



CSR's Contributions to Agriculture Sustainability

For Prelims: [Corporate Social Responsibility \(CSR\)](#), [Small and Marginal Farmers](#), [Fertilisers](#), [Irrigation Systems](#), [Cyclones](#), [Livestock Farming](#), [Precision Agriculture](#), [Solar Power](#), [Wind Energy](#), [Biogas](#), [Genetically Modified Organisms \(GMOs\)](#), [Grain Banks](#), [Water Conservation](#), [Companies Act, 2013](#), [NGOs](#), [Companies \(CSR Policy\) Rules, 2014](#), [Supply Chains](#).

For Mains: Role of Corporate Social Responsibility (CSR) in development of agriculture.

[Source: TH](#)

Why in News?

With increasing contributions, the focus is on how [Corporate Social Responsibility \(CSR\)](#) can support [Indian agriculture](#) to become both **economically viable** and **ecologically sustainable**.

Why is CSR Needed in Agriculture?

- **High Dependence on Agriculture:** Nearly **47%** of India's **population** depends on agriculture for employment, compared to a **global average of 25%**.
- **Small and Marginal Farmers:** Over **70%** of rural households rely primarily on **agriculture** for their sustenance. Of this, **82%** of farmers are classified as [small and marginal](#).
- **Poor Access to Finance:** **High Interest rates** and the **lack of formal credit** sources often prevent farmers from purchasing necessary **equipment, seeds** and [fertilisers](#), limiting their growth and productivity.
- **Building Market Linkages:** Poor rural infrastructure, such as **inadequate storage facilities, transportation, and irrigation systems**, leads to post-harvest losses, inefficient supply chains, and reduced access to markets.
- **Environmental Challenges:** Unpredictable weather patterns lead to **crop failures, loss of livestock**, and increased vulnerability to natural disasters like [floods, droughts, and cyclones](#).
- **Soil Degradation:** Improper **irrigation practices** and excessive use of [chemical fertilisers and pesticides](#) have led to soil degradation leading to reduced [soil fertility](#), lower crop yields, and environmental damage.
- **Water Scarcity:** Water scarcity threatens both **crop production and livestock farming**, making irrigation and water management a critical issue.

How CSR Can Help in Agriculture?

- **Technological Innovations:** CSR initiatives can help **integrate advanced technologies** like sensors, drones, [GPS](#), and data analytics into [Precision Agriculture](#).
 - It will enable farmers to optimise **irrigation, fertilisation, pest control, and crop health** for more efficient and sustainable farming.
- **Financial Access:** Companies can collaborate with financial institutions to offer **low-interest loans and subsidies** to facilitate access to affordable financing and credit.
- **Renewable Energy:** CSR can encourage the use of renewable energy sources such as [solar](#)

power, wind energy, and biogas in farming operations which can contribute to environmentally friendly and sustainable farming practices.

- **Biotechnology and GMOs:** CSR efforts can promote the development of biotechnology and **Genetically Modified Organisms (GMOs)**, making crops more resistant to pests, diseases, and stress, boosting yields, reducing pesticide use, and improving food security.
- **Empowering Farmers:** By providing access to knowledge, **skill-building programs, and hands-on experience** with modern farming practices, farmers can be better equipped to increase productivity, and reduce risks.
- **Improved Market Access:** CSR can help create market linkages by integrating farmers into **value chains**, ensuring they receive fair prices for their products, and enabling them to access larger and more lucrative markets.

Note

"**Environment and sustainability**" is the **second priority** for companies with **healthcare, water, sanitation, and hygiene** being the top priority.

- Examples of CSR-supported initiatives include **grain banks, farmer schools, water conservation, and energy-efficient irrigation.**

What are Challenges in CSR Implementation in Agriculture?

- **No Clear Demarcation:** CSR activities to Agriculture are **not clearly demarcated and well-defined.**
 - Under **Schedule VII** of the **Companies Act, 2013**, activities targeting agricultural sustainability could fall under **11 of the 29 development sectors** of CSR. E.g., gender equality, poverty, technology incubators, animal welfare etc.
- **Short-Term Focus:** CSR programs often focus on **short-term goals and deliverables**, while agriculture requires **long-term investments** and sustained support to yield significant outcomes.
- **Measurement of Social Impact:** The social impact of CSR in agriculture is often harder to measure, especially in rural areas.
 - **Evaluating improvements** in farmers' incomes, livelihoods, or well-being due to CSR projects can be **subjective and complex.**
- **Not-Aligned with Business Goals:** Many companies may find it **difficult to integrate CSR** in agriculture with their business strategies in a way that is mutually beneficial. E.g., **Cosmetic companies** have little incentive to invest in **farming practices.**
- **Ignorance of Agriculture: Education and health dominate** CSR funding leaving **agricultural initiatives** with limited focus.
 - Also, a major **CSR fund** is diverted to other purposes like the **PM CARES Fund** which leads to a **dip in CSR expenditure** in specific sectors.
- **Fragmented Approach:** CSR initiatives often focus on **isolated aspects** of agriculture such as providing **training, technology**, missing broader challenges like **climate change, market access, and financing.**
- **Lack of Suitable NGOs:** Corporations often struggle to find **NGOs** in rural areas that align with their **CSR objectives**, leading to challenges in identifying the right partners for project implementation.
- **Disparity in CSR Spending:** A significant portion of **CSR funds (more than 30%)** is directed to more industrialized states like **Maharashtra, Karnataka, Gujarat, and Tamil Nadu.** This leaves less funding for less-developed regions.
- **Inefficient Allocation:** Many companies focus their CSR efforts in regions where they have **existing operations or deeper ties**, rather than strategically directing funds to areas with the most significant need.

What is CSR?

- **About:** CSR is a business practice in which companies **voluntarily integrate social,**

environmental, and ethical concerns into their operations and interactions with stakeholders.

- E.g., environmental sustainability, poverty reduction, education, and healthcare etc.

- **India's CSR Mandate:** India became the **first country to legally mandate** CSR in 2013 under **Section 135** of the Companies Act, 2013.
 - From 2014 to 2023, **Rs 1.84 lakh crore** of CSR funds were disbursed.
- **Legislative Framework:** The CSR concept in India is governed by **Section 135** of the **Companies Act, 2013, Schedule VII of the Companies Act, 2013 and [Companies \(CSR Policy\) Rules, 2014](#)**.
 - CSR is a **mandatory requirement** for certain companies with effect from **1st April 2014**.



- **CSR Criteria:** CSR provisions apply to companies that meet any of the following criteria in the preceding financial year: a net worth of over Rs 5 billion, a turnover exceeding Rs 10 billion, or a net profit greater than Rs 50 million.
 - Such companies must spend a minimum of **2% 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.
- **National CSR Data Portal:** It is an initiative by the [Ministry of Corporate Affairs](#) to disseminate CSR-related data and information.
- **CSR Activities:** Companies can include the following activities in their CSR policies, as specified in **Schedule VII**.

Comprehensive Development Initiatives



Way Forward

- **Clearer Definition:** Establishing a **distinct sector** for **agricultural CSR initiatives** will help channel resources more effectively and ensure that funds are directly contributing to the sector's development.
- **Financial Inclusion:** By providing farmers with access to **affordable financial services**, CSR can empower them to invest in **quality inputs, adopt new technologies**, and increase their resilience to environmental challenges.
- **Supply Chain Stability:** Agriculture is a critical part of many industries' **supply chains, such as food, clothing, and pharmaceuticals**. By investing in sustainable agricultural practices through CSR, companies help ensure the long-term stability of their supply chains.
- **Competitive Advantage:** By solving agricultural challenges such as **water conservation, precision farming, and renewable energy use**, companies can develop new technologies or services that set them apart from competitors.
- **Alignment with Business Goals:** Companies can **align CSR programs with their core values**, such as **food companies** supporting **sustainable farming** and **tech companies** investing in **agricultural technology**, benefiting both their business and the sector.
- **Equitable Development:** Companies should **direct CSR efforts** to regions with **agricultural challenges**, even if they don't operate there, to promote **broader, more equitable development**.

Drishti Mains Question:

Discuss the role of CSR in promoting agricultural sustainability and the challenges faced in its implementation.

UPSC Civil Services Examination, Previous Year Question

Prelims

Q. Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly? (2019)

- (a) Certificate of Deposit
- (b) Commercial Paper
- (c) Promissory Note
- (d) Participatory Note

Ans: (d)

Mains

Q. With a consideration towards the strategy of inclusive growth, the new Companies Bill, 2013 has indirectly made CSR a mandatory obligation. Discuss the challenges expected in its implementation in right earnest. Also discuss other provisions in the Bill and their implications. (2013)

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