

# Exploring the Private Sector Investment Context in the Eastern Gangetic Plains

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Australian Government  
Australian Centre for  
International Agricultural Research

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# Executive Summary

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# ■ Executive Summary

- The ACIAR SDIP Program has been implemented in the Eastern Gangetic Plains (EGP) since 2014, with a focus on Bihar and West Bengal in India.
- The program has been successful in implementing Conservation Agriculture based Sustainable Intensification (CASI) initiatives with over 100,000 farming households. With this to build from, the program is now looking for new partnerships to scale the program in the EGP.
- The Government of India and State Governments are designing COVID recovery programs for the agricultural sector. This will take 6 - 8 months to develop and initiate implementation.
- The EGP states of West Bengal, Uttar Pradesh and Bihar rank 23, 32 and 33 for National State Domestic Product at the country level.
- All three states contributed less than 13% towards the national business output.
- EGP states, especially Uttar Pradesh and Bihar, do not rank high on Gross Domestic Product growth prospects or the ability to attract funding.



# ■ Executive Summary...

- COVID-19 has had a major impact on CSR funding available for new programs:
  - Reduction in existing budgets as 15-35 % of CSR fund allocations for the financial year 20-21 has been spent on COVID responses. Funding for new projects is severely impacted.
  - Reduction in business activity will have an impact on business profitability in the financial year 21-22, thus reducing CSR fund allocations in the next financial year as well.
  - It is projected that full recovery of the agricultural sector will take up to 2023.
  - Agriculture being the primary sector will impact secondary manufacturing and the tertiary service sector as well.
  - The reverse migration of domestic labourers post-COVID is impacting agricultural productivity in the north, west, and south, regions that were migrant labour dependent. This has also meant increasing labour surplus in the eastern part of the country.





# Background

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# ■ ACIAR SDIP Program

The ACIAR SDIP program aims to maximise agriculture's contribution to sustainable food systems in the Eastern Gangetic Plains. This includes the following activities:

- Promote sustainable farming technologies based on conservation agriculture (Conservation Agriculture Based Sustainable Interventions) that reduce water, energy, and emissions;
- Identify effective institutional arrangements for agricultural development;
- Explore biophysical and socioeconomic constraints and impacts of change in agricultural systems; and
- Synthesise the wider context of water and energy within the food system.

More information is available at [www.aciarsdip.com](http://www.aciarsdip.com)



# ■ Progress to Date

- The program has built a deep understanding of the biophysical and socioeconomic settings for sustainable production in the EGP, including the major drivers of the food system
- Work is being undertaken to identify, measure and showcase effective institutions that help farmers access supporting services conducive for farming system change
- Opportunities have been created for regional engagement around elements of the food system.
- Over last the five years
  - More than 100,000 farming households are using new farming practices
  - Additional Australian Dollar \$37.6 million increase in farm-level profits
  - 31,365 t.CO2-e mitigated
  - 33,017 ML water saved





# ■ Imperatives for the Current Study

- Build an understanding of the funding and corporate environment in the EGP
- Explore other stakeholders and funding sources relevant in the EGP, including corporate, government and development
- Identify the priorities of these stakeholders in sustainable agriculture in the EGP
- Identify avenues for collaboration





# Approach

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# ■ Research Methodology

This was a desk-based research study.

- Primary information was collected via telephone and Zoom interviews, due to COVID-19 related lockdowns announced by the Government of India from 22<sup>nd</sup> March – 1<sup>st</sup> June
- Secondary information was collected via annual reports and other grey literature referred to by the respondents.



# ■ Identification of Specific Stakeholders

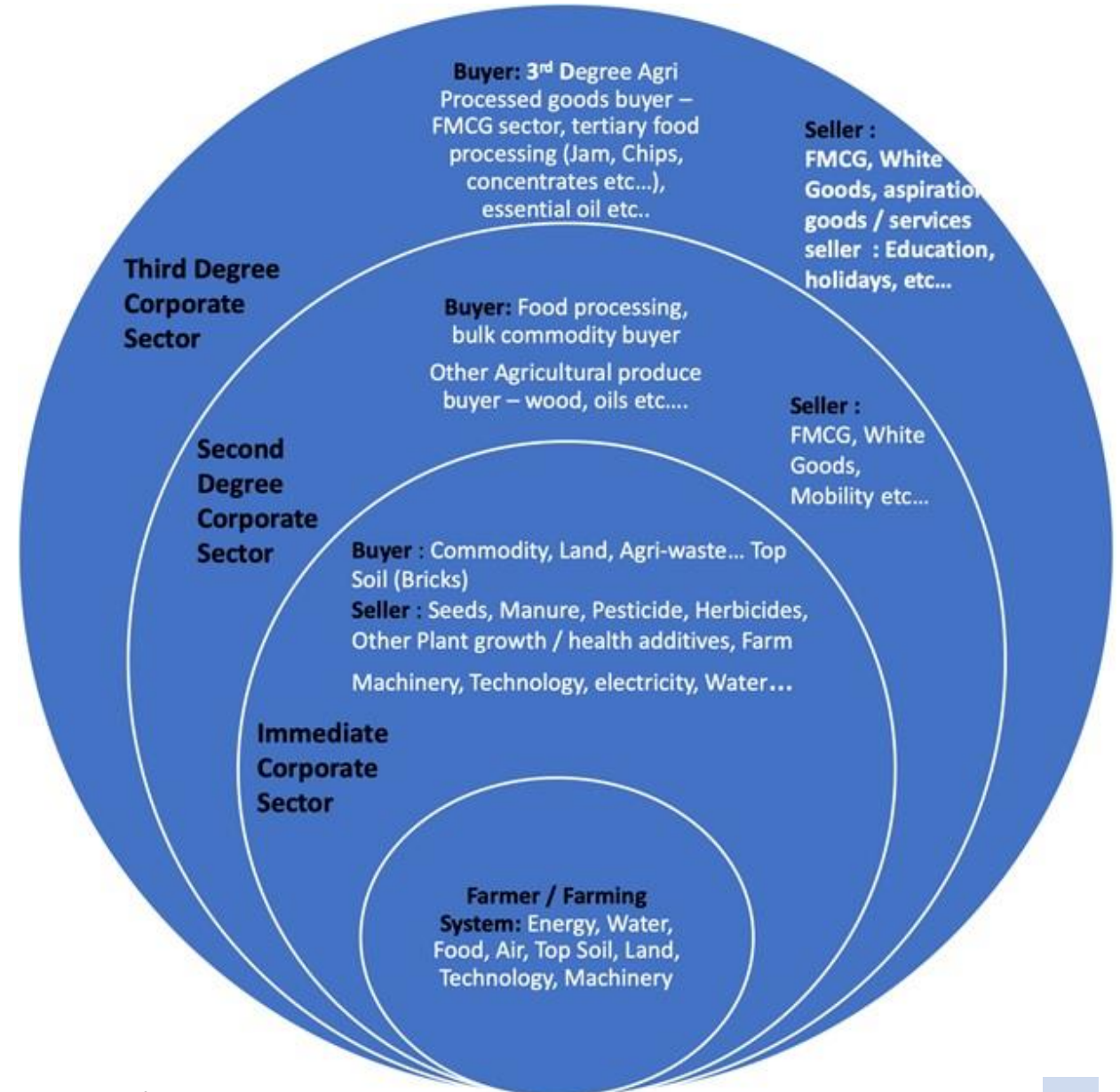
Selection criteria for identification of stakeholders

- Have a stake in the agricultural sector
- Have a Corporate Social Responsibility (CSR) program in the agricultural sector
- Have a business link to the agricultural sector - buying or selling
- A government agency or program focused on agriculture produce or inputs – pan India and/or focused in EGP
- A civil society organization with active programs and collaborations with farmers and the agricultural sector

*List of organizations interviewed is available in Annex II*



# ■ Identification of Private Sector Stakeholders



# ■ Identification of Specific Stakeholders in the Government Sector

- Government organizations specific to sustainable agriculture in specific states
- JEEVIKA Program (Bihar Government Rural Livelihood program)
- Public sector organizations with a stake in sustainable agriculture across the country
- National Bank for Agriculture and Rural Development (NABARD)
- Indian Farmers Fertiliser Pvt. Ltd. (IFFCO)



# EGP: Economic vibrancy and share of CSR funds



# Net State Domestic Product for Various States of India

Rank	State/Union Territory	NSDP/Capita (2018-2019)
-	INDIA	₹ 1,26,406
1	Goa	₹ 4,58,304
2	Delhi	₹ 3,65,529
7	Karnataka	₹ 2,10,887
8	Telangana	₹ 2,04,488
9	Kerala	₹ 2,04,105
11	Gujarat	₹ 1,97,447
12	Tamil Nadu	₹ 1,93,750
13	Maharashtra	₹ 1,91,736
18	Andhra Pradesh	₹ 1,51,173
23	West Bengal	₹ 1,09,491
32	Uttar Pradesh	₹ 66,512
33	Bihar	₹ 43,822

\* Net state domestic product (NSDP) is the state counterpart to a country's Net State Domestic Product (NDP), which equals the Gross Domestic Product (GDP) minus depreciation on a country's capital goods.

[https://en.wikipedia.org/wiki/List\\_of\\_Indian\\_states\\_and\\_union\\_territories\\_by\\_GDP\\_per\\_capita](https://en.wikipedia.org/wiki/List_of_Indian_states_and_union_territories_by_GDP_per_capita)





# Percentage of Business Contribution towards National Business Output

Rank	State	Percentage business contribution towards national business output
1	Tamil Nadu	14.27
2	Maharashtra	13.72
3	Gujarat	9.06
4	Andhra Pradesh	8.86
5	Uttar Pradesh	8.43
8	Karnataka	5.41
9	Delhi	4.38
11	West Bengal	3
12	Kerala	2.49
14	Telangana	2.43
17	Bihar	1.2
30	Goa	0.11

<https://www.mcxindia.com/market-operations/trading-surveillance/TS-reports/statewise-business-contribution>



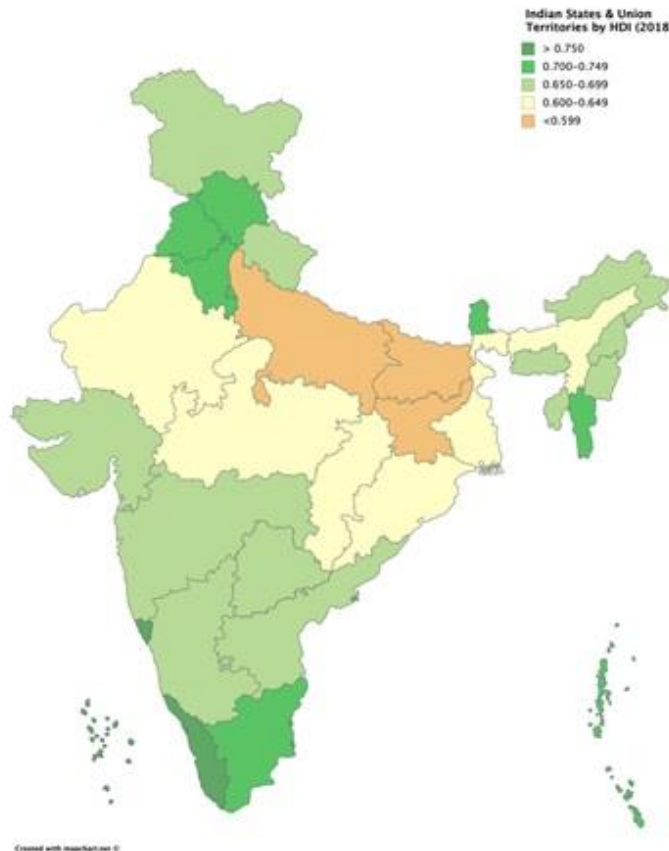
# Agriculture as Percentage of State Gross Domestic Product

State	Agriculture as percentage of State Gross Domestic Product
Tamil Nadu	6 %
Maharashtra	7.5 %
Karnataka	15 %
West Bengal	16 %
Gujarat	18 %
Andhra Pradesh	18 %
Bihar	20 %
Uttar Pradesh	23 %

[https://eands.dacnet.nic.in/PDF/State\\_of\\_Indian\\_Agriculture,2015-16.pdf](https://eands.dacnet.nic.in/PDF/State_of_Indian_Agriculture,2015-16.pdf)



# The EGP Region has the Lowest Human Development Index Levels for India and Attracts Low Allocations of CSR Funds



# EGP States Compared with Other States on Human Development Index, Ease of doing Business and percentage of CSR Fund Allocation

- EGP states are in the 4<sup>th</sup> quartile of rankings for Human Development Index and National State Domestic Product
- EGP attracts less than 10% of National CSR fund allocation
- The rank of EGP states for ease of doing business is between 10-16 (out of possible 35), but business confidence for investing in these states is low (detailed further in the next two slides)

State	HDI* (2018)	Rank	Ease of Doing Business ∞ (2018)	Rank	NET NSDP/capita ≠ (18-19) in AUD	Rank	% CSR fund Allocation≈ (18-19)	Rank
Tamil Nadu	0.708	8	90.68	15	3,656	12	4.54	6
Maharashtra	0.696	11	92.71	13	3,618	13	15.59	1
Gujarat	0.672	16	97.96	4	3,725	11	5.28	4
Andhra Pradesh	0.650	21	98.42	1	2,852	18	4.52	8
Karnataka	0.682	15	97.40	8	3,979	7	5.95	3
Telangana	0.669	17	98.33	2	3,858	8	3.23	19
Delhi	0.746	3	31.60	23	6,897	2	2.99	12
Uttar Pradesh	0.596	28	92.87	12	2,066	23	3.2	11
West Bengal	0.641	22	94.7	10	1,255	32	4.55	5
Bihar	0.576	29	81.91	16	826	33	1.59	20

\* [https://en.wikipedia.org/wiki/List\\_of\\_Indian\\_states\\_and\\_territories\\_by\\_Human\\_Development\\_Index](https://en.wikipedia.org/wiki/List_of_Indian_states_and_territories_by_Human_Development_Index)

∞ [https://en.wikipedia.org/wiki/Ease\\_of\\_doing\\_business\\_ranking\\_of\\_states\\_of\\_India](https://en.wikipedia.org/wiki/Ease_of_doing_business_ranking_of_states_of_India)

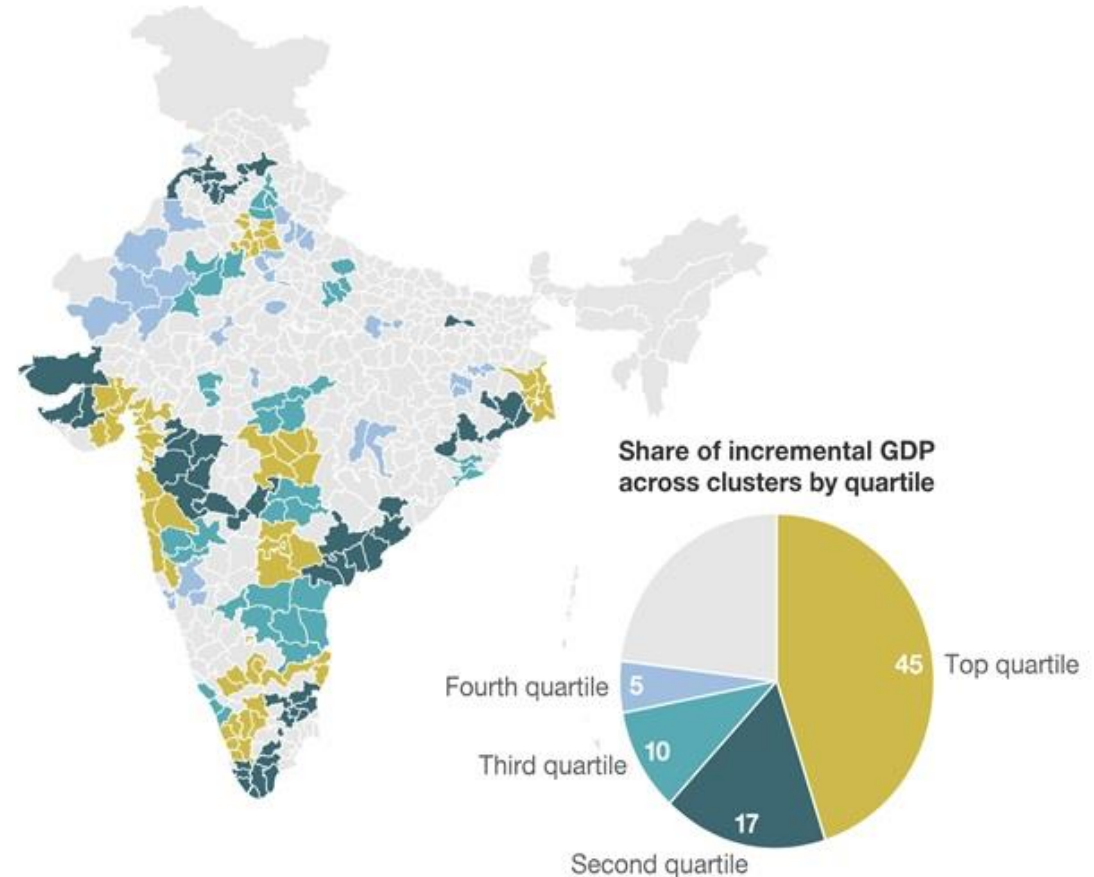
≠ [https://en.wikipedia.org/wiki/List\\_of\\_Indian\\_states\\_and\\_union\\_territories\\_by\\_GDP\\_per\\_capita](https://en.wikipedia.org/wiki/List_of_Indian_states_and_union_territories_by_GDP_per_capita)

≈ [https://csrbox.org/media/CSR%20in\\_India\\_Numbers\\_Do\\_Add\\_Up\\_Report-2018\\_Web-lite.pdf](https://csrbox.org/media/CSR%20in_India_Numbers_Do_Add_Up_Report-2018_Web-lite.pdf) – data from 500 big companies listed on National Stock Exchange



# Economic Importance of the EGP in Gross Domestic Product Growth Prospects of India

- EGP states rank very low in the ability to attract business capital.
- The only exceptions are areas around urban Kolkata in West Bengal and urban Patna in Bihar.



<https://www.mckinsey.com/featured-insights/asia-pacific/understanding-indias-economic-geography#>



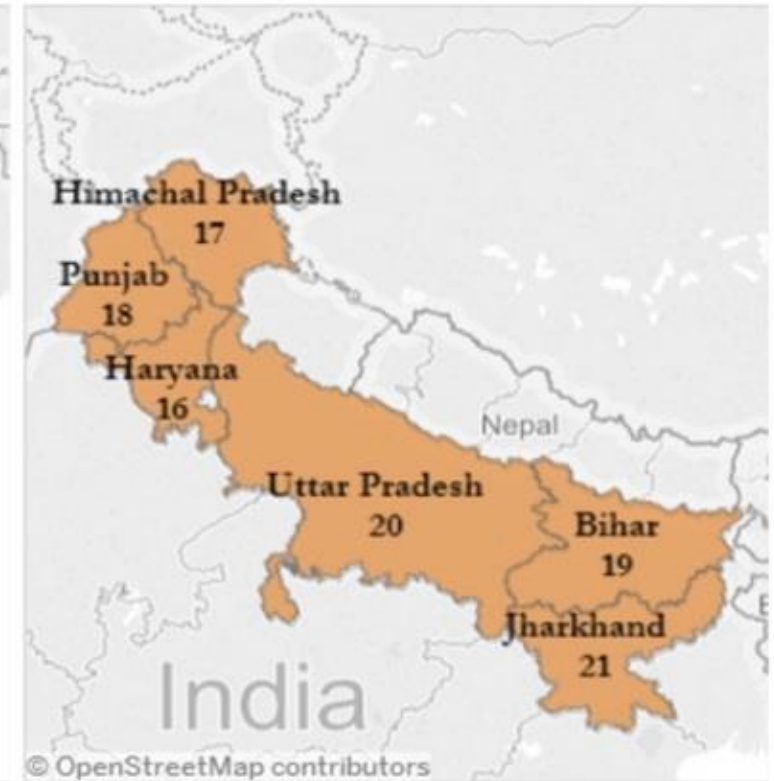
# States by Top and Bottom Investment Potential

- EGP is identified as having low investment potential.
- For various socioeconomic indicators, there is a strong western/eastern divide in the country.

Top States, By Investment Potential



Bottom States, By Investment Potential



<https://scroll.in/article/810906/gujarat-delhi-are-indias-most-investment-friendly-states-bihar-and-jharkhand-the-worst>



# ■ Inference: Business Relevance of the EGP

- National State Domestic Product for the EGP states\* (West Bengal, Bihar, and Uttar Pradesh) is lowest among the Indian states.
- EGP's business contribution towards total business contribution for India is less than 13%, and yet this region is home to 34% of the 1.3 billion Indian population.
- Business intensive states are Maharashtra, Gujarat, Andhra Pradesh, Karnataka, and Tamil Nadu. These states also have the highest business potential and highest CSR spends.
- The EGP does not have prospects of improving its incremental Gross Domestic Product until 2025.
- 16 - 23% of state Gross Domestic Product in the EGP is from the agricultural sector.
- Only 9.3% of the total CSR budget for India is spent in the EGP.
- CSR follows business investment

*\*For the sake of this study, the EGP includes all of Uttar Pradesh, West Bengal and Bihar.*



# Inference: Importance of the EGP for Business Prosperity

Insights from primary interviews reveal:

- For overall business health (for pan-Indian corporates) EGP is does not play an important role. Its importance to business is not more than 10-12%.
- Less than 10% of national sales of agri-machinery companies are from the EGP.
- Less than 10 - 12% national procurement for agriculture commodities is from the EGP.
- Less than 5 - 8% of national sales of white goods business is from eastern Uttar Pradesh and Bihar.
- About 12% of the national sales of white goods business is from West Bengal.

Stakeholders identify the following issues for slow economic growth:

- Poverty
- Poor governance
- Mindset – work ethics, trained human resources, ease of doing business
- Corruption
- The government policy of loan waivers, land acquisition, and labour laws.







# COVID-19 Impacts

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# COVID-19 Impacts on the Agricultural Sector: Results from a Study Undertaken by Technoserve India

## Stop-start containment through Q4 2021



### • Most likely scenario

- Assumes that the economy is selectively opened at different times for different sectors. The economy may need to re-close periodically to contain the spread

### • Pandemic is resolved via eventual:

- Vaccine development
- Treatment that reduces mortality rate
- Discovery that true mortality rate is significantly lower

- • U or W-shaped recovery

<https://www.technoserve.org/blog/whats-next-for-agriculture-in-india/>

Detailed presentation available at <https://drive.google.com/drive/folders/1WEpuNtnjcqaQPqfEhEXvTqh7GZcEob9N>



# COVID-19 Challenges for the Agricultural Sector: Results from a Study Undertaken by Technoserve India

## Summary of Key Agriculture Sector Challenges (short and medium term)



### Supply Challenges

- Supply chain disruptions (e.g., reduced transportation & storage capacity), which may disproportionately affect perishable crops vulnerable to spoilage
- Stressed farmer economics (i.e., reduced farmer income, potential increase in costs of inputs or difficulty accessing inputs)
- Reduced availability of migrant farm labor



### Demand Challenges

- Reduction in overall domestic demand due to lowered household income and focus on necessities
- Reduction in global demand, translating to reduced exports
- Reduction in processing demand due to disruption in operations



### Pricing Challenges

- Heightened price volatility from changes in supply and demand
- Heightened exchange rate volatility, which may impact the value of imports / exports

<https://www.technoserve.org/blog/whats-next-for-agriculture-in-india/>

Detailed presentation available at <https://drive.google.com/drive/folders/1WEpuNtnjcqaQPqfEhEXvTqh7GZcEob9N>



# COVID-19 Impacts: Net Drop of 33% in Net Farmer Household Incomes

## Results from a Study Undertaken by Technoserve India

- The COVID-19 induced slowdown will place stress on farmer economics and may lower farmer household incomes by an average of 33%
- 17 million farmers identified in focus clusters (crop and location combinations) may face disproportionate impact: income from crop cultivation may be eliminated, leading to aggregate household income reduction by ~80% vs. baseline levels
- The worsening of farmer economics will have several adverse impacts:
  - Additional farming households may be pushed into poverty and face heightened issues of food security and nutritional balance
  - Farmers may have difficulty producing crops in upcoming harvest seasons, which may dampen agriculture growth in the meantime



# COVID-19 Impacts: Agricultural Value is Projected to Decline by ~4.4 trillion INR

## Results from a Study Undertaken by Technoserve India

- Decline in agricultural value will be driven primarily by:
- Decrease in supply by ~470 million MT from 2020-2022 (11% decline in 2020, 9% in 2021, and 6% in 2022), due to supply chain disruptions for a subset of crops and reduction in available farm labour
- Decreased farm gate prices for a subset of crops due to changing supply/demand dynamics
- Aggregate demand for agricultural crops is projected to decline by ~580 million MT, with a decline of ~12% in 2020, ~11% in 2021, and ~8% in 2022
- Fruits & vegetables are expected to drive a ~1.2 trillion value decline in 2020
- Plantation crops will account for a further ~0.2 trillion value loss
- Uttar Pradesh, Rajasthan, Madhya Pradesh, Maharashtra, Karnataka, Gujarat, and Andhra Pradesh in fruits / veggies and plantation crops account for 55% of the total value loss
- This crop and geography combination would account for 17 million farmers

<https://www.technoserve.org/blog/whats-next-for-agriculture-in-india/>

Detailed presentation available at <https://drive.google.com/drive/folders/1WEpuNtnjcqaQPqfEhEXvTqh7GZcEob9N>



# COVID-19 Impacts: Agricultural Interventions are Required in Four Major Areas

## Results from a Study Undertaken by Technoserve India

- Minimize supply chain disruptions
- Bolster demand for agricultural produce
- Manage price volatility of agricultural produce
- Work with farmers to improve household level income and access to government linked COVID linked schemes
- The reverse migration, post COVID, is impacting agricultural productivity in north, west and south. These regions were migrant labour dependent. Reverse migration is also increasing labour surplus in the eastern part of the country, thus increasing joblessness and labour surplus in the EGP.

<https://www.technoserve.org/blog/whats-next-for-agriculture-in-india/>

Detailed presentation available at <https://drive.google.com/drive/folders/1WEpuNtnjcqaQPqfEhEXvTqh7GZcEob9N>

! <https://thewire.in/agriculture/reinventing-agriculture-in-the-time-of-covid-19>



# ■ Funding Available for Civil Society: COVID-19 Impacts

The main sources of funds for Civil Society in India are through the following channels:

- Government Funds
- CSR Funding
- Funding available via International Non-Government Organizations.
- Funding available via Bi-lateral and Multi-lateral
- Crowd sourcing or other mechanisms of raising funds



# ■ Government Funds

At the state and national level, funding is under stress. Most funds are being diverted towards COVID response.

- Programs initiated by the central government to support agricultural sector are for:
  - Creation of warehouses
  - Cold storages
  - Primary collection centers
  - Primary processing centers
  - The Government has also set up a micro-enterprise fund to support a cluster-based approach for pulses, rice etc.
- Top to Total Fund has been established by The Government of India. This fund aims to provide a 50% transport subsidy to farmers. This is for the transport of goods to markets.
- The design of these programs will be primarily undertaken by the Ministry of Rural Development, Ministry of Agriculture, and Niti Aayog. ACIAR SDIP, via Indian institutes and/or Indian policy advocacy change agents should try to read and comment on these proposals before these are finalized.
- ACIAR SDIP could also facilitate a coalition of non-government organizations (to form a larger group of influencers) from the EGP who could then influence their respective state government to include Conservation Agriculture based Sustainable Intensification interventions.

*The contours of these programs are still in the design phase. It will take 4-8 months for them to be finalized and go to the implementation phase.*





# COVID-19 Impact on CSR Funds and Financial Recovery

- Lockdown and COVID-19 do not impact CSR funding for the financial year 20-21
  - India follows an April-March financial year. COVID started to impact India in late March 2020
  - CSR fund allocation in India is calculated as follows: 2% of average profit before tax, of the last three financial years. Thus for financial year 20-21, the preceding three years i.e. 17-18, 18-19 and 19-20, 2% of average profit before tax was calculated as the CSR outlay. Hence no impact on the volume of CSR allocation was felt for the financial year 20-21.
- Most companies (who have CSR allocations) have allocated 10-35% of their annual CSR funds towards the COVID-19 response. This has been done via various mechanisms. Thus focus today is on maintaining long term projects, and hence new funding requirements are not being encouraged.
- COVID-19 has impacted the Indian economy and will impact the financial results of the financial year 20-21. This will thus also impact CSR fund allocation for the financial year 21-22.
- Due to reverse migration, manufacturing will also be severely impacted with a reduction of 30-50 %

***Funding for at least the next 24 months is negatively impacted by at least 25-50 %, especially for new initiatives.***



# ■ Funding Available via International Non-Government Organizations (NGOs)

- Targeted COVID-19 funding to International NGOs has increased.
- Funds have been raised in India as well. This has created donation fatigue in regular donors
- Hence there are no new major funding sources that can be harnessed.



# ■ Funding via Bi-lateral or Multi-lateral Donors

- Bi-lateral and multi-lateral funding sources now often partner with government programs as co-funders.
- An example of this is the JEEVIKA – Bihar State Rural Livelihood Mission. This program is funded by the state government, National Government, World Bank and the Bill and Melinda Gates Foundation.
- Direct funding by bi-lateral or multi-laterals to regional/local civil society is an exception



# Inference: Opportunities for Conservation Agriculture based Sustainable Intensification, and to Improve Household Income

For revival of the agricultural sector, the focus will need to be on:

- Minimising supply chain disruptions
- Bolster demand for agricultural produce
- Manage price volatility of agricultural produce
- Work with farmers to improve household level income
- Financial recovery of the business sector can take 24-36 months
- Reduced demand for agricultural inputs will affect the earnings of agricultural input companies, impacting both downstream and upstream value chains
- 15-35 % reduction in CSR budgets this year and at least for the next financial year. Most probably could be longer ~ 24-36 months.
- The government is making an effort to bolster the agricultural sector. New programs to take shape in the next 4-8 months





# Annexes

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# Annex I: List of Abbreviations

Abbreviation	Name	Abbreviation	Name
ACIAR SDIP	Australian Centre for International Agricultural Research Sustainable Development Investment Portfolio	IFFCO	Indian Farmers Fertiliser Cooperative Ltd
AKDN	Aga Khan Development Network	KA	Karnataka
AKRSP	Aga Khan Rural Support Program	MH	Maharashtra
AP	Andhra Pradesh	NABARD	National Bank for Agriculture and Rural Development
AUD	Australian Dollar	NGO	Non Government Organization
BERSPL	Boundless Environment Resource Solutions	NRLM	National Rural Livelihood Mission
CASI	Conservation Agriculture based Sustainable Intensification	NSDP	National State Domestic Product
CSR	Corporate Social Responsibility	RJ	Rajasthan
EGP	Eastern Gangetic Plain	SBI	State Bank of India
FY	Financial Year	TOR	Terms of Reference
GDP	Gross Domestic Product	UP	Uttar Pradesh
GJ	Gujarat	WB	West Bengal
HDI	Human Development Index	WBCSD	World Business Council for Sustainable Development
HSBC	The Hongkong Shanghai Banking Corporation Limited	WFP	World Food Program

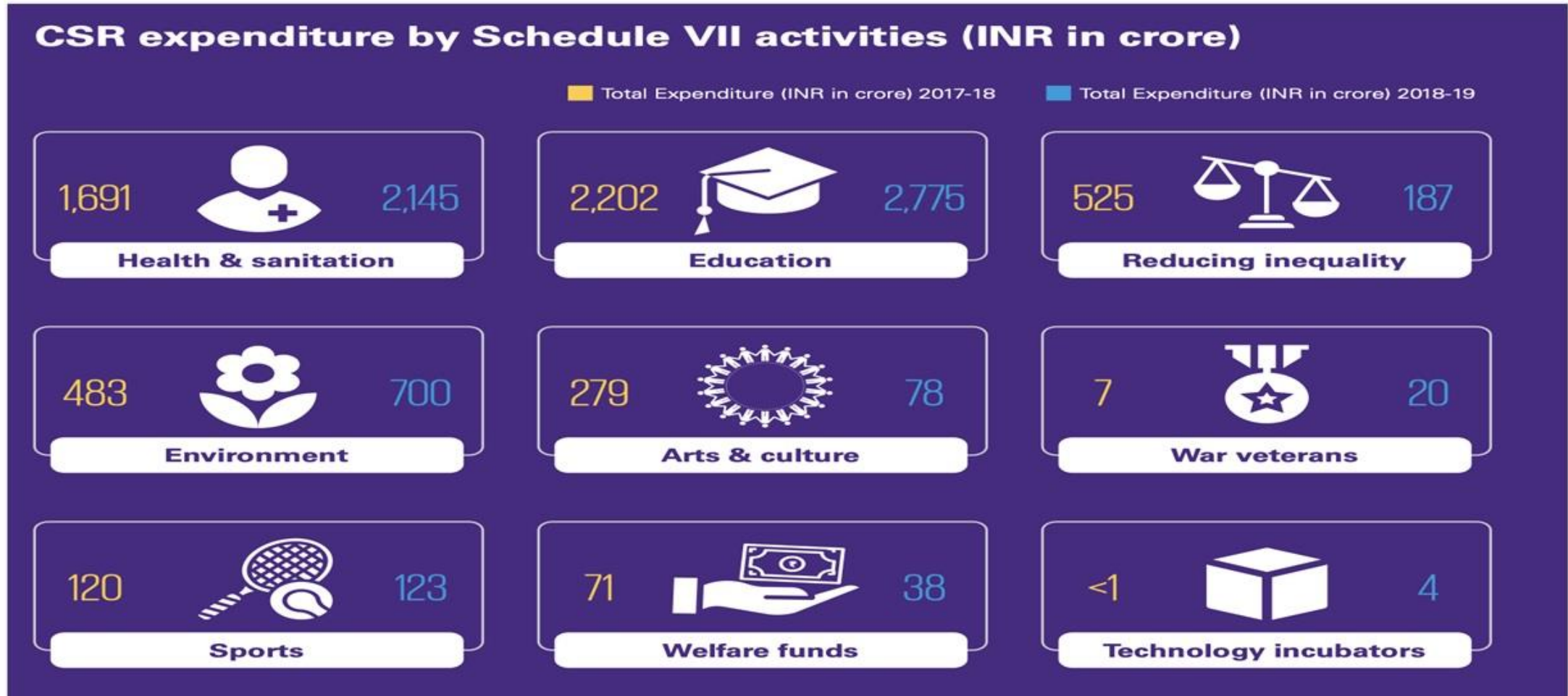


# Annex II: List of Organizations Interviewed

S.No	Corporate (includes corp Foundations)	Civil Society	Government	Bi-lateral/Multi-Lateral
1	Airtel	TNS Foundation	National Horticulture Board	WFP
2	Bayer	Digital Green	Ministry of Tribal Affairs	WB
3	IFFCO	TERI	Indian Farm Forestry Development Co-Operative	UNICEF
4	Bharat Fund	Shramik Bharti	National Rainfed Authority of India	FAO
5	Ambuja Cement Foundation	Jagthiani Foundation	National Commission for Scheduled Caste	
6	Monsanto	Saathmile	National Commission for Scheduled Tribe	
7	Center for Media Studies	Aga Khan Rural Support Project	Department of Animal Husbandry	
8	SV Agri	Charities Aid Foundation	Department of Science and Technology	
9	Syngenta	Aga Khan Foundation	National Institute of Agricultural Economics and Policy Research (NIAP),	
10	Godrej Agrovet Limited	Datamation Foundation	JEEVIKA - Bihar	
11	Godrej Consumer Products Limited	Access Development Services	NABARD	
12	Axis Bank Foundation	Quest Alliance		
13	Godrej and Boyce	Graam Vaani		
14	Datamation	Feedback Foundation		
15	KPMG	FICCI		
16	YARA	B.Pratima Consultant on Agri		
17	HSBC	WBCSD		
18	SBI Foundation	Nairmur Rahman consultant on agri		
19	Jain Irrigation			
20	IKEA Foundation			
21	GOODERA			
22	Feedback Infra			
23	Tata Chemicals			
24	c-Safe Center for Sustainable Agriculture and Farm Excellence			
25	Reliance Foundation			
26	Amity University			
27	Agriinnovate			
28	Biyani / Fouture Group			
29	Mahindra and Mahindra			
<b>Total</b>		<b>29</b>	<b>18</b>	<b>11</b>
				<b>4</b>



# Annex III: CSR Expenditure by Schedule VII





# Annex III: CSR Expenditure by Schedule VII

