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Department of Business Studies  
**Sardar Patel University**



# CHANGING FOOTPRINTS OF BUSINESS

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# A Study on CSR Practices of Selected Engineering Companies of Anand District

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## ABSTRACT

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**Introduction:** Corporate Social Responsibility has gained importance since the last 10 years. CSR activities help to motivate other industries to involve in the process of development of the society through CSR. Government of India has implemented the concept of Corporate Social Responsibility in the new Companies Act 2013 u/s 135.

**Purpose:** This paper describes the various CSR activities done by selected engineering companies of Anand district of Gujarat. Best practices of CSR activities of ELECON Engineering Company Ltd., Gujarat Machinery Manufacturers Paddler Company Ltd. and Swiss Glasco at Equipment Ltd. are compared in this paper.

**Methodology:** The study uses convenient sampling based on secondary data that includes annual reports of selected companies in Anand district of Gujarat State. Information listed in this research paper is derived from CSR reports, Annual Reports of these companies for the period of last three years 2015–2016, 2016–2017, 2017–2018.

**Implications:** The present study provides a starting-point for further research in Corporate Social Responsibility Initiatives. This paper is of value to the researcher and practitioners of corporate social responsibility. The study will help other small and medium sized companies to portray their CSR interventions.

**Findings:** Most of the companies have started to understand that they can use CSR as a strategy in order to gain benefits and to make a better place for all people. In the long term, the firms that are socially responsible are successful.

**KEYWORD:** CSR practice, Companies Act 2013, Engineering Companies.

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## INTRODUCTION

In this age of globalization, business enterprises and corporations are no longer restricted to the traditional boundaries of the business. For the new generation of corporate leaders, optimization of profit is more important than its maximization. Hence for the long term success and development of the business, they need to shift from accountability



to shareholders to accountability to all stakeholders. Stakeholders include employees, investors, customers, environment, society, business partners and government. As a result corporate social responsibility has become the new catchphrase by which most of the corporations swear by these days. In 1<sup>st</sup> April, 2014, it became mandatory to allocate 2% of net profit of public and private companies for corporate social responsibility activities. (Google).

Many corporations see great future for earning both goodwill and profits through ethical conduct of business, complying with regulatory norms with an emphasis on employee health and safety as well as protection of environment. CSR is, thus inextricably interlinked to each and every facet of such good business.

## **ABOUT CORPORATE SOCIAL RESPONSIBILITY**

The evolution of CSR in India can be divided into four phases.

**First Phase:** CSR motivated by charity and philanthropy.

**Second Phase:** CSR for India's social development.

**Third Phase:** CSR under the paradigm of the 'mixed economy'.

**Fourth Phase:** CSR at the interface between philanthropic and business approaches.

## **DEFINITIONS**

There are many definitions for corporate social responsibility, from which some are following. According to Lord Holmes and Richard Watts, "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large." (A.C. Fernando, 2014).

According to Manmohan Singh, "Corporate social responsibility is no philanthropy. It is not charity. It is an investment in our collective future." (A.C. Fernando, 2014).

Freeman (1984) defined "stakeholders as any group or entity in the organizations environment that impacts or are impacted by the organization. CSR is all about doing the right thing and interested in how businesses become profitable." (Freeman, 1984).

It can be said from above definitions that corporate social responsibility is referred as a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare and to promote positive social as well as environmental change."

## CURRENT SENARIO

According to Companies Act, 2013, any company with a,

- c. Net worth of the company to be RS. 500 crore or more or
- d. Turnover of the company to be Rs. 1000 crore or more or
- e. Net profit of the company to be Rs. 5 crore or more

Have to spend at least 2% of last 3 years average net profits on Corporate Social Responsibility activities as specified in schedule 7 and as amended from time to time. The rules came into effect from 1<sup>st</sup> April, 2014. If the company did not spend Corporate Social Responsibility it has to disclose the reason for not spending. (Google)

## LITERATURE REVIEW

Anupam Sharma and Ravi Kiran, School of Behavioural Sciences and Business Studies, Thapar University, Patiala, India (2012) Corporate Social Responsibility Initiatives of Major Companies of India With Focus on Health, Education and Environment in India. many firms have taken the initiatives of CSR practices which have met with varying needs of the society. The present study has made an attempt to understand the status, progress and initiatives made by large firms of India in context to CSR policy framing and implementation. Although India has entered or taken a transformational change by involving into new CSR initiatives, but still a lot has to be done in this area.

Suman Kalyan Chaudhary et al. (2013) in their Paper "Practices of Corporate Social Responsibility (CSR) In Banking Sector in India: An Assessment" has highlighted the CSR practices in 12 major Indian Banking and Financial Institutions from the country. Banks annual report, websites, news letters etc. were used as secondary sources of data for the period of 3 years (2007–2010). Paper concludes that all banking and financial institutes are engaged in social banking and development of banks approach.

P.R. Sengupta. (1988) conducted a study on 25 public sector undertakings for the year 1984–85 to review the pattern of social investments and expenditures on social responsibility practices and to examine their relationship with some of the organizational correlates. He concluded that both social investment and recurring expenditure on social responsibility practices vary from enterprise to enterprise and such variations are likely to be due to the size of the company.



Gautam and Singh (2010) have examined CSR practices of India's top 500 companies. The outcome of the study shows that out of 500 companies 229 companies did not report their CSR activities. Out of remaining 271 companies only a few companies are having structured and well planned approach. Though CSR reporting practices have improved globally, there is a need to standardize the information enclosed in the report. Many companies have allotted less CSR fund Across several activities.

Singh and Agarwal (2013) in their research paper discussed how top 200 Indian companies undertake their CSR activities. To gain comprehensive understanding of the same they perform content analysis of annual report of selected corporations. The study discuss concept of CSR, CSR initiatives by companies, social issues and methodology to deal with this issues. The study throw light on the fact that many Indian companies undertake CSR activities near their operations area and targeted beneficiaries are local public only. There is an urgent need to extend these practices across the nation using any local NGO's or foundation. The study also reflects that most of the companies have performed CSR in the same sector like healthcare or education and after it they spend their CSR budget using project to project basis. The study ends with suggestion to align business strategy with their CSR strategy in order to leverage benefit of CSR expenses and make some changes in planning and formulating CSR strategy for Indian companies.

## **RESEARCH METHODOLOGY**

### **RESEARCH OBJECTIVE**

1. To study the theoretical aspects of Corporate Social Responsibility.
2. To compare the Corporate Social Responsibility practice of selected engineering companies of Anand districts.

### **METHODOLOGY**

The present study is descriptive in nature. To describe the corporate social responsibilities, data of expenditure on different CSR activities incurred by selected engineering companies collected from Anand district area. The secondary data have been collected from various web sites and annual financial reports of the selected companies. The reference period of the study is of last three years i.e. 2015–2016, 2016–2017, 2017–18.

## COMPANY PROFILES

<p><b>Elecon</b> Elecon Engineering Company Ltd Anand Sojitra Road Vallabh Vidyanagar 388120 P. No. 91 2692 238701 F. No. 91 2692 227484</p> <p><b>Shri Prayasvin Patel</b> Chairman, CEO, Managing Director Since 1993</p> <p><b>Shri Kamlesh Shah</b> CFO, 2018</p>	<p><b>GMM</b> GMM Pfaudler Sardar Vallabhai Patel Veer Vithalbhai Patel Memorial Anand Sojitra Road Karamsad-388325, Gujarat</p> <p><b>Dr. S. Sivaram</b> Chairman &amp; Independent Director</p> <p><b>Shri Tarak Patel</b> Managing Director</p>	<p><b>GLASCOT</b> Swiss Glascoat Equipments Limited H-106, Phase IV, G.I.D.C. Estate, Vithal Udyognagar-38812, Dist. Anand, Gujarat.</p> <p><b>Shri Himanshu Patel</b> Chairperson and Managing Director</p> <p><b>Shri Aalap Patel</b> Executive Director (Technical)</p>
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## DATA ANALYSIS

### ELECON

**Education:** Elecon facilitates scholarships to meritorious but financially poor Students, the ones who need it the most. Elecon provides funding to 60 engineering students of the BVM Engineering College, V. V. Nagar, Anand, each year.

**Elecon Ladies Forum (ELF):** ELF carries out many charitable programs and initiatives in local villages and the slums. These include offering meals, support to old-age homes, saving the girl child, girl child education, awareness on health & hygiene, teaching self protection and support to the 'Anganwadi' Programs.

**Healthcare:** Elecon cares for people around and also their good health. Elecon generously donate towards Bhanubhai and Madhuben Patel Cardiac Centre at Shree Krishna Hospital, Karamsad, the state of art cardiac center for all kinds of pediatric and adult heart diseases.

**Environment:** Elecon has also donated three public gardens to the city. Actively participating in tree plantation activities at schools and offices, we inspire others to save the planet.

**Table 1: Showing CSR Reports from the year 2015-16 to 2017-18 of Elecon**

Year	2015-2016	2016-2017	2017-2018
Average Net Profit for 3 Year (In Lacs)	4505.25	4430.91	4201.62
CSR Expenditure (2% of the Average Net Profit) (In Lacs)	90.10	88.62	84.03
Total Amount Spent (In Lacs)	91.12	90.94	63.00
Amount Unspent (In Lacs)	None	None	21.03
Excess Amount (In Lacs)	1.02	2.32	None



Company spent CSR on various sectors like education, health, environment, women empowerment etc. Table No.1 shows that in 2015-16 company spent 1.02 lacs as CSR which is more than government rule. In 2016-17 company spent more than government rule but due to liquidity issues in 2017-18 company spent less amount on CSR activities.

## GMM PFAUDLER

**Healthcare:** SPARSH (Shree Krishna hospital Programme for Advancement of Rural and Social Health) aims at connecting the last person in villages to appropriate levels of healthcare: village health workers (VHWs) in their own villages, health centers in towns close by and a tertiary care centre for critical cases. The programme, currently being implemented in 90 villages of Anand and Kheda districts, covering a population of 2.6 lakhs, is managed by Charutar Arogya Mandal (CAM).

**Ensuring Environmental Sustainability:** GMM Pfaudler's has partnered with Sardar Patel Charitable Trust to promote Environmental Sustainability in the Local area by maintaining the public facilities at the Sardar Vallabhbhai Patel Memorial and Veer Vithalbhai Patel Memorial At Karamsad, Gujarat ("The Memorial"). The Sardar Patel Charitable Trust plays an active role in the beautification of local area by maintaining the gardens and cleanliness of the Memorial.

**Education & Skill Development:** GMM Pfaudler has partnered with J V Patel Industrial Training Institute ("J V Patel ITI") to promote education and Skill development in the local community. J V Patel Industrial Training Institute located at Karamsad, Gujarat was established in the year 1979 under Bombay Public Trust Act, 1950 and Societies Registration Act 1860 with the objective of enhancing the livelihood of local communities by promoting education through vocational skill development.

Table 2: [www.gmmpfaudler.com](http://www.gmmpfaudler.com)

Year	2015-2016	2016-2017	2017-2018
Average Net Profit for 3 Year (In Million)	202.95	251.88	314.61
CSR Expenditure (2% of the Average Net Profit) (In Million)	4.06	5.04	6.29
Total Amount Spent (In Million)	2.18	7.81	6.29
Amount Unspent (In Million)	3.46	0.68	0.06
Excess Amount (In Million)	None	None	None

GMM company allocate their funds on healthcare, education, skill development and sustainable development. In the year 2015-16 company spent less than 2% on CSR

activities. In 2016-17 company spent more than 2% on CSR activities and in 2017-18 company spent equal amount of CSR. Company also shows the unspent amount of CSR are 3.46, 0.68 and 0.06 respectively.

## GLASCOAT

The Corporate Social Responsibility ("CSR") Policy of your Company website, [www.glascoat.com](http://www.glascoat.com) under the Corporate Social Responsibility section. Your Company has formed a CSR Committee in accordance with the provisions of Section 135 of the Act, details of which are provided in the Corporate Governance Report annexed hereto and forming part of this Report.

**Table 3: [www.glascoat.com](http://www.glascoat.com)**

Year	2015-2016	2016-2017	2017-2018
Average Net Profit for 3 Year (In Lacs)	561.01	589.99	553.11
CSR Expenditure (2% of the Average Net Profit) (In Lacs)	11.22	11.79	11.06
Total Amount Spent (In Lacs)	21.84	29.89	36.24
Amount Unspent (In Lacs)	18.09	24.83	36.24
Excess Amount (In Lacs)	None	None	None

In the year 2015-16, 2016-17 and 2017-18 company spent 21.84 lacs, 29.89 lacs and 36.24 lacs respectively. Table 3 shows that every year company's spending on CSR is increasing. Company also disclose the unspent amount of CSR.

## FINDINGS OF THE STUDY

### Elecon

- ELECON company exactly follow the government rule and every year they spent more and more amount of CSR activities.
- In 2015-16 and 2016-17 company spent excess amount on CSR activities which is 1.02 lacs and 2.32 lacs respectively.
- As per companies act 2013 if any company can not spent actual amount on CSR activities than it is compulsory to disclose the reason and in 2017-18 ELECON company can not spent actual amount due to liquidity issues is also mention in their annual report.
- ELECON company support the sustainable development by spending on CSR.

## GMM Pfaudler

- GMM Pfaudler also follow the companies act 2013 therefore company spent millions on CSR activities
- Company mention the strategy of CSR spending in their annual report due to these company disclose that where they spent their unspent amount of CSR
- Every year company spent more than 2% of average net profit of last three years on CSR activities

## Glascoat

- This company also spent on CSR activities which is more than 2% of average net profit of last three years.
- Company maintain their growth among society by spending on CSR activities

## LIMITATION OF THE STUDY

- This study only focus on three companies which works in Anand district of Gujarat
- The study only observed the total amount of CSR spent by the companies
- The study not focus that what percentage company spent on CSR in different areas.

## FURTHER SCOPE OF THE STUDY

Study helps the other small and medium sized companies, to actualize their CSR interventions. It is also helpful for the research scholar who want to do research on this particular topic. It is also helpful for the government to compare that how much amount spent by the companies on CSR activities.

## CONCLUSION

The study is one type of individual case study and it is randomly selected for research purpose. It conclude that all three engineering companies are spent their amount on CSR activities. All companies spent more than 2% of average net profit of last three years and also disclose the reason behind unspent amount of CSR activities. Few companies are not spent their amount on CSR activities and for those companies the study helped them to actualize their CSR interventions. All three companies are spent their amount on education, healthcare, women empowerment, skill development, environment. Besides



these areas CSR includes hunger and poverty, promoting gender equality, reducing child mortality, improving mental health, contribution to government funds etc. but companies can not focus on these areas.

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