

CSR and Rural Governance: A Collaborative Approach

This article explores the intersection of CSR and rural governance, highlighting the importance of a collaborative approach between corporations, the government, and rural communities. It delves into the framework provided by the Companies Act, 2013 and rules made thereunder, the challenges and opportunities in rural governance, and how businesses can contribute to improving governance structures in rural India through CSR initiatives.



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INTRODUCTION

Corporate Social Responsibility (CSR) has become an integral part of business strategy in India, especially after the introduction of mandatory CSR provisions under the Companies Act, 2013. In India, CSR is increasingly being seen as a vital tool for addressing societal challenges, including issues in rural governance. Rural areas often face significant challenges related to poverty, infrastructure, healthcare, education, and governance. In this context, CSR initiatives can play a crucial role in fostering sustainable development in rural communities.

This article explores the intersection of CSR and rural governance, highlighting the importance of a collaborative approach between corporations, the government, and rural communities. It delves into the framework provided by the Companies Act, 2013 and rules made thereunder, the challenges and opportunities in rural governance, and how businesses can contribute to improving governance structures in rural India through CSR initiatives.

UNDERSTANDING CSR: A BRIEF OVERVIEW

CSR refers to the responsibility of businesses to contribute positively to the society and environment in which they operate. The concept of CSR in India evolved over time, with the Companies Act, 2013 marking a significant step forward in making CSR mandatory for certain companies.

CSR UNDER THE COMPANIES ACT, 2013

The Companies Act, 2013, introduced Section 135, which requires companies meeting specific criteria to spend at least 2% of their average net profits from the last three financial years on CSR activities. This provision applies to companies with:

- A net worth of ₹500 crores or more; or
- A turnover of ₹1000 crores or more; or
- A net profit of ₹5 crores or more;

These companies are expected to engage in activities that benefit society in areas such as education, healthcare, poverty alleviation, environmental sustainability, and rural development.

OBJECTIVES OF THE STUDY

- To study the role of Corporate Social Responsibility (CSR) in strengthening rural governance.
- To study the utilization of CSR funds in rural development activities.
- To explore the contribution of CSR initiatives toward enhancing transparency, accountability, and participatory governance at the grassroots level.
- To identify trends and patterns in CSR spending related to rural development over the past few years.
- To highlight best practices and successful models of CSR interventions in rural governance.

METHODOLOGY

This study is primarily based on secondary data. Information has been collected from various credible sources including government websites (such as the www.csr.gov.in), online journals, magazine articles, and CSR annual reports available in the public domain.

Statistical data related to CSR fund utilization has been drawn from authentic government and corporate reports.

RURAL GOVERNANCE: CHALLENGES AND IMPORTANCE

Rural governance refers to the structures and processes by which decisions are made in rural areas. Effective implementation of rural governance is essential for improving the quality of life in rural communities which is often affected due to:

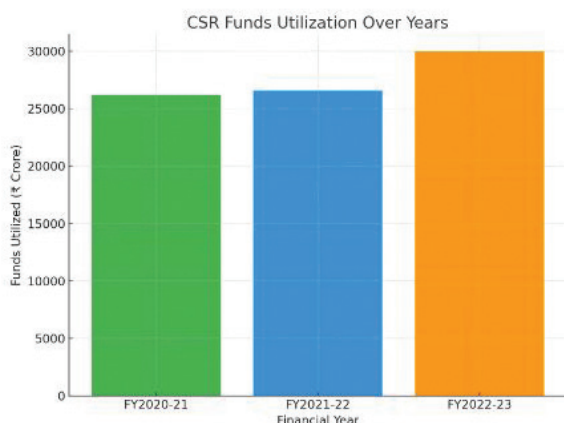
- **Lack of Infrastructure:** Many rural areas struggle with inadequate infrastructure, including roads, electricity, water supply, and sanitation.
- **Poverty and Unemployment:** Rural areas often experience high poverty rates and limited job opportunities, making economic stability a challenge.
- **Education and Healthcare:** Access to quality education and healthcare remains a significant issue in many rural regions.
- **Governance Challenges:** Inefficiency, corruption, and lack of transparency in rural governance can hamper development efforts.

Given these challenges, CSR initiatives can play a crucial role in bridging the gaps and enhancing rural governance.

Corporate Social Responsibility (CSR) spending in India has seen significant growth over recent years, with substantial allocations directed toward rural development. Below are the statistical figures for CSR expenditures on rural development in the three financial years:

1. Total CSR Expenditure

- **FY2020-21:** ₹26,210.95 crore
- **FY2021-22:** ₹26,579.78 crore
- **FY2022-23:** ₹29,986.92 crore



2. CSR Expenditure on Rural Development

While specific annual figures for rural development are limited, available data indicates:

- **FY2020-21:** ₹1,850.71 crore was spent on rural development projects.
- **FY2021-22:** ₹1,832.82 crore was spent on rural development projects.

- **FY2022-23:** ₹2005.37 crore was spent on rural development projects.

It should be noted that rural development consistently received a significant portion of CSR funds.

3. Regional Allocation

CSR spending has been majorly concentrated in certain states:

- **Top Recipients:** Maharashtra, Karnataka, Gujarat, Andhra Pradesh, and Tamil Nadu have collectively received around 33% of total CSR funds over the past seven financial years.
- **Backward Districts:** In FY2020-21, companies spent over ₹507 crore in 84 backward districts identified by NITI Aayog, up from nearly ₹332 crore in 82 aspirational districts in FY2019-20.

These figures highlight the growing commitment of Indian corporates to CSR initiatives, with a notable focus on rural development, education, and healthcare.

THE ROLE OF CSR IN RURAL GOVERNANCE

CSR can complement rural governance by providing resources, expertise, and innovative solutions to rural development challenges. Here's how CSR can contribute to rural governance:



1. Infrastructure Development

Rural areas often lack essential infrastructure, which hinders economic and social development. CSR initiatives by corporations can help to build critical infrastructure such as:

- **Roads and Transport Systems:** Corporations can partner with the government to develop transportation networks that connect rural areas to urban centers.
- **Water and Sanitation:** Many companies invest in water purification systems, sanitation facilities, and rural electrification projects to improve living conditions.

2. Education and Skill Development

Education is a key area where CSR can make a significant impact. Many rural communities lack access to quality education, which limits future opportunities for the youth. CSR programs focusing on:

- **School Infrastructure:** Improving schools, providing teaching materials, and offering scholarships.
- **Vocational Training and Skill Development:** CSR programs that focus on skill development can create job opportunities for rural youth, helping them transition into the workforce.

Rural governance refers to the systems, institutions, and processes through which decisions are made and implemented for the development and well-being of rural communities. It includes participation from Panchayati Raj Institutions (PRIs), local government bodies, community-based organizations, civil society, and government departments at various levels.

3. Healthcare and Well-being

Rural healthcare systems are often underfunded, leading to poor access to medical care. CSR initiatives can **Build Healthcare Infrastructure**. Corporations can fund the construction of primary health centres, mobile health clinics, or hospitals. Under **Medical Outreach and Awareness**, many companies organize medical camps, awareness programs on hygiene, maternal health, and disease prevention.

4. Livelihood Support

Rural communities often rely on agriculture as their primary livelihood. CSR programs that focus on:

- **Agricultural Innovation:** Introducing sustainable farming techniques, providing access to better seeds, and improving irrigation systems.
- **Support for Rural Entrepreneurship:** Providing training, resources, and financial support to rural entrepreneurs can help diversify incomes and reduce dependence on agriculture alone.

COLLABORATIVE APPROACHES TO CSR AND RURAL GOVERNANCE

A truly effective approach to CSR in rural areas requires collaboration between corporations, the government, and local communities. Here are a few ways in which this collaboration can be fostered:

1. Public-Private Partnerships (PPP)

PPP models are essential for combining the strengths of both the public and private sectors. For example, a corporation could partner with local government bodies to build a rural hospital or provide clean drinking water to a village. These partnerships ensure that CSR efforts are aligned with local governance structures and have a sustainable impact.

2. Engaging Local Communities

Successful CSR initiatives require the active involvement of local communities. Corporations should collaborate with local governance bodies such as Panchayats to identify the needs of rural communities and design projects that address these needs. Local participation ensures that the projects are relevant, culturally appropriate, and sustainable.

3. Transparency and Accountability

For CSR initiatives to be effective, there must be transparency and accountability. Companies should ensure that their CSR programs are regularly monitored and evaluated. Additionally, local governance bodies should track the progress of CSR-funded projects.

ROLE OF THE COMPANY SECRETARY IN CSR AND RURAL GOVERNANCE

In the context of CSR and rural governance, the **Company Secretary (CS)** plays a vital role in ensuring compliance with the legal framework, facilitating transparency, and ensuring that CSR initiatives are implemented effectively and aligned with the company's objectives. The CS ensures that CSR activities not only meet the regulatory requirements of the Companies Act, 2013 but also deliver sustainable outcomes for the rural communities involved. Here's how the CS can contribute:

• Ensuring Legal Compliance

Under the Companies Act, 2013, the CSR framework is clearly defined. Companies falling under the criteria of Section 135 are required to spend a minimum of 2% of their average net profits over the last three financial years on CSR activities. The CS has a key responsibility in ensuring that the company complies with these requirements.

- **Reporting to the Board:** The CS ensures that the CSR committee is in place, prepares reports on CSR expenditure, and presents them to the Board of Directors. The CS also ensures that CSR activities are included in the company's annual reports, as required by law.
- **Monitoring CSR Spending:** The CS ensures that the CSR funds are allocated and spent as per the approved CSR policy. They maintain transparency by monitoring the expenditure and ensuring that the funds are utilized for the intended social and rural development purposes.
- **Facilitating CSR Strategy Development**

The CS plays a strategic role in shaping the company's CSR initiatives. They work closely with the management and the CSR committee to align the company's CSR activities with its values and business objectives. In the context of rural governance, the CS ensures that the company's CSR initiatives are tailored to address the specific needs of rural communities.

- **Identifying CSR Projects:** The CS helps in identifying and proposing CSR projects that can have a direct impact on rural governance, such as those focused on education, healthcare, infrastructure development, and livelihood enhancement.
- **Stakeholder Engagement:** The CS ensures that the company engages with relevant stakeholders, including local authorities, Panchayats (local government bodies), community leaders, and beneficiaries, to design and implement CSR initiatives effectively.
- **Coordinating with Government and Regulatory Authorities**

A CS acts as a liaison between the company and various regulatory authorities, including government agencies. In the case of rural development projects, CSR initiatives may require approval, funding, or collaboration with governmental bodies.

- **Government Liaison:** The CS coordinates with government departments and local authorities to ensure that CSR projects are aligned with government policies and initiatives aimed at rural development.
- **Compliance with Rural Governance Policies:** The CS ensures that the company's CSR activities complement and enhance rural governance initiatives, thus promoting effective governance and transparency in rural areas.
- **Documentation and Disclosure:** The CS ensures that all CSR activities are properly documented and disclosed in the company's annual reports, as required under the Companies Act, 2013. This includes providing detailed

reports on the CSR committee's activities, the areas of CSR expenditure, and the impact of the initiatives.

- **Audit and Evaluation:** The CS may also be involved in organizing audits and evaluations of CSR projects, ensuring that funds are being used effectively and that the projects are meeting their objectives. Regular evaluations help to identify areas for improvement and ensure that the CSR activities remain aligned with the company's rural development goals.
- **Advising on CSR Policy and Governance Framework**

The CS advises the Board on the CSR policy and ensures that it is effectively implemented. In the case of rural governance, the CS plays an important role in ensuring that the policy reflects the company's commitment to rural development and aligns with the company's broader social and environmental goals.

- **Designing CSR Policies:** The CS helps in design CSR policies that are not only compliant with legal requirements but also strategically impactful. This may include identifying priority areas for CSR, particularly in rural development, such as agricultural innovation, infrastructure, or healthcare initiatives.
- **Reporting and Strategic Guidance:** The CS provides strategic guidance to the board on CSR, helping them understand the long-term impact of CSR initiatives on rural governance. They ensure that the board receives timely updates on CSR progress, enabling informed decision-making.

WHAT IS RURAL GOVERNANCE?

Rural governance refers to the systems, institutions, and processes through which decisions are made and implemented for the development and well-being of rural communities. It includes participation from **Panchayati Raj Institutions (PRIs)**, **local government bodies**, **community-based organizations**, **civil society**, and **government departments** at various levels.





KEY COMPONENTS OF RURAL GOVERNANCE

- Decentralization & Local Self-Governance**
 - Implementation of the Constitution (73rd Amendment) Act, 1992 empowered PRIs with more authority in planning and development.
 - Strengthening **Gram Panchayats**, **Gram Sabhas**, and **Village Committees** to make decisions closer to the grassroots level.
- Transparency and Accountability**
 - Ensuring public access to records and use of funds.
 - Social audits, e-governance tools, and grievance redressal mechanisms.
- People's Participation**
 - Involving citizens in planning, execution, and monitoring of rural schemes.
 - Encouraging representation of women and marginalized groups.
- Convergence of Schemes**
 - Coordinated efforts of central, state, and local bodies for better resource utilization.
 - Example: MGNREGA, PMAY-Gramin, and Swachh Bharat Abhiyan.

HOW CSR CAN STRENGTHEN RURAL GOVERNANCE

- Capacity Building of Local Institutions**
 - Training Panchayat members in budgeting, monitoring, and planning.
 - CSR can fund workshops and exposure visits.
- Digitalization & Technology Integration**
 - Support for digital tools and e-governance platforms in rural areas.
 - Example, developing MIS systems or mobile apps for village data.

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- Infrastructure & Service Delivery**
 - CSR initiatives can complement government schemes in health, education, and sanitation.
 - Examples: Setting up water supply systems, solar street lights, smart classrooms.
- Institutional Support**
 - Funding for local governance innovation labs, rural think-tanks, or third-party monitoring.
- Social Capital Enhancement**
 - Encouraging SHGs, cooperatives, and village-level federations through training and micro-financing.

CASE EXAMPLE OF A LEADING STEEL MANUFACTURER CSR INITIATIVE

The Company works with Panchayats for planning and implementing water management, health, and education programs.

Governance Impact:

- Capacity-building sessions for local leaders.
- Improved service delivery through Gram Sabha involvement.
- Increased transparency in fund usage.

CSR CAMPS IN RURAL AREAS: OVERVIEW

CSR Camps are on-ground, short-to-medium-term initiatives organised by companies under their Corporate Social Responsibility mandate. These are aimed at providing immediate services, building awareness, and engaging communities at the grassroots level — often in alignment with Schedule VII of the Companies Act, 2013.

1. Types of CSR Camps

a) Health Camps

- General health check-ups, eye camps, dental screening, maternal & child health services.
- Often held in partnership with local PHCs or NGOs.

b) Sanitation & Hygiene Camps

- Awareness drives on handwashing, menstrual hygiene, waste management.
- Distribution of hygiene kits and demonstration of eco-friendly toilets.

c) Education & Digital Literacy Camps

- Remedial classes, school enrolment drives, teacher training workshops.
- Introduction to digital tools, basic coding, and internet safety for rural youth.



d) Agriculture & Livelihood Camps

- Training farmers on organic farming, crop rotation, water conservation.
- Skill development and vocational training for women and youth.

e) Environment & Sustainability Camps

- Tree plantation drives, awareness on renewable energy, plastic-free villages.
- Promotion of solar lighting and clean cookstoves.

f) Governance & Legal Awareness Camps

- Sessions on citizen rights, social entitlements, grievance redressal.
- Promoting participation in Gram Sabhas and panchayat-level decisions.

CSR CAMPS & RURAL GOVERNANCE: THE LINK

CSR camps serve as interactive platforms that:

- Strengthen citizen engagement with local institutions.
- Build trust between corporates and communities.
- Facilitate participatory planning and social accountability.
- Provide real-time feedback for future CSR projects.

They also act as entry points for long-term rural development programs by helping identify needs directly from the ground.

CONCLUSION

The collaboration between **CSR** and **rural governance** is more than a financial partnership—it is a structural realignment toward participatory and accountable development. As rural India aspires for inclusive growth, the focus must shift from mere delivery of services to **empowering local institutions** through **transparency**, **accountability**, and **community ownership**.

This is where **grassroots governance** becomes critical. Panchayati Raj Institutions (PRIs), self-help groups, and local development committees are not just administrative nodes; they are **democratic platforms** where people's voices can guide policy and implementation. When CSR initiatives align with these local mechanisms, they don't just deliver development—they **amplify governance**.

By strengthening data systems, encouraging social audits, and ensuring participatory planning, CSR can become a **catalyst for grassroots transparency**. It opens new opportunities for innovation in rural governance—digitized monitoring, capacity building, decentralized project ownership, and localized accountability structures. These efforts together enhance trust, reduce leakages, and build responsive governance systems that truly reflect local aspirations.

In essence, **CSR becomes a bridge**—linking corporate responsibility with community leadership, and private capital with public accountability. It expands the governance ecosystem by bringing in new actors and perspectives, all grounded in local realities. The path forward lies in **institutionalizing this collaboration**, ensuring that every rupee spent is not just tracked, but transformed.

Thus, the future of rural development lies in a **governance model that is transparent at the grassroots**, accountable to the people it serves, and open to partnerships that respect local wisdom and scale impact sustainably.

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