

Tracking CSR Contributions in Agriculture

Posted at: 09/11/2024

Tracking CSR Contributions in Agriculture

Background:

- India was the first country to make **Corporate Social Responsibility (CSR)** a legal obligation.
- Under **Section 135 of the Companies Act, 2013**, companies meeting certain financial thresholds are required to spend a portion of their profits on CSR initiatives.
- According to the **National CSR Portal**, companies spent a total of **₹1.84 lakh crore** on CSR activities from **2014 to 2023**.
- With such substantial funding, the question arises: **how can CSR be used effectively to support agriculture**, a sector that plays a vital role in India's economy and employs a large portion of the population?

CSR's Current Contribution to Agriculture

1. Agricultural Employment and Economic Impact:

- Nearly **47% of India's population** is employed in agriculture, which is significantly higher than the global average of 25%.
- **Agriculture contributes 16.73%** to India's GDP, highlighting its importance to the economy.

2. Challenges Facing Agriculture:

- While India's food production has stabilized, the sector faces issues like **degradation of natural resources**, **stagnant farmer incomes**, and **threats from climate change**.

3. Corporate Interest in Agricultural Sustainability:

- Many companies are beginning to prioritize **climate action and sustainability in agriculture** within their CSR budgets.
- A report by a CSR platform noted that **23% of surveyed companies** listed "environment and sustainability" as their main CSR focus.
- CSR contributions have funded initiatives such as **grain banks, farmer schools, livelihood projects, water conservation, and energy-efficient irrigation**.

4. Opportunities for CSR in Sustainable Agriculture:

- As agriculture shifts towards **sustainable and modern practices**, CSR funds could

play a crucial role in providing **capital** and **infrastructure**, which are key needs for the sector today.

The Main Challenge: Tracking CSR Funding in Agriculture

1. Lack of Clear Tracking Mechanisms:

- A major obstacle to maximizing CSR's impact in agriculture is the **lack of precise tracking mechanisms** to measure funds dedicated specifically to agriculture.
- The current CSR reporting system does not distinctly classify **agriculture-focused activities**, making it difficult to assess the actual impact of CSR in this sector.

2. Ambiguity in Reporting Categories:

- CSR activities related to agricultural sustainability may fall under **11 out of the 29 development sectors** defined by **Schedule VII** of the Companies Act, which includes categories like:
 - **Gender equality**
 - **Agroforestry**
 - **Poverty, hunger, and malnutrition**
 - **Environmental sustainability**
 - **Rural development**
- Since these categories cover a broad range of activities, many of which are unrelated to agriculture, it becomes challenging to isolate and track funds specifically allocated for agricultural initiatives.

3. Impact on Sectoral Assessments:

- Without distinct tracking, it's hard to perform **sectoral impact assessments** on agriculture-focused CSR activities, which limits the ability to measure progress and optimize resource allocation.

The Way Forward: Improving CSR Impact in Agriculture

1. Designating Agriculture as a Separate CSR Sector:

- Given agriculture's significance to **India's economy** and its role in sustainable growth, it's crucial to **recognize agriculture as a distinct sector** within CSR activities.
- By doing so, CSR funds could be more accurately directed toward **agriculture-specific needs**, leading to greater transparency and a more focused impact.

2. Enhancing Reporting and Tracking Mechanisms:

- Modifying the **reporting framework** to categorize CSR activities based on sectors receiving funds would streamline resource allocation.
- This approach would allow for **better targeting of funds**, making CSR contributions more meaningful and effective.

3. Aligning CSR Efforts with Agricultural Sustainability Goals:

- Identifying the **key sustainability issues** in agriculture and directing CSR funds

- accordingly would support the **transformation of agroecosystems**.
- CSR funding could help address pressing challenges like **soil health, water conservation, and climate resilience** in agriculture, driving substantial change in rural communities.

Dr. Shivakumar's



AKKA IAS ACADEMY
www.akkaias.com