Socially responsible investing of agricultural business as an element of sustainable development of agriculture

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Abstract. The article is devoted to one of the most modern areas of economy and management: corporate social responsibility and its component part, such as socially responsible investing. In addition, the article reveals the importance of this direction of economic activity for enterprises in the agricultural sector, as well as the need for this work for sustainable business development in modern socio-economic conditions. It is proved that existing and proven technologies of socially responsible investment can be applied in agriculture, allowing it to develop in new directions, but this type of activity is not popular at present, due to low awareness. Recommendations are given on popularization and possible resources for disclosure of information in this area of work and how to apply it in practice.

1. Introduction

According to ISO 26000, social responsibility of business structures implies the impact of the company’s decisions and activities on society and the environment through transparent and ethical behavior [1]. Agribusiness is also a management strategy aimed at developing and achieving socially responsible actions for sustainable development, and in the long term exceeding the level of competitiveness of the company. One of the ways to achieve such results in modern conditions has become socially responsible investing, which is beginning to take on a global role.

In a global sense, socially responsible investing (in English, social responsible investing, social investing or ethical investing) is understood as the process of making investment decisions that take into account the social and environmental consequences of investment implementation within the framework of traditional financial analysis.

According to this model, the investment decision-making process takes into account the social and environmental consequences of investment, while business, NCO and the public sector jointly solve relevant social problems of the population and staff (while taking into account the interests of all parties). This type of commercial activity usually not only allows solving social problems and invest in “useful” projects, strengthening the corporation’s reputation among the population and public authorities [2, P. 48], but also opening new niches for business in the market.

However, there is no single verified direction of socially responsible investing in the world yet. For example, in the work “Conceptual foundations of the methodology of research on socially responsible investing” T.N. Savina identifies seven areas of investment “according to conscience”:

1. Impact investing.
2. Mission-based investing.
3. Triple bottom line investing.
4. Double bottom line investing.
5. Eco investing.
6. Ethical investing.
7. Sustainable investing [3, P. 55].

However, in our opinion, these directions are too vague in content or often intersect too closely in practice, which means that they are not divided into so many categories in the real economy of agriculture. We believe that in the current situation, we can speak with confidence about its four areas of implementation, such as:
1. Refusal to invest in “harmful” assets.
2. Innovative solutions to problems in the market.
3. Intracorporate investments in personnel capital.
4. Investment in the development of the regions of presence.

We will try to reveal these directions in more detail.

2. Literature references
The theoretical and methodological basis of the research was the fundamental provisions, as well as the concepts of corporate social responsibility and socially responsible investing, presented in the works of representatives of various economic schools, scientific works of scientists on the problem under study, legislative acts of the Russian Federation and foreign countries.

Special attention at the foreign level was paid to the works of M. Buber, G. Starcher, P. Drucker, K. Popper, M. Porter [4], G. Johnson [5], R. Akoff, R. Freeman, D. Rawls, M. Mescon, M. Palazzi [6] and others.

In national research, the works of A.A. Pesotsky, A.A. Andreev, T.N. Savina, N.V. Zubarevich, N.N. Ravochkin, N. Krichevsky, V. Lavrov [7] and others are most noteworthy.

3. Materials and methods
One of the modern methods of determining the “harmfulness” of companies is a technology developed in the United States and it is called “screening”, which is the choice of a consulting agency for an investment portfolio of securities of those companies that meet the specified criteria of the investor. In most cases, they prefer to invest in enterprises that do not produce harmful products (tobacco, alcohol, etc.); meet international quality standards; create new safe and attractive jobs; and implement resource-saving production methods; producing environmentally friendly products and other.

As for each of the criteria for selecting such filters, they have a special relevance and significance for agriculture. For example, one of the significant problems of agricultural business, due to the existing features of the tariff system, is large electricity bills (in many farms, the amount of such payments often “eats” half of the income). Investing in resource-saving technologies, such as a biogas plant, can help solve this situation. This technique is designed for the processing of manure, bird droppings and fish waste production, at the same time, the processing process generates electricity.

The designated equipment is not only ecological in nature, but also reduces production costs (you do not need to engage in paid disposal or keep a special landfill on the balance), and is also relevant in solving problems of paying for electricity and heat supply issues.

It is interesting that the commissioning of such installations in European countries is practiced quite actively and is supported by the state (subsidies are allocated for the purchase and construction of equipment). For example, in Italy, one kilowatt of electricity produced by such a plant costs farmers 0.12 Euros. Provided that the agricultural producer personally produced electricity by supplying solar panels or a biogas plant, the state undertakes to buy it from them for 0.4 Euros, which allows earning additional income on one’s own electricity production [8].

However, such practices are not only popular in Europe. As of 2012, there were 25 such structures in Belarus. But it is interesting, first of all, that in the agricultural production cooperative “Rassvet” on November 6, 2012, the second most powerful biogas plant in Europe with a capacity of 4.8 mW was put into operation. Thanks to its launch, the APC has fully provided independent heating of
greenhouses in winter (the farm plans to save about 100 billion Belarusian rubles annually on this), provided the farm with electricity with the possibility of selling it to nearby villages (providing a profit of 3 billion Belarusian rubles), and also solved the problem of recycling animal waste [9].

Within the second category of filters for agricultural enterprises, the section on animal rights protection may be relevant. For example, in Russia, in the Krasnoyarsk Krai, a large agricultural farm “Solgonskoe” did not switch the clock from summer to winter time, and vice versa, in order not to injure the psyche and lifestyle of milk cows. It should be noted that such practices were also economically profitable, as this did not reduce milk yield.

The unusual experience of the Swiss Corporation Weleda is interesting as a direction of socially responsible investing, as an innovative solution to agricultural problems. An enterprise engaged in agricultural production and producing natural cosmetics from its products, grows all medicinal raw materials on biodynamic agriculture. The essence of such production comes down to the fact that no mineral fertilizers, pesticides, hormones and growth stimulants are used in the cultivation of products. At the same time, a cost-effective and safe production cycle is achieved due to the fact that representatives of the “ecopoliice”, which includes certain groups of insects and birds, are fighting plant pests. Ready-made plant cosmetics also do not contain artificial colors and preservatives. Thus, the company shows that its products were only added no chemicals during packaging, but the raw materials themselves were grown as safely as possible [10].

As an example of socially responsible investing aimed at the development of the regions of presence, we can cite the activities of the company JSC “Solgonskoe”. In 2005-2015, the farm invested about 350 million rubles in the development of social infrastructure. With these funds, the company built an elementary school, a temple, a Cultural Center, a shopping complex, and stores. The farm repaired and paved roads at its own expense, a bridge was built over the river, water supply was carried out in three villages, and major repairs were made in the medical assistant’s and obstetric station and the library. In the village of Solon, a brick house for sixteen apartments with all the benefits of civilization was built for young employees, as well as houses in other settlements were put into operation. We should not be surprised if the company built a gas station because residents had to travel 50 km to the nearest “gas station” [11, P.34-37], [12].

4. Results

The main feature of methods and strategies for research of socially responsible investing is that there are still many criteria that are not well-established and often contradictory yet, both at the theoretical (epistemological) and practical levels.

However, Russian scientists are actively working in this direction. So, A.A. Andreev developed the “Methodology of comprehensive assessment of the volume of social investing” offers to evaluate the indicated type of investment, through the prism: the development of employees, quality of products or services, improvement of ecological parameters, as well as the development of the region and improving the quality of life of the population. At the same time, according to the author, the company needs to introduce regulatory support for socially responsible investing processes, create a structural division that would deal with this type of work, in addition, it is mandatory to provide reporting on the results of socially responsible investing. [13, P.73-78]. We share this approach of the author.

In general, socially responsible investing begins to claim universality in solving any problems of economic development, including agricultural farms, thereby building interdisciplinary links with economics, sociology and ethics, on the other hand, the presence of evolutionary logic in this process can determine the future [14, P. 236].

However, there are not many large and effective projects for introducing and implementing corporate social responsibility in agricultural organizations. In the new conditions of managing economic objects, this undoubtedly misses the opportunities of enterprises in the areas of sustainable social and economic development, the formation of a more favorable business reputation of organizations.
In our opinion, the main reason in Russia is low awareness of the concept of social responsibility of agricultural business and socially responsible investing. And this is noted not only by scientists, but also by entrepreneurs themselves.

To solve this problem, we propose a number of measures that can be presented in the form of a table (Table 1).

Table 1. Offers for raising awareness and promoting socially responsible investing in agricultural enterprises.

| Awareness-raising measures | Possible effects and potential opportunities from implementing socially responsible practices |
|----------------------------|--------------------------------------------------------------------------------------------|
|                            | **external direction**                                                                        | **internal direction**                                                                      |
| 1) Raising awareness of enterprises through: | 1) improving the company’s competitiveness and image;                                         | 1) improving the socio-demographic composition of employees;                                |
|                            | 2) entering new markets (including foreign ones);                                              | 2) improving management efficiency;                                                          |
|                            | 3) partnership with major retailers;                                                           | 3) influx of highly qualified specialists, improvement of the professional qualification structure; |
|                            | 4) sustainable development;                                                                    | 4) improving the quality of working life;                                                    |
|                            | 5) creating a popular (possibly innovative) product;                                            | 5) rationalization of wages;                                                                |
|                            | 6) receiving subsidies and benefits from Federal and municipal authorities;                    | 6) improvement of cultural and living conditions;                                             |
|                            | 7) territorial development;                                                                    | 7) staff loyalty, reducing staff turnover.                                                    |
|                            | 8) prestige at the local, regional, federal and global levels.                                 |                                              |

As such activities involve the universal inclusion of all categories of employees in all systems of socially responsible practices, the social orientation should be focused on the participation of all employees in such work, i.e. 100%. To assess this involvement, we proposed the following calculation method:

\[ \text{CVP} = \frac{\text{CVP}_p}{\text{P}_{\text{total}}} \times 100\% \]  

where CVP – percentage of employees who participated in charity or volunteer programs, in %; CVP\_p – number of employees who participated in charity or volunteer programs, people; P\_total – total number of employees, people.

As an approbation of the proposed areas of work, a survey of 11 agricultural enterprises of the Krasnoyarsk Krai was conducted, which confirmed the proposed hypothesis, and also revealed the high relevance of socially responsible investing and CSR practices by agricultural business. The results can be found in the following figure (Fig. 1):
Figure 1. Results of the survey and testing of the proposed areas of work at agricultural enterprises of the Krasnoyarsk Krai, in %.

5. Summary
So, as practice shows, changing the management philosophy of agricultural enterprises in the direction of socially responsible farming and investing in these processes can allow finding a dialogue with both stakeholders and the environment in which business is conducted, in general, that is, to become involved in modern market relations, find tools for interaction with stakeholders (including for the purpose of accounting and monitoring the needs of society), as well as to avoid large material, labor, financial and socio-economic losses characteristic of agriculture.

Thus, socially responsible investing, taking into account the needs and moods of the community, will be able to find meaningful and systematic forms of conducting agribusiness and regulate relations with the external and internal environment, and the promotion of this method of investment will benefit from interaction with society.

6. References
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