

# Mandatory Corporate Social Responsibility: Impact on Rural Development Sector of Maharashtra

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## Abstract:

More than 60% of India's population lives in rural areas. This population is deprived of many basic facilities such as infrastructure, communication, healthcare, employment opportunities, modern farming techniques, sustainable lifestyle, etc. Government of India implements various schemes for rural development. However, it becomes difficult for the government to implement schemes effectively due to lack of resources. Corporate India, being an important part of the society is expected to contribute in rural development through CSR activities. In 2014 CSR was made mandatory for large profit making organisations. One of the key areas of CSR activities was rural development. Since 2014 Maharashtra has been the highest beneficiary of the CSR spending. This paper attempts to study the impact of CSR activities in rural Maharashtra. A district wise study on CSR spending has been done keeping in mind the Human Development Index (HDI) of each district as well their component of the rural population. It is concluded that the CSR spending policies need to be refined in order to implement effective rural development.

**Keywords:** Corporate Social Responsibility, Rural Development, Human Development Index.

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## 1. INTRODUCTION

Mahatma Gandhi once said, "India lives in its villages". Indian population can reap the benefits of economic growth and development only if it reaches the people living in rural areas of India. Rural development means improvement in the economy, socio-cultural conditions and sustainable lifestyle of small towns and villages classified as rural areas. Approximately 60% of Indian population lives in rural areas which are plagued by a plethora of problems. These include lack of electricity, illiteracy, primitive farming methods, poverty, unemployment, lack of access to healthcare, etc. Multiple schemes and projects have been introduced by the government for development of rural India (JNCSR Times, 2017). However, considering the sheer size of rural population it becomes difficult for the government to provide sufficient funds for effective implementation of rural development projects. Government of India, therefore, encourages

the participation of private agencies in the rural development initiative. As per the amended Companies Act 2013, eligible Indian corporates are required to mandatorily spend 2% of their profits as Corporate Social Responsibility (CSR). Proper channelisation of these funds may prove to be a game changer for rural development of India. During the period of 2014 to 2018, Maharashtra has been the highest beneficiary of CSR funds. Average amount of CSR funds spent in Maharashtra in last four years was about Rs. 1487 Crores per year (CSR Portal, 2019). This paper attempts to study the pattern of CSR spending in Maharashtra with respect to channelisation of funds to rural areas, types of projects implemented, areas of spending and its impact.

## 2.0 LITERATURE REVIEW

Patel and Pandya in their research paper have identified some of the problems pertaining to rural India. These are in the areas of lack of infrastructure,

communication facilities, quality healthcare, crippling poverty and unhygienic living conditions in households. Their paper advocates social investment by organisations for development of rural areas. They conclude that a properly guided investment policy under the new law of mandatory CSR can be used for development of rural India (Patel & Pandya, 2014). Parekh and Tenneti in their study have identified additional areas of concern such as; conservation of environment and natural resources, degrading soil fertility, drinking water and irrigation and overall quality of life. They have also identified a proper way of implementing CSR activities in rural areas. They have suggested to focus on creating local capacities rather than adopting villages, provide a boost to government services and work on small but effective projects (Parekh & Tenneti, 2018). In one of the studies on CSR the authors (Borhade & Wakhare, 2018) concluded that most of the CSR spending is in the areas of improving access to education and enhancing healthcare facilities. In context of rural development, companies have spent funds on social welfare projects in rural areas. Poonam has studied some projects undertaken by a few public and private sector firms for developing rural areas. She concludes that CSR activities provide an opportunity to demonstrate corporate ethics & values, differentiation, and employer branding as well as good governance practices (Poonam, 2016).

### 3.0 RESEARCH GAPS

A lot of literature is available on the concept of CSR and the new law of mandatory CSR. Many survey agencies and data portals provide raw data of CSR activities conducted after the implementation of new law. However, no particular study has aimed to assess the pattern of the flow of funds to different development sectors as identified by the law. No significant research has been conducted on the CSR activities in rural development sector of Maharashtra. Maharashtra is particularly significant since it has got the highest share of CSR spending by corporates since 2014. No attempt has been made to

check if there existed any logic in selection of CSR projects and areas of implementation by corporates. Factors such as Human Development Index (HDI) and scale of rural population have not been researched with respect to CSR spending pattern of corporates.

### 4.0 OBJECTIVES & METHODOLOGY

1.To identify the key problem areas in rural Maharashtra.

2.To study the district wise pattern of CSR spending in Maharashtra.

3.To assess if there is any association between the rural population of districts and the CSR spending of rural development in those districts.

4.To study the association of Human Development Index of a district and CSR spending.

The research paper is descriptive in nature and the data collected is mostly secondary in nature. Problems of rural Maharashtra have been identified from the various literatures that have been reviewed. Figures from 2011 census have been used to identify the rural population of every district in Maharashtra. District wise HDI data has been collected from the United Nations Development Programme (UNDP) report on Maharashtra. The data of CSR spending has been retrieved from the CSR portal of the Government of India. The data was tabulated in MS Excel software and Correlation test of significance has been used to test the hypotheses.

### 5.0 HYPOTHESES OF THE STUDY

1.H<sub>0</sub>: There is no association between HDI and CSR spending.

2.H<sub>0</sub>: There is no association between Rural Population of a district and CSR spending.

### 6.0 DATA ANALYSIS & DISCUSSION

According to 2011 ranking of states based on values of Human Development Index, Maharashtra stands at 7<sup>th</sup> position amongst all states with a HDI score of 0.752. If we look at the data of district wise HDI values, it is observed that 28 out of 35 districts have a HDI less than 0.752. Lowest HDI value is 0.604 of

Nandurbar district and highest HDI value is 0.841 of Mumbai district (YASHADA, 2012).

Average amount of CSR funds spent in Maharashtra over last four years was approximately Rs. 1846.38 Cr. However, an analysis of district wise CSR spending reveals that a miniscule 5.79% of the total spending is done on rural development activities (CSR Portal, 2019). This amount is grossly insufficient to counter the rural distress.

Data on Human Development Index of districts was juxtaposed to the CSR spending on rural development of those districts. It was hypothesised that **“There is no association between HDI and CSR spending”**.

Correlation significance test was employed to test the hypothesis. The results obtained were as below:

<i>Regression Statistics</i>					
Multiple R			<b>0.307777</b>		
R Square			0.094727		
Adjusted R Square			0.067294		
Standard Error			6.099045		
Observations			35		

  

<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	128.4486	128.4486	3.453072	<b>0.072074331</b>
Residual	33	1227.546	37.19835		
Total	34	1355.994			

  

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-20.17466665	12.89217622	-1.564876737	0.127152075
HDI 2011	33.35075746	17.9474555	1.858244332	<b>0.072074331</b>

Based on the criteria of P-value > 0.05 (Level of Significance) the null hypothesis was not rejected. The value of R (0.30) showed a weak and insignificant positive correlation between HDI and CSR spending. The result is contrary to a common belief that districts with lower HDI should receive more CSR funds for rural development i.e. there should be a negative correlation between the two variables. However, that is not the case as observed in Maharashtra.

Second hypothesis states that **“There is no association between Rural Population of a district and CSR spending”**. Population data of 2011 census was used to obtain district wise rural population figures. These figures were matched with CSR spending in the district. The result of hypothesis testing was as below:

<i>Regression Statistics</i>	
	<b>0.2</b>
	<b>84</b>
	<b>22</b>
	<b>23</b>
Multiple R	<b>89</b>
	0.0
R Square	80

	78
	23
	66
	0.0
	52
	92
	72
Adjusted R Square	87
	6.1
	45
	83
	83
Standard Error	13
Observations	35

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	109.5404258	109.5404258	2.900094595	<b>0.097976826</b>
Residual	33	1246.453843	37.77132857		
Total	34	1355.994269			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.234704744	2.287534084	0.102601638	0.918900099
Rural Population	1.97342E-06	1.15881E-06	1.702966411	<b>0.097976826</b>

Correlation significance test shows P-value > 0.05 (Level of Significance) and hence the null hypothesis was not rejected. The value of R (0.28) shows a weak and insignificant negative association (sign of R is the sign of coefficient) between rural population of a district and CSR spending. One would expect CSR spending on rural development to be more in a district where rural population is higher. However, that is not observed in Maharashtra.

## VII. CONCLUSION

A study of Maharashtra's Human Development report (YASHADA, 2012) suggests that problems of rural Maharashtra are not very distinct from the problems in other rural parts of India. The report identifies growth, equity, inclusion, healthcare, nutrition, education, unemployment, primitiveness, housing, water and sanitation as the key problem areas. The study reveals huge disparity in the HDI of districts of Maharashtra particularly the rural areas. CSR can be a game changer in rural development. However, only a minute amount of CSR funds are being spent on rural development. Factors such as

HDI and rural population of an area are being ignored by the corporates while implementing CSR projects. Government should step in and take corrective action to ensure flow of funds to needy areas. A refinement of the CSR law and working together with corporates and NGOs will help the government in effectively implementing rural development initiative. It will also ensure efficient use of CSR funds for rural development.

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