

AN ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE IN FERTILIZER INDUSTRY IN INDIA (A CASE STUDY OF CHAMBAL FERTILISERS AND CHEMICALS LIMITED)

Anoop Kumawat*

ABSTRACT

Corporate Social Responsibility refers to a way company undertakes activities that positively affect the well-being of employees, local communities, the environment and society at large. These activities are needed to earn the trust and respect from all its stakeholders. The fertilizer consumption is increasing continuously which has contributed significantly to sustainable production of food grains in the India. Chambal Fertilisers and Chemicals Limited is a leading company in fertilizer industry in India. Its two hi-tech nitrogenous fertiliser (urea) plants are located at Gadepan in Kota district of Rajasthan State. The main aim of this research paper is to describe the Concept & Definition, Legal Provisions of CSR and CSR policy & practices of the company. This paper also analyses the CSR spending/ expenditure of Chambal Fertilisers and Chemicals Limited during the financial years from 2014-2015 to 2019-20. Chambal Fertilisers and Chemicals Limited plays a vital role in protection of the environment and development of the nation.

Keywords: *Corporate Social Responsibility (CSR), CSR Policy, CSR Practices, CSR Activities, CSR Projects, Programme & CSR Expenditure/Spending.*

Introduction

Corporate Social Responsibility is a form of corporate self-regulation which ensure that the business or company run under the spirit of laws, ethical standards, and international norms. The main goal of CSR is to encourage the corporate to spend a part of their profit through its activities on the environment, consumers, employees, communities, stakeholders and general public. Corporate Social Responsibility (CSR) is a commitment by organizations to balance financial performance with contributions to quality of life of their employees, local community and society at large. Corporate Social Responsibility (CSR) is gaining worldwide value as a business tool and social effort. Organizations are increasingly called upon to evolve beyond that specialize in the financial bottom line and consider the social and environmental impact of their business decisions, particularly as globalization continues. CSR captures a spectrum of values and criteria for measuring a company's contribution to social development.

Need of Study

To understand the concept and Provisions of CSR and to know about the CSR Practices/CSR Projects/Programmes/Initiatives of Chambal Fertilisers and Chemicals Limited. This study will also analyse the CSR Expenditure/Spending of the company for the period from applicability of Companies Act, 2013 to last financial year (2014-15 to 2019-20).

* Assistant Professor, Department of Accountancy and Business Statistics, University of Rajasthan, Jaipur, Rajasthan, India.

Objectives of the Study

The study has following objectives:

- To know about the concept of CSR & the legal Provisions of CSR under Companies Act, 2013.
- To know the main focus/core areas of CSR under the CSR Policy.
- To explore and investigate the areas of Corporate Social Responsibility Practices of Chambal Fertilisers and Chemicals Limited.
- To analysis the CSR Expenditure of the company under the period of study.
- To draw the findings & provide suggestions regarding CSR for further betterment.

Literature Review

Jayanna S., and Basavapattan, R. (2016) conducted a study on the topic entitled as “Corporate Social Responsibility: A Critical Analysis on TATA Power”. The study elaborated the key points of CSR Policy of Tata Power and also tabulated the CSR Programs and Initiatives along with Outcome Indicators for the financial year 2014-15. The study concluded that the CSR is the continuing commitment by business or company to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

Patel, N. J. (2017) studied on “A Comparative Study of Corporate Social Responsibility Practices of Selected Fertilizer Companies in Gujarat State”. The study described about the Corporate Social Responsibility Practices of Gujarat Narmada Valley Fertilizers & Chemicals Limited and Gujarat State Fertilizers & Chemicals Limited in the state of Gujarat. The study also analyse the CSR spending of the selected companies for the period of two years 2014-15 & 2015-16. A comparative statement of CSR Practices of the selected companies also prepared under the study. The study concluded that both the selected companies have tried their levels best to contribute towards the Corporate Social Responsibility activities as per Section 135 of Companies Act, 2013 and both the selected companies are very much ethical in performing their duty towards the community development through such activities.

Krishnan, A. (2018) conducted a study on the titled “Comparative analysis study on CSR expenditure in India: the case of Manufacturing and Service Industries”. The Researcher made a comparative study of CSR Spent amount & CSR unspent amount in Manufacturing & Services Industry. The study made year wise for the period 2014-15 to 2016-17. In Conclusion, the study stated that the manufacturing companies have spent more during the period of study.

Kumar, M. (2019) studied on the topic “Corporate Social Responsibility: An Analysis of Indian Commercial Banks Spending Pattern and Perception of Beneficiaries”. The study was focused on CSR Activities undertaken by Indian Commercial Banks and analyse the perception of beneficiaries. The researcher also studied the CSR Spending and its percentage of Net Profit after tax for the period 2015-16 to 2017-18. The study concluded that the Indian Banks are making serious efforts in CSR initiatives but more initiatives on the part of banks need to be taken.

Research Methodology

The present study is undertaken to analysis CSR Activities & CSR Expenditure of Chambal Fertilisers and Chemicals Limited for the period 2014-15 to 2019-20. The study is based on secondary data inclusive of quantitative & qualitative data and some discussion with eminent persons in the field of CSR like Professionals, Economists & Founder/members of NGO/Trust etc. The analysis of CSR Expenditure are based on the data collected/compiled from annual reports of the companies. Other important data have been collected from different newspapers, online print media, live news Channels, various published reports/research reports from NSE/other financial/CSR related sites for proper study.

Scope of the Study

The Main focus of the study is to highlight the legal framework regarding CSR under Companies Act, 2013. This study also analyse the CSR Practices & CSR Expenditure of Chambal Fertilisers and Chemicals Limited for the period from 2014-15 to 2019-20 on the basis of annual reports of the company. This study is purely based on secondary data.

Concept and Definition of Corporate Social Responsibility (CSR)

Corporate Social Responsibility is a concept whereby companies not only consider their profitability and growth, but also interests of society and the environment by taking responsibility for the impact of their activities on stakeholders, environment, consumers, employees, communities, and all other members in the public sphere.

The concept of CSR has evolved during last few decades from simple philanthropic activities to integrating the interest of the business with that of the communities in which it operates. By exhibiting socially, environmentally and ethically responsible behaviour in governance of its operations, the business can generate value and long term sustainability for itself while making positive contribution in the betterment of the society.

The United Nations Industrial Development Organisation (UNIDO) puts forward the following definition of Corporate Social Responsibility (CSR), "Corporate Social Responsibility is a management concept whereby companies integrate social and environment concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieve a balance of economic, environmental and social imperatives (Triple Bottom Line Approach), while at the same time addressing the expectation of shareholders and stakeholders."

Legal Provisions of CSR

As per Section 135 of the Companies Act, 2013, requires the Board of Directors of every company having a net worth of rupees 500crore or more, or turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more, during the immediate preceding financial year, to constitute a Corporate Social Responsibility Committee of the Board. The Corporate Social Responsibility Committee has to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject as specified in Schedule VII of the Act. The Board has to ensure that the company spends in every financial year at least 2% of the average net profits of the company made during the three immediately preceding financial years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, on Corporate Social Responsibility (CSR) in pursuance of its policy in this regard.

Brief Profile of Chambal Fertilisers and Chemicals Limited

Chambal Fertilisers and Chemicals Limited is one of the largest private sector fertilizer producers in India. Its two hi-tech nitrogenous fertiliser (urea) plants are located at Gadepan in Kota district of Rajasthan. The share of the company is listed and traded at NSE & BSE. The corporate Office of Chambal Fertilisers and Chemicals Limited is situated at New Delhi. The Company caters to the need of the farmers in ten states in northern, eastern, central and western regions of India and is the lead fertiliser supplier in the State of Rajasthan, Madhya Pradesh, Punjab and Haryana. The Company has a vast marketing network comprising 15 regional offices, 2,200 dealers and 20,000 village level outlets. The Company has donned the mantle of providing all agri-products through a 'single window' to enable the farmer to buy all products from one source. Today, the Company has attained a leadership position in the pesticide business in North India. The company has won the Sword of Honour from the British Safety Council for two consecutive years. It has been awarded ISO 14001 (Environment Management System Standard), ISO 9001 (Quality Management System Standard) and OHSAS 18001 (Occupational Health and Safety Management System Standard) certifications. Chambal is committed to its social responsibilities and has invested in healthcare, rural infrastructure, education, skill development and women empowerment. The Company has won several coveted awards for its Corporate Social Responsibility initiatives.

CSR Policy of Chambal Fertilisers and Chemicals Limited

- The CSR programs, projects and activities undertaken by Chambal Fertilisers and Chemicals Limited are related to one or more activities listed in Schedule VII to the Companies Act, 2013, which are as follows:
 - Promoting education including special education and employment enhancing vocational skills
 - Rural Development Projects
 - Promoting Healthcare including preventive health care, sanitation and availability of safe drinking water
 - Empowerment of Women, reducing inequality faced by socially and economically backward groups
 - Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry and maintaining quality of soil, air and water

- The CSR programs, projects or activities will be implemented through i) Directly by the Company; or ii) K K Birla Memorial Society (KKBMS), a registered society established by Chambal for successful delivery of its CSR initiatives within India; or iii) any other Registered Trust, Society or Section 8 Company; or iv) In collaboration with other organizations.
- All CSR initiatives & activities taken up by the Company in and around its area of operations and other parts of the country for the benefit of different segments of the society at large, especially the deprived and underprivileged.
- CSR Committee shall periodically monitor the progress of CSR projects, programs and activities of the Company and the progress report will be reported to the Managing Director of the Company on periodical basis. CSR Team will also try to obtain feedback from beneficiaries about the CSR programs/projects.
- The CSR Policy of the company will be displayed on the Company's website www.chambalfertilisers.com and An Annual Report on Corporate Social Responsibility (CSR) Activities containing the particulars as prescribed under the Rules will also be the part of Annual Report of the Company.

CSR Projects & Programs of Chambal Fertilisers and Chemicals Limited

The Company has developed various projects and programs keeping in view the needs and requirements of the community in the rural areas especially the villages near its local area/plants. The CSR projects / programs of the Company cover the areas of Education including Technical and Vocational Education, Rural Development, Health care and Sanitation, Employability and Empowerment and Environmental Sustainability, Animal Welfare and Soil Health. The brief outline of the CSR projects / programs of the Company are tried to present in tabular format for better understanding as follows:

Sr. No.	CSR Project/ Programmes	Brief Description of Project	Reference Sr. No. of Schedule-VII
1.	Education	<p>The CSR Projects / Programs of the Company in the area of Education are focused on providing quality education to the children in and around its plants including digitization of education and improvement in learning levels of students.</p> <p>Project Name: Akshar</p> <p>District & State where projects and Programme was undertaken: 1) Kota & Baran (Rajasthan) 2) Dehradun (Uttarakhand)</p> <p>Implementing Agency: Direct (including in collaboration with DAV college trust and Management Society) and KKBMS</p>	(ii)
2.	Technical and Vocational Education	<p>Under technical education initiative through Industrial Training Institutes, Polytechnic College and Vocational Training Centers, the Company works towards skill development and vocational training in order to enhance the employability of rural youth and make them self-reliant.</p> <p>Project Name: Saksham</p> <p>District & State where projects and Programme was undertaken: 1) Kota, Baran & Jhalawar (Rajasthan)</p> <p>Implementing Agency: Direct & KKBMS</p>	(ii)
3.	Environmental Sustainability, Animal Welfare, and Soil Health	<p>Farming community, especially small and marginalized landholders, are supported through soil testing laboratories, mobile soil testing vans and training and advisory services to ensure optimum use of agricultural inputs.</p> <p>Project Name: Bhoomi</p> <p>District & State where projects and Programme was undertaken: 1) Kota, Baran & Jodhpur (Rajasthan) 2) Bareilly & Budaun (Uttar Pradesh)</p> <p>Implementing Agency: Direct & KKBMS</p>	(iv)

4.	Healthcare and Sanitation	The Company helps the community through medical facilities including doorstep delivery of medical care services in remote areas, preventive healthcare, awareness campaigns, general and specialized health camps, etc. Apart from this, the Company has also facilitated the healthcare and sanitation in the wake of outbreak of Novel Corona Virus pandemic.	(i)
		Project Name: Arogya	
		District & State where projects and Programme was undertaken: 1) Kota & Baran (Rajasthan) 2) Tehri & Dehradun (Uttarakhand)	
		Implementing Agency:- Direct & KKBMS	
5.	Rural Development	Rural Development Project / Program of the Company aims towards sustainable development of the village infrastructure for the well-being of the community at large. The Company also extend its helping hand for relief in case of natural calamities/disaster.	(x)
		Project Name: Saakar	
		District & State where projects and Programme was undertaken:- 1) Kota & Baran (Rajasthan) 2) Various District (Odisha)	
		Implementing Agency:- Direct & KKBMS	
6.	Employability and Empowerment	In order to achieve gender equality and promote income generating activities for the marginalized section of women, the Company supports Women Self Help Groups.	(iii)
		Project Name: Pragati	
		District & State where projects and Programme was undertaken: 1) Kota & Baran (Rajasthan)	
		Implementing Agency: Direct & KKBMS	

On the basis of the company's CSR Initiatives, it can be concluded that company has mainly incurred the CSR expenditure directly through KK Birla Memorial Society which have been set up by the company itself for implementation of CSR Projects and Programmes. It is also found that company is spending huge CSR amount in the local area of the Plant/Company especially nearby villages. The Company mostly spent in Kota, Baran, Jhalawar and Jodhpur districts of Rajasthan State.

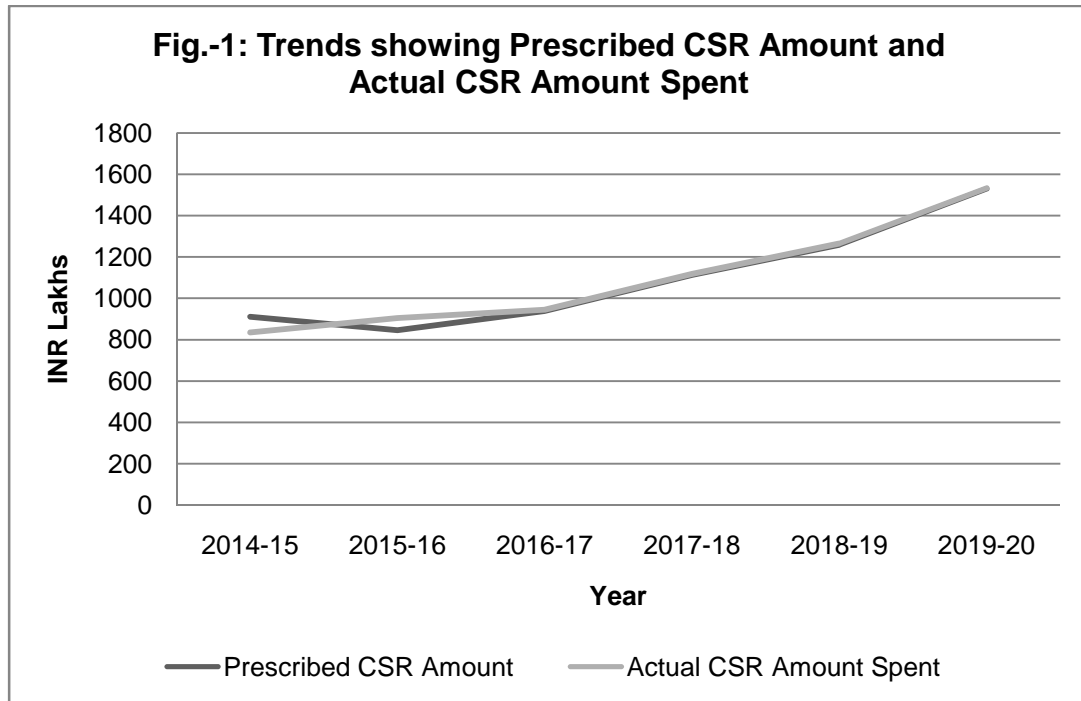
Data Analysis

Table 1: CSR Expenditure of Chambal Fertilisers and Chemicals Limited for the period from 2014-15 to 2019-20

(In ₹ Lakhs)

Year	Average Profit Before Tax (As per Section 135)	Prescribe CSR Expenditure (2% of Average Profit)	Actual Amount Spent	Excess Amount Spent	Amount Unspent
2014-15	45521	910.41	835.55	-	74.86
2015-16	42270	845.39	905.86	60.47	-
2016-17	46890	937.80	945.83	8.03	-
2017-18	55652.91	1113.06	1118.5	5.44	-
2018-19	62927.58	1258.55	1265.94	7.39	-
2019-20	76478	1530	1533	3	-
Total	-	6595.21	6604.68	84.33	74.86

Source: Compiled from Annual Reports of Chambal Fertilisers and Chemicals Limited



As per the analysis of the above Table-1 & Fig.-1, it is found that Company made CSR expenditure on CSR Projects/Activities while fulfilling the Provisions of Section 135 of the Companies Act, 2013. The actual amount spent by the company on CSR is exceeding the prescribed amount except the first year i.e 2014-15. The CSR expenditure shows an increasing trend. The company incurred highest CSR Expenditure of ₹ 1533 Lakhs in the year 2019-20 and Lowest CSR Expenditure of ₹ 835.55 Lakhs in the year 2014-15.

In the year 2014-15, the company did not incur the prescribed CSR amount due to the low monetary value of individual projects in villages & due to non-availability of trained manpower & contractors. The company also mentioned this reason for unspent amount of CSR in Annual Report on CSR activities for the year 2014-15. It shows that company has complied the provisions of Companies Act with mentioning the reasons for unspent amount.

Table 2: Activity wise CSR Expenditure of Chambal Fertilisers and Chemicals Limited during the Period of Study

(In ₹ Lakhs)

Sr. No.	CSR Activities as per Schedule VII of Companies Act, 2013	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1.	i – Promoting Healthcare, Swacchh Bharat, Sanitation	196.29	219.91	198.14	68.95	74.98	139.00	897.27
2.	ii – Promoting Education and vocation skills	448.02	398.47	493.4	603.56	679.59	745.00	3368.04
3.	iii - Empowerment of Women, Reducing Inequalities	11.41	41.35	35.23	42.06	71.75	74.00	275.8
4.	iv - Environmental Sustainability, Maintaining Quality of Soil	179.82	246.13	219.06	216.98	151.47	127.00	1140.46
5.	x - Rural Development	-	-	-	186.95	288.15	448.00	923.1
	Total	835.54	905.86	945.83	1118.5	1265.9	1533.00	6604.67

Source: Compiled from Annual Reports of Chambal Fertilisers and Chemicals Limited

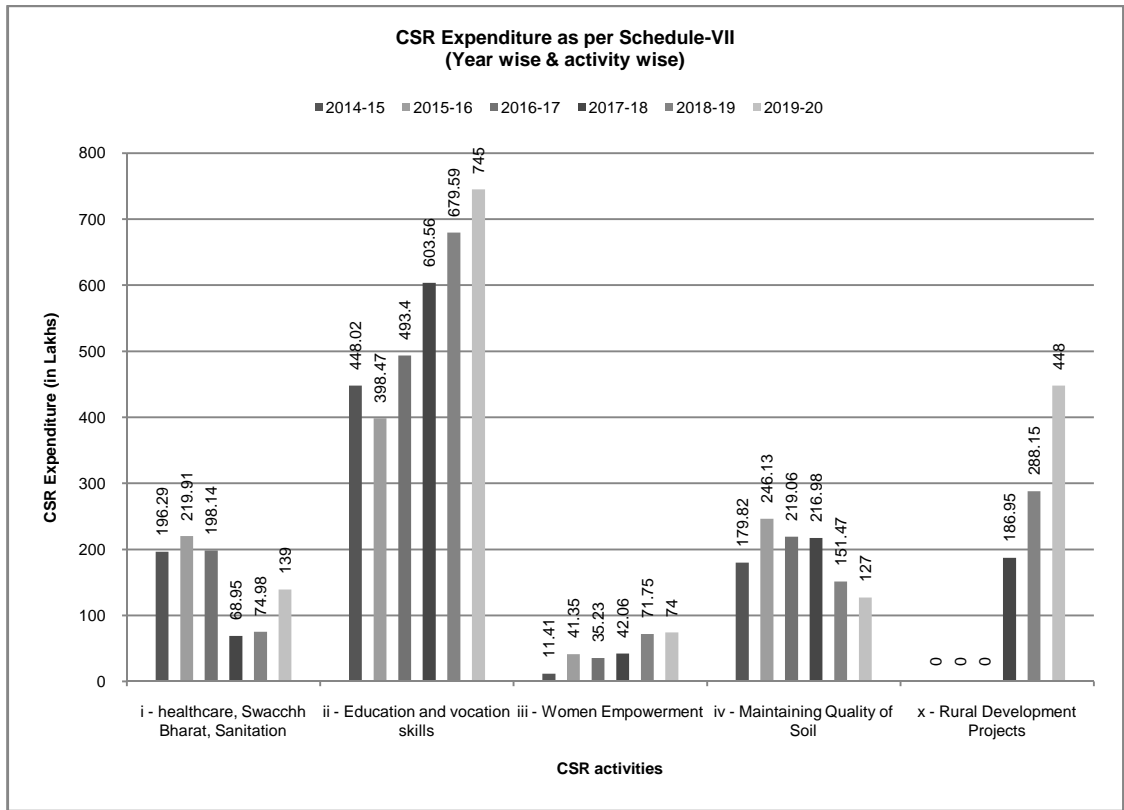


Fig. 2: Activity wise CSR Expenditure by Chambal Fertilisers and Chemicals Limited during the period of Study

As per the analysis of the above Table-2 & Fig.-2, it is found that Company made CSR expenditure in the selected activities in each year as mentioned in the CSR policy of the company. The company incurred their highest CSR Expenditure under the activity of promoting education and employment, enhancing vocational skills under the period of study. The Company incurred the CSR expenditure on Education and Vocational Skills of ₹ 448.02 Lakhs & ₹ 745 Lakhs in the year 2014-15 & 2019-20 respectively. It shows that company is continually increasing the expenditure under this activity.

Findings & Suggestions

- The CSR Policy of the company framed as per the provisions & Schedule-VII of Companies Act, 2013. The company is also complying all the provisions of the Act.
- The company mainly sent the CSR amount in the State of Rajasthan. Local areas of Company is more benefited on account of CSR. Company also incurred the CSR expenditure in other states i.e Utrakhand, Uttarpradesh & Odisha etc.
- Chambal Fertilisers and Chemicals Limited has made an attempt through its CSR activities to discharge its responsibility towards various stakeholders. The company has mainly focused its CSR Projects on account of Education & Vocational Skills activity of CSR. The company has performed well on CSR front yet the company require to improve its activities and also to focus on other activities of CSR.
- Presently, Chambal Fertilisers and Chemicals Limited is incurring the expenditure on CSR under only 5 activities out of 12 activities mentioned in Schedule-VII of the Companies Act, 2013. The companies can also spread their area of CSR activities in the future on other sectors to be more helpful to the society or community.
- The company should not be limited in spending of CSR amount up to Prescribed CSR Amount (2% of Average Profit). The company should spent more beyond the mandatory requirement so that the various stakeholder across the country may be benefited.

Limitations of the Study

The present study also carries some limitations as below:

- The study is limited to a particular company in Fertilizer Industry for the findings. There is also an opportunity for further study by taking two or more companies/mixed selection of Government & Private Sector Companies in Fertilizer Industry in India for detailed & comparative study.
- This study is based on secondary data.

Conclusion

Corporate Sector has to think beyond profitability and start being responsible for all those who make their survival possible in the society. This is only possible by getting activity involved in CSR. Chambal Fertilisers and Chemicals Limited considered for this paper, has travelled a long journey in fulfilling their objectives towards Corporate Social Responsibility. Chambal Fertilisers and Chemicals Limited is actively participating in CSR fulfilling their obligation towards world, nation, society, and environment and in the development of self-sustainable society and has invested in healthcare, rural infrastructure, education, skill development and women empowerment.

References

- ✓ Amudhayee, N. L. (2011). Corporate Social Responsibility in Neyveli Lignite Corporation. Retrieved from <http://hdl.handle.net/10603/204218>
- ✓ Garg, K. (2018). *Corporate Social Responsibility with Companies (CSR Policy) Rules, 2014 as amended by The Companies (CSR Policy) Amendment Rules, 2018(2nd Edition, 2019)*. New-Delhi: Bharat Law House Pvt. Ltd. (ISBN- 978-93-5139-646-8)
- ✓ Jayanna, S. & Basavapattan, R. (2016). Corporate Social Responsibility: A Critical Analysis on TATA Power. *International Journal of Research in Management & Business Studies*, 3(2), 39-42.
- ✓ Khan, T.L. & Bandopadhyay, L. (2019). Corporate Social Spending in India. *The Indian Journal of Commerce*, 72(2), 1-12.
- ✓ Kothari, C.R. (2009). *Research Methodology Methods and techniques*. New Delhi: New Age International (P) Limited.
- ✓ Krishnan, A. (2018). Comparative analysis study on CSR expenditure in India: the case of Manufacturing and Service Industries. *International Journal of Pure and Applied Mathematics*, 118(9), 421-443.
- ✓ Kumar, M. (2019). Corporate Social Responsibility: An Analysis of Indian Commercial Banks Spending Pattern and Perception of Beneficiaries. *International Journal of Scientific Research and Review*, 7(7), 123-137.
- ✓ Kumar, S., Negi, V., Sharma, A. & Gupta, K. (2015). *Corporate Social Responsibility*. New Delhi: YS Books International. (ISBN-978-93-837932-9-0)
- ✓ Patel, N. J. (2017). A Comparative Study of Corporate Social Responsibility Practices of Selected Fertilizer Companies in Gujarat State. *International Journal of Research in Humanities & Soc. Sciences*, 5(5), 10-15.
- ✓ Sharma, A. & Sharma, R.S. (2016). Analysis of Corporate Social Responsibility of Indian Banks. *Accounting Studies*, 14(1), 41-45.
- ✓ Sharma, S. K. (2017). A comparative study of Corporate Social Responsibility in public and private sector organizations in India. Retrieved from <http://hdl.handle.net/10603/173019>
- ✓ Singh, A. K. (2014). *Corporate Law and Governance*. New Delhi: Regal Publications. (ISBN-978-81-8484-396-5)
- ✓ <http://chambalfertilisers.com>
- ✓ <https://csrcfe.org/about-csr-in-india-public-policy/>
- ✓ <https://fert.nic.in/publication-reports/annual-report>
- ✓ <https://indiacr.in/>
- ✓ <https://www.icai.org/>
- ✓ <https://www.icsi.edu/>

