

# Future Dimension of CSR Post COVID-19

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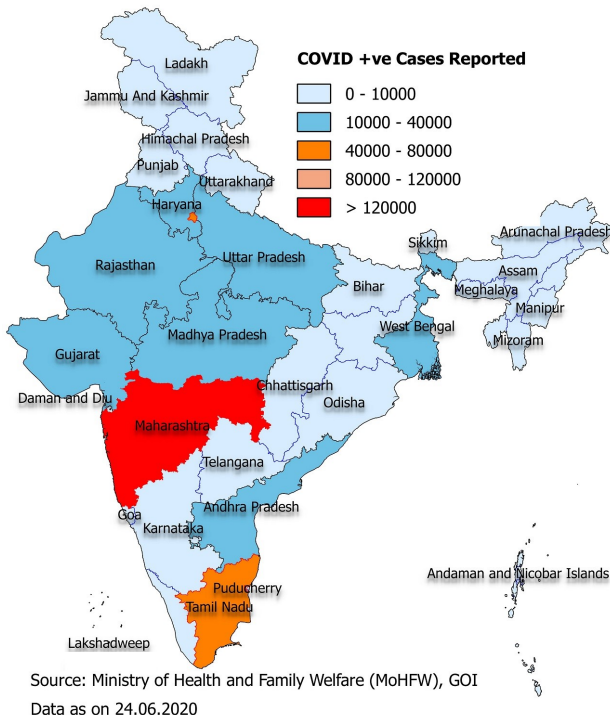
## Abstract

*Corporate Social Responsibility (CSR) in India is mandatory under Sec.135 of Companies Act 2013, which requires specific companies to spend at least 2% of their three-year average annual net profit on CSR towards social welfare activities. The current COVID-19 pandemic has disrupted the country's economy and has changed the lives of billions of people across the globe. In these unprecedented times, corporate companies play an essential role in responding to the pandemic by way of supporting the Government through various relief measures. In an assessment to estimate the contribution towards COVID by the leading companies in India, it was found that the top 50 companies had made a monetary contribution to the extent of INR.6,916 Crores. As many corporates are motivated to contribute their CSR funds towards COVID relief, there is a sudden surge of CSR funds, which may cause long-term impacts on the existing CSR programs. However, at times of such catastrophes, priority to be given for the programs associated with immediate relief and need to recover from such situations and on post-recovery focus should be given to livelihood enhancement and healthcare-related programs. The increased contribution towards relief funds would cause misappropriation of funds and inappropriate resource utilization, which should be monitored and evaluated periodically for the wise use of money towards better societal benefits.*

**Keywords:** *Corporate Social Responsibility (CSR), Corona Virus, COVID-19*

# 1 CSR In India & COVID-19

India is the first country in the world to make Corporate Social Responsibility (CSR) mandatory under the Companies Act, 2013. Under the law, it has been mandated that certain classes of profitable entities in the country have to allot at least 2% of their three-year average net profit towards CSR expenditure. This provision aims at transforming India’s social being and achieving the Sustainable Development Goals(SDG) through a public-private partnership(PPP) model<sup>[1]</sup>. The current COVID-19 pandemic has made a disruptive impact on the country’s economy and has changed the pace of billions of people around the world.



The effect of the pandemic was not only been realized by one section of the society, but the entire nation and its economy. Based on the Business Confidence Survey-April 2020, conducted among its members by Federation of Indian Chambers of Commerce and Industry (FICCI), it was reported that 72% of their company’s operations and 90% of their supply chains had been severely impacted<sup>[2]</sup>. Major industries have suspended their services due to fear of spreading the virus. During this unprecedented time, corporate companies in India have played an indispensable role

in responding to the pandemic by way of supporting the Government by contributing to various relief funds, supporting the district administrations with healthcare services, and immediate relief measures through CSR funds. Spending budgeted CSR funds for the unplanned near-term programs, may lead to long-term impacts on the existing CSR programs. Since the planned CSR budgets are nearly exhausted, and with the current economic situation, there may be a lack of funds for the traditional CSR programs.

COVID-19 Relief by PSUs vs CSR Budget (FY19)			
Company	CSR Budget in FY19 (INR.Cr)	Allocation Towards COVID-19 (INR.Cr.)	% to CSR Budget FY19
<b>IOCL</b>	<b>490.6</b>	<b>225</b>	<b>46%</b>
<b>NTPC</b>	<b>237.01</b>	<b>268.75</b>	<b>113%</b>
<b>BPCL</b>	<b>177.93</b>	<b>175</b>	<b>98%</b>
<b>GAIL</b>	<b>87.21</b>	<b>50</b>	<b>57%</b>
<b>NMDC</b>	<b>167.24</b>	<b>150</b>	<b>90%</b>

Source:Annual Reports and Press releases

Given those rising uncertainties concerning the spending of CSR funds, an attempt was made to provide insights for the corporates about the current trends on CSR investments, need for taking immediate actions towards COVID-19 reliefs, how and where to spend the CSR funds, strategies, governance and due diligence in CSR implementation.

# 2 Current Challenges in India

India has witnessed an outbreak of the COVID-19 in late January 2020. India currently has the most significant number of COVID-19 confirmed cases amongst the Asian countries with the positive cases inching towards 5.00 lakhs, positioning the country to the fourth position worldwide with the number of deaths crossing 15,000 (as on 24th June 2020)<sup>[3]</sup>. While the Government of India is trying to keep up in providing immediate solutions to support the revival, the informal sectors in India are bearing the brunt of the current pandemic, which can hit the country more extensively, way beyond imagination. Hence, there is a need for immediate actions to not only address the current issues arising due to the pandemic but also keeping in mind the way of life and state of economy

post-COVID-19. As India is a developing nation, there are various gaps and issues associated with dealing with the pandemic effectively. Some of them are as below:

- **Lack of infrastructure:** The essential requirement or the need for the hour is adequate responsive infrastructure, especially health facilities. There are about 5.1 hospitals per one lakh population in India. India has just one bed per 1844 patients in government hospitals, and the doctor-patient ratio is 1:1445, far from the WHO recommended one doctor per 1000 patients (Harihar Sahoo et al., 2020)[<sup>4</sup>]. Thus, there is a need to strengthen the existing health infrastructure in India in all respects.
- **Daily wage earners/migrants situation:** Due to the lockdown imposed by the Government of India, tens of thousands of daily wage/migrant workers found themselves jobless or lost their source of income affecting their family's wellbeing. Most of the migrant workers returned to their homes to be supportive of their family fearing hunger[<sup>5,6</sup>]. This has resulted in a significant refugee crisis within the country for which India was ill-prepared. Currently, the primary challenge is to provide employment opportunities and sustain the livelihoods of all those affected workers.
- **Other vulnerable sections:** Other sections of the society who have been hit the hardest due to COVID-19 are small vendors, urban slum dwellers, homeless, orphans, transgender people, etc. Daily wagers such as vegetable vendors, rickshaw drivers, tea stall vendors, etc. live hand to mouth and depend mostly on daily earnings. And surviving the COVID-19 in urban slums is another challenge in India, which exposes a large section of urban low-income families in deep impoverishment. Hence, these situations call for the implementation

of reformative administrative measures providing various required essential facilities to vulnerable sections of the society.

- **Lack of funding in Research:** As we stand at the brink of what threatens to be a prolonged battle against COVID-19, it is crucial to understand that while short term solutions are required to solve the current problems, there is a need to plan for long term solutions to win over this, so-called battle. Investment in Research and Development (R&D) enables innovation and strengthens the health infrastructure. In comparison to the rate of development of the country, India underspends on R&D. It has been proclaimed that India spends only about 0.6% to 0.7% of its GDP on R&D, which is one of the lowest among the BRICS countries (Brazil, Russia, India, China, and South Africa) (MHIPE, 2019)[<sup>7</sup>]. Hence, there is a severe need for consideration for sustained investments in vaccine research.
- **Need for Mental Wellness:** Even though social distancing is vital for reducing the spread of coronavirus, the mental wellbeing of individuals is being affected, as the crisis is generating stress and anxiety among people. Stress on daily wage workers due to losing jobs, stress on people who have been tested positive for COVID-19, stress amongst the healthcare workers, stress on women taking care of their children, stress on older adults, or people with underlying health conditions, etc. are some of the notable issues. India lacks integrated and comprehensive mental healthcare services, and there, prevails is a considerable treatment gap up to 83% (Gururaj G et al., 2016)[<sup>8</sup>]. Hence, there is a need to strengthen this gap to overcome the problem.

### 3 Corporate’s Response towards COVID-19

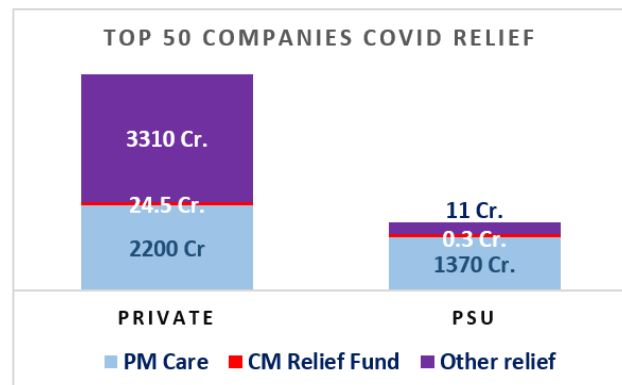
Corporates are one of the key role players in creating an impact for providing rapid, sustainable, and resource-efficient solutions. One such way is through channelizing the CSR funds into COVID-19 reliefs, maybe as an immediate response or as a sustained response. The Government of India announced the COVID-19 relief package worth of 20 lakhs crores, which is equivalent to 10% of the country’s GDP<sup>[9]</sup>; however, the relief seems to be not adequate to address the plight among the poor section of the people. In this background, the Government of India is seeking support from corporates for fighting the pandemic and restoring the social wellbeing through CSR funds. However, there was an ambiguity amongst the corporates whether the spending on Covid-19 and contribution towards various relief funds would qualify as CSR as per Companies Act 2013. Considering the prevailing situation, the Ministry of Corporate Affairs (MCA) issued a General Circular on the CSR spending on Covid-19<sup>[1]</sup> which states that, contribution towards Prime Minister CARES Fund (PM CARES), State Disaster Management Authority to fight against Covid-19, various programs under the heading “preventive healthcare and sanitation”, ex-gratia paid to temporary workers over and above their daily wages to fight COVID, etc. qualify as CSR.

Contribution Qualifying CSR	
Contribution to PM CARES Fund	✓
Contribution to CM’s Relief Fund	✗
State Relief Funds	✗
State Disaster Management Authority to fight COVID-19	✓
CSR funds spent on Covid-19 programs	✓
Payment of Salary during the lockdown	✗
Payment of Wages to labors during the lockdown	✗
Ex-gratia paid to casual workers to fight Covid-19	✓

Source: Ministry of Corporate Affairs

Considering this, companies have volunteered by contributing generously

towards COVID-19 related relief programs under CSR. An analysis was conducted amongst the top 50 companies in India (Futurescape, 2019)<sup>[10]</sup> on the response towards COVID-19 relief funds, i.e., Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) and other state relief funds, and relief activities. Data on the corporate’s response towards COVID-19 was collected through the respective company’s websites, media sources, etc.



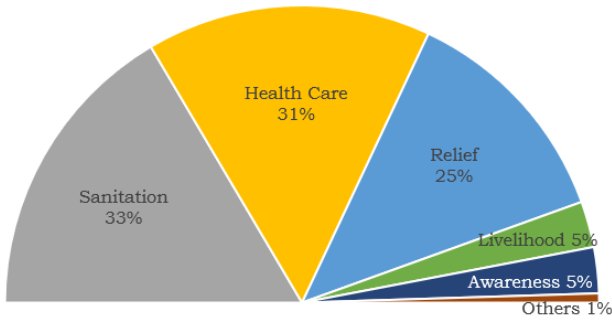
Source: Primary data

Based on the data collected, it was observed that the top 50 Indian companies have so far contributed to the extent of INR.6,916 Crores, which includes INR.3,570 towards the PM Cares Fund and about INR.3,346 Crores towards other relief funds, i.e., State Disaster Management Authorities, State Disaster Relief Funds, and other immediate relief programs through the CSR partners (implementing agencies). The relief programs implemented through the CSR partners were mostly related to:

- Sanitation and disinfecting programs in the COVID affected areas and providing free PPEs to the frontline healthcare workers (33%)
- Supporting the district administration in extending healthcare facilities and contributing towards procuring ventilators and other medical equipments (31%)

<sup>1</sup>General Circular-No15/2020, 10th April 2020, Ministry of Corporate Affairs, <http://www.mca.gov.in/Ministry/pdf/Notification.10042020.pdf>

- Providing immediate relief such as food and ration kits to the migrant workers and affected community (25%)
- Livelihood promotion programs by involving Self Help Groups(SHG) (5%)
- Health awareness programs (5%)
- Other programs (1%)

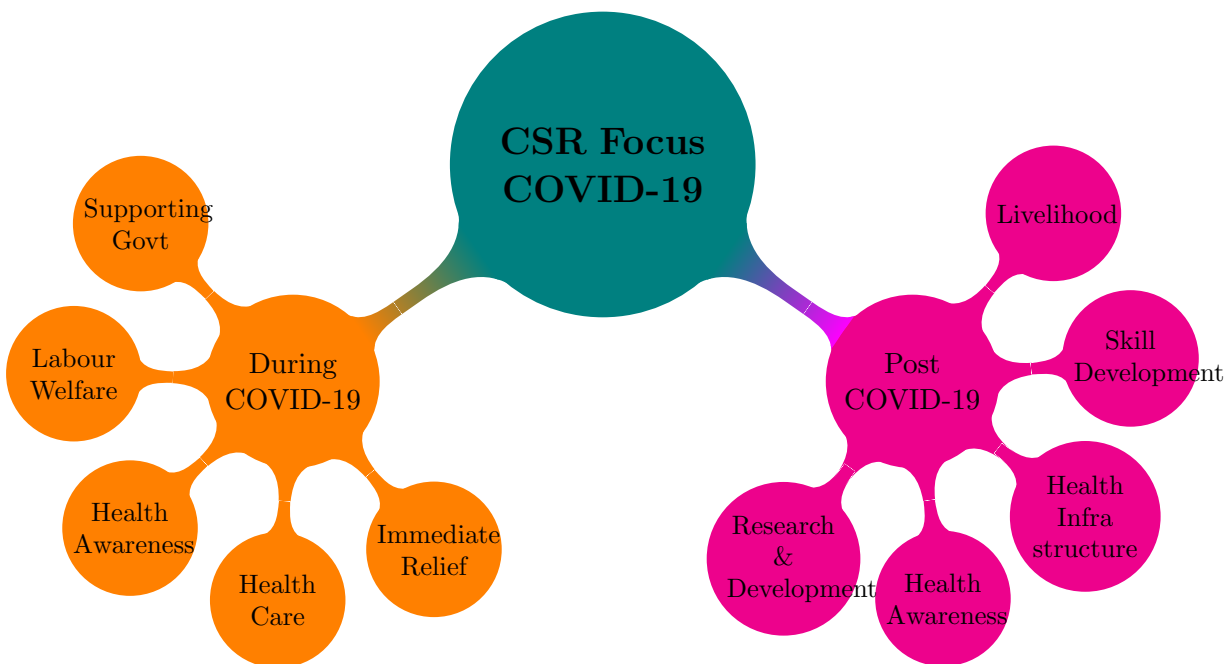


Source:Primary data

#### 4 Need for Corporates to Act Now

When the entire country is in a state of turmoil in dealing with the current pandemic of this magnitude, it is the responsibility of corporates to step in and introduce new approaches to tackle the issue. Companies, through their CSR interventions,

are supplementing the state’s efforts to combat the crisis, utmost care to be taken in utilizing such funds to gain maximum benefit to the vulnerable section of the population and also for gaining positive impact amongst the stakeholders. According to a report from Bank of America Merrill Lynch (BofAML)’s Global Research team “Companies allocating resources to the Covid-19 crisis are likely to foster employee and community goodwill and to enhance brand and reputation all of which have been critical drivers of performance in general and even more so recently,”(Human, T, 2020)[11]. Companies can look beyond immediate relief to get through the pandemic to create a positive impact on society and to improve brand value. Concerning the CSR focus areas, priority is to be given for the programs associated with immediate relief and basic needs during the current pandemic. And during the post-COVID-19 situation, the focus should be to be given towards livelihood, healthcare-related programs, etc. The CSR team, of the respective companies, should be a driving force in making difference and lessen the chaos prevailing in the society. It is a crucial and critical time for companies to act as a “responsible business is good business”.





## 5 Strategies and Governance in CSR implementation:

With a higher number of companies stepping into COVID-19 relief and related activities, the challenge arising is identifying the right model for CSR investment during and post-COVID pandemic. Also, as many corporates are finding a need and increased urgency in allocating CSR funds towards COVID-19, there could be ways of misappropriation of funds by the implementing agencies. Proper utilization of CSR funds is one of the significant challenges for many companies. Lack of due-diligence of the implementation agencies, structured monitoring, and governance systems may lead to moral gaps and frauds in handling the CSR funds<sup>[12]</sup>. Most of the corporate companies are dependent on implementing agencies such as NGOs and Civil Society Organizations for implementing CSR programs due to the lack of expertise and resources. CSR programs are aimed at creating positive impacts and goodwill for the organization. However, the lapse in transparency, inadequacy, or gaps in compliance may lead to creating hostility amongst the stakeholders, and even worsen the situation during the current pandemic situation. During the national emergency like “2004 Indian Ocean Earthquake and Tsunami” or the current COVID-19 pandemic, there is always a sudden flow of relief measures observed either through Government or through corporate companies usually in the form of large amounts of money, goods, and services, etc. This may create pressure on the implementing agency to deliver relief quickly. A sudden surge of relief measures will also create substantial economic opportunities among the implementing agencies due to large-scale reconstruction, which in turn may contribute to increased risk of corruption, inappropriate resource utilization, and mismanagement of funds. The due diligence of implementation agencies and partners, contracting, budgeting and payments, monitoring, impact measurement, reporting, and communication plays a critical

role in the effective utilization of the CSR funds. CSR experts should be brought in to conceptualize the identified CSR programs and effective management of the CSR partners. Besides, companies looking forward for innovate and derive maximum value from CSR investments can engage a third-party CSR expert to evaluate the records and conduct due-diligence of the CSR partners.

## 6 Conclusion

CSR programs are aimed at creating significant benefits in terms of goodwill and reputation amongst the local community and stakeholders. During the times of pandemic, corporates must focus on strengthening adequate governance structure or policy to address ethical lapses, thereby derive the maximum benefits out of the CSR programs. The analysis of the contribution of the top 50 Indian companies showcases their response towards COVID-19 and their focus areas in fighting the pandemic. With this background, there lies a significant opportunity to conduct detailed analysis with the Company’s financial reports on effective spending of CSR funds and the impact it had created on the existing traditional CSR programs.

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