CSR in Agriculture

Why in News?

A decade ago, India became the first country to legally mandate Corporate Social Responsibility (CSR).

What is corporate responsibility?

- **Corporate Social Responsibility (CSR)** – It is a means of corporates contributing directly for the welfare of the society through socio, economic, environmental contributions.



- It involves taking responsibility for the company's impact on society and the environment, going beyond profit-making to contribute positively to the broader community.
- **Legal mandate**- Section 135 of Companies Act 2013, mandates the eligible companies to spend 2% of the average net profits of the immediately preceding 3 years on CSR activities.
- **Applicability**- The provisions of CSR applies to every company, its holding company, its subsidiary company and foreign company having in the preceding financial year
  - Net worth > 500 crore
  - Turnover > 1000 crore
  - Net profit > 5 crore

India was the first country to have statutorily mandated CSR for specified companies.



List of proposed CSR activities
• Schedule VII (Sections 13) mentions activities that can be taken by companies in their Corporate Social Responsibility Policies. • Eradicating extreme hunger and poverty. • Promotion of education. • Promoting gender equality and empowering women. • Reducing child mortality and improving maternal health. • Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases. • Ensuring environmental sustainability. • Employment enhancing vocational skills. • Social business projects. • Slum area development. • Contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation. • Contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga. • Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development.

Activities Not Falling in the Ambit of CSR
• The CSR projects that benefit only the employees of the company and their families. • One-off events such as marathons / awards / charitable contribution /advertisement / sponsorships of TV programs etc. • Activities which are not taken up in project mode. • Expenses incurred by companies for the fulfillment of any Act / Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) • Contribution of any amount directly or indirectly to any political party. • Activities undertaken by the company in pursuance of its normal course of business.

What are the needs for CSR in Agriculture?

- **Role of Agriculture** - Agriculture as a sector has a pivotal role in shaping the country's socio-economic landscape.

- **High Human Resource in Agriculture** - 47% of the India's population depends on agriculture for employment and is significantly higher than the global average of 25%.
- **Low Economic Contribution** - Agriculture accounts for 16.73% of India's GDP.
- **New Concerns** - Degradation of the natural resource base, stagnant farmer incomes, and threats caused by climate change are current focus of Indian Agriculture system.
- **Shift in Agri Focus** - Shift in agriculture towards sustainability and modern agriculture makes a good case for CSR funds from the private sector.
- **Inadequate Public Funding** - Indian agriculture needs more support as government funds often fall short.

How CSR contributions can be used for Agricultural Sustainability?

- **Climate Action and Sustainability** - Contribution to climate action and sustainability in the agricultural sector.

  23% of companies had "environment and sustainability" as their CSR priority area.

- **Infrastructural Development** – Development of grain banks, farmer schools, water conservation projects, and energy-efficient irrigation.
- **Promoting Organic Farming** - Corporations can support organic farming practices by providing resources, training, and certification assistance to farmers.
- **Farmer Livelihoods** - CSR programs can directly improve farmer livelihoods by providing training, resources, and access to markets.
- **Energy-Efficient Irrigation** – CSR funds are supporting the development of energy-efficient irrigation systems, which reduce both water and energy consumption.
- **Precision Farming** - Providing farmers with access to advanced technology and tools like GPS, drones, and IoT devices to enhance productivity and efficiency.
- **Supply Chain Sustainability** - CSR can enhance sustainability throughout the agricultural supply chain by promoting ethical sourcing practices.

Common Areas of CSR and Agriculture
• Gender equality • Agroforestry • Poverty • Eradicating hunger and malnutrition • Technology incubators • Animal welfare • Environmental sustainability • Livelihood enhancement projects • Conservation of natural resources • Rural development projects • Socio-economic inequalities • Eomen's empowerment.

What are the challenges?

- **Inadequate Monitoring** – Lack of method to determine the extent of funding going

into agri projects and to categorise them based on targeted sectors of CSR activities.

- **Insufficient Reporting** - Current reporting mechanisms have little to no emphasis on agriculture-related CSR initiatives.
- **Tracking Funds** - Little chance of tracking the funds spent for agriculture-related initiatives alone.
- **Limiting Sectoral Impact Assessments** – Most of the listed activities contribute to other sectors and non agri activities.
- **Lack of Clear Regulation of Fund Allocation** - The listed activities currently emphasise companies understanding if they are eligible rather than explicitly delineating the sector to which their CSR funds can be flowed.

What lies ahead?

- Specify agriculture as a distinct sector in CSR activities is crucial to engender more sustainable growth and effect a just transition.
- Transition the reporting framework based on sectors receiving funds to help streamline and better target the available funds.
- Identify the prevailing sustainability issues vis-à-vis agroecosystems and direct funds according to requirements to help drive tractable changes.

Reference

The Hindu | Tracking lacuna limits CSR's contributions

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