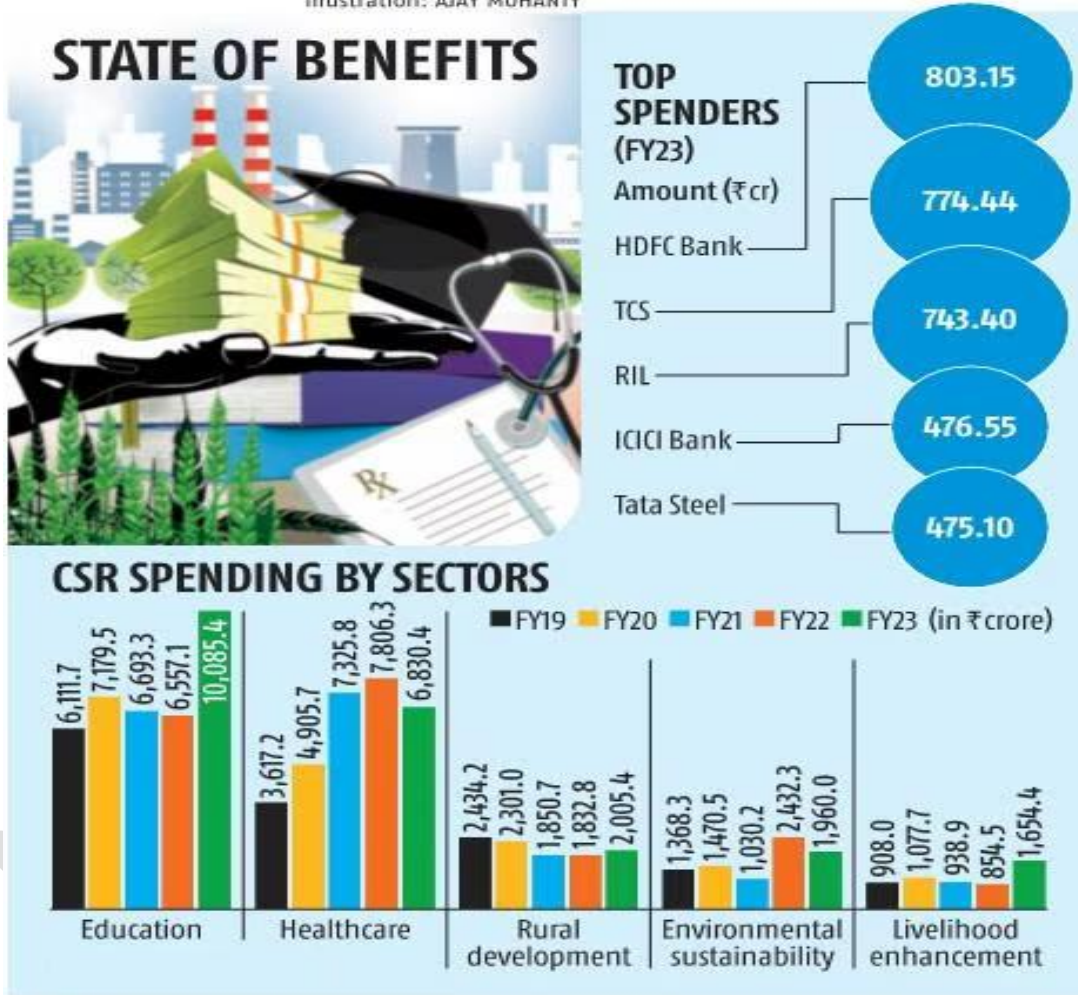


## Corporate Social Responsibility (CSR)

GS2:  
GOVERNANCE

**Context:** A decade ago, India became the first country to legally mandate Corporate Social Responsibility (CSR). According to the National CSR Portal, from 2014 to 2023, ₹1.84 lakh crore of CSR funds were disbursed

Illustration: AJAY MOHANTY



### About CSR:

With effect from April 1, 2014, CSR is a mandatory requirement for certain companies under **section 135 of the Companies Act, 2013**, which compels them to engage in activities that contribute to the **social, environmental, and economic development** of the country.

## Understanding how CSR works in India

The Companies Act, 2013, marked a paradigm shift by making CSR mandatory for companies meeting specific financial thresholds.

Section 135 of the Companies Act 2013 outlines the rules and regulations governing CSR.

CSR provisions apply to companies meeting any of the following criteria in the preceding financial year:

- **Net worth:** More than INR 5 billion.
- **Turnover:** More than INR 10 billion.
- **Net profit:** More than INR 50 million.

Such companies must spend a minimum of 2 percent of their net profit over the last three years on CSR activities.

For newly incorporated companies with less than three years of operations, the average net profit of available years is considered

**Penal Provisions:** If a company fails to meet CSR obligations, it faces fines ranging from ₹50,000 to ₹25 lakh. Responsible officers may face imprisonment (up to three years), fines between ₹50,000-₹5 lakh, or both.

## Permitted CSR activities under Schedule VII

Companies can include the following activities in their CSR policies, as specified in Schedule VII:

- 1) Poverty, health, and sanitation,
- 2) Education and employment
- 3) Gender equality and support for vulnerable groups,
- 4) Environmental sustainability:
- 5) National heritage and culture,
- 6) Support for armed forces and their families:
- 7) Promotion of sports,
- 8) Contributions to government funds:

- 9) Support for research and development,
- 10) Support for educational institutions:
- 11) Rural development projects,
- 12) Slum area development,
- 13) Disaster management

### CSR's contribution to agriculture

- Nearly 47% of the population depends on agriculture for employment, and the fraction of India's labour force in agriculture is significantly higher than the global average of 25%.
- Economically, agriculture accounts for 16.73% of India's GDP.
- Now that India's food production is on a relatively stable footing, concerns focus on the degradation of the natural resource base, stagnant farmer incomes, and threats caused by climate change.
- Lately, there have been clear signs from corporate entities that they wish to contribute to climate action and sustainability in the agricultural sector in India through their CSR budgets.
- Capital requirements and infrastructural development are the most important needs of Indian agriculture today — and this is also where CSR activities have previously contributed and are expected to continue doing so.
- Some examples of such activities include establishing grain banks, farmer schools, livelihood projects based on agriculture and allied activities, water conservation projects, and energy-efficient irrigation.
- The recent paradigm shift in agriculture towards sustainability and modern agriculture makes a good case for CSR funds from the private sector.

**The main obstacle:** There is an important problem that hinders CSR's potential in agriculture:

- there is currently no way to fully determine the extent of funding going into these projects consistently and distinctively, and to categorise them based on targeted sectors of CSR activities.
- In other words, current reporting mechanisms have little to no emphasis on agriculture-related CSR initiatives.
- Under activities mentioned in Schedule VII of the Companies Act, activities targeting agricultural sustainability could fall under 11 of the 29 development sectors of CSR allocations.
- These are 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; and women's empowerment.
- But there's little chance of tracking the funds spent for agriculture-related initiatives alone because these 11 sectors encompass a great variety of activities, many of which are unrelated to agricultural sustainability, thus affecting reporting and limiting sectoral impact assessments.

## WAY FORWARD:

### Establish Agriculture as a Distinct CSR Sector

- Clearly define agriculture within Corporate Social Responsibility (CSR) guidelines to create a more focused and transparent approach to funding, ensuring that resources are effectively channeled into this vital area.

### Revise the CSR Reporting Framework

- Adopt a sector-specific reporting model to enhance the precision of fund allocation and improve tracking of outcomes in agricultural initiatives.
- This will provide better visibility and accountability regarding the impact of CSR efforts in agriculture.

### Prioritize Critical Agricultural Issues

- Identify and prioritize the most urgent sustainability challenges within agriculture. This will help direct CSR investments toward the most impactful and necessary interventions, addressing issues such as soil health, water scarcity, and climate resilience.

### Promote Sustainable Agricultural Practices

- Harness CSR initiatives to foster environmentally sustainable agricultural practices, including soil conservation, water management, and agroforestry.
- This aligns with broader environmental goals, contributing to sustainable agriculture while supporting India's long-term environmental targets.
- Given the importance of agriculture for the Indian economy and its place in the country's plans and strategies to engender more sustainable growth and effect a just transition, specifying agriculture as a distinct sector in CSR activities is crucial.
- Identifying the prevailing sustainability issues vis-à-vis agro ecosystems and directing funds according to requirements will help drive tractable changes.