CHAPTER 6

MAJOR FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

Over the past two decades, Indian economy has witnessed high economic growth. India remains one of the world's fastest developing economies. Though GDP and other major economic indicators show positive signs of progress and development, India continues to face many issues in the areas like healthcare and sanitation, education, unemployment, environment, and so on. With the enforcement of CSR Rules of Companies Act 2013, Government of India called industrial organizations to contribute in the growth and development of India.

Moreover, India becomes the first nation to take this step with the enforcement of the new Companies’ Law, 2013, specifying the legislative measures to make CSR compulsory. It can also be a communication tool to engage with different stakeholders and society at large.

As mentioned in the Act, companies falling into certain categories have to spend 2% of their profit on CSR activities. The Act came into effect from 1st April, 2014. Financial year 2014-15 was the first year of implementation of mandatory CSR norms during which total 7334 companies had spent Rs. 8803 crore on CSR activities as disclosed by Ministry of Corporate Affairs, GOI. In year 2015-16 total 5097 companies have reported CSR spending of Rs.9822 crore. Furthermore till March 2019, total CSR spending since applicability of the Act is likely to cross Rs.50,000 crore as reported on 4th July, 2018 in the Times of India.

Indian cement industry is on second position in the world. Many giant organizations have their plants in Gujarat as it a state rich by resources. Gujarat is emerging as a hub for industrial activities. It contributes almost 16% to the industrial production of the country as reported by IBEF. In several industrial sectors like chemicals, drugs and pharmaceuticals, dairy, cement and ceramics, gems and jewellery, textile and engineering Gujarat is leading now-a-days. In 2015-16 total Rs 338 crore were spent in Gujarat as CSR expenditure. In these circumstances one should know what
companies from Gujarat are doing as a part of CSR. As cement production leaves environment footprints, cement industry should always focus on CSR activities. The present study was undertaken to know what cement units of Gujarat contribute for social activities. Researcher has analyzed CSR practices of nine cement units located at Gujarat. It also focused on impact of CSR on financial performance, what changes new act has brought in and compliance by cement units with such rules. The detailed outcomes of these studies are presented below.

6.2 MAJOR FINDINGS OF THE STUDY

The findings of these studies are drawn from the analysis of CSR practices undertaken by sample cement units for the study period of 2012-13 to 2016-17 and it is branched into two parts. First part includes general findings derived from the study and second part includes findings emanated from hypotheses testing.

6.2.1 General Findings Based on the Study

Following are some general findings based on cement industry and CSR practices by selected cement units of Gujarat during the period of study.

- As per KPMG’s yearly ‘India CSR Reporting Survey -2017 on top 100 listed companies in 2014-15, 90% amount was spent by cement and construction sector which rise to 102 % in 2015-16 and 125% in 2016-17. In terms of percentage of spends, the cement and cement product sector industry tops the list of spending at 125 per cent against the prescribed two percent amount in 2016-17. Eyeballing on this data indicates that CSR spending by cement companies are rising year by year.
- Cement industry of Gujarat is also contributing considerable amount for CSR activities and thereby helps in nation building. Each selected cement units executes more than two corporate social responsibility activities and prime focus areas are education and health care, followed by environmental and community development oriented CSR activities, but still their major variation have been seen among CSR practices of cement units working in Gujarat.
- During the study it was found that Ambuja Cements Ltd has spent total Rs.230.4 crore during the study period of five years. With this handsome contribution for CSR activities it stood on second rank among selected nine units for the study. Out
of the five years study period maximum CSR expenditure was done in 2016 i.e 59.37 crore which was almost double than what prescribed by Act i.e Rs. 29.78 crore. In 2014 and 2015 also ACL’s CSR contribution was more than prescribed CSR. In initial two years of study period company has willingly spent Rs. 39.08 crore and Rs.52.57 crore which proved its social responsiveness. Further analysis of thematic priorities outlined that with average Rs. 13.33 crore i.e 28.94 % spending education remained prime focus area followed by water resource management, rural infrastructure development and skill based activities. On an average Rs.10.02 crore was spent by company for water management, which seems quite appreciating efforts in present situation of water crisis. Analysis of theme wise CSR activities also spotted sports development which was least focused area for ACL. Content analysis of annual reports have revealed that since amendments in act, company has disclosed every details regarding its CSR policy and practices which again showed its strict adherence of guidelines of provision of section 135 of Companies Act 2013.

- Gujarat Sidhee Cement Ltd has contributed Rs.0.6602 crore for CSR activities during the study period. In 2015-16 against prescribed CSR Rs. 0.3457, company has spent only Rs.0.2998 crore in the area of education and healthcare. As the company has reported negative net profit in the year 2013-14 and 2016-17, mandated CSR provision was not applied for that year. Between education and healthcare company has allocated more funds for education.

- Total CSR spending by JAL was 117.15 crore during the study period. Though the net profit is negative for 2014-15 to 2016-17, the company has spent good amount for CSR activities. The focus area for CSR spending by the company was healthcare, education and animal welfare. Out of this three area education remain top most priority for JAL.

- After advent of Companies Act 2013, JK Lakshmi Cement Ltd has incurred CSR expenditure of Rs.3.3644 crore, Rs.3.1214 crore and Rs.1.4475 crore in 2014-15, 2015-16 and 2016-17 respectively. For all the three years CSR spent was more than CSR prescribed. Major CSR intervention areas were health and sanitation, livelihood development and education. In pre mandated CSR period i.e. 2012-13 and 2013-14 also company has been involved in CSR activities but fails to report sector-wise spending in annual reports. For the year 2014-15, 2015-16 and 2016-17
it has clearly reported every details regarding their CSR budget, CSR spend, the manner in which prescribed amount spent, through whom the expenditure have been incurred etc. Overall, in comparison of its profitability its CSR spending found satisfactory.

- During the study period it came to note that after enforcement of Companies Act 2013, Sanghi Industries Ltd has reported as well as contributed more than 2% of average net profit of last three years for its CSR activities. In 2012-13 and 2013-14 it was engaged in social activities in the area of education, healthcare and environment protection through green revolution but as this activity was voluntary in nature, it has not reported it in annual reports. After 2014-15 major contribution was made by the company for environmental sustainability and maintenance of ecological balance. The company is also focusing on activities like promoting education, promoting gender equality, promoting health care services, community development, setting up old age home as well as animal welfare. During last three years of study period it has spent Rs.5.45 crore for CSR activities.

- Saurastra Cement Ltd has reported its CSR spending for year 2015-16 and 2016-17 in its Annual report. During five years study period it has spent Rs.1.14 crore for CSR activities. In the year 2015-16 CSR spent was less than CSR prescribed while in 2016-17 it was more than CSR prescribed. In 2014-15 SCL has carried forward losses due to which mandated CSR rules were not applied to it. Even prior to CSR mandate company has performed CSR and brief description of the same in mentioned in annual report of respective years. During voluntary CSR period it was focusing on healthcare, education and afforestation. Since implementation on CSR Rules 2014, company has disclosed all required details in CSR report attached with annual report of the company. SCL focus on health care activities, education and on rural development project.

- Out of the five years study period, Shree Digvijay Cement Company Limited has spent total Rs. 0.4103 crore in last three year i.e 2014-15 to 2016-17. As reported in the annual report of SDCL before it, company used to perform CSR activities in the area of healthcare and education in its nearby villages in partnership with local authority. As the activity was not mandatory during 2012-13 and 2013-14 company has not mentioned any details on the same. In the year 2016-17 provision of section 135 of companies act was not applicable to the company as average net profit of
last three years was negative at Rs. 85.014 lakh but SDCL has voluntarily spent Rs. 10.31 lakh in the area of education, health and sanitation, women empowerment and other social welfare activities. The company has started reporting and following CSR disclosure norms after implementation of Act. Throughout the study period education and social welfare projects were considered prime area for the company. SDCL’s focus on women empowerment and gender equality was even noteworthy.

- Tata Chemicals Ltd is a leading name when it comes to social activities as well as qualitative products. During the study period it was observed that TCL has performed CSR activities for all the five years but for initial two years it failed to report it. After mandatory CSR provision, company has started showing each and every minute detail on CSR practices in its annual report. For 2014-15 to 2016-17 i.e in three year’s duration it has spent total Rs. 39.17 crore against Rs.37.92 crore. TCL has contributed Rs.10.20 crore, Rs.13.97 crore and Rs.15.00 crore for 2014-15, 2015-16 and 2016-17 respectively. In 2014-15 it has spent less than prescribed CSR, but the reason for not spending Rs. 1.46 crore was clearly disclosed in annual report on CSR activities. Alike other companies education, environmental sustainability and healthcare have gained more focus for CSR disbursement but by focusing on activities like promotion of traditional handicrafts, poverty alleviation, livelihood enhancement, inclusive growth, innovation technology and flood relief it has attempted to make its CSR portfolio broader and better.

- Ultratech Cement Ltd – an Aditya Birla group company, stood first among all selected nine units with total expenditure on CSR activities Rs. 256.45 crore. Even prior to Act is has contributed Rs.58.39 crore (2.63% of NP) for 2012-13 and Rs.48.56 crore (20.24% of NP) for 2013-14. For all the five years it has contributed significant amount for CSR activities. Major variations were noted in CSR prescribed and CSR spent in the year 2014-15 and 2015-16, where against two years prescribed amount of Rs. 172.96 crore it has spent only Rs. 149.5 crore. Ultratech Cement Ltd. has spent amount for various activities like education, health, environment and livelihood, rural development projects, social empowerment and protection of heritage, art and culture. Out of all areas education, healthcare and rural development project were key focused areas for CSR activities.
• According to one report, in 2017, education and healthcare accounted for more than 56 percent (Rs 4,045 crore) of the total CSR spent (Rs 7,215.9 crore) in India. These two sectors have traditionally been in focus. It was also mentioned in the report that spending towards education has grown a massive 92 percent over the last three years, from Rs 1,249 crore to Rs 2,404 crore. Outcome of analysis of CSR activities of selected cement units was also in line of same. Almost all selected units have assigned priority to education and healthcare sectors. Increasing focus on education can be due to government’s efforts like ‘Sarva Siksha Abiyan’, ‘Beti Bachavo Beti Padhavo’ etc.

• As per descriptive statistics it has been found that for EPS, UCL has highest mean value, in DPS TCL has highest mean value and as per ROE, SCL showed peak mean value as compared to other cement units of Gujarat.

• It has been found as per descriptive statistics that in ROCE and ROA, SCL had maximum mean value and as per Net Sales, UCL has uppermost mean value compared to other cement units of Gujarat.

• The study found that in Net Profit and Enterprise value UCL has utmost mean value as compared to other cement units of Gujarat according to descriptive statistics.

• As per year-wise descriptive statistics it has been found that as per EPS in the year 2012-13 there is a highest mean value, as per DPS in the year 2014-15 there is a peak mean value, as per ROE and ROCE in the year 2012-13 there is a maximum mean value as compared to other study period.

• Further, year-wise descriptive statistics showed that as per ROA and Net Profit in the year 2012-13 there is a highest mean score, as per DPS in the year 2014-15 there is a peak mean value, as per enterprise value in the year 2016-17 & 2014-15 there is a maximum mean value as compared to other years of study period.

• Maharashtra, Haryana and Gujarat tops in terms of total CSR funding received. As per CSRBOX data the average project cost in Gujarat about Rs 3.6 crore. As many Indian companies choose Gujarat to perform CSR activities, at least companies from Gujarat should assign their priorities by finding key thematic areas to undertake CSR activities.
• Analysis of area/sector wise spending by all selected cement units revealed that for the development of slum areas and for the war widows and their dependents selected cement units have not make any contribution.

• As indicated in CSR Rules 2014, companies can collaborate or pool their resources with other companies for undertaking CSR activities. During the study period such practices was not adopted by any selected units which can bring better outcomes if initiated.

• Looking towards total CSR expenditure and compliance by companies, an upwards trend has been seen from the data of various reports like KPMG Survey, NGOBOX etc. However, the magnitude of funding for each initiative has shown downward movement which can be interpreted that firms are looking at more number of activities and projects to diversify their CSR portfolio.

6.2.2 Findings Emanated from Hypotheses Testing

As discussed in earlier chapter, to analyze data on CSR spending and financial performance parameters of selected cement units, various statistical tests like one way Anova, T-test, Pearson correlation and regression analysis have been performed. Major outcomes from hypotheses testing are presented below:

6.2.2.1 Findings Derived from One Way Anova Test to find Difference in Average CSR Spending among Selected Cement Units of Gujarat

To analyze difference in CSR spending among selected cement units one way Anova test was performed. It was found that significant value was greater than 0.05 which indicates that there was no significance difference in CSR spending among selected cement units of Gujarat. Further, outcome of one way Anova among different financial performance parameters and CSR spent indicated that there was no significant difference among ROE, ROCE, ROA and CSR spent. The relationship found significant for EPS, DPS, net sales, net profit and enterprise value.

6.2.2.2 Findings Derived from One Way Anova Test to Check Difference in CSR Spending by Selected Cement Units of Gujarat during the Study Period

Again, to measure statistical significant difference in CSR spending by selected cement units of Gujarat during the study period One Way Anova test was performed.
As stated by test results significant value was less than 0.05 which means during the study period significant difference was noted in CSR spending by selected cement units of Gujarat. Additionally, outcome of Anova test performed to check difference among financial performance parameters and CSR spent during the study period have revealed that for EPS, DPS, net sales, net profit, enterprise value, CSR prescribed and CSR spent no relationship was noticed while for ROE, ROCE and ROA relation was significant as P value < 0.05.

6.2.2.3 Findings of T-Test to Check Difference in Prescribed CSR and Actual CSR by Sample Units

With the help of independent sample t-test, it came to a note that there was insignificant difference in CSR prescribed and CSR spent. As amended by act eligible companies have to spend 2% of average net profit of last three years as CSR spending. No major variation has been seen between 2% prescribed CSR and what actually spent by selected cement units of Gujarat.

6.2.2.4 Findings of T-Test to Examine Difference in CSR Spending Pre (Before) and Post (After) Amendments of the Companies Act 2013 by Sample Units

In order to examine statistical significant difference before and after Companies Act 2013 paired sample t-test was performed which indicates as calculated significant value 0.000 was less than 0.05 there was significant difference in CSR spending before and after companies act 2013. Outcome of the test can be interpreted as after Act companies have started spending more compared to voluntary CSR practices.

6.2.2.5 Findings based on Pearson Correlation to Examine Relationship between CSR Spending and Financial Performance and Profitability

Pearson Correlation was performed to examine relationship between CSR spending and financial performance and profitability of selected cement units of Gujarat. It came with result that as most of significant value of the variables was greater than 0.05, null hypothesis was not rejected. It can be concluded that the significant value was above 0.05, there was no significant relationship between CSR spent and all such parameters while for ROE, ROCE and ROA significant value was less than 0.05 and significant relationship was noticed. It can be said that any increase or
decrease in ROE, ROCE and ROA result in to corresponding increase or decrease in CSR spending.

6.2.2.6 Findings based on Pearson Correlation as per Selected Financial Performance Parameters (Variables)

- While examining correlation between EPS and other variables, it came to notice that except actual CSR spent, EPS and all selected variables have significant linear correlation.
- Correlation between DPS and other variables indicated no significant linear correlation between DPS and ROE, ROCE, ROA and CSR actual.
- Again, correlation between ROE and other variables of the study showed no significant liner correlation between ROE and DPS, net sales and enterprise value.
- It came to notice that relation between ROCE and DPS, net sales and enterprise values was not significant while between ROCE and ROE, EPS, ROA, net profit and net sales it was significant.
- Further no significant correlation has been found between ROA and DPS, Net sales and enterprise value of selected cement units of Gujarat.
- As spotted by the study net sales and ROE, ROCE, ROA and actual CSR spent have no significant correlation.
- No significant correlation was observed between net profit and actual CSR spent by selected cement units of Gujarat.
- As shown by outcome of correlation between enterprise value and other variables no significant correlation noticed between EV and ROE, ROCE, ROA and CSR actual.
- Lastly, no significant linear correlation was noticed between CSR actual and EPS, DPS, net sales, net profit and enterprise value.

6.2.2.7 Findings based on Pearson Correlation between Actual CSR Spent and Selected Variables for Each Selected Units

As stated in data analysis section, company wise correlation between actual CSR spent and other selected variables have been measured. Major outcome of the same are pointed below.
• In case of ACL, it significantly proved that no liner correlation was seen between CSR spent and all selected variables of the study.
• As shown by analysis outcome of JAL, no significant linear correlation between CSR spent and ROE, ROCE and enterprise value was examined while between CSR spent and EPS, DPS, ROA, net sales and net profit significant relation was noticed.
• Again alike ACL, in case of JKCL no significant correlation was noted during the study period.
• The study found insignificant linear correlation between CSR spent and EPS, ROE, ROA, net profit and enterprise value of SIL.
• As shown by analysis outcome of SDCL, relationship between CSR spent and all financial variables was insignificant.
• In case of TCL, results revealed that relationship between CSR spent and ROE was significant, while between CSR spent and other variables (except ROE) it was insignificant.
• Again it was stated by results of UCL, correlation between CSR spent and EPS and net profit was significant while between CSR spent and other variables it noticed insignificant.

6.2.2.8 Findings from Regression Analysis

To measure the impact of selected variables on CSR spending and enterprise value of selected cement units of Gujarat, regression analysis has been applied. It was found that in all the models ‘r value’ was more than 0.05 means all the variables i.e. dependent and independent are strongly correlated. To measure the impact factor of independent variables on dependent variables, it came with the result that significant value of most of the dependent variables was less than 0.05 means dependent variables have significant positive impact on CSR spending and enterprise value. Also it can be concluded that net profit and net sales had significantly shown positive impact on CSR spending. This positive impact can be interpreted as consumers are aware about CSR activities performed by selected cement units and thereby it has influenced net sales of selected units.
6.3 RECOMMENDATIONS

In order to make better India and promote CSR activities in cement industry following recommendations have been presented:

- It is globally known fact that Indian cement industry is second largest after China and again after overcoming effect of demonization and GST it has started growing at around 6.3%. Prospect of cement industry is bright but it should not neglect its responsibility towards various stakeholders. Moreover cement production also results in environment pollution and companies have started adopting new production methods and undertaking more activities for environment and sustainability but still it requires more efforts from all companies and not few leading cement firm only.

- Analysis of areas where companies undertake CSR activities have revealed that major companies perform CSR near the areas of plant location and nearby villages. Companies can broaden this horizon by allocating more resources.

- Further, out of selected nine units all are involved in CSR activities but UCL, ACL, TCL and JKCL have done their best. More important point is thematic priorities by almost all units are education, healthcare and environment. Companies can focus on other areas also rather than sticking with this traditional one. Few among the sample units have already started it but rest can also think about it.

- Companies like GSCL, SCL and SIL have not contributed notable amount which may be due to downturn in their operational activities and profitability but they should put efforts to improve their performance and thereby CSR contribution also. Even non fund based activities can be undertaken if it lacks resources.

- To achieve better results of CSR efforts inclusion of stakeholders like customers, government, shareholders, villagers and community, education and health institutions are prerequisite. Now it’s time all have to come ahead and be a part of societal development and thereby achieve dream of better India. It should be meant and felt by all, that CSR is not mere obligation, it is an inner call to do something better for the nation.
• Gujarat government has set up an exclusive agency named ‘Gujarat Corporate Social Responsibility (CSR) Authority’ to channelize contributions by corporates to finance projects like construction of toilets and tackling malnutrition, and many other themes. Companies can operate through this route for CSR expenditure.

• As it was found from the analysis, for the development of slum areas and for the war widows and their dependents selected cement units have not make any contribution in which companies should look after.

• As provided in CSR Rules, companies can collaborate and pool their resources with other organizations for undertaking CSR activities. If such practices followed by companies it can help to bring better result and increase scope of CSR activities. It can be suggested that companies should initiate such action and make attempt to create better impact of CSR.

6.4 SCOPE FOR FUTURE RESEARCH

This research study was a systematic endeavor at studying CSR practices of cement units of Gujarat; however there are many prospective fields that need consideration of future researcher.

• As mentioned in initial pages that this study has just focused only on nine selected cement units of Gujarat. For future researcher other untapped geographical coverage can be added in sample.

• Again this study has only focused on CSR practices by cement units which can again be expanded as per requirement of the study.

• This research is based on data of five years study period which can also be expanded to gain more insight of CSR picture.

• This study is based on secondary data only. Further researcher can perform the same study using primary data.

• This study is based on CSR practices of cement units only. Further researcher can compare CSR practices of cement companies with any other companies from any industrial sector and thereby side by side comparison of one sector with
other sector can be studied.

6.5 CONCLUSION

In the present thesis, an attempt was made to study CSR practices by selected cement units of Gujarat. Chapter 5 provide useful outcome of data analysis like what are the relationship between CSR spent and financial performances parameters, what changes the Act has brought in CSR spending pattern, impact on CSR on financial performance what are the difference in CSR spending among selected cement units and total area-wise/theme-wise spending by selected cement units. Beginning part of this chapter provides a useful outline about the extent of CSR by selected cement units.

Furthermore, it is true India is home to the world’s second largest Cement Industry having total 502 million tonnes installed capacity which comes to almost 8% of the global installed capacity. At the same time cement industry alone accounts for about 5 percent of global carbon dioxide (CO₂) emissions. Cement production releases greenhouse gas emissions directly as well as indirectly. Heating of limestone releases CO₂ directly, while fossil fuels burning to heat the kiln results in CO₂ emissions in indirect manner. The industry has already started taking green initiative and using dry cement manufacturing process As per CMA “the sustainability initiatives of the industry has reduced CO₂ emission levels by around 36% from 1.12 per tonne cement produced in the year 1996 to 0.719 per tonne in the year 2017”. Under this challenge of maintaining high growth and reducing environment footprint, a need was generated to study what CSR practices cement units are doing in different areas which was the main reason the present study was initiated.

The study was based on secondary data and data was collected through websites, annual reports and other published reports on CSR survey. It was difficult to find data on CSR during pre-amendments duration as due to voluntary nature many companies have choose not to report it. The sample size for the present study comprised of nine cement units located at Gujarat state which was selected using purposive sampling method and collected data was analyzed using presentation tools and statistical tools. The findings of the study investigated that for selected cement units healthcare and
education remains key focused area to undertake CSR activities. Further except ACL no company has disclosed detail on CSR activities during pre-amendments area. It came to notice that during the study period many companies have witness downturn in profit which can be one important reason behind low spending. From nine selected units UCL, ACL, TCL and JAL have contributed handsome amount towards CSR activities during study period while companies like GSCL, SCL, SIL have not done up to mark in the area of CSR. It further found that during pre and post amendment in Companies Act there was significant difference in CSR spending which indicates the new act has changed the way companies do social activities. Gujarat being key fund receiver state from top companies in the form of CSR expenditure need to lookout in the subject and attempt to boost CSR spending by companies of Gujarat. Moreover, during study it was noted that companies should think for other thematic area rather than focusing more on only education and healthcare and thereby they can make their CSR portfolio more attractive and diversified.

It can be concluded from this present study that though there are certain limitations of this study, the major findings of the study will be beneficial to many stakeholders of the cement industry including Government organization, research organizations, academicians and research scholars. And the study has also provided some recommendations to cement units of Gujarat to overcome major issues related to CSR in India as well as Gujarat. The mandated CSR Act has recently completed five years of its introduction and CSR expenditure by Indian companies also rising rapidly a research report by CRISIL indicate that there is need to improve quality and impact of all money spent as CSR. As per recent amendments newly incorporated companies need to incur CSR expenditure of 2% of net profit of immediately preceding financial year. It is expected that if government will accept new recommendation by sub-legal committee on CSR, constituted by the ministry of corporate affairs in April 2018, then companies will not be allowed to carry forward the unspent CSR amount, which will boost the CSR compliance by the companies.