

## Are CSR contributions to agriculture properly tracked?

How much of an impact does agriculture have on India's GDP? What are the key requirements to improve agricultural sustainability? What hinders CSR's potential with respect to agriculture?

DASARI GIRIDHAR, MANAN BHAN

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### THE GIST

- 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%.
- According to an outlook report prepared by a CSR platform last year, 23% of companies surveyed had "environment and sustainability" as their CSR priority area.
- 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.

### The story so far:

A decade ago, India became the first country to legally mandate Corporate Social Responsibility (CSR). Section 135 of the Companies Act 2013 outlines the rules and regulations governing CSR. According to the National CSR Portal, from 2014 to 2023, ₹1.84 lakh crore of CSR funds were disbursed. With the extent of contributions increasing, a question arises: how can CSR help agriculture?

### 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. According to an outlook report prepared by a CSR platform last year, 23% of companies surveyed had “environment and sustainability” as their CSR priority area. 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.

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.

Transitioning the reporting framework based on sectors receiving funds would also help streamline and better target the available funds, add more meaning to the contributions, and ensure transparency. Likewise, identifying the prevailing sustainability issues vis-à-vis agroecosystems and directing funds according to requirements will help drive tractable changes.

*Dasari Giridhar is a research associate and Manan Bhan is a Fellow in Residence — both at ATREE, Bengaluru.*