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Q9

Case study. ABC Ltd. is a large transnational company having diversified business activities with a huge shareholder base. The company is continuously expanding the generating employment. The company, in its expansion and diversification programme, decides to establish a new plant at Vikaspuri, an area which is underdeveloped. The new plant is designed to use energy efficient technology that will help the company to save production cost by 20%. The company's decision goes well with the Government policy of attracting investment to develop such underdeveloped regions. The government has also announced tax holiday for five years for the companies that invest in underdeveloped areas. However, the new plant may bring chaos for the inhabitants of Vikaspuri region, which is otherwise tranquil. The new plant may result in increased cost of living, aliens migrating to the region, disturbing the social and economic order. The company sensing the possible protest tried to educate the people of Vikaspuri region and public in general that how its Corporate Social Responsibility (CSR) policy would help overcome the likely difficulties of the residents of Vikaspuri region. In spite of this the protests begin and some of the residents decided to approach the judiciary as their plea before the Government did not yield any result. (a) Identify the issues involved in the case. (b) What can be suggested to satisfy the company's goal and to address the residents' concern?

UPSC Civil Services Mains 2016 · GS IV · 20 marks · Ethics Case Studies

Case Studies on above issues.

Core demand of the question

- ABC Ltd. plans an energy-efficient plant at underdeveloped Vikaspuri with a tax holiday. Residents fear higher living costs, in-migration and social disruption; CSR talk has not stopped protest and litigation
- (a) Identify the issues involved
- (b) What can be suggested to satisfy the company's goal and to address the residents' concern?

Revision summary

ABC Ltd.'s plant promises jobs, efficiency and a tax holiday in a poor, quiet region.

Residents fear inflation, in-migration and social disorder; CSR talk without a budget has failed.

Issues include consent, distributive justice, environment and State-firm alignment.

Forcing the plant or abandoning all investment both fail the dual goal.

The ethical path is assessed design, local jobs and housing, shared infrastructure, audited benefit funds, and joint monitoring - not smearing protest.

Introduction

A large company wants a cheaper, greener plant in a quiet, poor region that the government also wants to develop. Residents fear that "development" will arrive as inflation, strangers and a broken social order. The ethical task is to keep investment from becoming a raid.

Body

Stakeholders

- Residents of Vikaspuri, including those who want jobs and those who want the present quiet.
- ABC Ltd., its workers, managers and the wide shareholder base.
- Incoming workers and contractors ("aliens" in the stem's language), who are persons, not a pest.
- The government that offered a five-year tax holiday and seeks regional development.
- Local environment, water and common land, which do not speak in court unless someone speaks for them.
- The judiciary, once a plea is filed, and future generations in the region.

(a) Issues involved

- **Development versus disruption:** employment and cheaper, cleaner production versus cost of living, congestion and cultural strain.
- **Consent and voice:** CSR lectures after the site is chosen are not the same as free, prior, informed consultation.
- **Distributive justice:** profits and tax holidays may leave the region while noise, inflation and social tension stay.
- **Environmental and social externalities:** even an energy-efficient plant uses land, water and roads.
- **Credibility of CSR:** if CSR is only a brochure against protest, it is persuasion without a budget, which residents rightly distrust.
- **Rule of law:** protest is legitimate; so is a company's lawful investment. Forum-shopping or State capture would be a separate wrong.
- **Government conflict of interest:** a tax holiday can look like the State taking the firm's side before harms are priced.
- **Values in clash:** efficiency, growth, equity, sustainability, dignity of the existing community, and non-discrimination toward migrants.

(b) Options

- **Option 1:** Push the plant through with police and CSR films.
- **Merit:** speed and shareholder comfort.
- **Demerit:** lasting hostility, court stays, and ethics reduced to force.

- **Option 2:** Abandon the site.
- **Merit:** peace in Vikaspuri.
- **Demerit:** lost jobs, lost cleaner technology, and a signal that every poor region must stay underdeveloped.
- **Option 3:** Redesign the project with residents as parties, not as an audience.

Values and action (recommended)

- **Integrity:** publish the true footprint - water, housing, wages, emissions - not only the 20 per cent cost saving.
- **Fairness:** a written benefit-sharing plan, not a speech.
- **Compassion and non-maleficence:** prevent a rent shock for the poorest tenants.
- **Sustainability:** energy efficiency is a start; add water, waste and green-belt duties.
- **Action 1:** Pause full construction until a **social impact assessment** and, where law requires, environmental clearance are complete and explained in the local language.
- **Action 2:** Local hiring targets, skill centres, and a housing plan so that in-migration does not simply inflate rents; include incoming workers in services rather than ghettoising them.
- **Action 3:** Infrastructure first or in parallel: water, health, school and roads funded by company plus government, so the tax holiday is not a one-way gift.
- **Action 4:** A legally backed local development fund from a share of savings, with panchayat and independent audit, so CSR is a budget line.
- **Action 5:** Grievance cell, joint monitoring committee, and a public hearing that can still change plant design (shift, buffer, traffic).
- **Action 6:** Do not buy silence. Do not smear litigants. Meet the court with facts.
- **Action 7:** Government should condition the tax holiday on employment, pollution, and housing milestones, not on a ribbon cutting.

What would not satisfy both

- A plant that saves 20 per cent and leaves Vikaspuri as a labour camp.
- A veto that treats every outsider worker as chaos rather than as a rights-bearing person.

Flow diagram

New plant at Vikaspuri -> Jobs versus disruption
 Jobs versus disruption -> Social and environmental assessment
 Social and environmental assessment -> Jobs housing water fund
 Jobs housing water fund -> Joint monitoring
 Brochure Brochure CSR -> Protest and court

Conclusion

The issues are consent, distribution of costs and benefits, environmental load, and CSR as public relations. The company can still build if residents gain jobs, services and a real voice, and if migrants are housed rather than blamed. Growth without that bargain is not ethical development.

Facts & figures

Corporate social responsibility, Companies Act, 2013, Section 135

A statutory CSR duty for qualifying companies; spending and a policy are expected, not only a lecture to protesters.

Environment impact assessment

The Union EIA notification process (as applicable to the category of plant) is the legal door for environmental consent, not a CSR pamphlet.

Tax holiday for backward areas

A fiscal tool to attract capital; ethically it should be tied to employment and harm-mitigation milestones.

Social impact assessment

A structured study of livelihood, culture, prices and infrastructure load; land-acquisition law uses SIA, and a large private plant should still do the equivalent.

Panchayati Raj consultation

Local elected bodies are the lawful voice of residents; bypassing them for a district-level ribbon cutting is a governance failure.

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