

## CHANGING LANDSCAPE OF CSR - ASSESSING IMPACT OF COVID 19

**Himani Upreti<sup>1</sup>**, Assistant Professor, Department of Commerce, Graphic Era (Deemed to be University), **Corresponding Author Email:** Himani.pant10@gmail.com

**Rupa Khanna Malhotra<sup>2</sup>**, Professor, Department of Commerce, Graphic Era (Deemed to be University)

**Dr. Anirban Dhar<sup>3</sup>**, Assistant Professor, Department of Visual Arts, Graphic Era Hill University, Dehradun

### Abstract

The current disruption in the form of pandemic has resulted into paradigm shift in the way CSR activities were viewed and executed by the companies conventionally. Declaration of corona virus outbreak as “national disaster” on 14<sup>th</sup> March 2020 by the Government of India has effectuated number of development in CSR rules during 2020, following which corporate houses have extended their generous support towards fighting against COVID-19 through various CSR initiatives. Considering the urgency of health care requirements MCA has amended schedule VII of the Company’s (Amendment) Act 2013. Further MCA introduced quite significant changes concerning monitoring and evaluating the CSR initiatives and utilization of expenditure related to CSR during January 2021. Pertinent question here is, to what extent does the quantum of this division from long term CSR motives to short term COVID motives persists and whether these amendments have set the stage for significant shifts of CSR from traditional social focus areas to urgent health needs in long run too. Under this study an endeavour has been made to identify nature and quantum of CSR spending due to amendments in the CSR rules, it is also intended to study the impact of changing CSR rules in the long run.

**Keywords: Corporate Social Responsibility, COVID-19, CSR amendments**

### 1. Introduction

Reflecting the changes in the fluid business world the concept of CSR has evolved in India from regular philanthropic activities to sustainable business strategy over decades. During independence era under Mahatma Gandhi’s influence, “notion of trusteeship took front seat”, thus trusts were established by business houses to run schools, colleges, and other institutions which were in align with the Gandhi’s reforms to bring equality, rural development and women empowerment. Post independence era was the era of strict industrial and licensing policies where high taxes and restrictions were imposed on private sector. But later it was found that the success rate of PSU was quite limited, private sector grew and started getting actively in socio economic development and growth. In the fourth phase what started as philanthropy and charity now understood and accepted as responsibility, this was the phase of LPG which led to partial removal of control and licensing and thus increasing industrial growth and making companies to contribute more towards socio economic development. (Ghanghas 2018),[1] in the year 2013 Ministry of Corporate Affairs (GOI) introduced the Companies amendment Act which made India, the first country in the world to make CSR mandatory, thus leading to umpteen developments in CSR in India. In the year 2020 fallout of COVID-19 pandemic again resulted into new turn in the CSR and declaration of corona virus outbreak as “national disaster” on 14<sup>th</sup> March 2020 by the Government of India has effectuated number of development in CSR rules during 2020 by MCA, following which corporate houses have extended their generous support towards fighting against COVID-19 through various CSR initiatives.

### **1.1 CSR- Key proclamations by the Government as an outcome of COVID-19 and Corporate response towards them**

On 14<sup>th</sup> March, 2020 the Government of India declared the novel corona virus outbreak in the country as “ national disaster”, On 23<sup>rd</sup> March 2020, it was declared by the Ministry of Corporate Affairs that amount spend by the companies in COVID management will stand eligible as CSR activity, further on 28<sup>th</sup> March 2020 considering the emergent need for having a fund which should be dedicated towards any distress or emergent situation like COVID- 19 “ PM CARES” fund was set up and all the donations towards the fund were made eligible to be counted as company’s mandatory CSR spending by bringing amendments in schedule VII of Companies (Amendment ) Act 2013. Further amending the CSR norms on 26<sup>th</sup> August 2020 the Government of India added that company’s spend related to research and development of vaccine, drugs and medical devices related to COVID-19 for the financial years 2020-2021, 2021-2022, 2022-2023 will be eligible as a part of CSR spends subject to some conditions. On 13<sup>th</sup> January 2021 through a general circular no. 01/2021 MCA has clarified that spending of funds vaccination awareness programme or campaign will be eligible under CSR activities mentioned under schedule VII of Companies (Amendment) Act 2013, further on 22<sup>nd</sup> April 2021 and on 5<sup>th</sup> May 2021 through general circulars MCA clarified that setting up of temporary COVID care facility and creating health infrastructure for COVID care, establishment of medical oxygen generation plants will be considered as eligible CSR activity. In response to all these amendments companies not only contributed generously towards the pandemic but this also lead to change in landscape of CSR spending by the companies and leading towards paradigm shift in CSR initiative, Companies like Coca-cola, Volkswagen, Audi, Mc Donald, Lifebuoy, Hindustan Unilever, Tata, Nike they all been observed conducting CSR activities one or the other way, In order to encourage people towards adoption of preventive measure against COVID like social distancing and wearing mask , McDonald took an innovative action where in their iconic statue of Ronald Mc Donald is seen wearing mask and a message of social distancing is sent by bifurcating ‘m’ into ‘n’ ‘n , Audi amended their logo and bifurcated into four rings which meant to spread the awareness regarding the need and relevance of distancing to control social transmission of the dreadful disease , HUL initiated in spreading the awareness regarding importance of hand hygiene through a TVC of their product frequently with any soap or hand-wash or alcohol based sanitizer to combat against the spread of Corona Virus. The only armament found to be effective in lowering down the transmission of deadly disease corona was social distancing which was well displayed by the companies through various TVC and messaging tools, Apart from TVC and messaging tools many companies extended their generous support towards fighting against COVID-19 through various CSR initiatives.

The current study is an endeavor to identify nature and quantum of change in CSR spending due to amendments in the CSR rules as an outcome of COVID 19; it is also intended to study the impact of changing CSR rules in the long run.

### **2. Review of Literature**

[2] the future perspective of CSR as an outcome of New CSR regulation is examined through selected case studies by the researcher and it was concluded that Over the past several years, India has been updating its corporate law and legal framework to increase transparency, accountability, and align with international business standards and now with the emergence of the new CSR Regulation, India is looking forward to become a benchmark in terms of the CSR practices, being one of the 1st nations in Asia to come up with such regulation.

[3]Conducted a study through 19 semi structured interviews in 16 companies to explore drivers for conducting CSR activities and found that there is co-existence of two drivers the moral imperative and the (4)economic imperative which motivates the companies under towards social responsibility.

[4]Researchers conducted the study to examine influence of factors that impact CSR and its reporting in developing nations with special reference to the influence of political ideology, the socio cultural understandings and stage of economic development on CSR reporting and the study concluded that examining CSR practices and CSR reporting could be of no use without proper contextualization which should be done on the basis of different political, social, cultural, economical and environmental factors.

[5]Authors in their article argued that COVID 19 pandemic puts forward great opportunities for companies to do authentic CSR, further they emphasized that the pandemic has influenced consumer's ethical decision making and also undergone a discussion regarding how pandemic can affect the organizations approach towards various marketing efforts. The study considers that how pandemic can influence consumer ethics, CSR and marketing philosophy of companies and also suggested future research directions for above mentioned areas.

[6]Authors identified and elaborated four major areas as stakeholders, societal risk, supply chain responsibility and the political economy of CSR for CSR future research that has been challenged by COVID 19 and their study brings that COVID-19 has highlighted the role of business as source of such risk and an actor that is exposed to such risks and also pointed out that business has to play a role in addressing them.

[7]Researchers highlighted the problems with company's CSR during pandemic and concluded that the financial issues caused by COVID-19 have dramatically affected many aspects of CSR of companies and there is a significant relationship between COVID-19 and its impact on CSR. The study was conducted on three selected companies carrying on CSR by conducting interviews and they also recommended some possible solutions for conducting business during pandemic.

## **2.1 Research objective**

This research is conducted with the primary objective to identify nature and quantum of change in CSR spending due to amendments in the CSR rules as an outcome of COVID 19. The study also attempts to study the impact of changing CSR rules in the long run.

## **3. Research methodology**

Research methodology adopted is conceptual in nature which is based on secondary data and review of literature. Data is extracted from web based sources related to CSR initiatives undertaken by various companies during COVID -19 and in order to maintain reliability of work and fulfill the research objective, authentic websites of government and other national and international bodies along with official websites of companies were accessed for collecting the secondary data.

### **3.1 RESEARCH HYPOTHESIS**

H1 There is significant difference in the nature and quantum of CSR spending due to amendments in CSR rules as an outcome of COVID 19.

H2 The changing CSR rules as an outcome of COVID will have an impact on CSR spending and allocation in the long run.

### **3.2 Data Analysis and Discussion**

To fulfill the first objective data is collected for all PSU's and Non-PSU's liable and reporting for CSR from the financial year 2014-15 to 2020-2021.

Table 1: CSR expenditure by companies reporting on CSR

Financial Year	No. of PSU's	Amount Spent (In Cr.)	Average Spend by PSU's	No. of Non PSU's	Amount Spent (In Cr.)	Average Spend by Non PSU's
2014-15	493	2,816.82	<b>5.71</b>	16,055.00	7,249.11	<b>0.45</b>
2015-16	533	4,214.69	<b>7.91</b>	17,759.00	10,302.52	<b>0.58</b>
2016-17	550	3,296.03	<b>5.99</b>	19,002.00	11,048.37	<b>0.58</b>
2017-18	537	3,650.48	<b>6.80</b>	20,980.00	13,447.18	<b>0.64</b>
2018-19	615	4,206.30	<b>6.84</b>	24,484.00	15,943.97	<b>0.65</b>
2019-20	452	5,241.57	<b>11.60</b>	22,079.00	19,447.09	<b>0.88</b>
2020-21	20	561.18	<b>28.06</b>	1,599.00	8,266.93	<b>5.17</b>

Source: National CSR Data Portal, Ministry of Corporate Affairs, Government of India



Figure 1: Major Development Sectors under CSR

Source: Ministry of Corporate Affairs

The above figure shows the major development causes covered under the purview of CSR which are segregated into as many as 29 different sectors ranging from clean Ganga, encouraging sports, gender equality to rural and slum area development. It is being observed that in between year 2014 to

2019 education was the top sector which got the major corporate support with 30% of CSR funds contribution followed by 17% for health, 10%, 7% and 5% for , Rural development, Environmental sustainability and Eradicating poverty, hunger respectively, leaving behind 31 % for rest of the 23 CSR development sectors. During FY 2020-21 Health sector got the major chunk of CSR contribution while contribution towards education sector declined.

Table 2: Changing Trends During and after COVID (Most Funded sectors)

Financial Year	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Sectors	Amount Spent (in Cr)						
Education	2,589.42	4,057.45	4,504.91	5,762.68	6,090.64	7,103.54	2,229.23
Environmental Sustainability	773.99	796.69	1,076.46	1,301.96	1,361.92	1,457.26	445.75
Health Care	1,847.74	2,569.43	2,491.52	2,776.93	3,603.73	4,825.70	2,559.29
Poverty, Eradicating Hunger, Malnutrition	274.7	1,252.08	606.55	811.2	1,189.66	1,139.70	218.62
Rural Development	1,059.34	1,376.16	1,554.77	1,724.06	2,428.44	2,279.19	604.33

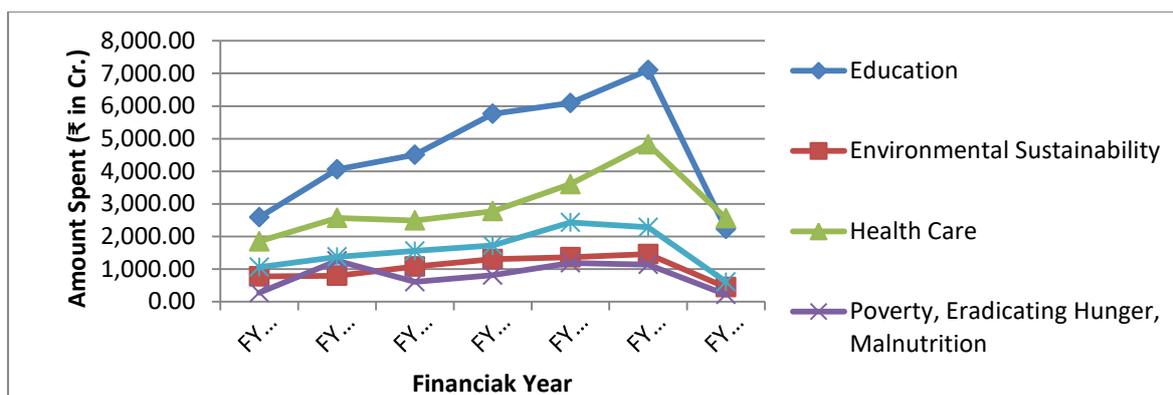


Figure:2 Changing Trends During and after COVID (Most Funded sectors)

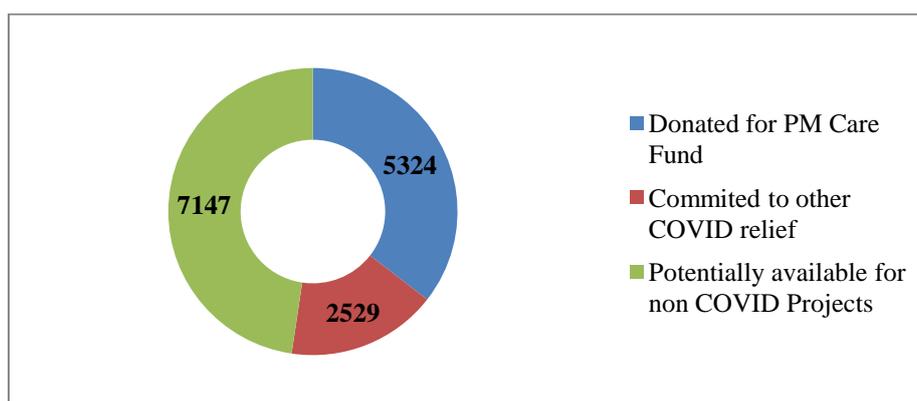


Figure: 3CSR- COVID Response and outlook for 2021 of Overall (₹ in Crore)

Source: Sattva, India Data Insight Report

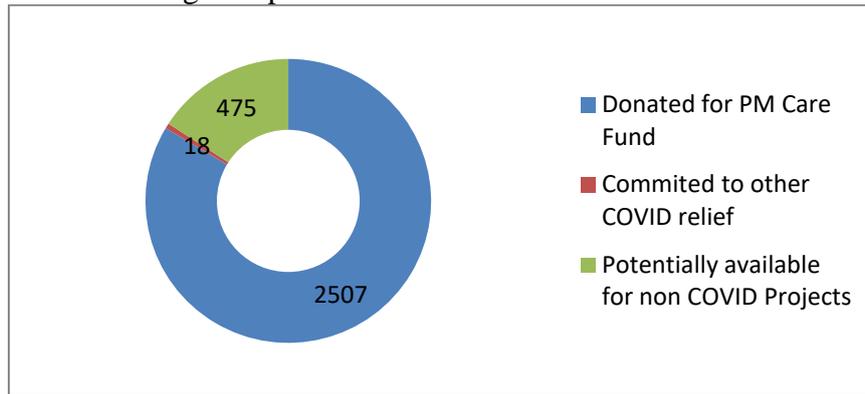


Figure: 4 CSR- COVID Response and outlook for 2021 of PSUs (₹ in Crore)

Source: Sattva, India Data Insight Report

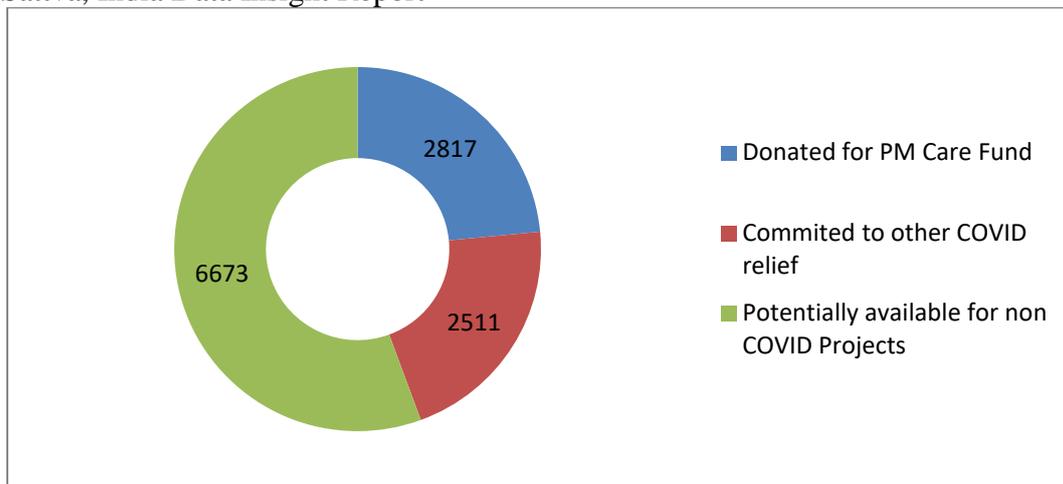


Figure: 5 CSR- COVID Response and outlook for 2021 of Private Corporates (₹ in Crore )

Source: Sattva, India Data Insight Report

As per a report published by Sattva's India Data Insights on CSR Outlook for year 2020-21 out of top 300 odd companies by revenue whose average annual CSR budget is estimated as ₹15,000 crore, ₹7,853 crore is either already spend or committed by the companies for COVID relief measures, which indicates that only ₹ 7,100 crore will be available for rest of the CSR projects (Figure 3). PSU's out of ₹3000 crore of CSR budget has already donated ₹ 2,507 crore towards COVID related fund and another ₹18 crore are committed for COVID relief related activities.(Figure 4) Considering Private corporate under study About ₹5,328 Crore (Figure 5) is either contributed towards PM Care Fund or committed towards COVID relief activities, indicating that big chunk of CSR fund is directed towards COVID related activities like provision of masks and food for poor, PPEs, COVID testing kits, oxygen cylinders and ventilators for hospitals, providing beds and building up health infrastructure. In another report given by CRISIL during June 2020 it was stated that about 80% of CSR spend has already contributed towards COVID response, indicating that changing CSR rules and introduction of funds for COVID relief has diverted a major chunk of CSR funds towards COVID relief which could take away the share of other social sectors.(CRISIL,June 2020)[8] In Another survey conducted by Invest India reveals that food security, donation to PM care Fund and preventive health care were identified as top three areas where companies aligned their CSR funds

during pandemic, indicating the response of companies towards meeting out the urgent societal needs raised as a result of pandemic.(CSR report COVID\_Investindia).

#### 4. CONCLUSION

COVID 19 has posed extreme challenges which require prompt and pragmatic response from the companies. Besides staying afloat and carrying the traditional objectives of wealth and profit maximization, corporate need to consider the CSR issues more seriously. In the current study it is observed that this crisis not only offers short term opportunities for firms to engage themselves in CSR initiatives but also acts as a catalyst for new avenues of CSR developments. As a result of pandemic taking longer than what was initially anticipated and its significant impact on the whole world, it is imperative for the corporate strategy makers to operate differently and discharge their responsibilities accordingly. Academicians and researchers are invited to conduct primary data based study for detailed inferences in finding out challenges, opportunities and future trends in CSR in response to pandemic.

#### 5. LIMITATIONS OF THE STUDY

Dependence on secondary data is the major limitation of the current study , more accurate and detailed inferences could be made by conducting primary study by way of collecting information related to various CSR initiatives undertaken as an impact of COVID -19 through conduction of interviews of CSR managers.

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