

CSR PRACTICE IN INDIA DURING COVID 19

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ABSTRACT

The purpose of this study was to examine Corporate Social Responsibility (CSR); expanding the scope of social responsibility in India with particular reference to COVID 19 by studying the deployment of CSR practices over the past few years. This paper examines how certain CSR activities go under COVID 19 infection by various companies. Such activities may violate the law. In this study, which included a quality analysis of CSR practices followed by companies operating in India. The focus has shifted from the pre-planned CSR framework to activities related to the novel coronavirus (COVID-19), which will reap indirect benefits in the operational sector in which companies operate. It has become clear that the focus is on the other side of the environment, with more attention to the company's policies, objectives and the outcomes of those efforts. The study clearly explains the importance of enforcement laws and regulations that must be followed by companies that fall under the jurisdiction of the CSR. This paper will be helpful in understanding shortcomings and opportunities during epidemics.

Keywords: CSR, COVID19, SDRG, PM Care Fund.

Introduction

CSR is a self-governing business organization that helps a company to be accountable to the community - itself, its stakeholders and the community. CSR is a broad concept that can take many forms, depending on the company and its industry. With CSR programs, benefits and hard work, businesses can help the community while growing their products. As important as the CSR is to the community, it is equally important to the company. CSR activities can help build a strong bond between employees and companies; developing morality and helping both employees and employers feel more connected to the world around them. (Chen, 2020) CSR has become a common practice in all industries. It seems that most companies are interested in a variety of relief efforts and CSR. But whether the use of CSR contributes to poor areas or contributes to existing funds / schemes, a topic with a variety of perspectives and responses. Many companies have long used a form of social and environmental commitment for the broader purpose of contributing to the social and economic well-being and reliance on them. But there is increasing pressure to wear CSR as a business discipline and demand that every effort to present business results. If you do so, CSR activities reduce risk, improve reputation and contribute to business outcomes, which benefits everyone. But in most CSR programs, those results should be a waste, not their reason for being so. Companies should re-focus their CSR activities on the core objectives and provide a systematic approach to bringing integration and ethics into CSR strategies.

Legal Requirements

India was the first country in the world to impose a formal CSR obligation on companies that meet certain criteria. In terms of section 135 of the Companies Act, companies with a fair value of INR 5 Bn (\$ 70 Mn) or more, or an annual profit of INR 10 Bn (\$ 140 Mn) or more, or a profit net of INR 50 Mn (\$ 699,125) or more, to spend two percent of their mid-year earnings on CSR. This provision makes India the only country in the world that makes spending and reporting on CSR obligations mandatory. In addition, the Companies Act and subsequent amendments have expanded and clarified the activities for which this 2% may not be used. The Government of India has made it clear that the use of CSR is not an

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aid or a donation other than certain benefits. In fact, there has been a concerted effort to undermine broad spaces (Schedule VII of the Companies Act, 2013) in which funds can be spent, thus having a positive impact on society. In addition, there has been a concerted effort to keep the CSR law in line with India's commitment to the United Nations Sustainable Development Goals (UN-SDGs). Schedule VII of the Companies Act of 2013 outlines the broad areas of intervention aimed at interpreting freely and ultimately focuses on ensuring the country's sustainable development.

CSR Projects

A total of INR 71, 277 Cr has been used in 1,05,358 CSR projects up to Y2019. The top three institutions receiving the largest grant, education, development and rural development grant. Another area that receives significant support is environmental sustainability. Another interesting trend is that a significant amount of finance goes to higher industrial regions. Since FY 2015, Maharashtra, Karnataka, Gujarat and Tamil Nadu have received more than 30 percent of the total amount spent by CSR. This could be due to a number of reasons such as a company seeking to have a positive social impact in their workplaces, as well as deep links with socially influential organizations operating in the same area. This can also be seen in the CSR implementation data where approximately 44% of the total expenditure by the companies itself or by the Section 8 trustees / communities / companies set by them. Another 43 percent was done through various startup partners. Expenditure in these provinces, however, means that regions such as Jharkhand, Bihar, Chattisgarh, Madhya Pradesh and Uttar Pradesh accounting for more than 55 percent of the desired regions (provinces with a socio-economic index), receive only 9% of total spending. CSR. In fact, there is no country, other than Uttar Pradesh (# 9), from the top list of the top ten state beneficiaries. For the CSR to work properly, this inequality will need to be rectified. Invest India's 'Corporate Social Responsibility Projects Repository' in India Investment Grid (IIG) are the initiatives in this guide. It is hoped that by providing a platform for all provinces to compile a list of CSR projects at intermediate level, companies and their start-up partners will be able to assess the impact their CSR investments will have on the rest of India. Currently, the site has more than 650+ projects in eight different domains.

Role of CSR in COVID 19

The Indian government has declared the emergence of a novel coronavirus in the country as a "reported disaster" to allow national governments to collect resources from the State Disaster Response Funds (SDRF). Following the notification, the Department of Cooperation (MCA) clarified that the use of COVID-19 assistance funds would be mandated under the CSR. Also, the MCA advised that the activities should be interpreted freely in order to take up the total number of activities allowed under the Schedule. The government has also set up a 'Prime Minister's Citizens' Aid and Emergency Assistance Fund '(PM CARES) to respond to the COVID-19 crisis and provide assistance to those affected. In addition, Program VII was amended to include contributions to PM CARES such as the CSR and the existing National Relief Fund of the Prime Minister. By joining the network and its broader partnerships, Invest India has set up a special CSR help cell to help companies use their CSR funds.

Highlights of CSR Investment during COVID 19

Created a repository of 32 relief funds to companies to access to meet their CSR compliance for the year.

- Made 60 or more connection for COVID 19 donations.
- Developed a pipelines of Rs 163 Crores to be challenged to COVID 19 relief fund centre and state government.
- Assisted in the donation of over 1086100 and more essential supplies donation from corporate as part of their CSR activities.
- Researched out to 289 tech incubators across India in an efforts to channel CSR funds into developing technology space.
- Received 19 COVID 19 technology solutions approved for CSR funding through national incubators across India.

Past CSR Trends in India

Contribution by the Corporate Sector

According to the Report of the High-Level Committee on Corporate Social Responsibility 2018, the number of reporting companies that carry CSR obligation has steadily increased in 2014-15 to 2016-17 and then declined in the year 2017-18. The total CSR expenditure by these companies increased substantially by 44 per cent from 2014-16 and thereafter marginally declined in 2016-17. This has been highlighted in the table below.

It has also been observed that the average spend by a government enterprise on CSR varied between INR 8-10 Cr per company between 2014-15 to 2017-18 whereas the average spend by a private company steadily increased from INR 72 Lakh per company in 2014-15 to INR 95 Lakh per company in the year 2017-18.

CSR Expenditure by Companies Reporting on CSR

Figures as per the filings received as on 31st March, 2019

Year of filling	Non- PSU			PSU			Total	
	No. of Companies	Total CSR (Rs in Crore)	Average	No. of Companies	Total CSR (Rs in Crore)	Average		
2014-15	10083	7249.11	0.72	335	2816.82	08.40	10418	10065.93
2015-16	12551	10302.39	0.82	404	4201.26	10.40	12966	14603.55
2016-17	12810	11026.63	0.86	372	3285.40	08.83	13182	14312.03
2017-18	11314	10787.50	0.95	270	2539.19	09.40	11584	13328.69

Note: Figures as per the filing received as on 31.03.2019

Note: Number of the companies in the above table include companies which are liable and reporting on CSR

PSU: Public Sector Undertaking

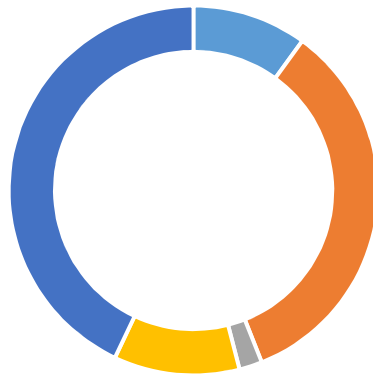
Source: Report of the High-Level Committee on Corporate Social Responsibility 2018

Mode of Implementation

According to the Report of the High-Level Committee on Corporate Social Responsibility 2018, it may be observed that most of the CSR expenditure has been done through an implementing agency. Even though the percentage of projects implemented through trust/society/Section 8 companies set up by the company has been quite low, the CSR expenditure made via this mode has been high.

Table Showing Total CSR Expenditures through Various Modes 2014-15 to 2017-18

Modes	Percentages
By Trusts/ Societies/ Section 8 company set up by the company itself	
Directly by company	10
By Trusts/ Societies/ section 8 company set up by central or State government or entities established under special Act of parliament/ State legislature	34
Others	02
Other implementation Agency	11
	43



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- Others
- Other implementation Agency

While a substantial proportion of companies spend their CSR funds directly, NGOs are becoming the most popular channel for others. This upward trend can be attributed to implementing agencies being a more suitable model for the companies to execute CSR projects, due to their presence in the target areas, local connections and knowledge based experience in executing social projects which a company may typically lack in.

State-Wise Distribution of CSR Funds

In 2018, as per the Ministry of Rural Development, India had a total of 718 districts, of which, approx. 16 per cent (115 districts) were aspirational districts as per NITI Aayog. Jharkhand, Bihar, Chattisgarh, Madhya Pradesh and Uttar Pradesh account for more than 55 per cent of the aspirational districts' concentration across India, yet received only nine per cent of the total expenditure towards CSR. States with a relatively higher level of development are where the concentration of CSR-led activities is the highest and is seen to be increasing over the years. Maharashtra, Karnataka, Andhra Pradesh, Gujarat, Tamil Nadu and Delhi received 40 per cent of the total CSR expenditure from 2014-15 to 2017-18, even though they account for 11 per cent of the total number of aspirational districts.

This bias exists not only towards relatively well developed states but also within a state itself. An analysis of data for FY 2016-17 shows that even in Maharashtra, which received the largest volume of funding, certain districts such as Pune and Mumbai (suburban) received the highest amount in CSR funding (more than INR 200 Cr each), while those which were farther away from industrialised areas such as Hingoli, Buldhana and Parbhani received less than INR 1 Cr of funding.

Table of CSR Expenditure statewide

Key Areas of CSR

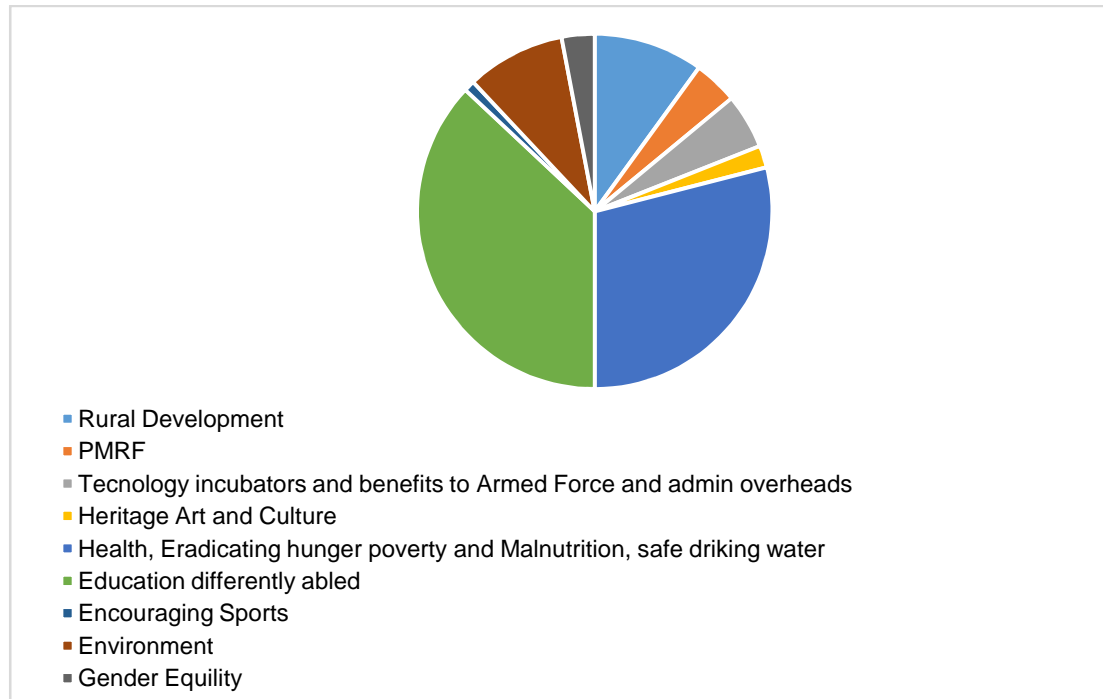
Activities that are specified in Schedule VII as the activities which may be included by companies in their CSR policies are:

- Contribution to Prime Minister's relief fund and other state and other funds
- Environment Sustainability
- Employment enhancing vocational skills
- Other matters as may be prescribed
- Eradication of hunger and poverty
- Promotion of education
- Gender equality and women empowerment
- Reducing child mortality and improving maternal health
- Combating HIV/AIDS maternal and other disease
- Social Business project

Out of the total expenditure incurred on Schedule VII areas, the projects related to education and health have received maximum CSR funds. The cumulative figure from 2014- 15 to 2017-18 for total expenditure incurred on projects related to education is INR 15,612.20 Cr, followed by INR 9,020.47 Cr spent on projects related to healthcare.

CSR Expenditure percentage towards areas or Subjects mentioned in schedule VII of companies Act, 2013(2014 – 2017-18

Rural Development	10
PMRF	4
Tecnology incubators and benefits to Armed Force and admin overheads	5
Heritage Art and Culture	2
Health, Eradicating hunger poverty and Malnutrition, safe driking water	29
Education differently abled	37
Encouraging Sports	1
Environment	9
Gender equality	3



Sustainable Development Principles (SDGs) and CSR

The SDGs are a set of 17 global goals designed to create a plan for a better and more sustainable future for all. These 17 goals contain 169 goals to be achieved by 2030. India has played a key role in the development of the United Nations Sustainable Development Agenda 2030 and much of the country's National Development Agenda is linked to achieving the Sustainable Development Goals (SDGs). India ranks 115th out of 162 in the SDG Index. This slow progress needs to be done quickly in partnership between the corporate sector, civil society and government. Businesses are seen as the key drivers of the SDGs because they can use their ingenuity and innovation to achieve sustainable development and facilitate the implementation of these goals.

CSRs and SDGs together have great potential to establish a connected model for sustainable growth. Many companies align their CSR locations with SDGs to meet their CSR mandate. For example, when an organization tarnishes its CSR-focused position on improving livelihoods through skills training for women and youth, it contributes to various SDGs such as creating ways to eradicate poverty, perpetual poverty, provide quality education, and promote gender equality and economic growth. .

CSR at COVID-19 Times

COVID-19 is considered a global epidemic by the World Health Organization (WHO). This infectious disease severely affected the social and economic conditions of the world.

Social isolation has played a very important role in reducing the spread of this deadly disease. The Government of India and the governments of the country have announced the closure of the country in March 2020 with the aim of encouraging social separation, which has instructed the public to maintain social and physical distance. Extended reductions exacerbate economic problems. Survivors and a lack of awareness (due to lack of education) have added to the problems. Here comes the importance of CSR, which played a very important role in the times of the disease, when people tried their best to deal with difficult times. The CSR is a 'self-regulatory business model' meaning the processes of co-operation between a company and its stakeholders and the community at large, creating a sense of social responsibility. In terms of Section 135 of the Companies Act (CSR), 2014 and Schedule VII of the Companies Act, 2013:

Every company with a fair value of Rs 500 crore or more or a profit of Rs 1,000 crore or more or a total profit of Rs 5 crore or more in the previous financial year, must have a CSR committee and spend at least 2% of the total total profit earned over the previous three financial years has gone to CSR

activities. In the current era of COVID-19, the Government of India encourages companies to provide public support. According to March 23, 2020 Ministry of Corporate Affairs circular, all costs incurred in activities related to COVID-19 will be added as approved approaches to the use of CSR. This announcement from the ministry was accepted by Corporate India. It creates a win-win situation for companies with existing CSR obligations and funds that they wanted to contribute to assisting and meeting the legal requirements of The Companies Act at the same time.

The response to the government's call to support the efforts of COVID-19 has been overwhelming. Crores are donated to various government funds. Given the huge amount of money involved in charity efforts, companies struggle not only to find a reliable working partner but also to find a way to monitor and monitor the use of donated funds and assess their impact. By announcing the government that any amount provided by companies to fund the fight against COVID-19 will qualify for CSR, the majority of companies have participated in the PM CARES Fund or various other programs dedicated to protecting the health and protection of the victims. Those activities were morally and ethically sound, but companies generally interpreted this circular in a way that would benefit indirectly from their operations or simply contribute to an existing fund.

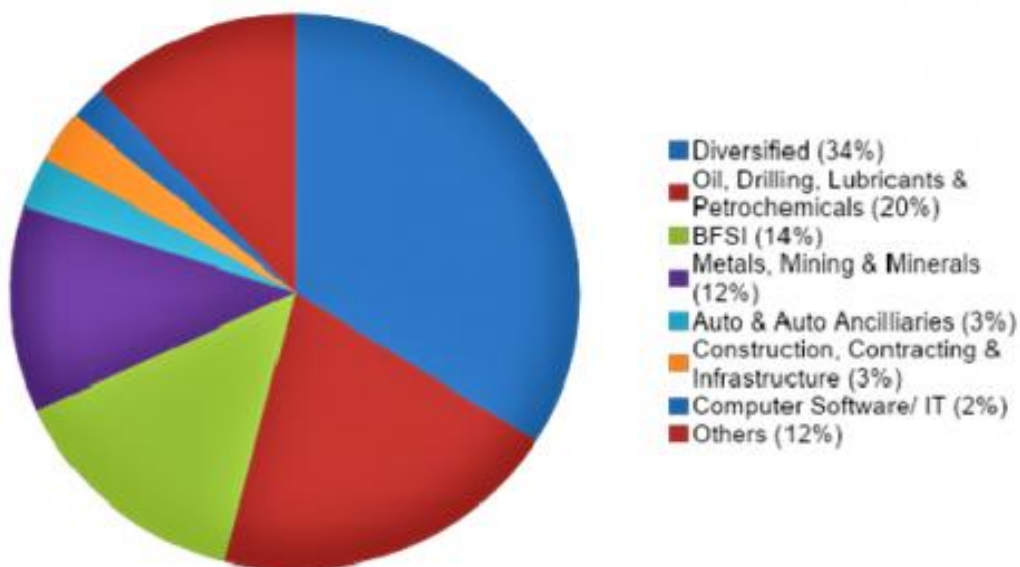
Donation / Pledges to PM Cares Fund

Sources	Amounts Donated (in Crore Rs)	Amount Pledged (in crore Rs)
Government agencies (including salaries)	4,308.3	1,250
Private companies, industry bodies, social organisations (including salaries)	5,369.6	772.4
Foreign donations		22
Individuals		53.77
Total	9,677.9	2,098.2

(AnooBhuyan, 2020)

The banking, financial and insurance sector (BFSI) is the main driver of the country's economy. Companies in the financial services industry handle money. However, the contribution of this sector has been very low compared to other sectors, especially the manufacturing sector. Over the years, BFSI companies have been seen participating in CSR activities that are not always visible. Therefore in order to highlight the value, contribution and existence of the BFSI class and to enhance its character, this paper focuses on the actions of BFSI companies during the COVID-19 era.

Industry wide COVID-19 Response (Funds Committed)



(Bhagyashree Patil, 2020)

Conclusion

Business houses around the world recognize their poles in the community and are involved in a variety of social and environmental activities. The need for this hour is to formulate effective strategic policies and to use a variety of tools, based on the company's history, content and specialized relationships with its various stakeholders so that the CSR can better achieve its goals - environmental, social and economic growth.

Many companies use CSR practices as a marketing tool and many simply make attempts at CSR-targeted tokens in unpopular ways such as donating to trustees of charities, NGOs, event sponsors etc. Few have a well-defined CSR philosophy. There are several companies in India that are involved in various issues such as health care, education, rural development, sanitation, small loans and the empowerment of women. Analysis of many studies in India suggests that although many companies in India have adopted the universal language of CSR, it seems to be in a state of confusion.

From the above, it can be concluded that companies in this field play an active role in shaping the relationship between the organization and the community. Companies strive to benefit the community in every way possible. It can also be concluded that there is a lot of media coverage of events but the actual performance of the works in some way is lacking. Many companies build customer loyalty, reputation, employee motivation, product value and staff retention through CSR activities.

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