Corporate Social Responsibility and Sustainable Growth in Agriculture in India

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ABSTRACT

**Purpose:** The intervention by corporate is said to have huge impact on socio-economic environment. The study aims to find out spending patterns of CSR corpus by corporate on agriculture sector as well as possible solution for farm sector infrastructure bottlenecks in agriculture sector through CSR intervention.

**Approach:** This study uses publicly available CSR expenditure data on agriculture by 20 Indian corporate.

**Findings:** Study finds that the CSR spending in agriculture is far less in comparison to many sectors such as education, healthcare, art and culture etc. Also a few large firms were voluntarily spending a part of their earnings on CSR initiatives even before the provisions relating to CSR were introduced in Companies Act 2013. There is need to put a mechanism to avoid overlap of different schemes by the governments as well as CSR projects for the benefit to the larger section of society. The provision of mandatory CSR expenditure on agriculture sector may be helpful to bring farm sector out of distress. Also by pooling the CSR resources can help to build and operate large projects to address to problem of bottlenecks like cold storage and logistic infrastructure in agriculture. Tax benefits to donations to entities involved into operating such agriculture projects will not only help to build such project but increase economic activities in rural economy.

**Originality:** The provision of mandatory CSR expenditure on agriculture sector may be helpful to bring farm sector out of distress. Also by pooling the CSR resources can help to build and operate large projects to address to problem of bottlenecks like cold storage and logistic infrastructure in agriculture. Tax benefits to donations to entities involved into operating such agriculture projects will not only help to build such project but increase economic activities in rural economy.

**KEYWORDS** Tax | Economics | Agriculture | India | CSR

**JEL CLASSIFICATION** Q1 | Q18
Introduction

Corporate social responsibility activities are to some extent inconsistent to economic objectives of the firms but sometimes firms should invest in socially responsible activities (Mackey & Mackey, 2007). Managers are required to maximize the shareholder’s wealth (Friedman, 1962) and in the process, they engage in every possible activity to achieve this objective. Though it was not mandatory earlier but considering the negative environmental impact of economic activities and disruption in social life because of operational reasons of corporate, now the Indian laws mandate firms to engage in CSR activities (MCA, 2013) to discharge their responsibility towards society and environment in which these firms operate.

There is a broad consensus among the economists and Indian administration that the farm sector in India is in distress (Iyer, 2018). Still, as far as the employment and livelihood of people is concerned, agriculture sector employs the largest number of people in India. As per World Bank data, more than 50% of Indian families are dependent on agriculture for their livelihood (Upadhyay, 2014). This one fact is enough to cite the importance of agriculture sector for Indian economy. However over time the contribution of agriculture in GDP has come down to 14.46% in 2018-19 from around 50% at the time of independence.

Governments (centre as well as state) have been floating a number of schemes and initiatives such as infusion of liquidity through Kisan Credit Card, different types of subsidies, direct transfers and farm loan waiver, etc. to address the farm sector distress but it seems there is no significant improvement. Moreover, in the times of globalization, these initiatives by the government attract a lot of international criticism at WTO and other international bodies (Upadhyay, 2019a). Moreover, the whole situation is critical in India because of small land holding patterns and acute farm distress even in case of cash crops too.

The reasons for the farm sector distress in India are numerous but some of the most important reasons are high risk in agriculture sector, low income from agriculture produce and lack agriculture infrastructure (Joshi, 2018). And considering the breadth and depth of agriculture sector in India, it seems to be impossible for government agencies alone to provide with solutions to all the problems sooner. This requires some out of box solutions. In this pursuit, the mandatory CSR fund may be of huge significance for sustainable growth in agriculture in India. Because of the CSR mandate under Companies Act 2013, the expenditure on CSR is increasing. As per CSRBox report, CSR spending by top 500 companies in 2018-19 is likely to cross 50,000 crores. However it is interesting that CSR spending per project is declining (CSRBox, 2018).

Corporate in India are already spending their CSR fund on different sectors and areas such as education, healthcare, poverty alleviation, rural development, gender equality, environment, art and culture, sanitation as well as support to different government initiatives along with a few in agriculture sector. However the numbers and size of CSR projects in agriculture sector are relatively low in comparison to education and healthcare.

During predominantly agrarian society, agriculture had the highest contribution to GDP in India (Naoji, 1901) and was considered to be the most prestigious profession. But invaders in general and British Rule particularly changed the whole economic landscape of India. For its own benefits, British Imperialist Government destroyed the economic as well agriculture system of India to support the Industrial Revolution in Britain (Maddison, 1971) by destroying handicrafts and handloom through high tax rate and forced cash crops such as indigo and jute (Deshpande, 2009; Roy, 2011). This eventually increased the pressure on agriculture as the unemployed artisans were now dependent on agriculture for employment. The British Rule not only destroyed the economic system but started the misery of Indian farmers (Upadhyay, 2019b) also which still continues even after 72 years of Independence.

Review of Literature

Laissez-faire expects markets to self-regulate and corporations to work for social welfare for their own existence and benefits than others. So CSR in other words is very natural and for the survival of markets and corporations itself. CSR expenditure in fact is a form of investment and it involves investing in education, healthcare, building social infrastructure and agriculture etc.

The CSR intervention by corporate entities has been beneficial to agriculture. It has not only helped in furthering the process of sustainable growth in agriculture but also has
played vital role in capacity building, economic empowerment, rural development and other social infrastructure in Nigeria (Oguntade & Mafimisebi, 2011). The CSR initiatives by corporate in seven Asian countries have positive impact on overall economic well-being. In counties like India, CSR initiatives have helped agriculture sector to huge extent. Globalisation too has helped to intensify CSR activities in Asian countries (Chambers, Chapple, Moon, & Sullivan, 2003). But the CSR intervention in agriculture by private sector firms does not seem to cause any kind of change in the composition of the national economy. However the money spent on CSR activities in agriculture sector are found to be far small in comparison to contribution in GDP by agriculture (Kurokawa & Macer, 2008).

European experiences are the same like many other countries in Asia and Africa when it comes to agriculture. CSR intervention in agriculture would help in sustainable growth in agriculture and can contribute to improve the production of safe and quality food. But it requires properly functioning supply chain (Mazur-Weirzbicka, 2015) and is helpful in sustainable growth of agri-business (Kissinger, 2012).

The development of multi-facet partnership to carry out CSR activities in agriculture sector seems to match the development of CSR itself. Instead of addressing specific issues, a focus on broader issues in agriculture is more effective (Kambalame & DeCleene, 2006). Private sector CSR initiatives need to have strategic objectives to effectively and positively impact sustainable development in agriculture (Poetz, Haas, & Balzarova, 2012; Hediger, 2013).

Though CSR is intended to benefit society but it is very important that projects under CSR initiatives receive societal support. So strategy part of the implementation of CSR initiatives becomes very important for its impact on communities as it requires informative communication and community support (Sharp & Zaidman, 2010).

The experiences in different countries are similar in case of agriculture. The investment in agriculture sector has not been enough across the world. Supply chain bottleneck is common across board and requires more investment. However CSR initiatives instead of being instructive or directive, need to be participatory to yield better results and gain higher societal approval to be successful.

**Data and Methodology**

The CSR data from twenty Indian corporate has been collected to qualitatively analyse the impact of CSR on aggravating agriculture sector. There is financial data on CSR expenditure on agriculture sector but there is no reliable means to verify the stated impact because of overlap of governments’ schemes and CSR projects in many cases. So using economic indicators for quantitative analysis seems to be less effective than a qualitative analysis.

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**CSR Initiatives in Agriculture in India**

Even before the Company Act 2013 mandated CSR spending, the practice of CSR in India has been existed there since centuries; though not in modern form but as religious duty for traders and manufacturers. For example free stay at Dharmashalas (inns), free water to thirsty at Pyaoos (water-taps), free food to hungry at Langar and construction of waterbodies such as tanks, ponds and hospitals etc. are some examples of traditional CSR initiatives in India. In modern day businesses, Tata Sons is believed to be the pioneer of CSR in India in early 1900. However in agriculture sector e-Choupal by ITC (ITC, 2000) and Jai KisanKirishiSamrat Award (Zuari, 1985) seems to be the first CSR initiative by any corporate. Following sections qualitatively analyse the impact of CSR initiatives in agriculture sector in India.

The CSR initiatives such as innovation centre and laboratory, training, workshops and recognition of best practicing farmers by Zuari Agro have impacted thousands of farmers in hundreds of villages across different states (Zuari, 1985). Citrus Project by PepsiCo (Bhashkar, 2017) has offered huge benefits to Indian farmers in Punjab as whole. The E-Choupal by ITC in many states like Uttar Pradesh, Bihar, West Bengal, Rajasthan, Madhya Pradesh and Andhra Pradesh etc. through demonstration plots, farmer field schools, micro irrigation projects, organic farming input to farmers, agro-forestry initiatives in forest regions, agri-business centres and advice have been beneficial to hundreds of thousands of farmers in thousands of villages across India on farm land of 4,15,000 acres. E-Choupal illustrated the importance of the farmers’ information system (ITC, 2019).

To make organic farming more acceptable, ONGC is constructing Center for Agriculture Research and Training which has classrooms, laboratory, computer facility, hostel and administrative block for training and skill development in Telangana. It will impact 3500 farmers...
Initiatives such as drought mitigation in drought prone zones, use of renewable energy for agricultural activities, water harvesting projects for increasing water table, introduction of solar irrigation system through solar pumps and integrated farm model has benefited 36100 farmers in 11000 villages across country (HDFC, 2019). The Maharashtra Bank through its Mahabank Agricultural Research and Rural Development Foundation (MARDEF) is helping farmers in dairy, EMU farming, goat rearing, grape cultivation, horticulture and scientific use of various inputs like fertilizers etc. to uplift socio-economic status of small and marginal farmers (BoM, 2019).

Vedanta Resources has helped to improve the life of thousands of farmers in dozens of villages in Rajasthan through training to increasing farm productivity. It has established 476 rainwater channels, micro irrigation systems (Drip irrigation) for 60,000 horticulture plants in these villages along with the construction of 681 small rainwater harvesting structures and 14 ponds in Barmer to improve soil quality. The dairy cooperative program has helped to increase in daily milk production by 3000 litres per day (Vedanta Resources, 2019).

Numaligarh Refinery through 1500 self-help groups (NRL, 2019) and REC has increased farm productivity (REC, 2019). Container Corporation of India has helped to increase the income of 4500 apple growing farmers (CCI, 2019). Adani Group has helped to improve life of thousands of farmers and fishermen across country (Adani, 2019). BHEL has established 100 solar water pumps (BHEL, 2019). Similarly TCS through its mKrishi, a mobile agro advisory system provides information to farmers in local languages on weather, soil conditions, fertilizer and pesticides, the price of grains, and other agriculture-related advice helping more than one million farmers across 10 states with the goal of increasing the user base to 100 million (TCS, 2017).

Power Grid Corporation in Karnataka and Andhra Pradesh, JSW Group in Karnataka, Coca-Cola in Jhansi and Kolar and SABMiller have helped improving livelihood through watershed management in Telangana (ICRISAT, 2019). Tata Power, Tata Motors, Tata Steel and other Tata group companies are investing in agriculture through its CSR initiatives. Reliance Foundation and has helped to improve the life of more than 20 Lakhs of farmers across country (RIL, 2016).

Analysis and Recommendations
CSR activities in agriculture sector cover a wide range of issues such as rain water harvesting, introduction of solar pump, organic farming, seed management, soil management, delivery of agro information as well as market place ecosystem etc. There is need for more investment in agriculture to address problems like bottleneck in supply chain and better market conditions for farm products to improve the income level of farmers. Kambalame & DeCleene (2006), Poetz, Haas, & Balzarova (2012), Hediger (2013), Chambers, Chapelle, Moon & Sullivan (2003), Mazur-Weirzbicka (2015), Oguntade & Mafimisebi (2011) suggest that the CSR intervention may prove to be vital to capacity building and skilling in agriculture sector across the globe. There is a natural inertia to shift to new methods of farming to less chemical fertilizers intensive farming. Community approval can help to break this inertia (Sharp & Zaidman, 2010) along with active participation of society. However there is no credible mechanism to cross-verify the data about the impact of CSR and the researchers have to rely on the face value of information provided by corporate. In such scenario it’s imperative to ensure that the CSR activities must have real impact on agriculture sector than limiting to brand building exercise only (Popoli, 2011).

Study finds that the CSR spending in agriculture is far less in comparison to many sectors such as education, healthcare, art and culture etc. A few large firms were voluntarily spending a part of their earnings on CSR initiatives even before the provisions introduced relating to CSR in Companies Act 2013.

It would be difficult to address the bottleneck in agriculture sector without active participation of the government agencies, private sector and society. A part of CSR corpus must be mandatorily spent on agriculture activities to build infrastructure and skill capacity in agriculture sector. It would prove helpful to bring farm sector out of distress. It can be done by pooling the CSR resources to build and operate large projects to address the problem of bottlenecks like cold-storage and logistic infrastructure in agriculture through cooperatives or society participation. To promote it government can provide tax benefits to donations to entities like cold-storage and logistic infrastructure in agriculture etc. There is need for more investment in agriculture to address problems like bottleneck in supply chain and better market conditions for farm products to improve the income level of farmers. Kambalame & DeCleene (2006), Oguntade & Mafimisebi (2011) suggest that the CSR intervention may prove to be vital to capacity building and skilling in agriculture sector across the globe. There is a natural inertia to shift to new methods of farming to less chemical fertilizers intensive farming. Community approval can help to break this inertia (Sharp & Zaidman, 2010) along with active participation of society. However there is no credible mechanism to cross-verify the data about the impact of CSR and the researchers have to rely on the face value of information provided by corporate. In such scenario it’s imperative to ensure that the CSR activities must have real impact on agriculture sector than limiting to brand building exercise only (Popoli, 2011).

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Conclusion
Considering India’s agriculture profile and small land holding pattern, sustainable growth in agriculture is already a challenge. However coordinated agricultural development efforts through CSR intervention as well as government...
schemes could be a tool in addressing infrastructure and
skilling bottleneck and overlap in schemes. This can be
achieved by making CSR spending mandatory on agriculture
sector and pooling of CSR funds to build and operate larger
projects in supply chain and other infrastructure projects for
agriculture. It would help to accelerate the growth agriculture
sector and improve income of farmers. Tax benefit to
donation to project operating firms can be explored.

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