

## ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN RURAL DEVELOPMENT: EVIDENCE FROM INDIA

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### **Abstract**

*India is a country of villages where about 65 per cent of the population are living in rural areas. These villages are underdeveloped. There are poverty, unemployment, hunger, illiteracy, ill health, inadequate infrastructure and high mortality in rural areas. CSR is the commitment of companies to contribute to sustainable development and improve the lives of the society. It has been recognized by policy makers and development specialists as a feasible driver for rural development. The paper makes an attempt to address CSR activities and the issues related to rural development in the light of implementation of mandatory CSR. This study is exploratory in nature and was based on the secondary data. The data were collected by using secondary sources, more specifically, document data in the form of studies and surveys. The government initiatives and mandatory CSR spends have made a positive impact and mitigate rural economic challenges. The article addresses CSR activities and the issues related to rural development in the light of implementation of mandatory CSR. The study concluded with the need of the efforts from different levels to improve the overall development of all the stakeholders and the entire rural community.*

**Keywords:** CSR, Rural Development, Government.

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### **1. Introduction**

India is a country of villages where about 65% of the population is living in rural areas. These villages are underdeveloped. There are poverty, unemployment, hunger, illiteracy, ill health, inadequate infrastructure and high mortality in rural areas. Though rural areas have enough resources,

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planning process and investment pattern kept these villages underdeveloped. No doubt, India has that capability to meet the challenges in rural areas. Therefore, it is important to provide adequate and quality social services and minimum basic needs for economic growth and social justice. However, this is not the sole responsibility of the government. There is a need of more participants to be involved in the process of rural development. Corporate Social responsibility is thus consider very important motivating factors for the corporate house to look into rural development that will help them to enhance the image of their business.

By social responsibility we mean that the doctrine that claim that a entity whether it is state, government, corporation, organization or individual has a responsibility towards society at large. Mr. Narayan Murthy was rightly said “Social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, and the community, government and the environment”.

The commission of the European communities (20011) stated that being socially responsible mean not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and the relation with stakeholders.

According to the World Bank, CSR can be broadly defined as “the commitment of the business to contribute to sustainable economic development by working with employees, their families the local community and society at large to improve their quality of life.

The meaning of CSR is twofold, on one hand it tends to exhibits the ethical behavior that an organization exhibits towards its internal and external stakeholders. On the other hand, it denotes the responsibility of the organization towards the environment and society in which it operate.

CSR is thus regarded as a vehicle through which companies give something back to the society and off course it involve providing innovative solutions to the societal and environmental challenges. Therefore, it is necessary to study and understand, how companies are using their CSR initiatives or practices in the contest of rural development.

## Review of Literature:

**Parwez Sazzad, (2013)** explore Corporate Social Responsibility (CSR) practices particularly in the context of rural development. The methodology of the present study relied on the web-based research, review of print literature and visit to the selected sites to witness CSR practice. The paper concludes that social responsibility is regarded as an important business issue of Indian companies irrespective of size, sector, and business goal. Therefore, CSR actions were found positive impacts not only on development of rural community but also in their business. **Mal Dipti, Chauhan Kavita (2014)** has makes an attempt to explore corporate social responsibility (CSR) practices followed by the corporate house and its impact on the Rural Development in India. For this purpose ten public and private companies were selected to study their CSR practices in the contest of rural development. The methodology of the study was relied on the web based research, review of print literature and discussion in the CSR initiatives. Study concluded that social responsibility is regarded as an important part of business houses in India irrespective of size, sector, business goal, location of the company. **Hussain Sharafat (2014)** attempts to explore Corporate Social Responsibility (CSR) initiatives and its impacts on socio economic development of rural areas. Considering rural people as the stakeholders of the company. Methodology opted for the study relied on Internet based research, case studies, previous publications or review of literature. The paper concludes with the benefits of the social responsibility for the rural development of India, its impact on focus areas and the best practices within different industries. **Maniktala Jatin, Punjabi L.C. (2016)** explores CSR initiatives in the reference of rural development specifically and considers the encroachment of CSR actions on the socio-economic development of rural people of India. The methodology of this research is based on secondary data. Six public and private companies were taken to understand the working pattern in context of CSR. This research comprehend that for the advancement of business Indian companies have realized that CSR is very important issue regardless of sector, size and business goal and the actions has shown the affirmative impact on development of rural sector as well as on their business too. **Nippatlapalli Amruth Raj Nair Suja S. (2016)** addresses gaps identified in the literature regarding the implementation of CSR at the social level and the initiatives that influence this implementation.

The study has established that current theorizing fails to provide satisfactory guidance to the topic as the relevant literature suffers from three significant shortcomings. First, there is controversy over the actual spread of CSR practices; second, there is dissent regarding the awareness of beneficiaries on implementing process of CSR in rural areas; and third, there is how CSR is effective on thematic areas of livelihood, education, environment, health and infrastructure. **Mahajan Yogesh D. (2018)** assess the CSR projects of Cybage (Rural Upliftment Vertical) and to gauge the impact of the CSR initiatives under the aegis of Cybage Asha, alongside their gap analysis. This report includes impact analysis and gap analysis of Project Category-Drainage. Villagers are quite satisfied with sanitation project of Cybage. Health and hygiene has improved due to Cybage intervention but water supply in the toilets is still a challenge. They are quite satisfied with construction quality of these projects. But they expect Cybage intervention on a greater magnitude in order to cover majority population of their villages.

No doubt, CSR is emerging as a prominent feature of business philosophy in India. It reflects the impact of business on society in the context of sustainable development. It focuses on responsibility towards all stakeholders- employees, shareholders, suppliers, creditors, government and community. The Companies Act 2013 has made mandatory to Indian companies to contribute to socio-economic activities and for rural development. Today, rural India is suffering from several issues like agriculture, infrastructural development, unemployment, health and other socio-economic issues. The above studies show that though they are related to rural development, the sample size or the data were not providing the clear picture of CSR activities related to rural development. Further, very little attention has been paid on the activities engaged by Indian companies in rural areas. This study tries to understand how companies are using CSR projects and to assess whether these projects will be the game changer for rural development in India.

### **Objectives of the Study**

1. To explore the current status of rural development in India.

2. To examine the CSR projects being carried out by Indian companies for rural development.

### Methodology of the Study

This study is exploratory in nature and based on the secondary data. The data were collected by using secondary sources, more precisely, document data in the form of studies and surveys. These studies and surveys were conducted by various agencies and their CSR reports were available in the public domain. These agencies include the Confederation of Indian Industry (CII) Credit Rating Information Services of India Ltd. (CRISIL). No primary data were collected directly from rural community or stakeholders. For the purpose of reviewing rural development in India, the data published by the Ministry of Rural development were taken into consideration. The findings were based on the analysis of the available data.

### Rural Development: Government Initiatives

Rural development in India is important because India is the nation of the villages. According to 2011 census 68.84% of the population lives in rural parts of India. The rural economy is needed to be made more effective by deploying human resources in constructive job. However, the change is taking place slowly. The share of agriculture in rural employment is 67.9%, while the contribution is less than 18%. The issues like employment, infrastructure, low farm income, health are plaguing rural development. Rural India has been facing the problem of poor roads, poor educational facilities and poor health facilities. Though there is a good planning and implementation, a gap exists between rural and urban areas. There is a need for greater investment to boost better social infrastructure facilities in rural areas.

**Table – 1: Rural and Urban Population in India (%)**

Sr. No.	Year	Rural			Urban		
		Male	Female	Total	Male	Female	Total
1	1981	76	77.3	76.6	24	22.7	23.4
2	1991	73.7	74.9	74.3	26.3	25.1	25.7
3	2001	71.8	72.8	72.2	28.2	27.2	27.8
4	2011	68.61	69.09	68.84	31.39	30.91	31.16

Source: Compiled from National Institute of Rural Development and Panchayati Raj, statistics 2016-17

It is observed from the table -1 that, urbanization is steadily increasing in India. The urban population was increased from 23.4 per cent in 1981 to 31.16 per cent in 2011. On the other hand, the percentage of rural population was decreased from 76.6 per cent to 68.84 per cent in 2011. The table further indicates that, according to 2011 census 31.16 per cent of India's population was inhabited in urban areas.

**Table – 2: Number of States, Districts, Towns and Villages in India**

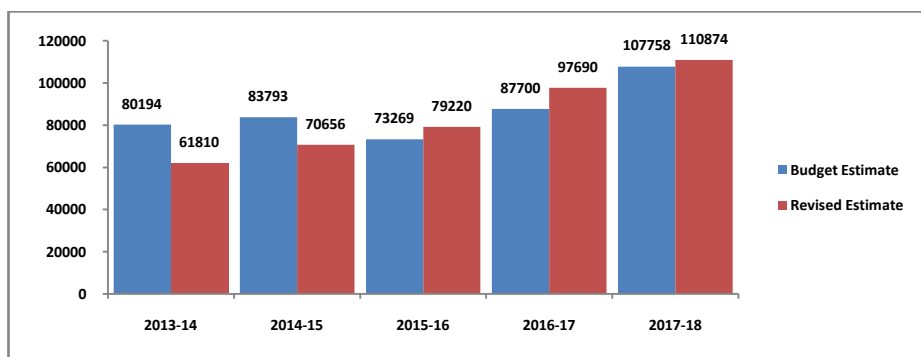
Sr. No.	Particular	2001	2011	Change
1	States/UTs	35	35	-----
2	Districts	593	640	47
3	Sub-Districts	5463	5924	461
4	Towns	5161	7935	2774
5	Statuary Towns	3799	4041	242
6	Census Towns	1362	3894	2532
7	Villages	638588	640867	2279

It is revealed from the table – 2 that, the Government has created new districts in various states, which has been a growing tendency in India. During the ten years from 2001 to 2011, new 47 district, 461 sub-districts were created. There was also an increase in the number of towns during 2011 census. The phenomenal increase in census town from 1362 in 2001 to 3894 in 2011 was also responsible for urbanization. The urbanization process is also very steady in the major states like Maharashtra, Tamil Nadu, Karnataka and Gujarat. The rapid migration from rural to urban is also responsible for this tendency.

**Table – 3: Total Outlay for Ministry of Rural Development**

Sr. No.	Years	Budget Estimate	Revised Estimate
1	2013-14	80194	61810
2	2014-15	83793	70656
3	2015-16	73269	79220
4	2016-17	87700	97690
5	2017-18	107758	110874

Source: Ministry of Rural Development, Government of India New Delhi-2018.

**Figure-1: Total Outlay for Ministry of Rural Development**

The Government of India has been providing the allocation for the development of rural areas. The table shows that there is a continuous increase in the total outlay for rural development. However, there are inequalities in basic amenities between rural and urban areas. Census 2011 data shows that 93% of urban households have electricity; the figure is only 55% for rural households. 81% urban households have latrines while only 31% rural households have access to toilets. Similarly, 71% urban households have access to piped water connections, while only 35% rural households have the same. Because of the inequalities, people are migrating from villages with great speed. They expect good education, electricity, healthcare, internet, entertainment and such quality of life. It is difficult to settle these people in the city. Hence, the government has decided to develop semi urban and rural areas by launching rurban and smart village missions.

Before these missions, the government of India launched smart cities mission in 2015 to transform 100 cities look and function. The purpose was to provide urban residents with an efficient and reliable infrastructure, enhanced quality of life and economic opportunities. The strategic components of an area based development of smart cities mission are city improvement (retrofitting), city renewal (redevelopment) and city extension (green field development) plus pan-city initiative in which smart solutions are applied. After the smart cities mission, the central government launched Shyama Prasad Mukherjee Rurban Mission (SPMRM) to make villages smart and growth centres of the nation. Smart village is an initiative focused on holistic rural development derived from Mahatma Gandhi's vision of Adarsh Gram (Ideal Village) and Swaraj (Self Reliance). Sansad Adarsh Gram Yojana was also launched by the government in which each member of parliament and minister has to adopt a rural village and develop it into a model by 2019.

National Rural Livelihoods Mission, renamed as Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) was launched on 3rd June, 2011. It has a mandate to reach out to 8-10 crore rural poor households spread across 2.5 lakh gram panchayats in the country. The purpose of mobilization of women from poor households was to help them to come together, discuss their issues of poverty and deprivation and improve sustainability livelihood.

### **CSR and Rural Development**

The companies are formed to earn the profits. However, while earning the profits the companies have to contribute socio-economic and environment activities. Most of the companies spend CSR funds on various activities mentioned in Schedule 135 of the Companies Act, 2013. Under this Act, there are strict provisions for companies with more than a specified net profit or net turnover or net worth to mandatorily spend 2% of the profit on CSR activities. The provisions related to CSR came into effect from 1st April, 2014. It was observed from the table that, many companies have scaled up



operations in CSR and are looking at it as a priority. As per the government data, 460 companies spent Rs. 6338 crore on CSR activities in 2014-15.

The total projects undertaken were 1790. According to MCA, Maharashtra was leading with 202 projects followed by Gujarat (111), Tamil Nadu (79) and Karnataka (95). Rajasthan (89), Uttar Pradesh (80), Andhra Pradesh (79), West Bengal (79), Madhya Pradesh (71) and Delhi (65) were the other states in the top ten.

The amount Rs. 1463 crore was spent on promoting education and vocational skills. Eradicating hunger, poverty and healthcare was the next favourite with spending of Rs.1422 crore. Rs. 1189 crore were spent on environment, Rs. 724 crore spent on rural development. The amount spent by companies on major four activities according to survey conducted by CRISIL is shown in Table 4.

**Table – 4; Amount spent by Indian Companies on Major on CSR Activities**

Years	Education		Healthcare		Rural Development		Environment	
	Actual Spend	Share of Total	Actual Spend	Share of Total	Actual Spend	Share of Total	Actual Spend	Share of Total
2014-15	2,250	33%	1875	27%	892	13%	623	9%
2015-16	2,686	32%	2614	31%	1123	13%	564	7%
2016-17	3,261	37%	2263	25%	1153	13%	906	10%
2017-18	3,502	35%	2355	24%	1164	12%	1008	10%

Source: Compiled from survey report of CRISIL, 2018.

The companies have to spend CSR funds on the activities listed in Schedule VII of the Companies Act 2013. However, it was found from all the survey that healthcare, education, rural development and environment these four areas received higher CSR funds in 2014-15 to 2017-18. According to the break-up of the CSR amount spent on these four activities education and healthcare received a significantly higher proportion of spending for four years. So far as the rural development is concerned, rural development activity stood third in ranking of CSR spend. The amount spent on rural development by Indian companies according to surveys, ranges from 10% to 15% of the total CSR spend.

The analysis revealed that still healthcare and education activities are the leading activities of all eligible companies and account more than half of the CSR spending. The statistics pointed out that most of the companies have concentrated on healthcare and education. These two activities always remained the priority sectors for Indian companies followed by rural development and environment. No doubt, healthcare and education are the leading activities in corporate world which ultimately help to develop rural areas.

### **CSR Activities Undertaken for Rural Development**

India's roots are villages and still the country depends on the villages even for basic needs. It is also the fact that rural people are struggling for proper infrastructure, clean water, healthcare facilities and such types of basic necessities. Many companies have been engaged in providing these facilities in rural areas for betterment of rural people through CSR initiatives. India is the only country in the world that has made CSR spending compulsory by law.

Table – 5: CSR Activities Undertaken for Rural Development

Health	Education	Environment	Livelihood	Infrastructure	Social Causes
<ul style="list-style-type: none"> <li>• Pulse polio programme</li> <li>• Free Medical camps</li> <li>• Mobile medical vans/clinics</li> <li>• Blood and organ donation camps</li> <li>• General &amp; multispecialty medical camps</li> <li>• HIV/AIDS, cancer, TB awareness camps</li> <li>• Health awareness</li> <li>• Child health care</li> <li>• Nutrition supplements</li> <li>• Health care centres and hospitals</li> <li>• Safe drinking water,</li> <li>• Sanitation, household toilets, drainage</li> <li>• Community hospitals</li> <li>• Veterinary medical support</li> <li>• Assistance for establishment of hospitals, medical colleges</li> <li>• Promoting healthy lifestyles</li> <li>• Reducing child mortality</li> <li>• Improving maternal health</li> </ul>	<ul style="list-style-type: none"> <li>• Formal and non-formal education</li> <li>• Adult education</li> <li>• Girl child education</li> <li>• Distance education</li> <li>• Digital education</li> <li>• Adoption of schools</li> <li>• Scholarships</li> <li>• Donating sports equipments</li> <li>• Construction of school buildings</li> <li>• Construction of boundary walls, toilets</li> <li>• Provision of uniforms, books, stationery</li> <li>• Computer &amp; laboratory equipments</li> <li>• Business skill capability programme</li> <li>• Provision of drinking water</li> <li>• Reducing the drop out &amp; absenteeism</li> <li>• Promoting technology assisted learning</li> <li>• Promoting higher education</li> <li>• Industrial training</li> <li>• Sponsoring sports events</li> <li>• Support to underprivileged students</li> <li>• Mid day meal</li> </ul>	<ul style="list-style-type: none"> <li>• Plantation drives</li> <li>• Water conservation programmes,</li> <li>• Water conservation project</li> <li>• Organic farming programmes,</li> <li>• Converting wasteland to plantations</li> <li>• Protection of flora and fauna</li> <li>• Better waste management system</li> <li>• Lake rejuvenation project</li> <li>• Multi stakeholder project on water</li> <li>• Mitigating water stress</li> <li>• Promoting water sustainability</li> <li>• Ground water replenishment</li> <li>• Environmental awareness &amp; waste management</li> <li>• Construction of check dam</li> </ul>	<ul style="list-style-type: none"> <li>• Microfinance for women and farmers</li> <li>• Integrated livestock development</li> <li>• Promoting water shed development</li> <li>• Microenterprise development</li> <li>• Integrated agriculture development</li> <li>• Skill development</li> <li>• Vocational/technical/professional training</li> <li>• Promoting enterprise development</li> <li>• Promoting self-help groups</li> <li>• Community improvement</li> <li>• Poverty alleviation programmes</li> <li>• Multi stakeholder programme on Livelihood enhancement</li> </ul>	<ul style="list-style-type: none"> <li>• Construction of roads, bridges</li> <li>• Development of transport facilities</li> <li>• Construction of schools</li> <li>• Construction of community centres</li> <li>• Construction of homes for the homeless</li> <li>• Rural electrification</li> <li>• Irrigation and water storage structures</li> <li>• Promoting use of non-conventional energy</li> </ul>	<ul style="list-style-type: none"> <li>• Dowry-less mass marriages</li> <li>• Social security</li> <li>• Food camps</li> <li>• Culture and sports</li> <li>• Women empowerment through SHGs</li> <li>• Disaster relief programmes</li> <li>• Connecting farmers through internet</li> <li>• Donations for feeding underprivileged children &amp; senior citizens</li> <li>• Subscribing to general social advance</li> <li>• Promoting social business projects</li> </ul>

All the eligible companies spend money on different CSR activities. However, as mentioned above health, education, and rural development were the preferred ones. Most companies have been taking efforts for development of rural areas by creating infrastructure. The companies in India are engaged variety of CSR activities for rural development. These activities were classified into six areas such as health, education, environment, livelihoods, infrastructure and social Causes. Stability of any business depends upon the social, economical and environmental development of local people. This rural development has also helped in overall development of the society. Of course, there is a need to create jobs

for rural community which will help for their economic development. The governments and other authorities have been involved in development of rural areas. However, for well development and empowerment of rural community CSR activities would help in greater ways.

### **Major Findings of the Study**

- The urbanization has steadily increased in India from 23.4 per cent in 1981 to 31.16 per cent in 2011. On the other hand, the percentage of rural population was decreased from 76.6 per cent to 68.84 per cent in 2011.
- The phenomenal increase in census town from 1362 in 2001 to 3894 in 2011 was also responsible for urbanization. The urbanization process is also very steady in the major states like Maharashtra, Tamil Nadu, Karnataka and Gujarat
- There is a continuous increase in the total outlay for rural development. However, there are inequalities in basic amenities between rural and urban areas
- As per the government data, 460 companies spent Rs. 6338 crore on CSR activities in 2014-15.
- The total projects undertaken were 1790. According to MCA, Maharashtra was leading with 202 projects followed by Gujarat (111), Tamil Nadu (79) and Karnataka (95).
- The amount Rs. 1463 crore was spent on promoting education and vocational skills. Eradicating hunger, poverty and healthcare was the next favourite with spending of Rs.1422 crore. Rs. 1189 crore were spent on environment, Rs. 724 crore spent on rural development.
- It was found from all the survey that healthcare, education, rural development and environment these four areas received higher CSR funds in 2014-15 to 2017-18.
- The analysis revealed that still healthcare and education activities are the leading activities of all eligible companies and account more than half of the CSR spending.
- All the eligible companies preferred to spend money on health, education, and rural development.
- The companies in India are engaged CSR activities for rural development classified into six areas such as health, education, environment, livelihoods, infrastructure and social Causes.

- Most companies have been taking efforts for development of rural areas by creating infrastructure.

### **Conclusion and Suggestion**

It is the fact that CSR activities have been taken by Indian companies since long back. However, the government has made mandatory for all companies fulfilling certain criteria should spend 2% of profits on CSR. It was found that most of the companies spend CSR on education and health care followed by rural development and environment. It was found that there were some companies who had undertaken activities related to livelihoods and social causes which include dowry-less mass marriages, social security, women empowerment, disaster relief programmes, food camps, microfinance for women and farmers, livestock development, agriculture development, promoting watershed development, skill development, etc. This means that CSR has become a progressively more spirited field in the Indian corporate world. However, there are quite debates on efforts taken for rural development. Rural community is totally relied upon the income from agriculture. Hence, it is necessary to train the rural youth to develop secondary source of income. Before launching the CSR project the company must survey the area concerned, to take first hand information about the need of the local people so that the involvement of the local people would enhance. Corporate sector through CSR activities should take initiative for putting together the projects under Digital India and Skill India to reach villages. The rural youth needs to be empowered through training under Skill India to start their small business in the villages. Infrastructural facilities such as roads, water, transportation as well as good education, better healthcare, clean water, enhanced security should be made available in rural areas. There is a need to take initiatives to improve the standard of living of rural community. Of course, government has been taking lot of efforts for rural development. However, corporate sector through CSR activities can play significant role in the rural development of India. The companies can build their brands by taking CSR initiatives in rural areas. The issue of rural livelihoods which is multifaceted has always been neglected in India. To get real succeed, rural villagers should be made available all required things. At last, it is concluded that further necessary efforts at all the levels are expected

to strengthen socio economic growth all the stakeholders of the entire rural community.

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