CPSE's were carrying out these activities as part of their regular operations till then. With the introduction of SD as a parameter, though initially (FY 2010-11) the aforesaid parameters were adopted, later on the SD policy issued by the DPE in 2012, stipulated that innovative projects should be part of SD viz; reducing carbon foot print, renewable energy sources, alternate fuels etc. This shift in priorities had created a new focus on these newer areas of SD. With the introduction of Companies Act, 2013, CSR and SD objectives were merged together. Thereafter the special weightage given to SD parameters vide MOU system was withdrawn and the total weightage of CSR was retained at 5% in the MoU.

For the purpose of this study 20 CPSE's from different industrial sectors were studied to find out the nature of SD activities carried out by them during the period of study 2011-2016. The core sustainable development practices of the companies were studied to have a deeper understanding of their SD approach. The list of the CPSE's with their SD focus areas is given as under;

Table 2 List of CPSE's under study with their core areas of operation and major SD focus areas

No	NAME OF CPSE	AREAS OF OPERATION	SD FOCUS AREAS
1	M/s. Air India Ltd	Aviation, Air Cargo Services	Fuel Efficiency Gap Analysis, Green Cabin Services, Fuel Management Services, FwZ – Sabre Flight Planning System
2	M/s. EdCIL India Ltd	Advisory, Online Testing and Assessment, Educational Infrastructure Management, Digital Education	Solar Energy for School Computers
3	M/s. Fertilisers and Chemicals Travancore	Fertilizer, Bio Fertilisers, Caprolactum, Gypsum etc.	Production of Bio Fertilisers, Effluent treatment, Waste Management & Solar Energy projects etc.
4	M/s. Kamarajar Port	Port of Call, Shipments, Trans shipments, Logistics	Promotion of education, Health initiatives, Sanitation and Drinking Water, employment enhancing vocational skills, social business projects etc.
5	M/s. Housing & Urban Development Corporation Ltd	Housing Infrastructure and Housing Finance	Underground Municipal Waste Collection, Rain Water Harvesting, Water Conservation, Energy Conservation
6	M/s. National Building Construction Corporation Ltd	Construction, Infrastructure Development	Sustainable Green buildings through a Cradle to Cradle approach through waste-free design, natural raw materials etc.
7	M/s. Indian Oil Corporation Ltd	Oil Exploration and Production, Petrochemicals etc	Minimising carbon water and waste footprint, rainwater harvesting systems, solarisation of retail outlets, installation of organic waste converters, organising carbon-neutral events
8	M/s. The Shipping Corporation of India Ltd	Handling of Tankers, Bulk Carriers, Containers and Ship Building	Solar energy based heating and lighting system, preservation of natural water bodies
9	M/s. National Aluminum Company Ltd	Aluminum & Allied Products	Rain Water Harvesting in Mines, Recycling of treated water in Smelter, Carbon Sequestration
10	M/s. Hindustan Copper Ltd	Copper & Allied Products	Pollution Control, Effluent Treatment
11	M/s. Steel Authority of India Ltd	Steel & Allied Products	Pollution Control, Effluent Treatment, Solar Energy. Rainwater harvesting
12	M/s. Mahanagar Telephone Nigam Ltd.	Telecom & Allied Services	Solar Energy, Energy Management
13	M/s. Container Corporation of India Ltd.	Container Shipments, Warehousing & Logistics	Rainwater harvesting, Solar energy, Sanitation, Education Infrastructure, Women & Child Development
14	M/s. Cement Corporation of India Ltd.	Cement manufacturing	Sanitation and Public Health, Effluent Management, Water Management

15	M/s. Cochin Shipyard Ltd	Ship building - Passenger, Cargo, Tankers	Sanitation & Drinking Water, Public Infrastructure
16	M/s. National Textile Corporation Ltd	Textiles & Cloth Yarns	Energy Management, Waste Management
17	M/s. Hindustan Newsprint Ltd	Newsprint for printing of newspapers, flyers, and other printed material	Social Forestry, Captive Plantation
18	M/s. Heavy Engineering Corporation Ltd	Heavy Equipments in steel, Mining, Cranes, Power etc.	Pollution Control, Effluent Treatment
19	M/s. Bharat Heavy Electricals Ltd	Power, Transmission, Transportation, Non-Conventional Energy etc.	Reducing - material, water & energy consumption, emission and waste generation; providing more acceptability for our operations
20	M/s. HLL Lifecare Ltd	Healthcare Products & Services	Bio Fuels, Solar Energy, Alternate Energy Sources-LNG, Sanitation& Drinking water, Public Health & Infrastructure

A closer look at the Table.2 above and the Annual reports of all the aforesaid companies would clearly indicate the following;

- a) Ever since, DPE has introduced mandatory CSR & SD parameters through their MoU system, focus and public spending on these areas have increased considerably
- b) Most of the CPSEs were continuing the conventional SD activities which were part of their regular operations/regulatory compliances.
- c) Very fewer CPSEs had attempted innovative and newer SD forms barring usage of Solar energy which were a major thrust area during the decade.
- d) After CSR &SD parameters had been merged, the initial thrust which was there on SD had trickled down with companies focusing more and more on those activities which were earlier considered under CSR parameters.
- e) The adoption of environmental sustainability projects has stagnated as compared to the period before 2013.

To understand this further, a case study of a CPSE with regards to their Sustainable Development Activities is evaluated to have a nuanced understanding of the focus on SDG.

## 5. HLL Lifecare Ltd- A case study

HLL Lifecare Ltd (HLL) is a healthcare company under the Ministry of Health & Family Welfare. It is a Miniratna CPSE having diversified business under the healthcare delivery systems. The Sustainable development activities of the company for the period 2011-2017) is reproduced here to understand the nature of their CSR & SD activities.

Table 3 Gist of HLL's SD & CSR activities and their expenditure for the period 2011-2016

Period	SD Initiatives	Amount in Rs. Lakhs	CSR Initiatives	Amount in Rs. Lakhs
2011-12	Energy Conservation , Solar Energy, Rain water harvesting	21.87	Public Health, Sanitation, Community Development, Public Infrastructure, Skill development	44.69
2012-13	Solar Energy, Water recycling, Alternate fuel, Bio gas plants, Conservation of Energy	27.15	Public Health, Skill development, Public Infrastructure, Community Development, Sanitation,	66.89
2013-14	Energy Conservation, Alternate fuel Process Innovation & Conservation of resources etc.	99.52	Public Health, Sanitation, Public Infrastructure, Education, Solid Waste Management, Community Development	97.28
2014-15	Solar Energy, Energy Conservation, Alternate fuel (LNG), Process Innovation etc.	455.9	Public Health, Public Infrastructure, Education, Solid Waste Management, Community Development	132.1
2015-16	Solar Energy, Rain water harvesting, Solid Waste Management	20.00	Public Health, Public Infrastructure, Education, Community Development	76.18
2016-17	No significant activities in the above areas during the year	10.00	Public Health, Public Infrastructure, Education, Community Development	86.31

From Table.3, it can be seen that the expenditure on environmental sustainability (SD) is lower than their actual CSR expenditure barring an LNG project which cost nearly Rs. 4 Crore. Most of the SD activities are routine in nature, but Solar energy, usage of Bio fuels and LNG were new innovations on the SD front. It can also be seen that there is a convergence of CSR and SD activities similar to the 17 SD goals formulated in 2016. As seen in their Annual reports, erstwhile CSR activities have gained prominence.

## 6. Conclusion

Sustainable Development and Sustainable Development Goals have become an overarching guiding principle in every hemisphere of the modern world. The Indian public sector also had responded positively towards the SDG principles as is evident from the CSR & SD activities they undertake and the improvement in expenditure in these fronts. However, most of the environment sustainable activities are of routine nature, either out of regulatory mandates or to improve manufacturing efficiency which are part of the regular operations.

No significant efforts are seen taken by most of the CPSEs towards a cleaner greener earth. One of the major hurdle in this regard is the existence of a precautionary approach to avoid major negative effects on the economy due to implementation of the Green policies.

The convergence of CSR and SD activities as CSR has shifted the focus of public companies from environment sustainability to economic and social sustainability objectives over the period.

CPSEs shall move towards adoption of voluntary SDG rather than mandatory targets and should device innovative methods and objectives to achieve an inclusive and sustainable development for all its stakeholders. In short a holistic approach need to be taken based on the best possible balance between all the three Triple Bottom Line (TBL) domains and at the same time diminishing all the associated negative effects.

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