



A Review Of CSR Activities Pre Covid And During Covid 19 In India.

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Abstract:

This study aims at understanding the different CSR initiatives taken by corporates, pre covid and during covid pandemic. The amendments proposed by the Ministry of Corporate Affairs and CSR fund distribution over years has also been discussed.

Key words:

CSR (Corporate Social Responsibility), MCA (Ministry of Corporate Affairs), SDGs (Sustainable Development Goals)

1 Introduction:

Corporate Social Responsibility is practiced all over the globe as a voluntary activity in which companies work for society without expecting any profit in return. The acts are done for the benefit of society to help not only the society but also work in favor of the company's goodwill hence the work is not solely done for welfare purposes.

Corporate Social Responsibility in the global perspective is nothing new but when we talk about Corporate Social Responsibility from the Indian perspective, it has roots in India much before from the entry of any other external factors in India. We find evidence of the existence of Corporate Social Responsibility in the Scriptures from ancient times.

1.1 Categories of Corporate Social Responsibility

Corporate Social Responsibility initiatives are based on four different categories:

1. Ethical Responsibility

Ethical responsibility is about looking after the welfare of the employees by ensuring fair labor practices for the employees and also the employees of their suppliers. Ethical labor practices for suppliers mean that the companies will ensure the use of products that have been certified as meeting fair trade standards. Ensuring fair labor practices for employees means that there will be no gender, race, or religious discrimination among the employees and each employee will be given equal pay for equal work and better living wage compensation.

2. Philanthropic Responsibility:

Philanthropic responsibility means serving humanity. This criterion pays attention to the well-being of the unprivileged or needy people who badly require our support to sustain themselves on this planet. Companies fulfill their philanthropic responsibility by donating their time, money, or resources to charities and organizations at nationalⁱⁱⁱ or international levels. These donations are mainly given to a variety of worthy causes including human rights, national disaster relief, and clean water and education programs in underdeveloped countries.

3. Environmental Responsibility:

Currently, we need to focus on two main areas of our environment: limiting pollution and reducing greenhouse gases. Companies are bound to fulfill their economic responsibility because awareness of environmental issues is growing largely among the consumers and today, they want businesses to take necessary steps to save our planet and preserve all the lives in it. Companies that are concerned about reducing air, land, and water pollution have increased their standing as good corporate citizens while benefiting society.

4. Economic Responsibility:

Economic responsibility is an interconnected field that focuses to strike a balance between business, environmental, and philanthropic practices. Economic responsibility abides by the set standards of ethical and moral regulations.

2 Objectives of the Study

1. To know recent amendments in CSR policy.
2. To understand the pattern of CSR funds distribution in India.
3. To know CSR activities pre covid
4. To understand CSR activities during covid.

2.1 CSR Amendment Rules 2021

The Ministry of Corporate Affairs (MCA) notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, on January 22, 2021, thereby introducing significant amendments to the existing Companies (Corporate Social Responsibility Policy) Rules, 2014, for implementation.

Making CSR mandatory

Any ongoing CSR project has been defined as a 'multi-year project not exceeding three years' excluding the financial year in which it commenced. The duration may be extended depending on the Board's approval. Any unspent amount related to an ongoing project needs to be transferred to an 'Unspent CSR Account' and used within the immediate succeeding three financial years. In case it remains unspent even after the three years, it will need to be transferred to a government fund notified under Schedule VII.

Impact creation is paramount.

Any company with a mandated CSR budget of Rs 10 crore or more will need to undertake an impact assessment through an independent agency for projects with outlays of Rs 1 crore or more. In addition, the report will need to be placed before the Board, along with the reports and amounts spent on impact assessment disclosed in the company's annual report and website. Get the CSR fund utilisation

certified by the Chief Financial Officer to ensure that the funds have been utilised as per the CSR policy

Stricter rules on implementing partners.

Any implementing agency will have to be registered under 12A and 80G of the Income Tax Act, 1961. It will also need to register itself mandatorily with the Government of India – by electronically filing and submitting the ‘Form CSR-1’ with the Registrar of Companies (as well as duly verifying it by a CA/ Company Secretary). Following this, each agency will be provided a unique CSR Registration Number, which will also need to be disclosed in the company’s annual report.

Fixing greater accountability

A monetary penalty will be imposed on the company and every officer of the company if the company fails to: • Disclose the unspent amount in the annual report, and/or • Transfer unspent amount unto the Unspent CSR Account within the due cut-off time • Transfer the unutilised amount into the Government fund if it remains unspent even after three years.

And greater transparency in reporting

There are new disclosures applicable for this financial year – especially on excess CSR funds, surplus arising from the projects, disclosures for projects, and details of capital assets.

2.2 CSR Fund Distribution Pattern

The CSR spends state wise pattern has been provided in the below figure:

DEVELOPED STATES GET THE LION'S SHARE

Sum of CSR spends in ₹ billion (FY15-18)

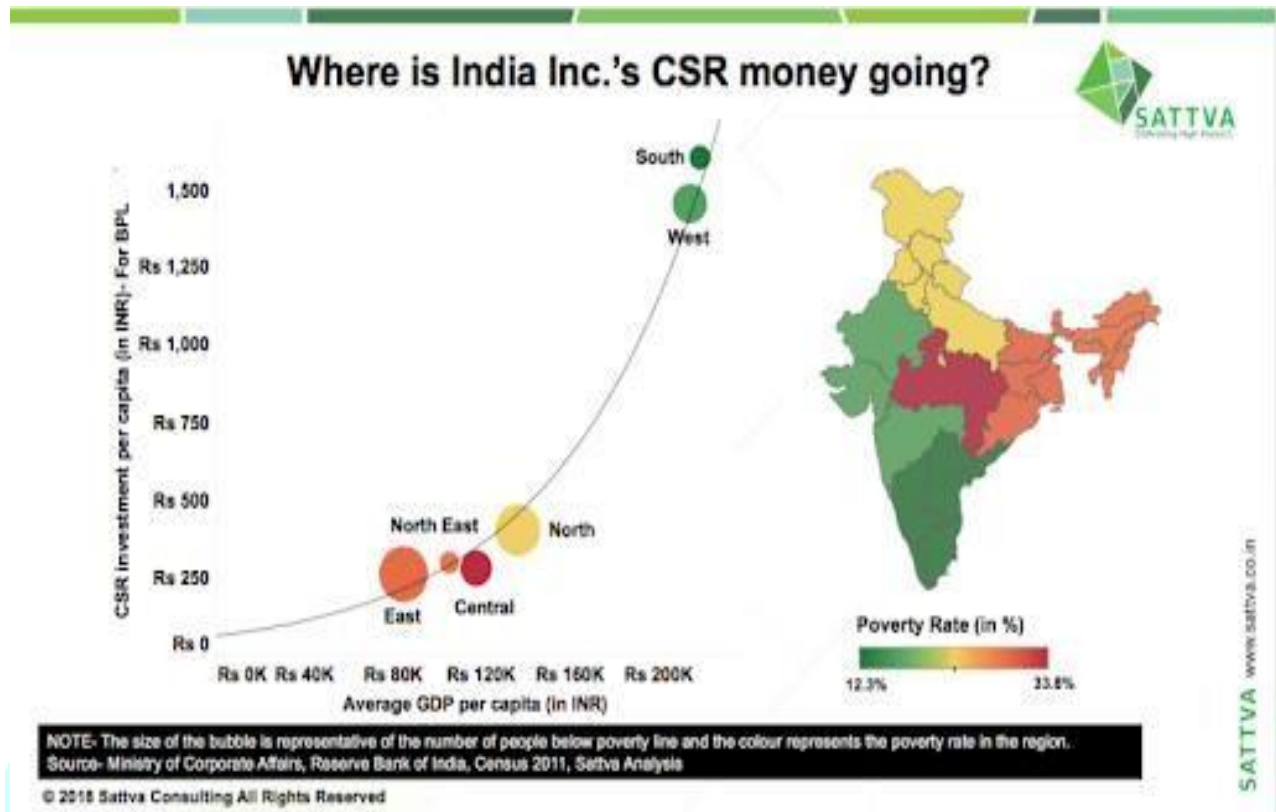
Top states

Maharashtra	25.20	
Gujarat	19.69	
Karnataka	16.38	
Tamil Nadu	16.07	
Rajasthan	15.66	

Source: Prime Database

A significant amount of funding goes to higher industrialized States like Maharashtra, Karnataka, Gujarat, and Tamil Nadu, who have received more than 30 per cent of the total CSR spend during 2015. This could be for multiple reasons, for example, the company is looking to have a positive social impact in their areas of operation, as well as deeper connections with social impact organizations operating in the same area. Further, CSR expenditure modes where almost 44 per cent of all spending is done by the companies themselves or via trusts/societies/Section 8 companies set up by them. Another 43 per cent is done through various implementation partners. However, the concentration of spending in these States mean that States such as Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh, and Uttar Pradesh, which account for more than 55 per cent of the aspirational districts (States with poor socio-economic indicators), receive only 9 per cent of the total expenditure towards CSR. Apart from Uttar Pradesh no State from the ones listed above features in the top 10 State beneficiaries. For CSR to be truly effective, this imbalance would have to be corrected.

2.2.1 Regional Distribution of Expenditure under CSR Funds



In 2018, as per the Ministry of Rural Development, India has 718 districts, of which, approximately 16 per cent (115 districts) were aspirational districts as per NITI Aayog. Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh and Uttar Pradesh account for more than 55 per cent of the aspirational districts' concentration across India yet received only 9 per cent of the total expenditure towards CSR. States with a relatively higher level of development have the highest concentration of CSR-led activities and they are 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 only 11 per cent of the total number of aspirational districts. 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 Crore each), while those which were farther away from industrialized areas, such as Hingoli, Buldhana and Parbhani received less than INR 1 Crore of funding.

2.3 CSR Activities Pre covid.

The top three domains receiving maximum funding are education, health, and rural development. Another area receiving significant funding is environmental sustainability.

Activities that are specified in Schedule VII as the activities are the activities taken up by companies in their CSR policies are as indicated below:

- Promotion of Education
- Environmental Stability
- Social Business Projects
- Eradication of Hunger and Poverty

- Employment Enhancing Vocational Skills
- Gender Equality and Women Empowerment
- Combating HIV/AIDS and other diseases
- Reducing Child Mortality and Improving Maternal Health
- Contribution to Prime Minister's Relief Fund and other funds

Based on data from the Ministry of Corporate Affairs, Government of India, it is observed that out of the total expenditure incurred on Schedule VII areas, projects related to education and health have received the maximum CSR funds. In the years 2014-15 to 2017-18 the cumulative expenditure incurred on projects related to education is INR 15,612.20 Crore, followed by INR 9,020.47 Crore spent on projects related to healthcare.

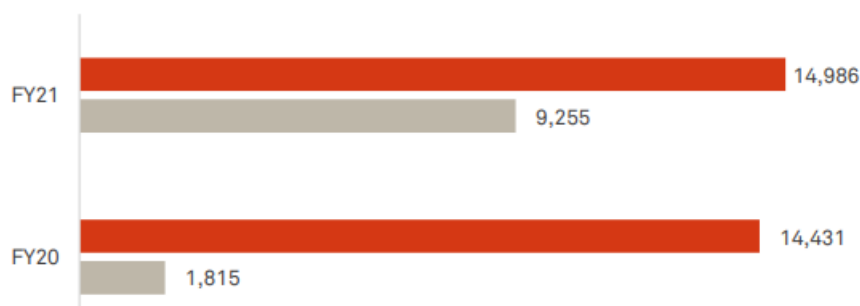
2.4 CSR Activities During Covid.

Government of India declared the novel coronavirus outbreak in the country a “notified disaster” to enable state governments to mobilise resources from the State Disaster Response Funds (SDRF). Following the notification, the Ministry of Corporate Affairs (MCA) clarified that spending of funds for COVID-19 relief would be a permissible activity under CSR. Again, the MCA advised that the activities should be interpreted liberally to capture the essence of the activities permitted under the Schedule. The government has also set up the ‘Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund’ (PM CARES) to respond to the COVID-19 crisis and provide relief to those affected. Further, Schedule VII was amended to include contributions to PM CARES as CSR along with the existing Prime Minister’s National Relief Fund. Tapping into its vast network and relationships, Invest India set up a CSR specific assistance cell to assist corporates to channel their CSR funding into various governmental and non-governmental organisations as well as central and state-level funds set up for the specific task of COVID-19 relief.

To support contributions to relief funds across both the centre and states, Invest India created an online repository of 30+ relief funds as well as developed a pipeline of INR 163 Cr in donations and CSR contributions from corporates. This enabled corporates and volunteers to locate and connect with organisations needing monetary or other support in their activities. Another key enablement function for Invest India’s COVID-19 response was the facilitation of donations of essential supplies, over 10,86,100 pieces of PPEs, critical care equipment and other commodities to frontline organisations.

As per Crisil yearbook 2021, cumulative Rs 11000 crore spent on covid till June 2021. India Inc has come forward proactively with a large component of its CSR funds, contributing to the PM CARES Fund, other relief funds, and distributing food, masks, personal protective equipment (PPE) kits, and relief material.

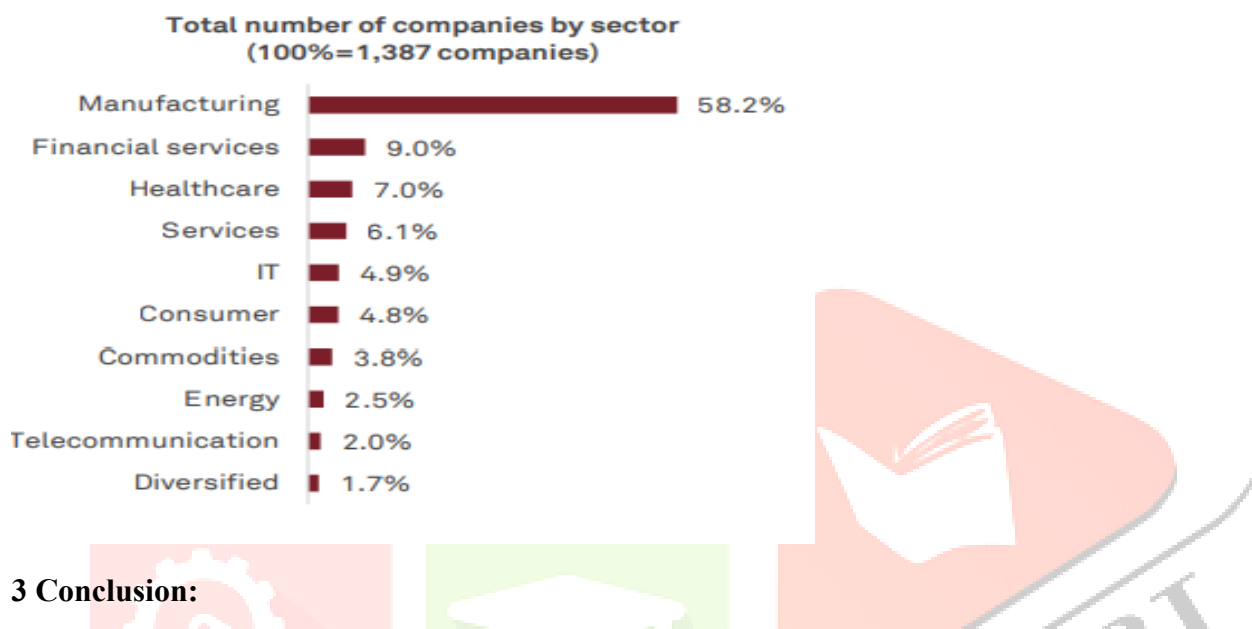
Covid-19 propels CSR spending



Sector wise Participation during covid

In fiscal 2020, sector-wise participation was like the previous year, with more than half the companies across sectors spending 2% or more. Manufacturing, financial services and health care accounted for a little less than 75% of the number of companies but a little over 45% of the spend. At 24%, manufacturing contributed the most to CSR spend. It represented 58% of the companies and spent 2.1% on average. At the other end, financial services accounted for 9% of the companies, but over 17% of the spend. Indeed, its contribution was up 2.5 percentage points on-year.

The IT sector was a generous contributor, with 4.9% of companies and nearly 12% of the spend. The average spend was a whopping 2.4%, second to the 2.9% average spend by commodities. Telecom continued to remain a laggard on all fronts with just 2% players spending on CSR, the least contribution to total spend (1.4%) and the lowest average spend (1.7%).



3 Conclusion:

The government's efforts to keep the activities permitted under CSR obligation broad based are commendable. Moreover, linking the CSR activities to the SDGs both explicitly and implicitly will ensure that CSR spending aligns with and augments national priorities. The Ministry of Corporate Affairs (MCA) notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 which aims at more accountability and transparency. Maharashtra, Karnataka, Andhra Pradesh, Gujarat, Tamil Nadu, and Delhi receive around 40% of funding. There is discrepancy observed in funding pattern. Education, health, and rural development are the top three domains receiving maximum funding pre covid. During covid the CSR contribution by public and private sector increased to PM CARES Fund, other relief funds, and distributing food, masks, personal protective equipment (PPE) kits, and relief material. CSR obligation is a game changer for ensuring that the gains made by corporations in India can be transferred back to society in a meaningful manner and pandemic proved that the corporates have extended great support. Some companies contributed more than 2% , more than the CSR mandate and helped the nation to manage the crisis and exhibited responsibility in true sense.

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