



# A Comparative Study of Corporate Social Responsibility Practices of Selected Fertilizer Companies in Gujarat State

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## Abstract:

*Corporate Social Responsibility (CSR) is an important issue in contemporary business, management and politics, especially since the launch of the United Nations. 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. This paper analyse the Corporate Social Responsibilities Practices of two conveniently selected companies Gujarat Narmada Valley Fertilizers and Chemicals Limited and Gujarat State Fertilizers and Chemicals Limited. Comparative analysis of CSR activities in which both the companies has contributed and also the analysis of CSR Spending of both the companies in two years of implementation of Companies Act, 2013 is done. Analysis of CSR Practices is based on the Activities mentioned in Section 135 of Companies Act, 2013. The findings of the paper states that both the companies has equally contributed in terms of the activities in number of sectors and Gujarat State Fertilizers and Chemicals Limited has contributes better in terms of Spending towards Corporate Social Responsibility as compared to Gujarat Narmada Valley Fertilizers and Chemicals Limited.*

**Keywords:** 2013, Companies Act, Corporate Social Responsibility, CSR Practices, Section 135

## 1. Introduction

Corporate Social Responsibility is essentially a concept whereby firms integrate social and environmental concerns in their business operations and in their interaction with their voluntary and mandatory activities. The concept of CSR is not simple to define; over the past few years Corporate Social Responsibility, as a concept, has been focus of many deliberation and research. It has grown in importance both academically as well as business sense. It captures a spectrum of values and criteria for measuring a company's contribution to social development. These extensive ranges of synonymously used terms indicate that multiple definitions has devised for CSR, mostly from different perspectives and by those in facilitating roles such as the corporate sector, government agencies, academics and the public sector. The concepts of corporate citizenship, sustainable business, environmental responsibility, the triple bottom line, social and environmental accountability, business ethics and corporate accountability are all very much linked with CSR.

## 2. Review of Literature

**Kavitha Shanmugam, 2013** made An Empirical Study on the paper entitled, "Environment CSR initiatives of manufacturing units in India". This paper is an effort to research the status of CSR activities relating to 'environment' in Indian manufacturing sector. A review of literature shows little is available on the status of environment CSR practices in the manufacturing sector. This paper obtains data through a survey of 50 manufacturing companies belonging to automobile, cement, chemical, pharmaceutical and textile sectors. The findings reveal the emergence of environment CSR as corporate focus. The paper also provides suggestions on enhancement of environment CSR in the Indian manufacturing units.

**Jayati Sarkar and Subrata Sarkar, 2015** made a study on the paper entitled, “Corporate Social Responsibility in India - An Effort to Bridge the Welfare Gap”. The paper argues that notwithstanding the potential economic costs that may accompany mandated CSR, the provisions of the new Act are designed thoughtfully to balance the objectives of the corporation and its shareholders on the one hand and that of the society and its stakeholders on the other. However, addressing the challenges of implementation successfully would determine how far the objectives of the new regulations are met.

### 3. Objective of the Study

1. To explore and investigate areas of Corporate Social Responsibility Practices of “Gujarat Narmada Valley Fertilizers and Chemicals Limited and Gujarat State Fertilizers and Chemicals Limited in Gujarat.”
2. Study of CSR Spending of Selected Companies
3. To compare and contrast Corporate Social Responsibility Practices of selected companies.

### 4. Research Methodology

The study has been undertaken for the period of two years i.e. 2014-15 and 2015-16. The Coefficient of Variance is computed to compare the efficiency of the selected companies.

### 5. CSR as per Companies Act, 2013

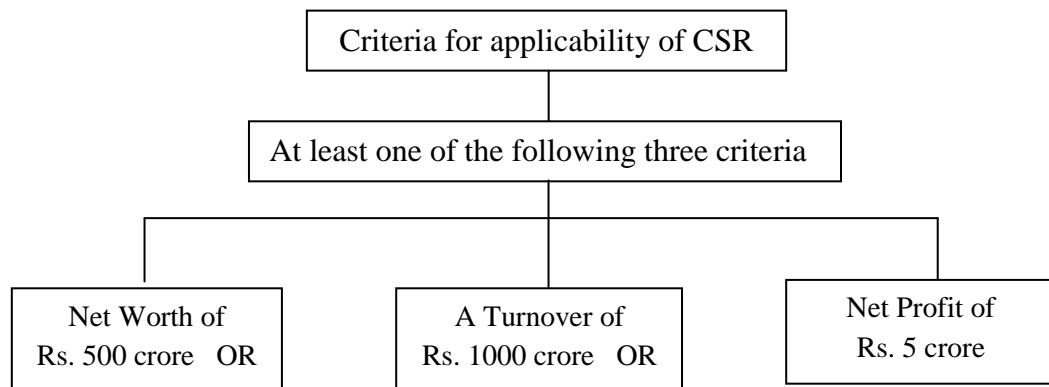
The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-explain mandate, is promoting greater transparency and disclosure. Schedule VII of the Act, which lists out the CSR activities, suggests communities to be the focal point. On the other hand, by discussing a company’s relationship to its stakeholders and integrating CSR into its core operations, the draft rules suggest that CSR needs to go beyond communities and beyond the concept of philanthropy. It will be interesting to observe the ways in which this will translate into action at the ground level, and how the understanding of CSR is set to undergo a change.

### 6. Section 135

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director.

### 7. Applicability of CSR

The Act specifies certain rules to clarify the applicability of CSR policy:



The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The ministry’s draft rules, that have been put up for public comment, define net profit as the profit before tax as per the books of accounts, excluding profits arising from branches outside India.

The Act lists out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval. The indicative activities which can be undertaken by a company under CSR have been specified under Schedule VII of the Act.

### 8. Cessation of Applicability of CSR

Companies covered under CSR provisions goes outside the CSR provisions if it ceases to fulfil the criteria for ‘Three Consecutive Years’. Once company again fall within the limit provisions of CSR it will be again applicable on Company.

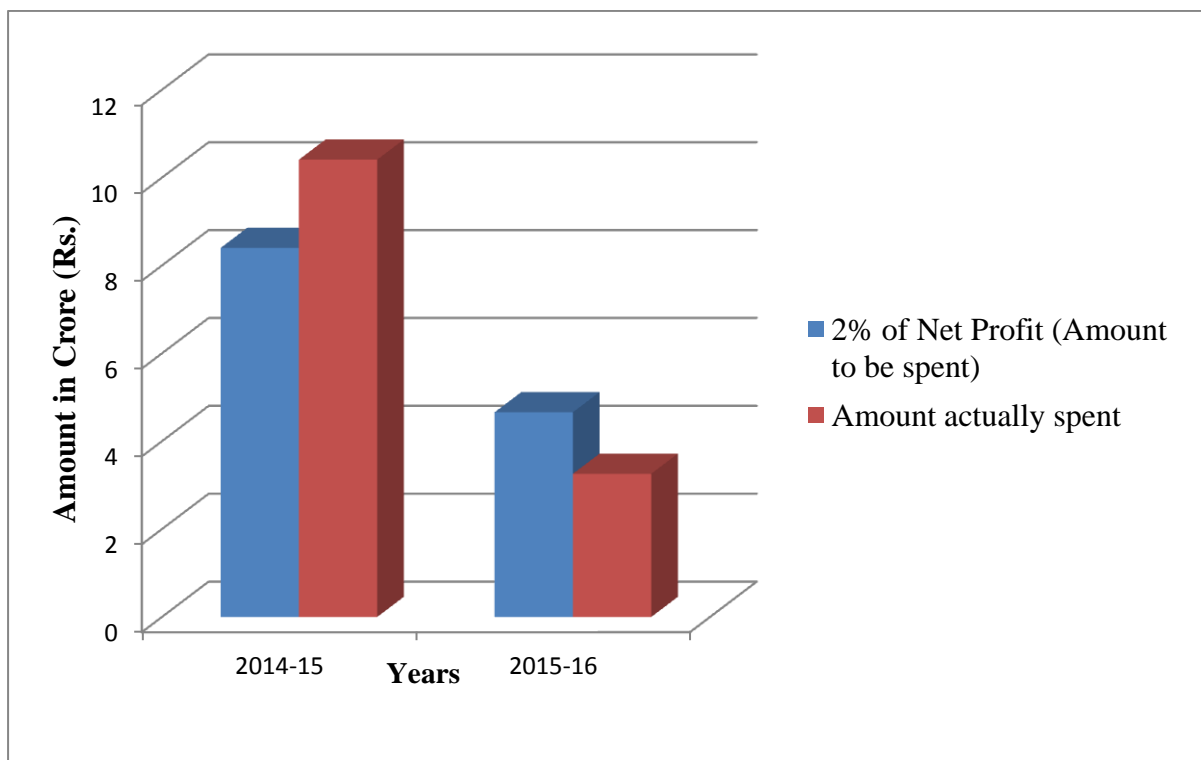
### 9. Data Analysis

#### 9.1 CSR Spending of Gujarat Narmada Valley Fertilizers and Chemicals Limited

(Rs. in crores)

Year	Average Net Profit	2% of Net Profit (Amount to be spent)	Amount actually spent	Amount unspent
2014-15	419.96	8.40	10.41	NA
2015-16	233.00	4.66	3.26	1.40

Chart 1 : CSR Spending of GNFC Limited



#### 9.2 Interpretation

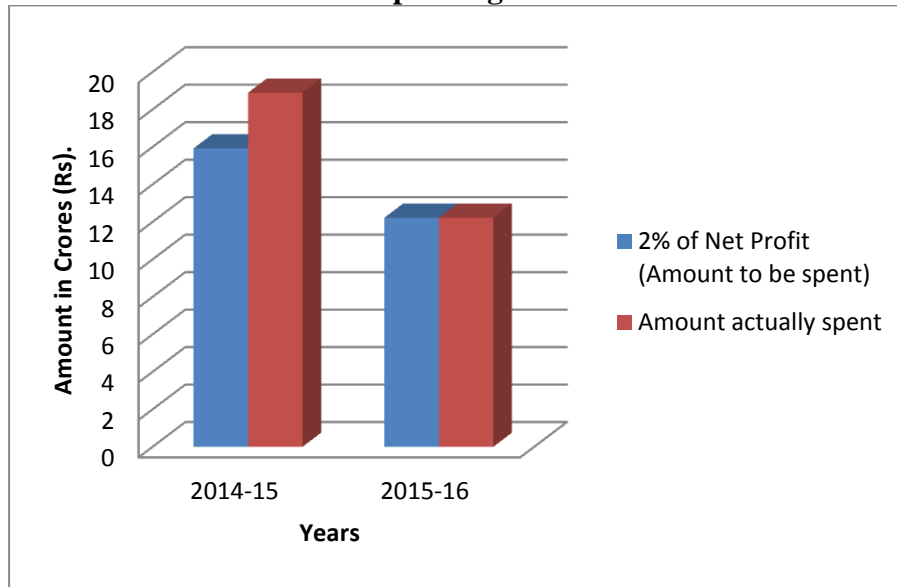
In the year 2014-15, the company has actually spent Rs. 10.41 crores as compared to the estimated amount of Rs. 8.40 crores which is around 2.5% of average net profits of past 3 years as compared to 2% of average net profit. This indicates that the company has contributed more than required amount which shows its clear intentions to contribute to the society if it earns higher profits and have enough amounts of reserves. In the year 2015-16, the company has actually spent Rs. 3.26 crores as compared to the estimated amount of Rs. 4.66 crores considering net loss of Rs. 452.07 crores in F.Y. 2014-15 in order to sustain the CSR expenditure on a consistent basis.

**9.3 CSR Spending of Gujarat State Fertilizers and Chemicals Limited**

(Rs. in crores)

Year	Average Net Profit	2% of Net Profit (Amount to be spent)	Amount actually spent	Amount unspent
2014-15	769.32	15.92	18.89	NA
2015-16	611.10	12.22	12.22	NA

**Chart 2 : CSR Spending of GSFC Limited**



**9.4 Interpretation**

In the year 2014-15, the company has actually spent Rs. 18.89 crores as compared to the estimated amount of Rs. 15.92 crores which is around 2.4% of average net profits of past 3 years as compared to 2% of average net profit. This indicates that the company has contributed more than required amount which shows its clear intentions to contribute to the society if it earns higher profits and have enough amounts of reserves. In the year 2015-16, the company has actually spent Rs. 12.22 crores which is equal to the estimated amount which is a good indication that company has managed to spend the required amount towards CSR.

**9.5 Comparative study of Corporate Social Responsibility activities of selected companies**

Criteria	Name of Company	Activity
Education Facility and Research Centre	GNFC	Narmada Education and Scientific Research Society (NEST), a trust, promoted by the Company runs the Narmada College Campus and Institutions at the campus impart graduate and post graduate level education in Science, Commerce, Management and Computer Application stream and also part time courses for the employed professionals
	GSFC	GSFC has constructed schools and College buildings, donated funds for library to the rural youth and encourage young children for primary education.

<b>Rural development</b>	GNFC	Through Narmada Nagar Rural Development Society, the NGO promoted by the employees and their families, several rural development initiatives are undertaken in the field of health and hygiene, education, employment, rehabilitation of the physically challenged people, etc.
	GSFC	For providing drinking water, GSFC has build up many overhead tanks and water connections for nearby villages. GSFC has put street lights on village roads and has constructed bus-stand and other facilities for nearby villages
<b>Community Welfare</b>	GNFC	The company has been undertaking various programmes for the betterment of the farming community through 56 Narmada Khedut Sahay Kendras sprea all over Gujarat managed by trained and experienced agricultural graduates and Company has also undertake Agro-projects like Agro Fostery, Fruit Crop, Field Crop, Nursery Management, High Tech Agriculture inclusive of Rain Gun, Computerised Drip Irrigation System.
	GSFC	The company organises various sports camps to focus on individual talent and foster greater camaraderie. It also provides job facility on sports quota for upcoming youth talents.
<b>Health and Medical Facility</b>	GNFC	The company has a township in which it has a 32-bed hospital, with modern systems and equipment.
	GSFC	The company conducts various medical camps in nearby villages like eye check-up camps, blood donation camps.
<b>Social and Cultural Activity</b>	GNFC	Narmada Nagar is designed to serve the ideals of community living, encourage fraternity among all GNFC members and integrate the various interests and inclinations of all the individuals, GNFC provide facility like Club House, Tennis Court, Swimming Pool and an open air theatre.
<b>Environment Safety</b>	GSFC	In order to create healthy environment, the company educates youth about the environment and safety measures and cleanliness and is also helping rural families to remain self-reliant. The company constantly gears itself towards boosting group productivity and recreating the Green Revolution in Gujarat. The company can proudly claim to have the highest safety levels and lowest pollution levels amongst similar industries and company provides also fire safety services and the three main functions are Fire Prevention, Fire Fighting and Fire Protection.

Company	CSR Practices						
	Education Facility and Research Centre	Rural Development	Community Welfare	Health and Medical Facility	Social and Cultural Activity	Environment - Safety	Total
GNFC	1	1	1	1	1	0	5
GSFC	1	1	1	1	0	1	5

### 9.6 Interpretation

From the above table we can say that both the companies have performed at par comparatively with each other. The companies can also in the future spread their area of CSR activities in other sectors to be more helpful to the society or community. Out of total 12 categories of performing CSR Practices presently both the companies have done activities in 5 categories in which 4 activities are in similar category and only one category is different in each company.

## 10. Comparative Analysis

### 10.1 Coefficient of Variance

Company	Mean	Standard Deviation	Coefficient of Variance
GNFC	326.48	93.48	0.29
GSFC	690.21	79.11	0.11

### 10.2 Interpretation

From the above table we can depict that the coefficient of variance of GSFC is 0.11 which is far better than that of GNFC which is 0.29. So we can say that GSFC is more efficient in performing Corporate Social Responsibility activities.

## 11. Conclusion

From the present study, it is 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.

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