

## **THE DYNAMICS OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA VIS-À-VIS PRE AND AMIDST COVID-19 PANDEMIC PERIOD**

**Ms. Nirmala Daita\***

**Dr. Varsha Thakre \*\***

*\*Research scholar, Department of Business Management, RTM Nagpur University, Nagpur, India*

*\*\* Head, Department of Commerce, Annasaheb Gundewar College, Nagpur, India*

**Abstract**

*India was the first country in the world who made a statutory obligation of Corporate Social Responsibility (CSR) for corporates, but the concept is not new and it does not have a universally accepted definition so far. In India, the Government declared the broad areas under Schedule VII of the Companies Act 2013 and made it clear that CSR spending is not charity or mere donations without any strategic benefits. The evolution of CSR in India has passed through different phases, and reshaping from time to time with the active involvement of the corporates. With the sudden outbreak of Corona virus pandemic, the Indian corporate has engaged in a wide range of CSR initiatives which are quite differ from the past period. The purpose of this paper is to explore the dynamics of Corporate Social Responsibility (CSR) with respect to pre and amidst COVID-19 pandemic period.*

**Keywords:**

*Corporate Social Responsibility, COVID-19 pandemic, World Health Organization, Ministry of Corporate Affairs (MCA), CSR expenditure, CSR program.*

**Introduction:**

Over the past two decades, sustainable social development has been a key concern all over the world. India has more concern towards the societal development by promoting Corporate Social Responsibility (CSR) initiatives that make a sustainable and reckonable impact on the society at large. The concept of “Corporate Social Responsibility” aims to bind a corporate, socially responsible towards their stakeholders and the public by giving back some part to the society from which they earn from the society. In this connection one should remember the bare fact that ‘the money earned from the society may belongs to you, but the resources contributed are belong to the society’. India is the first country in the world

which made corporate social responsibility (CSR) as mandatory obligation for corporates by making amendment to the Companies Act.

Gradually, with rising awareness about corporate social responsibility (CSR) over the world among various stakeholders, realizing that achieving social goals is as significant as maximizing shareholder wealth and profitability. Until COVID-19 pandemic, corporates in India are investing their profits towards societal development activities by focusing on certain areas such as education, gender equality, poverty, and hunger reduction in compliance to CSR engagements. With the outbreak of COVID-19, the Ministry of Corporate Affairs (MCA) has notified by considering the expenditure spent by the companies towards overcoming the pandemic situation will be considered valid under CSR engagements. Henceforth, during the covid-19 pandemic period any funds may be spent on various activities pertaining to the promotion of healthcare including preventive healthcare and sanitation, and disaster management are considered permissible under CSR engagements.

**Concept of CSR and its evolution in India**

India has a long and ironic history for CSR by corporates in rendering various national development activities for social causes. The term CSR familiarize in early 1970’s and it is a broad concept conveniently shifting into many forms, depending on the circumstances and reflection of corporate activities. Majority of the corporates have long practiced some sort of social and environmental responsibility with a comprehensive goal of contributing to the welfare of the community and society and on which their existence depend. Despite the term corporate social responsibility is relatively new, India has world’s richest tradition of following CSR dates back over hundred years. The historical development of CSR can be traced into the flowing five major Phases (see Table-1).

**Table-1: Major Phases of CSR Evolution in India**

Phase-1 (1850- 1910)	Phase- 2 (1910- 1950)	Phase- 3 (1950- 1980)	Phase- 4 (1980- 2020)	Phase- 5 (Pandemic period)
<b>Pre-Covid-19 period</b>				<b>Covid-19 pandemic period</b>
<ul style="list-style-type: none"> <li>Charity and philanthropic era</li> <li>CSR was influenced by family values, traditions, culture and religion</li> <li>Wealth of the businessman spent on welfare of the society by setting up temples and religious institutions</li> </ul>	<ul style="list-style-type: none"> <li>Mahatma Gandhi urged rich industrialists to share their wealth and benefit the poor and marginalized in society.</li> <li>The concept of trusteeship helped socio-economic growth.</li> <li>Industrialists set up trusts for colleges, and research and training institutions.</li> <li>Trusts were also involved in social reform, like rural development, education and empowerment of women.</li> </ul>	<ul style="list-style-type: none"> <li>the emergence of PSUs (Public Sector Undertakings) to ensure better distribution of wealth in society.                             <ul style="list-style-type: none"> <li>shift in expectations from public to private sector, with the latter getting actively involved in socio-economic development.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Focused on a sustainable business strategy</li> <li>The wave of liberalization, privatization and globalization (LPG), led to an increased momentum in industrial growth, , making it possible for companies to contribute more towards social responsibility.</li> <li>Charity is now understood and accepted as responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>announcement by the government that any amount donated by companies in support of the fight against COVID-19 will qualify as CSR,</li> <li>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.</li> </ul>

**Source:** compiled from various sources

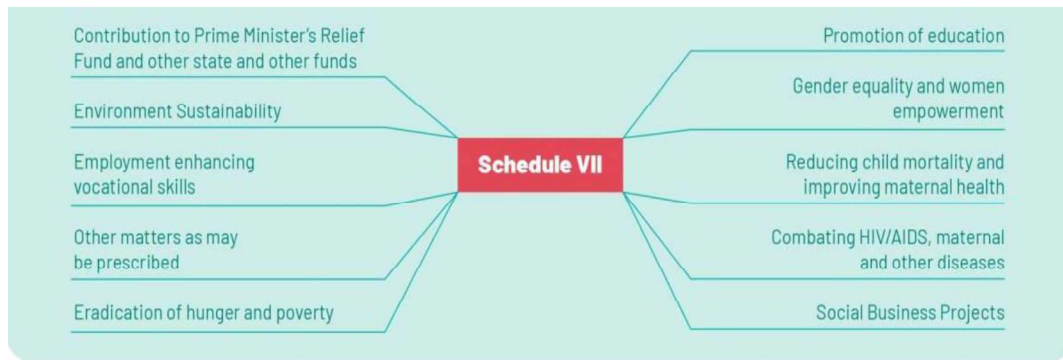
**Key areas of CSR engagements in India**

In India majority of corporates practice a multi-faceted form of CSR that focus on the activities ranges from pure philanthropy to environmental sustainability. In addition, well-managed corporates seem less interested in totally integrating CSR with their business goals and strategies, than in developing a cogent CSR program aligned with the corporate’s values and purpose. In general a corporate’s CSR programs focuses typically on the following three trusted areas;

- Philanthropy activities
- Improving operational effectiveness
- Transforming the business model

The above pattern is neither practical nor logical for all corporates to involve in the same style of CSR. Perhaps CSR programs are driven by varied factors, depending on the industry and the societal environment in which the corporates operate and the enthusiasms of the individuals who run and govern each business. For instance, a manufacturing organizations might have great opportunities to reduce its environmental impact whereas a financial services organization might find it challenging however might be more fruitful in the social sphere with noteworthy initiatives supporting literacy and financial inclusion. The funds may be spent for various activities related are considered as CSR expenditure as per Schedule VII are depicted in the chart-1 below:

**Chart-1: Funds spent towards COVID-19 considered as CSR activity per Schedule VII**



**Source: Ministry of Corporate Affairs**

With the outbreak of COVID-19 pandemic period, the Government of India released a circular on March 23, 2020 by Ministry of Corporate Affairs that, any expenditure incurred on activities related to COVID-19 would be considered as permissible expenditure for CSR. In this regard funds may be spent for various activities related to COVID-19, considered as CSR expenditure by making modification of Companies Act, 2013 for COVID – 19 are presented below:

- Eradicating extreme hunger and poverty
- Promotion of education
- Promoting gender equality and empowering women
- Producing child mortality and improving maternal health
- Combating human immunodeficiency virus (HIV), acquired immune deficiency syndrome, malaria and any other diseases
- Employment enhancing vocational skills
- Ensuring environmental sustainability
- Social business project
- Contribution to the National Relief fund of Prime Minister or any other relief fund set up by the Government of India

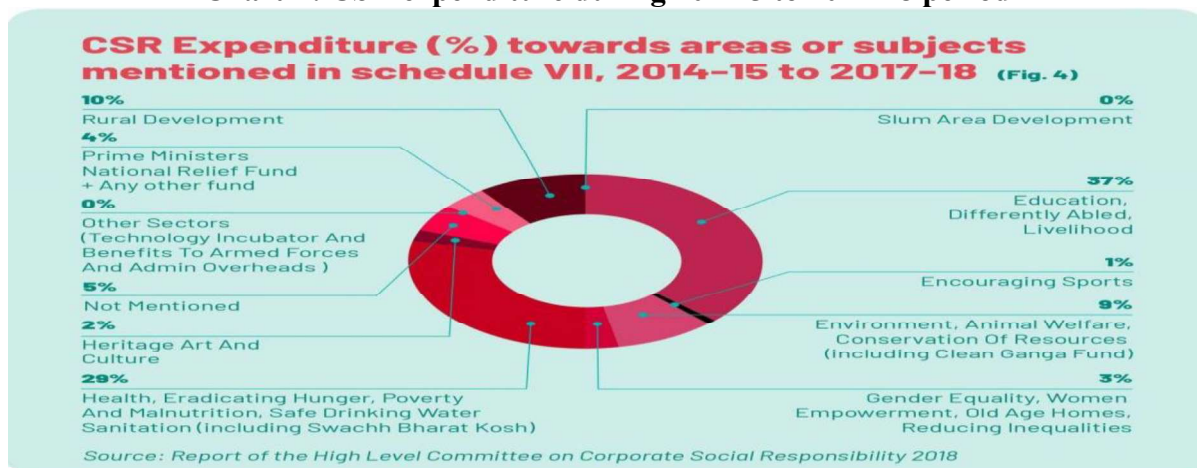
- Government for socio-economic development and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women

Apart from the above activities, the Government has considered certain activities such as disaster management, including relief, rehabilitation and reconstruction activities under the preview of Corporate Social Responsibility (CSR) Activities.

**CSR expenditure Pre covid-19 period**

The pre covid-19 period witnessed a swing away of CSR activities from charity and traditional philanthropy towards more direct engagement of corporates in mainstream development and focused on disadvantaged groups in the society. This positive CSR move has been driven both internally by corporate and externally by increased public and government expectations. During the pre covid-19 period, out of the total expenditure incurred towards Schedule VII areas, education and health have received maximum CSR funds. The percentage of CSR expenditure as mentioned in schedule VII during the period 2014-15 to 2017-18 are presented in Chart-2.

**Chart-2: CSR expenditure during 2014-5 to 2017-18 period**



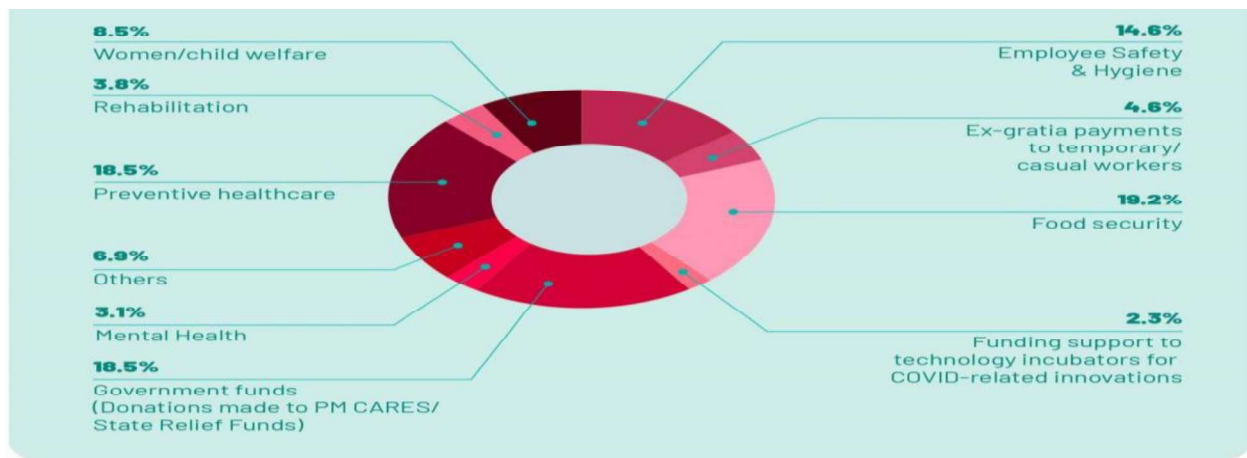
Apart from the Schedule VII activities, the funds contributed to PM National Relief Fund, Swachh Bharat Kosh, Clean Ganga Fund and any other fund set up by the Government of India towards socio-economic development can also be considered under CSR. The contributions to these funds are approx. 5.6 percent of the total CSR expenditures for the years 2014-15 to 2017-18.

**CSR expenditure during covid-19 pandemic period**

The most dangerous Coronavirus (COVID-19), and the pandemic declared by the World Health Organization in March 2020, has stunned the

entire world and the economy at large. In the pandemic situation, CSR played a crucial role, when people are trying their level best to get through the challenging times. The government made an announcement that any amount donated or spent by corporates in support of the fight against COVID-19 will qualify under CSR, and majority of the corporates proactively responded. Invest India has conducted a survey and gathered insights over select corporates who actively spent their funds towards their CSR strategy during the COVID-19. The following **chart-3** reveals covid-19 related CSR expenditure by corporates.

**Chart-3: Percentage of CSR expenditure by corporates during covid-19 pandemic**



**Source: Invest India**

The above chart-3 clearly indicates that among the CSR funds spent during Covid -19 pandemic period, preventive healthcare, food security and donations to government funds occupy the top three positions. Further, some corporates creatively deployed their funds towards initiatives associated with unconventional areas such as promoting mental health and harnessing technology to create awareness which is considered vital during pandemic period.

**Innovative initiative by corporates towards CSR during Covid-19 awareness**

Some of the corporates like McDonalds, Audi, Coca-Cola, Volkswagen and many other conducting CSR in their unique way by promoting social awareness for social-distancing. In this regards McDonalds used to send a message to the community by bifurcating its ‘M’ in its logo into ‘n – n’ which represents to maintain social distance. Likewise, Audi disjointed the four rings in its logo and explored a punch line to keep distance with others. In the same way Volkswagen too displayed a novel logo by maintaining a gap between V and W. Similarly Coca-Cola Company exhibited spaces between letters in its logo by

offering a message “staying apart is the best way to stay united”. All these are positive and noteworthy innovative initiations by corporates as a part of their CSR engagements.

**Conclusion**

Over the past few years, the concept of CSR gaining popularity among various segments of the society which created greater scope for deliberations and research. Further, Corporates are realizing their responsibility towards the society and proactively engaging in various societal developmental activities. The efforts of the government to encourage corporate social responsibility by specifying activities eligible under the obligation towards the social well-being are highly appreciable. Despite, there is a favorable environment persist for CSR in India still there is a long way to go. The priorities of the government, corporates and the society at large are keep on changing and leading to create gap in achieving the stated goals. Moreover, the sudden outbreak COVID-19 crisis have created an exceptional stress and ambiguity leading to reshape the regular stream of corporate social responsibility engagements. However, in every crisis brings certain risks and also creates



opportunities to overcome them. Corporates across various sectors need to be strengthened by tackling the risks effectively and to need to grab the opportunities arises in the society. The need of the hour is to formulate effective CSR policies and to adopt appropriate instruments match up to the broad spectrum of the company's culture, content and diverse stakeholders expectations, can smoothen the track for executing CSR meaningfully.

## REFERENCES

1. Aguinis, H. and A. Glavas. 2017. *On corporate social responsibility, sensemaking, and the search for meaningfulness through work. Journal of Management* 45(3): 1057–1086.
2. Aguinis, H. and A. Glavas. 2017. *On corporate social responsibility, sensemaking, and the search for meaningfulness through work. Journal of Management* 45(3): 1057–1086.
3. Chaudhary, S., V. Singh, A. Bhagat, and S. Bhall. 2020. *The changing landscape of CSR in India during COVID-19. Invest India, September 03.*
4. Chaudhary, S., V. Singh, A. Bhagat, and S. Bhall. 2020. *The changing landscape of CSR in India during COVID-19. Invest India, September 03.*
5. *corporate social responsibility. Journal of Business Ethics* 136(1): 199–213.
6. Hong, B., Z. Li, and D. Mindavidor. 2016. *Corporate governance and executive compensation for*
7. Huang, C-J. 2010. *Corporate governance, corporate social responsibility and corporate performance. Journal of Management & Organization* 16: 641–655.
8. Shekhar, D. J. 2021. *Inside the reshaping of CSR in India during Covid-19. Forbes, May 6.*
9. Singh, R. G. (2010). *Corporate Social Responsibility Practices in India - A study of top 500 companies. Global Business and Management Research, 45-46.*
10. Thakur, 2014, *The rise of Modi Government and future of CSR. CSR Times, June 2014, pp. 14–16.*