

## ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN AGRICULTURE DEVELOPMENT, ACHIEVING SUSTAINABILITY AND CSR LEGAL FRAMEWORK IN INDIA

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### ABSTRACT

*It is a study about the meaning of corporate social responsibility in the context of sustainability and enhancing the role of corporate social responsibility in achieving sustainability. Corporate social responsibility has extended the boundaries of the firm into society. Corporate Social Responsibility activity brings a change in the lives of deprived people in rural India. Deprived people in India are mostly based on agriculture for their livelihood and CSR also plays a significant role in the agriculture sector. Business Corporate social responsibility has a positive correlation with the financial performance of the business. In this paper, we explain the concept of Corporate Social Responsibility in the Indian Scenario. India is the first country that make corporate social responsibility activity compulsory for large and profitable companies. Few big companies were working on corporate social responsibility before it was made compulsory in India. Public sector units consider corporate social responsibility important for fulfilling the strategy of the organization. We also discuss the critical success factor which makes corporate social responsibility successful. This study also discusses how CSR plays a significant role in achieving sustainability. Based on the survey we conclude that an organization has a significant effect on its external environment and changes the environment through its activities. Now companies are taking corporate social responsibility activities seriously not only because it plays a key role in their business success but also it gives a strategic and competitive advantage. Corporate social responsibility plays a strong role to deal with critical disasters.*

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**Keywords:** Corporate Social Responsibility (CSR), Sustainability, Rural Area, Agriculture, Legal Framework, Public Sector Unit.

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### Introduction

Corporate Social Responsibility follows "Serva Lok a Hitam" Wellbeing of all stakeholders. Corporate social responsibility has intensely changed the way corporate entities conduct their business activities in the social environment in the 21<sup>st</sup> century. CSR refers to an open and crystal clear business practice and it considers ethical values and respect for employees' communities and protection of the environment. In the Corporate Social Responsibility concept companies consider their profitability and growth with the interest of society and the environment simultaneously by taking responsibility for the impact of their activities on stakeholders. Today's corporate managers are judged for both their financial performance and how they perform their corporate social responsibility also (Okpara and Kabongo 2013). The corporate social responsibility concept took a dominant position in business reporting. As we all know the primary purpose of business is to earn money but it should be for the welfare of society and the environment (Dixit and Mohammad Sharif 2019). Corporate Social Responsibility by providing a win-win

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strategy and work as a tool for attaining sustainable development (Mahmud et al., 2021). Every corporation makes its policy regarding corporate social responsibility. We easily recognize from corporate activities that are socially responsible and which are not socially responsible. Continuous efforts by the corporation toward the economic and social development of communities in which they operate are discussed under corporate social responsibility. Corporate Social Responsibility activities also affect corporate strategies. Environmental issues can be considered as both a problem and an opportunity for the business organization (Kolk & van Tulder, 2010). CSR's main aim is to include responsibilities for the company activities and also encourage a positive impact on the environment, employees, consumers, stakeholders, and all other members of the public. Corporate Social Responsibility is not new in India, it has been practiced for some years in many organizations particularly in Public Sector Units (Sangle 2010). Business entities' corporate social responsibility plays a strong role to deal with a critical disaster like COVID -19 pandemic. COVID -19 pandemic originated from china and now almost the whole world has been struggling with the effect of the COVID -19 pandemic in business and community. (Mahmud et al., 2021)

Some of the big Corporates particularly public sectors units like the Aditya Birla Group, Indian Oil Corporation, and Steel Authority of India have been involved in serving the community ever since their inception. Several other organizations have been also contributing to society by donations and charity events. But CSR is not only charity. Though India is a developing country, its socio-economic problems like poverty, illiteracy, lack of healthcare, education, etc. are still big issues and the government has limited resources to tackle these big challenges. In this case, corporate social responsibility is also playing a vital role (Loura 2014). New trends of Corporate Social Responsibility are Sustainable Development Goals, synergistic approach, measurement, employee Volunteer Programs, etc. In 2015, the UN established a plan to achieve 17 Sustainable Development Goals (SDGs) by 2030, it includes poverty and hunger removal, providing access to quality education globally, taking climate action, reducing inequalities, Promoting health and well-being, maintaining public-private partnerships to reach these goals. In 2020, In the Synergistic Approach to Corporate Social Responsibility, many organizations are now putting the idea that you can make a profit but no need to come at the expense of the other. To measure the effectiveness of CSR, demonstrate the Return on Investment, of their corporate social responsibility strategies, companies must have the proper capabilities in place to accurately measure their impact. (Anon n.d.)

**Table 1: Top 10 States in CSR Expenditure in the Year 2020-21**

Serial No.	States	Amount (INR Cr.)
1	Maharashtra	1100
2	Gujarat	582
3	Andhra Pradesh	446
4	Karnataka	434
5	Uttar Pradesh	361
6	Tamil Nadu	277
7	Odisha	274
8	Rajasthan	255
9	Haryana	228
10	Madhya Pradesh	173

Source: National CSR Portal

The above table has listed the top 10 states' list of Corporate Social Responsibility. Maharashtra has spent the most on Corporate Social Responsibility that is INR 1100 crore after this Gujrat has spent INR 582 crores and Haryana state at ninth place and spent INR 228 crores.

#### Objectives

- To discuss the meaning of Corporate Social Responsibility in the context of sustainability.
- To discuss the role of Corporate Social Responsibility in Agriculture Development.
- To discuss the legal background of corporate social responsibility in India.
- To discuss the role of Corporate Social Responsibility in achieving sustainability.

#### Research Methodology

This study used a theoretical research method based on previous studies or secondary data available in the field of study.

### Definition

If I generally define CSR, CSR is what a particular business organization does for the welfare of the society in which it operates. The Broadest definition of corporate social responsibility is concerned with what is the relationship between global corporations, governments of nations, and individual citizens. Social responsibility needs to be extended beyond present members of society. Social responsibility also requires a responsibility towards the future that is called sustainable development like responsibility towards environment protection. The dynamic development in CSR is based on the belief that business is responsible for the society where it works about factors that contribute to social, economic, and environmental achievements and adopting sustainable actions which reduce the external negative effects of business operational activities on the environment.

United Nations in, 1987 defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The World Business Council for Sustainable Development (WBCSD) defines CSR as the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workers and their families as well as of the local community and society at large (WBCSD, 2012).

(Kotler and Lee (2005) have classified the following initiatives as issues falling within CSR activities are:

- Contribute to community health
- Encourage safety
- Enhance education
- Improve employability
- Enhance the quality of life in the natural environment
- Enhance community and economic development
- Facilitate basic human needs and desires. (Okpara and Kabongo 2013)

### Responsibilities of the Business

- **Economic Responsibility:** According to Carroll (1979), the economic responsibility of a business is “to produce goods and services that are needed to fulfill desires of society and to sell them at a profit” (Carroll, 1979, p. 500).
- **Legal Responsibility:** Legal responsibility means positive and negative obligations by laws and regulations of the society in which it operates put on business. Some are in favor of making CSR legally compulsory for business organizations and others are in opposition to such claims and state that CSR activity should be voluntary not compulsory.
- **Ethical Responsibility:** Ethical responsibility refers to deeds that are expected or restrained by society but these are not legally enforceable. Ethical responsibilities involve those deeds which are fair, justifiable and those respect and protect moral rights.
- **Philanthropic Responsibility:** Philanthropic responsibility comprises activities that promote human welfare or goodwill.

### Legal Background of Corporate Social Responsibility in India

After receiving the assent of the President of India on 29 August 2013 Companies Act 2013 has replaced the Companies Act, 1956. Article 135 of the Companies Act makes Corporate Social Responsibility mandatory contributions for large companies, making it the only mandatory CSR. Corporate social responsibility is mandatory in promoting greater transparency and disclosure. Companies Act 2013 listed CSR activities under Schedule 7. (Sarabu, 2017) According to the bill, all firms with a net worth above 5 billion rupees, turnover over 10 billion rupees, or net profit over 50 million rupees are needed to spend at least 2% of their annual income of the previous year. The businesses in this scope are required to establish a CSR committee to overhaul the expenditure. Before this law, CSR laws applied to public sector companies only. CSR is a mandate in India and it is the first country to make it mandatory. The CSR activities can initiate vanishing extreme hunger and poverty, promoting gender equality and women empowerment, advancement of education, and ensuring environmental sustainability. Furthermore, this Act also gives instructions to companies to reveal their financial statements. (Updates 2020)

### Role of Corporate Social Responsibility in the Agriculture Sector

India is primarily an agricultural country and nearly 60% population's primary source of livelihood is based on agriculture. Agriculture is the backbone of rural development and it needs a lot of support to increase the farmer's income. (Patel, 2014) CSR expenditure on agriculture is the social investments for creating knowledge parks for updating the knowledge on improved agricultural practices and cultivation of high-value crops will enhance farm income and on-farm employment. The agriculture sector attracts the attention of CSR in India. It is observed in the previous studies that in countries where agriculture growth was high, poverty decreased gradually in those countries. As a part of CSR activities, corporates who have invested in Agriculture have focused on the adoption of improved agriculture practices, natural resource conservation, reduction in the cost of cultivation and external inputs, etc. The government of India aims to double the income of farmers by 2022 through efficient use of resources it will reduce the cost of production and improve productivity. (Balasubramanil, 2017)

**Table 2: Development Sector Wise Corporate Social Responsibility Expenditure of Financial Year 2020-21**

Serial No.	Development Sector	Amount Spent (INR Cr.)
1.	Agro-Forestry	12.41
2.	Animal Welfare	58.31
3.	Armed Forces, Veterans, War Widows/ Dependants	15.75
4.	Art And Culture	64.73
5.	Clean Ganga Fund	0.50
6.	Conservation Of Natural Resources	37.31
7.	Education	2,229.23
8.	Environmental Sustainability	445.75
9.	Gender Equality	12.96
10.	Health Care	2,559.23
11.	Livelihood Enhancement Projects	328.02
12.	Other Central Government Funds	761.10
13.	Poverty, Eradicating Hunger, Malnutrition	218.62
14.	Prime Minister's National Relief Fund	513.10
15.	Rural Development Projects	604.33
16.	Safe Drinking Water	53.01
17.	Sanitation	131.06
18.	Senior Citizens Welfare	14.91
19.	Setting Up Homes and Hostels For Women	12.67
20.	Setting Up Orphanage	2.29
21.	Slum Area Development	3.02
22.	Socio-Economic Inequalities	47.03
23.	Special Education	104.30
24.	Swachh Bharat Kosh	114.93
25.	Technology Incubators	21.64
26.	Training To Promote Sports	107.94
27.	Vocational Skills	292.63
28.	Women Empowerment	61.26
29.	NEC/ Not Mentioned	-
30.	Grand Total (in Cr.)	8,828.11

Source: National CSR Portal Report

Based on a report presented by National CSR Portal, most of the expenditure was done on education and health care sector only INR 604.33 crore is spent on rural development projects which include rural infrastructure, natural resource management, technology development, livestock development, farm practices, etc. in the financial year 2020-21. Although most business organizations depend on agriculture it may be directly or indirectly. But still few companies and very small amount spent on agriculture though there is huge potential for investment in it. Hence, there is a need to focus on CSR fund expenditure on the agriculture sector for the benefit of farmers.

### **Role of Business Entities Corporate Social Responsibility in Achieving Sustainability**

In India, Corporate social responsibility is compulsory for big business organizations. Business organizations are a big part of society, economy, and environment as business firm activities have a great impact on these. So, business firms should need to protect the environment and prevent air, water and land pollution for instance manufacturing companies like the steel and automobile industry should try to find production processes through which Carbon dioxide emission can be reduced or minimized. Environment-friendly practices can be improved by the R&D intensity of the organization. The especially manufacturing firm should do an expenditure on R&D for finding ways or technology that least harms the environment (Okpara & Kabongo, 2013). Business firms can play an effective role in achieving sustainability by taking steps like green human resource management practices like less usage of papers in the office, more preference to virtual meetings, etc., using environmentally friendly production process, using the sustainable waste disposal process, using of solar power plant for electricity supply, etc. For sustainability, a business organization should opt those practices which have a positive impact on the environment like recycling, pollution prevention programs, using of cleaner energy sources, etc.(Okpara & Kabongo, 2013) Major hurdles in achieving a sustainable environment are lack of knowledge of employees regarding the sustainable environment. For this proper training and education should be provided to the employees and this has a great positive impact on the sustainable environment as per the previous study. (Cheema & Javed, 2017)

Critical Factors for Successful Implementation of Corporate Social Responsibility in PSUS are:

Corporate Social Responsibility (CSR) activities should integrate with functional strategies of the organization, Support of top management, Organization should be able to manage stakeholders group, Corporate social responsibility cost and benefit analysis, Internal support is required, External support is required. After carefully analyzing the above factors, we conclude that the success of CSR is based on the following three factors: organizational resources, internal support, and external Support (Sangle 2010)

### **Impact of Corporate Social Responsibility Program on Rural India**

Few Public Sector Units have been selected for studying the impact of CSR programs on rural India that as Aviation – Airport Authority of India (AAI), Steel- Steel Authority of India (SAIL), National Thermal Power Corporation (NTPC). Airport Authority of India has started 'AASHA' a skill development program in 2012 for unemployed women near Jaipur airport in Jaipur, Rajasthan, and related to health it organizes health camps for providing medical facilities every quarterly to a large number of people. It has also established computer training centers which provide basic computer skills for the community children. Steel Authority of India provides training for helping the communities it is associated with to make them self-sufficient and it has established about 150 schools in its steel township to facilitate modern education concept. National Thermal Power Corporation provides vocational training programs like web designing, tailoring, cutting, etc. to promote self-employment for women and it has established many primary health care centers, reproductive and child health care centers, and super-specialty hospitals for providing modern health care facilities. National Thermal Power Corporation spends 15 to 20 % of its Corporate Social responsibility budget on education. It runs about 50 schools for benefiting nearby community children. (Loura 2014).

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### **Reasons of Enhancing Role of Corporate Social Responsibility and Challenges Faced in its Application**

Before passing the law regarding CSR, most companies think that CSR is a secondary issue for the business, and customer satisfaction is the prime focus. But the scenario has changed now day social responsibility is an opportunity for the business. Here are some of the reasons which motivate business organizations towards corporate social responsibility.

- The government is reducing its role to deliver social and environmental issues.
- There is a great demand for transparency and disclosure from stakeholders.
- Ethical conduct of business increases customer interest and influences purchasing decisions of customers.
- Companies that facilitate corporate social responsibility activities perform better than those which do not. Hence, a direct impact of corporate social responsibility activities is seen in the financial performance of the companies. (Abilasha and Tyagi 2019)
- It can avoid future government interference if business policies fulfill society's expectations.
- CSR provides a competitive advantage. Socially responsible companies have a good image in the mind of society.
- CSR reduces the cost and risk of a business organization. Companies that are involved in CSR practices can take advantage of tax benefits and avoid strict and excessive government regulations. (Okpara & Kabongo, 2013)

While participating in CSR activities organizations face various challenges also:

- The local community does not take interest in participating in corporate social responsibility activities.
- Transparency is another major challenge in corporate social responsibility implementation.
- Corporate social responsibility guidelines are not available.
- Lack of consensus among local agencies is another major challenge. (Berad 2011)

### **Findings**

Corporate social responsibility has been defined differently at different times by various social researchers/scientists. But commonly it urges corporate entities to think beyond profit maximization. Corporate social responsibility works upon a win-win approach, it means good for all. Corporate social responsibility also helps to achieve sustainable development goals established by United Nation. By adopting environment-friendly practices like green human resource management, pollution-free production process, and waste disposal process, by using cleaner energy resources business entities can play an effective role in achieving sustainability and all these things are part of companies' corporate social responsibility. Business entities' corporate social responsibility plays a strong role to deal with a critical disaster like COVID -19 pandemic. During this pandemic period, most of the companies are engaged in public health awareness campaigns; this widens corporate social responsibility. Big corporate sponsors many social awareness programs related to the environment, health issues, education, etc. Corporate social responsibility has a positive impact on financial performance as CSR provides a competitive advantage to the business organization. The agriculture sector also attracts the attention of CSR in India. Previous studies found that in countries where agriculture growth was high, poverty decreased gradually in those countries. As a part of CSR activities, corporates who have invested in Agriculture have focused on the adoption of improved agriculture practices, natural resource conservation, reduction in the cost of cultivation and external inputs, etc.

### **Conclusion**

The concept of CSR has gained fame from all aspects. An organization must realize its responsibility towards society and the environment in which it exists. Public interest should be proactively promoted by CSR by encouraging community growth, development and voluntarily eliminating practices that harm the public and environment, regardless of legality. Corporate social responsibility works upon a win-win approach, it means good for everyone. CSR programs are beneficial to both communities and businesses both. Most business organizations depend on agriculture it may be directly or indirectly. But still few companies and very small amount spent on agriculture though there is huge potential for investment in it. Hence, there is a need to focus on CSR fund expenditure on the agriculture sector for the benefit of farmers.

India became the first country that makes CSR mandatory under the article of the 135 of Companies Act 2013. Before this social responsibility is an important business issue for Indian public sector units only. Indian public sector unit realized that without the socioeconomic development of local communities, there can be no stability and sustainability of the business. Public sector units take different initiatives from time to time in education, health, environment, and employment. CSR plays important role in achieving sustainability. For achieving sustainability a business organization opts those practices which have a positive impact on the environment like recycling of waste, pollution prevention programs, using of cleaner energy sources, application of green human resource management and industry should try to find a production process through which Carbon dioxide emission can be reduced or minimized. During the last few decades, CSR has developed dynamically and the major reasons for this are sustainable development goals established by United Nation and government is unable to deliver social and environmental issues. CSR also provides competitive advantages and it also reduces the cost and risk of the business organization. CSR activities of the company have a positive impact on the financial performance of the business. In India, the business organization faces a few hurdles in CSR application. Major hurdles are CSR guidelines are not clearly defined and local authorities do not support this. For making better corporate social responsibility practices every organization should set corporate social responsibility goals. This social audit should be conducted to assess corporate social responsibility practices being carried out. As one of the important quotes from Rig-Veda says "A businessman should gain its benefit from a business that is a honey bee this sucks honey from the flower without affecting its charm and beauty.

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