

CONTRIBUTION OF CORPORATE SOCIAL RESPONSIBILITY FUND CONTROLLING COVID-19 PANDEMIC

(A STUDY ON CSR CONTRIBUTION OF BANKING, FINANCE SERVICES AND INSURANCE SECTOR)

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The purpose of this study is to explore the various definitions and meaning of Corporate Social Responsibility (CSR); elaborating upon the scope of corporate social responsibility in India by studying the deployment of CSR practices over the last few years. This paper examines how certain CSR activities undertaken by various companies to support the society as a whole in this pandemic situation by applying the provisions in circulars issued by Government from time to time. Such activities may not necessarily have violated the letter of law, but the spirit of such activities is to tender financial assistance to the required phase of the society.

CSR History in India

India has a rich history of vital business involvement in social needs for national development. In the initial years, there was no more documentation maintained for the funds utilized for social-responsibility initiatives. After Independence, JRD Tata, who is always known as social industrialist, paid great emphasis on social accountability and contributed to public welfare beyond the scope of their normal activities.

Since then, there has been a growing realization towards contribution to social activities globally with a desire to improve the immediate environment. Slowly, it began to be accepted, at least in theory it had made obligatory to contribute for social service. The last decade of the 20th century witnessed a swing away from charity and traditional philanthropy towards more direct engagement of business in mainstream development and concern for disadvantaged groups in the society. This has been driven both internally by corporate will and externally by increased governmental and public expectations. In India there is vast gap between income slabs and standards of living among the overall population. It is proudly said that, India is the first country in the world to make CSR mandatory, which leads to formulation many provisions for social helping and contribution to social change.

Introduction

Covid-19 is a worldwide pandemic and made great effect on the life of human being across the

universe. It made adverse effect on the normal life of society and recorded huge death statistics in India. The routine life gets disturbed and many industries and business houses were disturbed during lock down, declared by the Government. Many small earners, job seekers have become jobless and found fighting for food and primary needs. There is a great impact on majority of the population working under unorganized sector. The small activities of earning became standstill and earning source was completely blocked due to this pandemic. This pandemic not only created the issue of food but also created great hurdles for providing medical facilities to the population affected by corona virus. Many people died of not getting medical help in time. The government as well as private hospitals found full of patients during spread of pandemic and even primary facilities could not be provided due to overburden of patients which resulted to high death rates in India. There is utmost need to provide some assistance to the affected by several means. There are many ways to tender financial help or donation to state and national funds specifically constituted to face such terrible situation.

CSR Amid COVID 19 Pandemic

COVID-19 has been considered a global pandemic by the World Health Organization (WHO). The contagious disease tremendously disrupted socio-economic circumstances on the universe. Social-distancing played an important role in mitigating the spread of this deadly disease. The Government of India and state governments announced lockdowns throughout the country from the month of March 2020 in order to promote social distancing, which basically directed the public to maintain distance both socially and physically. Repeated and extended lockdowns worsened economic conditions of the society. High density population and a lack of awareness among the people have given rise to the problems. Here comes the importance of CSR, which played a crucial role in the times of this pandemic, when people are trying their level best to get through the challenging times. CSR is a 'self-regulating business model' that implies the procedures of

interaction by a company with its stakeholders and the general public at large, creating a scenario of being socially responsible.

According to Section 135 of Companies (CSR) Rules, 2014 and Schedule VII of Companies Act 2013:

Every company with a net worth of Rs 500 crore or more or turnover of Rs 1,000 crore or more or net profit of Rs 5 crore or more during the immediate preceding financial year, must have a CSR committee and spend at least 2 per cent of average net profits earned during three immediate preceding financial years to CSR activities. In the present era of COVID-19, the Government of India is inspiring companies to provide social support. According to a March 23, 2020 Ministry of Corporate Affairs circular, all expenditures incurred on activities related to COVID-19 would be added as permissible avenues for CSR expenditure. Funds may be spent for various activities related to COVID-19, under the following items of Schedule VII:

1. Eradicating hunger
2. Poverty
3. Malnutrition
4. promoting healthcare, including preventive healthcare
5. Sanitation, including contribution to the Swachh Bharat Kosh set up by the Centre for promoting sanitation and making available safe drinking water
6. Disaster management, including relief, rehabilitation and reconstruction activities

Further, a general circular (No. 21/2014, dated June 18, 2014) mentioned that the items in Schedule VII are broad-based and may be interpreted liberally for the purpose of donations being made with respect to COVID 19.

This circular and call from the ministry was welcomed by Corporate India. It created a win-win situation for companies with existing CSR obligation and funds at disposal who wanted to contribute to relief and meet statutory requirements of The Companies Act at the same

time. The response to the government’s call to support COVID-19 efforts has been overwhelming. Crores of rupees have been donated to various government funds and companies started contributing for society in response to the amended circular issued by the government. With the announcement by the government that any amount donated by companies in support of the fight against COVID-19 will qualify as CSR, a majority of the companies either contributed to the PM CARES Fund or for various other purposes that contributed to protecting health and preventing hunger of the affected. Such activities were ethically and morally correct, but the companies broadly interpreted the circular in a way that would reap indirect benefits to their operations or simply contribute to the existing fund. The Government of India made necessary amendments to the Companies (Corporate Social Responsibility) Rules, 2014 and Section 135 of the Companies Act, 2013 on January 22nd, 2021, which means that these are now effective.

A company’s CSR projects should typically be divided among three theatres of practice —

- Focus on Philanthropy
- Improving operational effectiveness
- Transforming the business model

It is neither practical nor logical for all companies to engage in same types of CSR. Programmes are driven by diverse factors, including the industry and the societal environment in which the businesses operate and the motivations of the people who run and govern each company. For example, a manufacturing company might have rich opportunities to reduce its environmental impact while a financial services company might find it difficult but might be more successful in the social sphere— with significant initiatives supporting financial inclusion and literacy. (V.S. Kasturi Rangan, 2015)

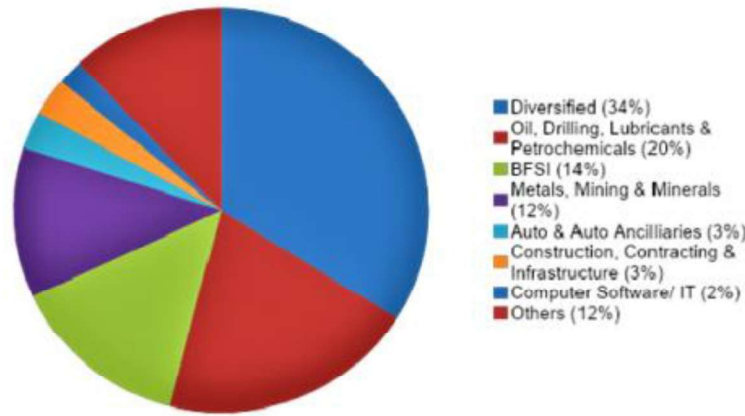
Donation / pledges to PM CARES fund		
Source	Amount donated (in Rs crore)	Amount pledged (in Rs crore)
Government agencies (including salaries)	4,308.3	1,250
Private companies, industry bodies, social organizations (including salaries)	5,369.6	772.4
Foreign donations		22
Individuals		53.77
Total	9,677.9	2,098.2

(Anoo Bhuyan, 2020)

The banking, financial services and insurance (BFSI) segment is the primary driver of a nation's economy. Companies in the financial services industry manage money. However, the contribution of this sector has always been under-rated in comparison with other sectors, especially the manufacturing segment.

Over the years, BFSI companies have been seen participating in CSR activities that do not garner visibility. Hence in order to highlight the importance, contribution and existence of the BFSI segment and to boost its morale, this paper focuses on the actions of BFSI companies in times of COVID-19.

Industry wise COVID-19 response (funds committed)



(Reference -Bhagyashree Patil, 2020)

The table given below shows the contributions made by various companies in the BFSI sector in India in the COVID-19 times:

Company	Action & Social Contribution to face pandemic situation
1 Aadhar Housing Finance Ltd	Donated 28,810 three-ply masks, 10,239 hand sanitizers, 112 hand gloves, 3 carbide nozzles to frontline staff in hospitals and police stations Provided 1,200 kg rice, 2,140 ration kits and 167,000 meals to migrant laborers and families Contributed Rs 50 lakh to PM CARES Donated Rs 350,000 to the Bandra Holy Family Hospital for the treatment of COVID-19 patients
2 Arohan Financial Services Ltd	25,000 ration kits were distributed Organized health camps to create awareness on women's welfare Promotion of local arts and craft Funded a non-profit for relief to victims of human-trafficking Under Arohan's WASH initiatives, partnered 'Friends of Women's World Banking' to providing loans for better sanitation
3 JM Financial Home Loans Ltd	Contributed Rs 15 Crore to PM CARES Contributed Rs 15 Crore to support healthcare assistance to counter the pandemic
4 India first Life Insurance Co Ltd	Contributed to PM CARES
5 IIFL Securities Ltd	Contributed Rs 5 crore to PM CARES Fund Donated Rs 20 lakh to hospitals and non-profits organization to provide protective gears to frontline staff and food to migrant labourers
6 DCB Bank Ltd	Set up a Rs 1 Crore fund for COVID-19
7 Bharat Financial Inclusion Ltd	Contributed Rs 1 Crore to PM CARES Helped state governments in Jharkhand, Madhya Pradesh and Karnataka to access essential medical equipment (testing kits, PPEs, other sanitation requirements) and train frontline health workers in protecting themselves against the virus
8 Bajaj Finserv	Contributed Rs 10.15 crore to PM CARES
9 Indiabulls	Pledged Rs 21 crores to PM CARES Fund
10 AU Small Finance Bank	Pledged Rs 5 crore (Contributed Rs 2 crore to PM CARES, Rs 51 lakh each to Delhi and Maharashtra Chief Minister relief funds and provided the Rajasthan government a testing facility in Bhilwara)

11	India Infrastructure Finance Co Ltd	Contributed Rs 25 Crore towards PM CARES
12	General Insurance Corporation	Donated Rs 22.69 Crore to PM CARES
13	DBS Bank India	Committed 2 million meals to the pandemic-affected To provide ventilators, medical supplies and equipment and sponsor free-testing for the deprived
14	Kotak Mahindra Bank	Pledged Rs 60 Crore (Rs 25 Crore to PM CARES ; Rs 10 Crore to Maharashtra CM Relief Fund)
15	HDFC Bank	Committed Rs 150 Crore to PM CARES
16	Life Insurance Corporation of India	Pledged Rs 105 Crore to PM CARES
17	ICICI Bank	Pledged Rs 80 crore to PM CARES Committed Rs 20 crore to state governments, hospitals, CISF and police forces for protective equipment Provided 2.13 lakh surgical masks, 40,000 N95 masks, 20,000 litres of sanitizers, 16,000 gloves, 5,300 PPE suits, 2,600 protective eye gear and equipment (50 thermal scanners, 3 non-invasive category ventilators) to states and hospitals
18	Max Life India	Launched initiative to gather one lakh social-isolation pledges Donated sanitizers, masks and food Donated Rs 5 Crore for COVID-19 testing Provided for daily needs of construction labourers and other under-privileged people
19	Magma Fincorp Ltd	Pledged Rs 5 Crore to PM CARES Provided ration and food to 5,600 families
20	Hero Fincorp Ltd	Pledged Rs 100 Crore for COVID-19 relief, half of that to PM CARES

Nowadays customers are highly attuned to whether the brands they prefer are ‘socially responsible’. Such companies have put forward an argument in their defence explaining why at times it is important to reach out to the section of people – in and around whom they operate. This is with the sole motive of creating a positive brand image while executing their moral obligations. Effective CSR gives a company the power to stand out in today’s saturated market and connect with customers on a level that ensures long-term loyalty and potentially even brand advocacy. (Ray SK, 2020) The pandemic gave them a chance to connect and create market visibility for themselves. The support and donations extended by most of the corporates in times of the pandemic portray the fact that CSR programs work best when they look and feel authentic. While the companies need to be careful to select a cause that the community can get behind, the companies also need to build a social responsibility program that reflects the identity of their brand and is their unique selling propositions. Some companies performing CSR by promoting social awareness for social-distancing: Notably, McDonalds, Audi, Coca-Cola, Volkswagen and many more. McDonalds sent a message to the society by bifurcating its ‘M’ logo into ‘n – n’ to represent social distance. Similarly, Audi separated the four rings in its logo and explored a tagline to keep distance. Volkswagen also presented a new logo with a gap between V and W. Coca-Cola also

introduced spaces between letters in its logo with a message “staying apart is the best way to stay united”. (Ray, 2020) The way customers interact with brands today is changing. For companies to engage and connect with today’s even-more empowered consumer, they need to ensure that their identity, and their behaviors they engage in, has the right impact. In a world where the target audience demands a business that not only delivers exceptional products and services, but also contributes to the community, becomes more transparent and takes an active role in addressing universal issues, corporate social responsibility has become a mandatory requirement for any organization in India. Almost half the reputation of a company comes from public response to what it does to support the current environment. (Thorpe D, 2013) Yet all have one thing in common: They are aligned with the company’s business purpose, value for a company’s important stakeholders and the needs of the community in which the companies operate. These companies of course, stand in contrast to those that are focused solely on creating value for their shareholders. (Kasturi Rangan, 2015) Most companies use CSR practices as a marketing tool and many are only making token efforts towards CSR in tangential ways such as donation to charitable trusts, NGOs, sponsorship of events etc. Few have a clearly defined CSR philosophy. Mostly, companies implement CSR in an ad-hoc manner, unconnected with their business process and don’t state how

much they spend on CSR activities. Further, voluntary actions are required to be taken by the financial bodies to ensure the socio-environmental feasibility of projects to be financed. There are several companies in India involved in diverse issues such as healthcare, education, rural development, sanitation, micro-credit and women's empowerment. Analysis of several surveys in India suggests that though many companies in India have taken on board the universal language of CSR, it seems to be in a confused state. Individual companies define CSR in their own limited ways and contexts. The end results being all activities undertaken in the name of CSR are mainly philanthropy or an extension of philanthropy. It seems that CSR in India has been evolving in domain of profit distribution. There is a need to increase the understanding and active participation of business in equitable social development as an integral part of good business practice. (Singh, 2010)

Conclusion

Business houses all over the world are realizing their stakes in the society and engaging in various social and environmental activities. The need of the hour is to formulate effective strategic policies and adopt various instruments, according to a company's history, its content and peculiarity in relationship with its different stakeholders so that CSR can be best implemented towards its goals — sustained environmental, social and economic growth. From the above findings, it can be concluded that companies in the sector play an outstanding role to bring out the relationship between the organization and the society. Companies are striving to benefit the society in every manner. Most companies have long practiced some form of corporate social and environmental responsibility with the broad goal of contributing to the well-being of the community and society and on which they depend. But there is increasing pressure to dress up CSR as a business discipline and demand that every initiative delivers business result. If in doing so, CSR activities mitigate risk, enhance reputation and contribute to business results, then that is all for the good. But

for many CSR programmes, those outcomes should be a spill-over, not their reason for being. The companies must refocus their CSR activities on fundamental goals and provide a systematic process for bringing coherence and discipline to CSR strategies. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards.

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