

An Empirical Study on CSR with Reference to Agriculture Sector

Ms. Chandrakala N

Assistant Professor

Department of Commerce

St. Josephs' First Grade College, Jayalakshmipuram, Mysore

E-mail ID: chandrikan2291@gmail.com

Ms. Nayana K S

Assistant Professor

Department of Commerce

St. Josephs' First Grade College, Jayalakshmipuram, Mysore

E-mail ID: nn.sampath@gmail.com

Abstract

Prior to the Company's Act of 2013, it was not mandated to conduct CSR (Corporate social Responsibility) activities from corporate business. But as per section 135, of company's act of 2013, made it compulsory for certain business houses. CSR is nothing but a set of obligation that a corporate should have towards the society. This paper throws light on sustainable development of our country through various new horizons the corporate sector conducts in the management, to contribute to CSR activities. Especially, a certain set of percentage among their contributions should be made compulsory on agricultural sector, for those firms which have net profit of Rs. 5 corer and above. As agriculture is the backbone of our country, it is essential to concentrate on that sector without which we can't lead our life. And most of the citizens now in our country are educated; as a result they hesitate to become a farmer which is not a cheap job. Most of the farmers even now they have dependency on rain water for harvesting. So to overcome these sorts of problems, to improve the standard of living of our farmer and to reduce the death rate of our farmers due to insolvency, strategies and policies should be framed out by the CSR committee to set a fixed percentage of CSR, which should be compulsorily boned by various corporate towards their CSR activity towards agricultural sector. As firms cannot expect any positive response towards the CSR to agricultural sector, firms can give only a part of their contribution. Say for example, firm 'A' might have planned to contribute to CRS around 25% of their profit every years for which definitely they may going to get positive response and brand expansion, among 25%. 7 to 8% they can contribute to agricultural sector which leads to the economic development of our own country where all of us our leading luxurious life.

Key Words: Corporate Social Responsibility, Agricultural Sector, Companies Act

Introduction:

Corporate Social Responsibility (CSR) is not a new concept but is definitely the latest buzzword in the corporate sector. It has become increasingly popular over the last few decades. Charity by companies is not something new in India. But CSR is not merely charity or donations. CSR is that way of running the businesses by which corporate houses contribute towards social good which adds to the value. It can be defined as a sense of responsibility of the companies towards the community and the environment in which they operate. Companies can fulfill this responsibility by taking various measures and launching different programs that will benefit society as a whole. Socially responsible companies try to integrate their economic objectives with social and environmental objectives. Taking up CSR initiatives can give a competitive edge to the companies and help them in their brand building. Capital, technology, and Labourers (people) are essential for running an enterprise but ethics are vital for keeping the entities together. It is really important for the company to make “sustainability” a mindset and it’s a way to do business. Companies must try to bring value to the world, and create value for its clients, customers or other stakeholders.

In 21st century corporate social responsibility is a ubiquitous term in the world as of now it’s not only about to earn more profit and sustain in the global market, but it’s all about how to compete, with sustainable growth through CSR activities. It’s no longer enough for businesses to simply buy and sell their products and services without considering the world in which they operate. Now it has become inevitable to achieve sustainable goal to survive in long run and to serve the society at large. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. So it is the responsibility of the companies to give something in return to society to contribute the overall development of economy. Corporate sustainability is based on three pillars: environmental, social and economic. Environmental and social pillars constitute the core of corporate social responsibility which goes beyond the legal requirements about environmental and social duties. Economic sustainability is prerequisites for any corporate firm. Most nations have directed their policies towards making business the engine of socio-economic development and, in response the private sector has generated unimaginable growth rates, wealth and profits. While the needs of society were traditionally part of the remit of the state, corporate power challenges and undermines this custodianship. Shifting responsibilities between the state, its citizens and the private sector raise important questions about who is responsible for what and for whom? Whether motivated benevolence, shared value creation, enlightened self-interest, capturing market share, image building, or a combination of these, the long term success and sustainability of firms is closely associated with the wellbeing and prosperity of the societies within which they are embedded as the long-term success and sustainability of societies is associated with the success of their economic activities.

Agriculture is one of the key contributors to the economy. It is the backbone of the country. It is the primary activity of the nation. It provides employment opportunity to the rural agricultural as well as non-agricultural labourers. It is the source of food and fodder. It also plays an important role in international business in import and export activities.

Objectives of the study

1. To understand the concept of Corporate Social Responsibility
2. To study the importance of mandating the contribution of CSR to agricultural sectors
3. To study the effectiveness of CRS contribution in the economic development
4. To understand the obstacles of CSR in India.

REVIEW OF LITERATURE

Saxena (2016) studied various issues and challenges associated with CSR. History of CSR in India before 1900 and after 1900 till present was reviewed by the author. Ethical models, statist models, liberal models, and stakeholder models were discussed in association with history related to each model. Currently, Indian companies work on the Stakeholder model for its CSR. The stakeholder model came into existence during the 1900s and is still continuing. It works on a triple bottom line i.e. people, planet and profit. Under this model, companies try to address and communicate with all of its stakeholder's examples, employees, customers, government, suppliers, investors, etc. Demands of customers, investors, government and various labor markets are considered to be key drivers of CSR. Issues like transparency, narrow perspective, lack of consensus, lack of infrastructure, visibility factors are considered to be the main challenges to CSR. Creating awareness among the general public is the need of an hour for effective implementation of CSR efforts by various corporate houses.

Priyanka Verma and Anupam Singh (2016) —Fostering Stakeholders Trust through CSR Reporting: An Analytical Focus“ reveals that a true and sincere corporate communication leads to the building of stakeholders' trust. It also assessed the extent and nature of CSR reporting by Indian companies. The results indicated that there is no significant relationship between a firm's profitability and its corporate social disclosure (CSD). However, a firm's ownership (private sector or public sector) has influence on CSD practices. The findings also suggest that firm size has a positive association with CSD under the community development theme. This implies that large companies with public visibility favour community development. Finally, the study ends with a conclusion that has strong managerial implications: sincere and honest social reporting can develop a better relationship with all stakeholders.

Sumona Ghosh (2015)

The study aims to explore the establishment of a pattern of participation of corporate social responsibility (CSR) activities amongst private sector companies as reflected in the respective company documents in the public domain, taking absolute profit as the parameter. The study showed that the most preferred CSR activities were education, health and environment. Drinking water and sanitation and urban upliftment were the least preferred activities. Significant correlation was observed with respect to various CSR activities that the companies were responsive to. Companies belonging to the manufacturing sector and the diversified sector have shown the highest responsiveness towards such activities. Companies have attached the highest importance (Level 1) to the following CSR activities: education, environment, health, rural upliftment and others.

Shubhashis Gangopadhyay (2014)

The theoretical literature and empirical studies on CSR have systematically shown that CSR plays a significant role as an important part of a company's competitive strategy. Companies can compete by lowering prices without reducing the quality of the product, or by improving the quality without any significant increases in its price. Firms use their social activities as a signal to win over consumers who stay loyal to them and employees who prefer to work for them. However, such signaling works as a competitive strategy only if participation in such activities is voluntary.

Sharma and Mani (2013) conducted a study based on secondary data (annual report of banks) on 30 banks including public, private and foreign banks. The purpose of the study was to analyze different CSR activities carried out by the banks. Some of the activities which they analyzed were rural branch expansion, priority sector lending, environment protection, community welfare, women welfare, farmer's welfare, financial literacy, education, etc. Now, the company's performance is not only judged based on its financial parameters but also on CSR activities initiated by them. They concluded that though Indian Banks are currently continuing with CSR initiatives still there

is a dire need of putting more emphasis on Corporate Social Responsibility. Public sector banks contribute more towards CSR as compared to Private sector banks. RBI needs to be more stringent while enforcing regulatory requirements on these banks.

Dr. M. Ramana Kumar (2013) in his study on CSR (Analysis of select Indian Private and Public sector companies) tried to analyse the CSR activities carried out by Indian Private (Reliance Industries Ltd.) and public sector companies (ONGC) and also study the Indian government policies and programmes of CSR. The study revealed that though the Indian public and private firms are making efforts in the CSR areas, still there is a requirement of more emphasis on CSR. The study found that there is a significant difference in the CSR practices of RIL and ONGC as the CSR budget of ONGC is more than RIL during the year 2009-10, 2010-11, and 2011-12 and average CSR score of ONGC is more than that of RIL during 2009 to 2013.

Brammer, Jackson & Matten (2012) study entitled as —Corporate Social Responsibility and institutional theory: new perspective on private governance in Social economic review depicted that CSR is not only a voluntary action but is beyond that. In this study, CSR has been defined under institutional theory. The institutional theory stated that corporate social activities are not only voluntary activities but are a part of interface between business and society. Regulation/ governance are necessary for enhancing the corporate performance of businesses through CSR. The theory also suggested the form in which companies should take its social responsibilities; whether historical, political or legal form

Nicolae and Sabina (2010) discussed various dimensions and challenges of corporate social responsibility. The focus was on the number of issues relating to CSR and also on how changes in attitudes and reorientation of efforts are required for effective and efficient CSR implementation. They discussed legal, ethical, economic and philanthropic dimensions of CSR. Increased inclination and transparency are needed in a few areas in order to make the CSR concept a hit. The areas are Code of conduct, Standards management, financial reports, audit and reporting (information), Labeling & Socially responsible investment. This behavior can definitely fulfill CSR's objective of Sustainability or Sustainable development.

IMPORTANCE OF THE STUDY

This paper focus on suggesting the government to mandate certain percentage of contribution of CSR to agricultural sector. Agriculture is the backbone of our county, unfortunately most of the population involved in agriculture in modern times are not interested to continue and the family member also don't motivate to continue with the same because of fluctuation of prices of commodity, improper profit share due the existence of middlemen, unaware of the faculties provided by the government, inadequate fund, lack of technological upgradation etc, hence the economic development and healthy humane sustainability also lies upon the development of agriculture, the government can focus to mandate the CSR contribution to protect the interest of agriculturists to ensure healthy environment.

Illustration of few companies contributing for CSR activities in India

Top 3 sectors of CSR contribution in 2023

- Education
- Health
- Rural Poverty

Top 3 companies contributing toward CSR in the 2023

- Reliance Industries Limited (RIL): Ranked first for its broad-ranging CSR initiatives
- SBI Limited: Ranked second for its CSR initiatives
- ITC Limited: Ranked third for its CSR initiatives, which incorporate environmental and social considerations

LEGAL FRAMEWORK OF CSR IN INDIA:

The formal and progressive attempts to formalize responsibilities of firms toward the Indian society and its citizens by the Government of India and to put the CSR issue in a concrete pose was in the issuance of Corporate Social Responsibility Voluntary Guidelines in 2009 by the Ministry of Corporate Affairs. Thereafter successive steps were taken through guidelines on Social, Environmental and Economic Responsibilities of Business. The most ambitious attempt at mandated CSR activities for companies came with the enactment of Section 135 of the Companies Act 2013. It made CSR spending as well as reporting mandatory for the very first time in India and brought the CSR activities of Indian corporate under the purview of corporate law. Specifically, the provisions under Section 135 requires companies with

- Networth of INR 500 crore or
- Turnover of INR 1000 crore or more
- more Net Profit of INR 5 crore or more

(i) to appoint a CSR Committee of at least 3 directors (one independent director), and (ii) under the guidance of the CSR Committee, spend in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. The committee is expected to formulate and recommend CSR policy, as well as oversee the implementation thereof. According to Schedule VII of the Act (see Table 1), the committee also must ensure that CSR activities give preference to the local area and areas around it where it operates. The list of activities in which firms are expected to invest are listed in Table 1

Schedule VII, List of corporate social responsibility activities proposed by government (amended 30 May 2019)

(i)	Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to Swach Bharat Kosh set-up by the Central Government for promotion of sanitation and making available safe drinking water
(ii)	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently-abled and livelihood enhancement project;
(iii)	Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, daycare centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
(iv)	Ensuring environmental sustainability, ecological balance, protection of flora and fauna,

	animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of the river Ganga;
(v)	Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
(vi)	Measures for the benefit of armed forces veterans, war windows and their dependents; [Central Armed Police Forces (CAPE) and Central Para Military Forces (CPMF) veterans, and their dependents including windows];
(vii)	Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic Sports;
(viii)	Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
(ix) - a	Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and
(ix) - b	Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)]
(x)	Rural development projects.
(xi)	Slum area development For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force
(xii)	Disaster management, including relief, rehabilitation and reconstruction activities.

CHALLENGES

1. Lack of community participation in CSR activities: Community participation in corporate social responsibility (CSR) in India faces several challenges including Lack of public awareness,
2. Issues of transparency: There may be a lack of transparency in how CSR programs are implemented, including how funds are used and how the impact of the program is assessed.
3. Non-availability of well-organized non-governmental organization: There is a lack of qualified and effective non-governmental organizations (NGOs) to support CSR initiatives

CONCLUSION

From the above study it is concluded that the Government has introduced CSR because they want corporations to become more responsible for its stakeholders and society at large. Corporations are social entities so they must take care of all stakeholders, it is vital for them to take charge of this responsibility in an efficient way so that all participants of the corporation are fortified. Many large corporations are now taking steps to improve their environmental and social performance throughout the use of volunteer initiatives. The ultimate aim of business is to serve the society without destroying our environmental and community life support system by providing safe, high quality products and services that improve our wellbeing. So, business should clarify and reorient their purpose of business. Organizations in India have been sensible in taking up CSR initiatives and integrating them into their business process. Still there are certain challenges in CSR implementation. This is mainly due to the fact that there is little or no knowledge about CSR within the local communities since no sincere effort has been made to create awareness about CSR. Lack of transparency is another issue which needs focus but effective partnership between corporate, NGOs, communities and the government will place India's social development on a faster track to achieve sustainable development goals for both firms and nations.