

CSR and Covid -19 Pandemic

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Abstract

By analysing how CSR practises have been implemented over the last few years, this study aimed to explore Corporate Social Responsibility (CSR), broadening the definition of social responsibility in India with particular reference to COVID 19. This study looks at how various businesses infect COVID 19 through the use of specific CSR initiatives. These actions might be illegal. This study provided a thorough examination of the CSR methods used by Indian-based businesses. The novel coronavirus (COVID-19)-related initiatives, which will have indirect advantages for the operational sector in which businesses operate, have taken centre stage in place of the previously planned CSR framework. This study provided a thorough examination of the CSR methods used by Indian-based businesses. The novel coronavirus (COVID-19)-related initiatives, which will have indirect advantages for the operational sector in which businesses operate, have taken centre stage in place of the previously planned CSR framework. It is now obvious that the company's policies, aims, and results of those efforts are receiving more attention than the other side of the environment. The research highlights in detail the significance of enforcing rules and guidelines that businesses subject to the CSR's jurisdiction must adhere to. Understanding the challenges and opportunities during epidemics will be aided by this paper.

Keywords: *COVID-19, Company, CSR, Policy, Government.*

INTRODUCTION

“I've a problem with the word charity because I think that NGOs, as I prefer calling them, really do take the work of moral and social responsibilities that ought to be taken on by governments.”-Emma Thompson

Since Dec. 2019, the world has observed an increase in Covid-19 instances, which has grown to the threshold of a worldwide

pandemic. The disease has spread to several countries including the islands and it is reported that more than 200 countries have been affected by the same. In order to deal with pandemic, it was essential to change behavioural aspects opted by public at large. As the virus essentially transports from person to person through saliva and other forms of droplets. The Pandemic had taken on such a huge character by the middle of 2020, several nation's administrative

authorities had taken various non-pharmaceutical measures or Nonpharmaceutical Interventions (NPIs), which effectively prescribed the residents of different countries in addition to community containment, to deal with the current pandemic crisis.

Although there isn't a single definition for Corporate Social Responsibility (CSR), the idea's fundamental tenet is built on the notion that companies have a duty to society and the people who help them succeed. CSR has become an essential and significant component of the corporate landscape in nations like India where social and economic inclusion are forces that must be combined to propel the populace towards progress and prosperity.

The COVID-19's impact on India's CSR landscape:

India was the first nation in the world to enforce a legal requirement for CSR on businesses that met specific standards. According to Section 135 of the Companies Act, businesses must devote 2% of their yearly net profits over the previous three years to CSR if they have a net worth of INR 5 billion (\$ 70 million), an annual revenue of INR 10 billion (\$ 140 million), or a net profit of INR 50 million (\$ 699,125).

“135. Corporate Social Responsibility

(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall, —

a. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

b. recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

c. monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall, —

a. after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

b. ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3)

of section 134, specify the reasons for not spending the amount.

Explanation. —For the purposes of this section average net profit shall be calculated in accordance with the provisions of section 198.”

As per this section there is a specific criteria i.e. a company, whose net worth is at least five hundred crore rupees with turnover of one thousand crore rupees or more, or has a minimum net profit of five crore rupees during the immediately preceding financial year has to spend two percent of their profits in Corporate Social Responsibility expenditure. The Corporate Social Responsibility (hereinafter referred as CSR) funds were estimated approx. thirteen thousand crores rupees in the financial year of 2017-18. With the amendments over the years, the role of the CSR has been improvised, as from “inspiring” the corporate sector for the benefit of public at large, to "punishing" them in case they don't.

The Indian government has made it clear that investing in CSR is not giving to charity or making donations without any thought to the future. In reality, a determined effort has been made to define broad categories (Schedule VII of the Companies Act 2013) under which the financing might be channelled, thereby visibly and favourably benefiting society. Also, an effort has been made to maintain the CSR legislation consistent with India's dedication to the UN Sustainable Development Goals (UN-SDGs). The Companies Act of 2013's Schedule VII defines wide areas of intervention that are meant to be interpreted broadly with the ultimate goal of guaranteeing the country's sustainable development.

Till FY2019, 1,05,358 CSR initiatives have a combined budget of INR 71,277 Cr. Education, health, and rural development are the top three areas receiving the most support. Environmental sustainability is another subject that has received a lot of funding. The fact that significant money is directed towards more

industrialised nations is another intriguing trend. More than 30% of the overall CSR budget during FY 2015 has gone to Maharashtra, Karnataka, Gujarat, and Tamil Nadu. This could be due to a variety of factors, including the company's desire to have a positive social impact in its operational areas and stronger connections with organisations focused on making a positive social impact in the same region.

Data on CSR expenditure patterns show that about 44% of all spending is done by the firms themselves or through trusts, societies, or Section 8 entities that they have established. The remaining 43% is carried out by a number of implementation partners. Yet, because of the concentration of investment in these states, states like Uttar Pradesh, Jharkhand, Bihar, Chhattisgarh, and Madhya Pradesh, which make up more than 55% of aspirational districts (states with low socioeconomic indices), only receive 9% of the total amount spent on CSR. In fact, none of the states on the list above, with the exception of Uttar Pradesh (9), are among the top 10 state beneficiaries. This imbalance would need to be balanced out for CSR to be genuinely effective.

In order to enable state governments to mobilise funds from the State Disaster Response Funds, the Indian government labelled the new coronavirus epidemic across the nation a "notified catastrophe" (SDRF). The Ministry of Corporate Affairs (MCA) clarified after the notification that using funds for COVID-19 relief would be an acceptable activity under CSR. Once more, the MCA recommended that the activities be given a broad interpretation in order to encompass all of the activities covered by the Schedule.

To address the COVID-19 situation and aid individuals impacted, the government has also established the "Prime Minister's Citizen Assistance and Relief in Emergency Circumstances Fund" (PM CARES). Moreover, Schedule VII was changed to

incorporate PM CARES donations as CSR in addition to the current Prime Minister's National Relief Fund. Invest India established a CSR specific assistance cell to help corporations direct their CSR funding into various governmental and non-governmental organisations as well as central and state-level funds set up for the specific task of COVID-19 relief, drawing on its extensive network and relationships.

Recently, the Ministry of Corporate Affairs vide its General Circular No. 10/2020 dated 23rd March, 2020 in the present light of the event allowed corporate sector to spend their corporate social responsibility funds to fight this notified disaster i.e. Covid-19 pandemic. "Spending of CSR funds for Covid-19 is eligible CSR activity," as per the order.

"In view of the spread of novel coronavirus in India, its declaration as pandemic by the WHO, and decision of Government of India to treat this as notified disaster, it is hereby clarified that spending of CSR funds for COVID-19 is eligible CSR activity," said the Finance Minister Nirmala Sitharaman.

The initiative was appreciated and welcome by Corporate sector, and abiding by the announcement they donated likewise. This trade off created a win-win scenario as by allowing funds spent on COVID-19 relief work free them from CSR obligation, as it was the statutory requirement under the Companies Act, 2013 and at the same time they helped the government by raising Crores of funding.

Consultancy Corporate Professionals Group Founder Pavan Kumar Vijay said, "For the purpose, it is suggested that the government may immediately create a portal on which specific requirements by way of equipment, medicines, etc may be posted and the corporates may be permitted to contribute in cash or kind towards those specific requirements. This will ensure coordinated efforts and avoid duplication,"

Further the Ministry of Corporate Affairs said, "Funds may be spent for various activities related to COVID-19 relating to promotion of healthcare, including preventive health care and sanitation and disaster management."

A very considerable portion of this funding came from CSR funds that would in the normal circumstances goes to NGOs. This will instinctively have an impact on NGOs. "Our calculations suggest that funding for traditional CSR activities – which are not linked with COVID-19 – in this fiscal year will reduce by 30 % to 60%." This will be a challenge to the NGOs because for helping people, funds are required and they can't run away from the organisation which was solely created for the purpose of humanity, protection and help especially in these tough times. India generated a pipeline of INR 163 Cr in donations and CSR contributions from corporations to support contributions to relief funds across the centre and states, in addition to creating an online repository of more than 30 relief funds. This made it possible for businesses and volunteers to identify and get in touch with organisations that needed financial or other support for their operations. The facilitation of donations of necessary supplies, including more than 10,86,100 PPEs, critical care equipment, and other goods to frontline organisations served as another important enablement role for Invest India's COVID-19 response.

Indian CSR Trends in the Past:

The High-Level Committee on Corporate Social Responsibility's 2018 Report states that the number of reporting businesses with CSR obligations climbed consistently from 2014–15 to 2016–17 before declining in 2017–18. These companies' overall CSR spending climbed by 44% between 2014 and 2016, then slightly decreased in 2016 and 2017. The table below has highlighted this. Also, it has been noted that between 2014–15 and 2017–18, the average amount spent on CSR by a government firm varied between INR 8–10 Cr per company,

whilst the average amount spent by a private company climbed gradually from INR 72–95 Lakh per company.

Year of filing	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18	
	No. of Companies	Total CSR Amount spent (in INR Cr)	No. of Companies	Total CSR Amount spent (in INR Cr)	No. of Companies	Total CSR Amount spent (in INR Cr)	No. of Companies	Total CSR Amount spent (in INR Cr)
NON PSU	10,083	7,249.11	12,551	10,302.39	12,810	11,026.63	11,314	10,787.50
Average spend by NON PSU	0.72		0.82		0.86		0.95	
PSU	335	2,816.82	404	4,201.26	372	3,285.40	270	2,539.19
Average spend by PSU	8.40		10.40		8.83		9.40	
Grand Total	10,418	10,065.93	12,955	14,503.65	13,182	14,312.03	11,584	13,326.69

Note:

1. “CSR expenditure by companies - Figures as per the filings received as on 31st March, 2019.
2. Number of the companies in the above table include companies which are liable and reporting on CSR ”

Source: Report of the High-Level Committee on Corporate Social Responsibility 2018

It can be seen from the Report of the High-Level Committee on Corporate Social Responsibility 2018 that an implementing agency handled the majority of the CSR spending. Although the proportion of projects carried out by trusts, societies, or Section 8 organisations established by the corporation has been relatively low, the amount of CSR spending through this manner has been substantial.

Distribution of CSR Funds By State

India had 718 districts in total as of 2018, according to the Ministry of Rural Development, of which around 16% (115 districts) were considered aspirational districts by NITI Aayog. In India, the concentration of aspirational districts is concentrated in Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh, and Uttar Pradesh, although these

states only received 9% of the entire amount spent on CSR. The concentration of CSR-led activities is largest and is considered to be growing over time in states with a relatively greater level of development.

This prejudice arises both within a state and towards states that are more highly developed. According to data analysis for FY 2016–17, districts that were farther from industrialised areas, like Hingoli, Buldhana, and Parbhani, received less than INR 1 Cr in funding. Even in Maharashtra, which received the most funding, certain districts, like suburban Pune and Mumbai, received the highest amounts of CSR funding (more than INR 200 Cr each).

Sustainable Development Goals (SDGs) And CSR

The Sustainable Development Goals (SDGs) are a set of 17 global goals that serve as a road map for achieving a better and more sustainable future for everybody. By 2030, 169 targets among these 17 goals must be accomplished.

A significant portion of India's National Development Agenda is tied to fulfilling the Sustainable Development Goals because the country was heavily involved in the creation of the United Nations Sustainable Development Agenda 2030(SDGs). The SDG Index places India 115th out of 162 countries. Action must be taken right away through cooperation between the corporate sector, civil society organisations, and the government in response to this glacial development.

Together, CSR and SDGs have a great deal of potential to create a connected paradigm for sustainable growth. To fulfil their CSR responsibility, several businesses are linking their CSR priority areas with the SDGs. For instance, when a company declares its CSR priority area as improving livelihoods through skill development training for women and youth, it supports a number of SDGs like providing excellent education, promoting gender equality, and economic growth.

Conclusion:

As the Corporate Social Responsibility (CSR) is now a familiar term supporting the common social good across globally. While the current crisis is unlike anything we've seen before there is literally a devastating influence because of this epidemic. Commercial organisations all over the world are active in a range of social and environmental initiatives because they understand their roles in the community. In order for CSR to better achieve its objectives of environmental, social, and economic growth, it is necessary at this time to develop effective strategic policies and to employ a number of tools depending on the company's history, content, and specialised connections with its many stakeholders.

Several businesses utilise CSR initiatives as a marketing strategy, and many others merely make token efforts in controversial methods such giving to charity trustees, NGOs, event sponsors, etc. Few businesses have a clear CSR concept. The empowerment of women, sanitation, rural development, health care, and education are just a few of the concerns that several businesses in India are working with. Despite the fact that many Indian businesses have embraced the global language of CSR, it appears to be in a state of disarray, according to analysis of numerous studies conducted in India.

The aforementioned information leads to the conclusion that businesses in this industry actively influence how an organisation and its community interact. Businesses make every effort to contribute to the community. Another conclusion is that although there is extensive media coverage of events, there is a deficiency in the manner the works are really performed. By CSR initiatives, many businesses increase consumer loyalty, reputation, employee motivation, product value, and staff retention.

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