

CORPORATE SOCIAL RESPONSIBILITY IN FERTILIZER INDUSTRY IN INDIA: (A CASE STUDY OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED)

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ABSTRACT

A company has some certain responsibilities towards the Community, Society and stakeholders. At Present, CSR is gaining importance day by day. Some companies are using CSR as a strategic tools/tactic to gain a competitive advantage in global market. In Fertilizer Industry, The Rashtriya Chemicals and Fertilizers Limited (RCF) is a popular fertilizer & chemical manufacturing undertaking of Government of India. As part of its CSR initiatives, RCF Limited has already undertaken the several projects/activities/initiatives in main area of Promoting Education, Promoting Health Care and rural development for the benefit of the community/society. This study tried to find whether RCF Ltd. is fulfilled the all legal provisions mentioned in section 135 of the Companies Act, 2013. This research paper also described the Meaning/definition of CSR, activities mentioned in Schedule-VII of Companies Act, 2013. It also highlights the key points of CSR Policy & CSR activities/initiatives undertaken by RCF Limited. This study also analysed the CSR Expenditure/Spending during the period from 2014-15 to 2019-20.

KEYWORDS: CSR, CSR Initiatives/Activities, CSR Policy, CSR Expenditure, RCF Ltd.

Introduction

In present era, the Corporations are facing a new challenge of fulfil the needs of the present generation without compromising the ability of the next generation to meet their own needs. All the organization are taking the full responsibility for any impact of their operations on environment and Community/Society. Corporates are aware about the three "Ps"-people, planet, and profit. Corporation have transformed from a profit making institution to a social organisation, which devotes time to protect the interests of the shareholders, the employees and the society. A corporation can be an institution in the real meaningful not only when it has been created wealth or huge profit but also when it has contributed to the development of the ingredients, which resulted in its success, hence the essential objective of the corporation is to offer back to the society what it's given them. This has been mandatory for Companies to spend for the Society/community after applicability the legal provisions of CSR.

Review of Literature

Srivastava, A.K., Negi, G., Mishra, V. and Pandey, S. (2012) in their research paper titled "CSR: A Case Study of Tata Group" states that Tata Group has gone far away in fulfilling its responsibility towards nation. It has reached the masses to elevate their lives to nurture their dreams.

Manjula, R. (2015) studied on the topic "CSR of Chemical Fertilizer Companies- A Study with special reference Fertilizers and Chemicals Travancore Limited (FACT)". The study was focused on CSR Activities of FCAT. Study elaborated the CSR initiatives/activities undertaken by the entity like Village Adoption Programme, Farmer Training Programme & Soil Testing, Drinking Water Supply, Pollution Control Activities and other trainings etc. The study concluded that business should participate in equitable social development.

Singh, S.& Sharma, A. (2015) studied on "Corporate social responsibility practices in India: Analysis of Public companies". The study described about the regulatory framework of CSR in India and detailed analysis of CSR Policies & various CSR activities undertaken by the public sector companies in India. The selected PSU Companies were Coal India Ltd & GAIL. The study concluded that corporates should develop effective and need based CSR strategies to maximizing returns for all the stakeholders.

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Silpa, G., Ramana, D.V., and Reddy, T. N. (2017) mainly focus on the actual theoretical framework of CSR activities happening in the selected Indian IT companies. They examined the CSR initiatives undertaken by companies and categorized those activities & further examined that whether CSR activities in the selected Indian IT companies are followed as per the schedule VII of Companies Act, 2013.

Khan, T.L. & Bandopadhyay, L. (2019) conducted a study on Corporate Social Spending in India. The study found the moderate association between spending on CSR and Goods & Services consumed in different states, indicating spending of Corporate on CSR towards their business motive. They concluded that the regulators, through the act or otherwise, should issue clear directives to the corporate for better management of their CSR spending in order to remove the disparity of such spending among different zones of the country.

Balamurugan, T. & Anandhi, K. (2020) studied on "Analysis of Corporate Social Responsibility Practice of Indian Railways". This study aims to know the CSR practices of Indian Railway. It is concluded that Indian Railways should advance their real corporate social responsibility that should in realistic rather on portion of manuscript.

Need of Study

To understand the concept and legal provisions of CSR and getting an insight in CSR Practices/CSR Initiatives in the light of the case study of RCF Limited. This study will also analyse the CSR Expenditure/Spending of the RCF Limited under the period of study.

Objectives of the Study

The study has following objectives:

- To know about the meaning & definitions of CSR.
- To know the applicability of CSR Provisions
- To know about the key points of the CSR Policy of RCF Ltd.
- To identify main focus/core areas selected by RCF Ltd under CSR.
- To develop a knowledge base about CSR activities undertaken by RCF Ltd.
- To analysis the CSR Expenditure of RCF Ltd. under the period of study.
- To study that to what extent RCF Ltd. has fulfilled its responsibility towards various stakeholders.
- To make suggestion to RCF Ltd. for accelerating CSR activities/initiative & CSR Spending.

Research Methodology

The present study is undertaken to analysis the CSR Policy, CSR Activities/Initiatives& CSR Spending of RCF Ltd for the period 2014-15 to 2019-20. Exhaustive Literature survey regarding the topic and related concept has been done. This study is conducted on the basis of 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 Policy, CSR Activities/Initiatives & CSR Spending are based on the data collected/compiled from annual reports & CSR Policy of the company. 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.

Meaning of Corporate Social Responsibility (CSR)

"Corporate Social Responsibility" came into common use in the late 1960s. Corporate Social Responsibility is known by other names as also Corporate Accountability, Corporate Responsibility, Corporate Ethics, Corporate Citizenship or stewardship, responsible entrepreneurship and Triple Bottom Line. Today, CSR encompasses not only WHAT companies do with their profits but also HOW they make their profits. It goes beyond philanthropy. CSR is seen as comprehensive set of policies, practices and programs that are integrated throughout the business process and decision making process that are supported and rewarded by top management.

Applicability of CSR Provisions

- As per sub-section (1) of Section 135 of the Companies Act, 2013, the CSR Provisions will be applicable on the companies which fulfill any of the following criteria during immediately preceding financial year:

Companies having net worth of rupees 500 crore or more

OR

Companies having turnover of rupees 1000 crore or more

OR

Companies having a net profit of rupees 5 crore or more

- Every such company is required to constitute a CSR Committee of the Board.
- Every such company is required to spend at least 2% of the average net profits of the company made during the three immediately preceding financial years in every financial year.

Fertilizer Industry in India & RCF Limited

Fertilizer market in India was rupees 6,258 Billion in the year 2019. The fertilizer consumption is increasing continuously which has contributed significantly to sustainable the production of food grains in the India. In Fertilizer Industry, RCF Limited is a popular & leading fertilizer and Chemicals manufacturing company. Almost 80% equities of the RCF Limited is held by the Government of India. RCF Limited is a Public Sector Undertaking in India under the Ministry of Chemicals and Fertilizers of the Government of India, based in Mumbai. The share of the company is listed and traded at NSE & BSE. It has two operating units, one Unit is situated at Trombay in Mumbai and another unit is at Thal. RCF limited has "Mini-Ratna" status. The administrative Office of RCF is situated at Mumbai & Thal. RCF Limited is performing very well for the last several years. It is one of the few PSU's which have been posting profits consistently. As per the Annual Report of the Company, It has achieved revenue from operations of rupees 9697.95 crore with the net profit (after tax) of rupees 208.15 crore in the year 2019-20. RCF Limited is accredited with ISO 14000 for environment, ISO 9000 for quality and OHSAS 18000 for occupational Health and Safety. Under the CSR initiatives, RCF Limited has already undertaken the various projects in the areas of Education, Health Care and rural development for the society. RCF Ltd. has spent rupees 341.54 Lakh on CSR projects/activities in the year 2019-20. RCF Limited is discharging its CSR diligently with a goal to benefit of the society.

CSR Policy of RCF Limited

In compliance to provisions & rules related CSR as per the Companies Act 2013, RCF Limited framed a CSR Policy.

CSR Objectives of the Company

Aligning with the Mission, Vision and Value statement of the Company, RCF Limited has aims to become a socially responsible entity through its CSR and Sustainable Development activities and reiterate the focus of the company in maintaining a healthy relation between People, Planet and Profit. RCF Limited has a commitment towards social and environmental consciousness as an integral part of its business plan and to promote sustainable development as a responsible company.

CSR Policy Statement

"RCF aims to achieve and strengthen its Corporate Governance inculcating socially and environmentally responsible business practices that balance financial profit with social well-being."

Focus Area of CSR

RCF Ltd. framed their focus areas for CSR activities/initiatives as per the schedule VII of Companies Act, 2013 but not limited to:

- Promoting Education
- Promoting preventive healthcare
- Making available safe drinking water
- Taking measures for reducing inequalities faced by socially and economically backward groups.
- Rural development projects
- Ensuring environmental sustainability, ecological balance, and conservation of natural resources and maintaining quality of soil, air and water.

Geographical Area for CSR

The geographical area of RCF's CSR activities is mainly the immediate surroundings of the operating units at Thal and Trombay in Mumbai. RCF has a commitment to well-being of local communities & society at large.

Data Analysis**Table 1: Focus Area of CSR and CSR Activities Covered under Schedule VII**

Sr. No.	Focus Area of CSR as per CSR Policy of RCF Ltd.	CSR activities of RCF Ltd. covered as per schedule VII of Companies Act, 2013
1.	Promoting Education	ii - Education and vocation skills
2.	Promoting preventive healthcare.	i - Hunger, poverty and healthcare
3.	Making available safe drinking water.	i - Hunger, poverty and healthcare
4.	Taking measures for reducing inequalities faced by socially and economically backward groups.	iii - Reducing Inequalities
5.	Rural development projects	x - Rural Development
6.	Ensuring environmental sustainability, ecological balance, conservation of natural resources and maintaining quality of soil, air and water.	iv - Environmental Sustainability

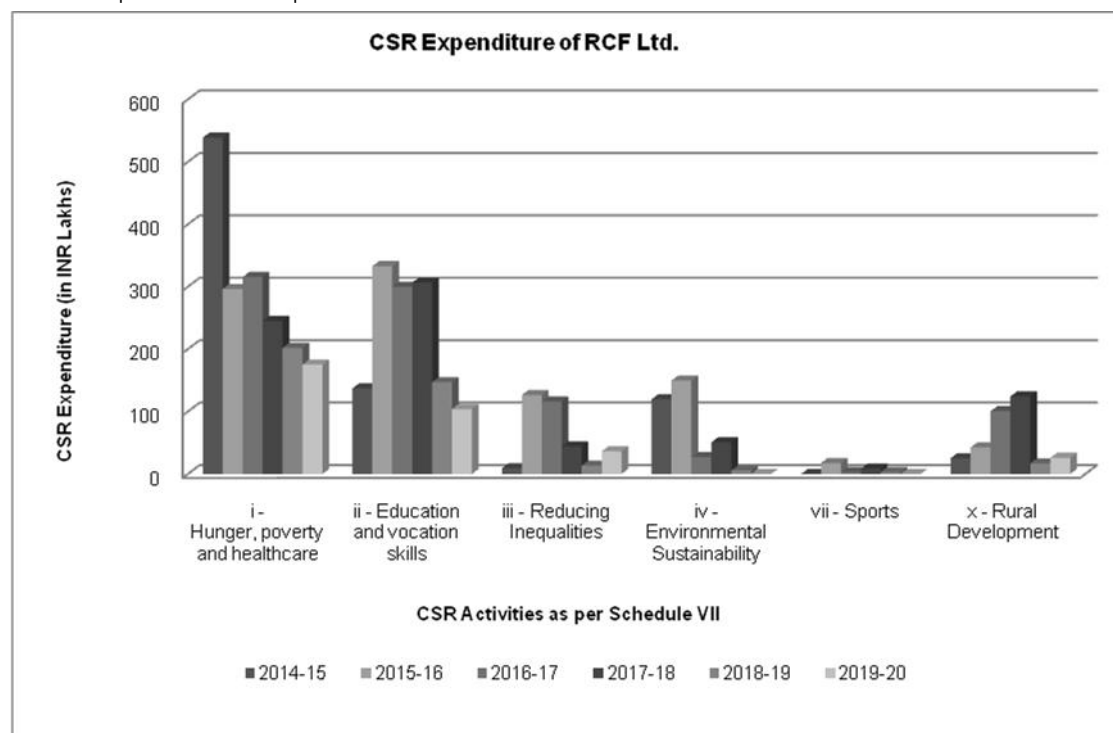
Source: Compiled from CSR Policy of RCF Ltd.

The above table-1 shows that Focus areas of CSR of the Company is in conformity with the provisions & Schedule-VII for the same as mentioned in the Companies Act 2013. The Policy of RCF Ltd. covered only five activities mentioned in (i), (ii), (iii), (iv) & (x) as per Schedule VII of Companies Act, 2013.

Table 2: CSR Expenditure of RCF Ltd. during the Period of Study**(In INR 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 - Hunger, poverty and healthcare	538.69	296.42	315.56	245.01	201.84	175.35	1772.87
2.	ii - Education and vocation skills	137.08	332.95	300.02	306.56	146.99	104.04	1327.64
3.	iii - Reducing Inequalities	9.34	126.63	116.02	44.17	13.43	36.23	345.82
4.	iv - Environmental Sustainability	119.56	149.66	27.18	50.67	5.4	0	352.47
5.	vii - Sports	0	17.64	3.12	8.61	2.93	0	32.3
6.	x - Rural Development	25.33	42.42	100.61	124.3	17	25.92	335.58
	Total	830.00	965.72	862.51	779.32	387.59	341.54	4166.68

Source: Compiled from Annual Reports of RCF Ltd.

**Fig. 1: Activity wise CSR Expenditure incurred by RCF Ltd. under the period of Study**

The focus areas of the CSR activities mentioned under the CSR policy of the companies are given in Table-1. The actual CSR amount spent on the various CSR activities are given Table-2. On the basis of analysis, it is concluded that the RCF Limited is spending the CSR amount as per the "RCF CSR Policy" & under the purview of CSR Activities mentioned under Schedule-VII of Companies Act, 2013. As per the analysis of the above Table-2 & Fig.-1, it is found that Company made CSR expenditure in all the activities as per CSR policy in each year. The company incurred their highest CSR Expenditure of 965.72 Lakh in the year 2015-16 and Lowest CSR Expenditure of 341.54 in the year 2019-20. Out of the total amount spent on the focused areas of the company, the activities/initiatives of education & health have received maximum funds almost every year from 2014-15 to 2019-20.

Table 3: Activity wise total CSR Expenditure incurred by RCF Ltd. & Showing Percentage of Expenditure under the period of study

(In INR Lakhs)

CSR Activities as per Schedule-VII of Companies Act, 2013	Total CSR Expenditure incurred by RCF Ltd.	Percentage (%)	Preference
i - Hunger, poverty and healthcare	1772.87	42.55 %	I
ii - Education and vocation skills	1327.64	31.86%	II
iii - Reducing Inequalities	345.82	8.30%	IV
iv - Environmental Sustainability	352.47	8.46%	III
v - National Heritage	-	-	-
vi - Armed Force Veterans	-	-	-
vii - Sports	32.3	0.78%	V
viii - PM's Relief Fund	-	-	-
ix - Technology Incubators	-	-	-
x - Rural Development	335.58	8.05%	IV
xi - Slum Development	-	-	-
xii- Disaster Management	-	-	-
Total	4166.68	100%	-

Table-3 shows that RCF Ltd. incurred rupees 1772.87 Lakh towards CSR under the activity of hunger, poverty, health care, sanitation and availability of safe drinking water under the period of study which is 42.55% of total CSR Expenditure. It means that company has given the first preference to CSR activity towards Hunger, Poverty & health care and second preference is given to CSR activity related to Promotion of Education & Vocational Skills which cover 31.86% of total CSR Expenditure. The Percentage of the expenditure towards other activities are below 10%. The company not spent any amount during the period from 2014-15 to 2019-20 towards the activities mentioned under (v), (vi), (viii), (ix), (xi) and (xii) of Schedule-VII of Companies Act, 2013.

Major CSR Initiatives of RCF Ltd.

<ul style="list-style-type: none"> • Hunger, poverty and healthcare & safe drinking water <ul style="list-style-type: none"> ▪ Supply of Safe Drinking Water to nearby villages ▪ Providing Medical Facility through Mobile Medical Van ▪ Distribution of Free Sanitary napkins to females population of slum ▪ Running of Pathology lab ▪ Holding of Yoga Camp, Health Camp, Medical Camp, Eye Check-up Camp, Lung/Anaemia Screening Test ▪ Maintenance of Public Garden & Bio-toilets, Construction of Public Toilets ▪ Financial support to Hospitals for Poor Patients ▪ Providing Oxygen Machines ▪ Health care services to elderly patients
<ul style="list-style-type: none"> • Education and vocation skills <ul style="list-style-type: none"> ▪ Scholarship to meritorious students & Distribution of Books/Guides ▪ Supply of Mid-Day Meal ▪ Financial Assistance for Construction of School ▪ Support for Construction, providing financial assistance & rehabilitation for mentally challenged and differently able children ▪ Constructions/Repairing of Toilets, Cycle Stands, Library etc. in Schools ▪ Setting up of Mini Science Centres in Schools ▪ To provide free residential coaching to meritorious students of JEE Mains ▪ To Motivate & develop the skills of farmers ▪ Free distribution of paddy, fruits sapling and fertilizers to villagers ▪ Provide training about ethical human, moral & health values

Findings & Suggestions

CSR is necessarily an evolving term doesnot have a standardized framework or full set of specific criteria. However, in present case study, it has been observed that RCF Limited has made a policy on CSR. The CSR Policy of RCF Limited has been prepared as per law.RCF Limited is spending on account of CSR as per their CSR Policy. The Company is full filled the compliance of Section-135 of the Act. The focus areas mentioned in CSR Policy are taken from the Schedule-VII of the Companies Act, 2013.

RCF Limited has made an attempt through its CSR activities to discharge its responsibility towards various stakeholders. Through its various activities & projects affected families have been provided various reliefs and rehabilitation facility.RCF Limited is sustaining environment, social and human value. The Major Thrust area of CSR of RCF Limited is Clean Drinking water, health, medical care and promoting Education.The major challenge faced by RCF Limited in implementing the CSR activities/initiatives is to pacify all stakeholders. The company is not spending more than 2% of Average profit so that due to fund shortage only selected project affected families of only local areas are benefited. After having a through insight into CSR related activities carried out by RCF Limited in 2014-15 to 2019-20, it has been observed that though the company is performed well on CSR front yet the company require to improve its activities. RCF limited should some add more CSR activities in their focus area of CSR Policy. Periodic review of CSR initiatives/activities should be conducted, so that left out areas are also identified and covered up in perspective CSR initiatives/activities of the Company. The Company should focus more on environment protection.

Limitations of the Study

The present study also carries some limitations as below:

- The study considered only RCF Limited of Fertilizer Industry for the findings. It is the opportunity for further studies to take a two or more companies for detailed & comparative study.
- The study is purely conducted on the basis of secondary data.

Conclusion

The case study of RCF Limited is an example to describe that how an organization can maintain the human, social and environment sustainability, in order to achieve the company's vision, mission, goal and CSR policy statement. RCF Limited has made a sincere attempt to discharge its social responsibility towards its stakeholders especially to local communities affected by programmes undertaken by the entity. CSR is became very effective for the locality of the RCF Limited in the upliftment of that area financially as well as in the field of Education, Healthcare & Environment Sustainability. CSR Policy prefer the local area of RCF Limited's units which help the locality people only but same time it is a loss to those area where still companies/corporations are not set up yet. But Overall we can conclude that RCF Limited' CSR Initiatives will help in overall sustainable development of the Country.

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