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# Remodelling of Corporate Social Responsibility in India during Covid-19

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## ABSTRACT

*“Creating a strong business and building a better world are not conflicting goals - they are both essential ingredients for long-term success” – Bill Ford*

*Corporate Social Responsibility is a self-regulatory business model that enables companies to be socially accountable to themselves, their stakeholders, and the general public. Companies can be aware of their impact on all parts of society, including economic, social, and environmental, by exercising corporate social responsibility, also known as corporate citizenship. The efforts made by the companies under CSR has boosted the image and brand value of the companies.*

*Today, the entire world is struggling with and overcoming a catastrophe that no one could have predicted. The Ministry of Corporate Affairs quickly clarified that spending of CSR funds for COVID-19 shall be considered an eligible CSR activity. Corporate India applauded this move. The decision to enable spending of funds on COVID-19 relief operations to be counted as CSR spend generated a win-win situation for companies with an existing CSR responsibility which either way was obligated to contribute to the society under the Companies Act. The Companies CSR funds can be used towards promoting preventing care, healthcare infrastructure and disaster management.*

**Keywords:** CSR, COVID-19.

## I. INTRODUCTION

Corporate Social Responsibilities primarily contributed to society's social and economic development. A paradigm shift has been recorded in the functioning of CSR to Corporate sustainability, corporate social citizenship and corporate social performance<sup>2</sup>. The profitability of the corporates was affected all around the globe due to the sudden outbreak of the Covid-19 pandemic. It subsequently hampered the budgets of Corporate Social Responsibility. Corporate Social Responsibility expenditure in India declined strikingly from ₹ 18,655 crores (FY-2019) to ₹ 17,885 crores (FY-2020). Nonetheless, the corporate organisations still were generously

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<sup>2</sup> Atale, N., 2013. A Review of CSR Activities of Four Public Sector Enterprises in Energy and Power Sector in India. *SSRN Electronic Journal*.

involved in several philanthropic CSR projects; in need of the hour, it was laudable. India being the pioneer to incorporate mandatory Corporate Social Responsibility provision in their legislation in 2014. The recent addition was the response to the exigency of CSR funds to be utilised to combat the Covid-19 situation in the country. The surge of the second wave made the authorities reconsider and amend the usage of CSR funds in a new domain of establishing medical oxygen plants, developing health infrastructure, production and supply of oxygen cylinders, concentrators, ventilators etc. The notification issued by the Ministry of Corporate Affairs also permitted the CSR contribution to developing temporary covid care units and make-shift hospitals. The prompt response and amendments revolutionised the concept of CSR, and exemplary contributions were made by the corporate organisations, albeit obligatory but benefitted the society at large. It can be inferred that expenditures under Schedule VII have significantly increased from 2015-2018, compared to the expenditures in FY 2016-17. According to the data provided by the Ministry of Corporate Affairs, the companies obligatorily reporting under CSR gradually improved in the years 2015-2017, but a marginal decline was noted after the year 2017<sup>3</sup>. The government companies or public sector undertakings expenditure varied between ₹ 8-10 crores each company in the years 2014-2018, whereas the average expenditure increased from ₹ 72 lakhs to ₹ 95 lakhs per company in the years 2014-2018. It was inferred that among the activities mentioned under Schedule VII, the five areas, particularly health, education, rural development, environment, and sanitation, comprised up to 81% of the CSR expenditures in 2015-2018. It has been observed that companies falling under the obligatory CSR spending have shown an increase in the amount of CSR funds. The comprehensive amount of funds available in a financial year for CSR is around ₹ 18,000 crores, out of which approximately 75% is spent of the total budget. The intention of the corporates to increase the CSR expenditures and compliance is not just due to obligatory conditions, but it is a comprehensive business strategy, arising mainly from performance considerations and stakeholder pressure.

#### **(A) Aims and Objectives**

- Whether there is a need to re-analysing the CSR policy in light of Covid-19?
- Whether the impact of Covid-19 has diversified the horizon of CSR?

## **II. IMPACT OF COVID-19 ON CORPORATE SOCIAL RESPONSIBILITY**

The covid-19 pandemic affected all the sectors of society. The disparate impact of the

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<sup>3</sup> Sarkar, S., Chatterjee, P. and Biswas, D., 2019. CSR Practices – Trends and Compliance a Comparative Study Between Select Public and Private Sector Companies in India. *The Management Accountant Journal*, 54(3), p.93.

lockdown preventive measures being adopted ridiculed the livelihood of the lower-income individuals widening the gap of inequality. Several frontline individuals from various sectors such as healthcare, delivery services, food distribution services and workmen of public transport were involved in combating the pandemic, as they kept the system functioning and risked their own selves, exposing to Covid-19 infection. Although their commendable efforts were recognised, they suffered due to a lack of preventive protection kits and poor compensation<sup>4</sup>. The pandemic situation gave an opportunity for the companies to enlarge their spectrum of the utilisation of CSR funds based on deontological and utilitarian factors supporting the stakeholders<sup>5</sup>. The pandemic forced to amend ways of practising and functioning of the CSR funds and its utilisation in exigency raised certain key issues-

The pandemic identified and acknowledged the areas of key research for CSR such as societal risk, political economy and supply chain responsibilities among the various other stakeholders. The pandemic necessitated tackling these issues and formulation of CSR policies for the future. Secondly, the issue of uncertainty and societal risk has been overlooked, and minimal attention has been paid to CSR concepts. The pandemic highlighted the role of corporates as a significant actor in acknowledging such new risks and supporting the stakeholders<sup>6</sup>. Thirdly, the problems faced in the supply chain activity, wherein the gush of the demands of the medical equipment and products, issue of shortage due to stockpiling, demonstrated the frailty of the supply chain system globally. The imposition of perpetual lockdown hampered the manufacturing units around the globe<sup>7</sup>. Lastly, the pandemic developed a new dimension of political economy, wherein the Government is not the only responsible actor. The other acting forces of the society united to tackle the crisis which was never experienced before, increasing the effectiveness of serving the society and stakeholders<sup>8</sup>. The debate of the Government's duties imposed on companies and corporates through CSR came to a pause during the pandemic crisis, as India detecting four lacs per day, it was unmanageable for the government to tackle the problem alone, the government needed external support to handle the current situation.

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<sup>4</sup> Jian L and other 2013. Research on Relationship between Corporate Environmental Responsibility and Brand Equity--Moderating Effect of Consumer Attitude. *International Journal on Advances in Information Sciences and Service Sciences*, 5(9), pp.628-634.

<sup>5</sup> Choirunnisa, D., 2020. Community Social Responsibility (CSR) Approach to the Community during the Covid-19 Pandemic. *International Journal of Innovation Review*, 1(1), pp.53-59.

<sup>6</sup> Hishan, S., 2020. Corporate Social Responsibility for Natural Disaster: A New Method for Organizational Risk Management. *Journal of Advanced Research in Dynamical and Control Systems*, 12(01-Special Issue), pp.111-115.

<sup>7</sup> Dwivedi, M. and Kumar, V., 2021. Impact of lockdown and CSR activities undertaken by the corporates during COVID-19 in India. *International Journal of Indian Culture and Business Management*, 22(4), p.558.

<sup>8</sup> Van Holm, E., 2020. The Role of Partisanship, Circumstances, and Action on Citizen Views of Government Effectiveness during the Initial COVID-19 Response. *SSRN Electronic Journal*.

### III. ROLE OF THE GOVERNMENT IN CORPORATE SOCIAL RESPONSIBILITY POLICIES DURING COVID-19

In 2021, when the second wave of the Covid-19 pandemic hit the masses in India, the Ministry of Corporate Affairs expeditiously notified the novel Coronavirus as Disaster, enabling the state governments to utilise the funds under State Disaster Response Funds (SDRF). A paradigm shift happened in the functioning of Corporate Social Responsibility funds when the Ministry of Corporate Affairs announced widening the ambit of the utilisation of CSR funds spent by the companies. This opened the door for new initiatives under the corporate social responsibility for the companies, who were already impacted by the pandemic and had to fulfil mandatory CSR expenditures under Section 135 of the Companies Act, 2013. Here comes the significance of CSR, which played a critical part during the epidemic, when people were doing whatever, they could to get through the difficult times. CSR is a 'self-regulating business model' that entails a company's involvement with its stakeholders and the general public, establishing a social responsibility situation. The Government of India encourages businesses to give social support in the current age of COVID-19. According to a Ministry of Corporate Affairs circular dated March 23, 2020, any expenses made on COVID-19-related activities will be added to the list of eligible avenues for CSR expenditure. Under Schedule VII, funds may be expended on the following COVID-19-related activities: Eradicating hunger, Poverty, Malnutrition, promoting healthcare services, especially preventative care. Cleanliness includes contributions to the Centre's Swachh Bharat Kosh for promoting sanitation and making safe drinking water available Disaster management entails tasks such as relief, rehabilitation, and reconstruction. Furthermore, a general circular stated that the items in Schedule VII are broad in scope and may be generously interpreted for the purposes of donations made about COVID 19. Corporate India was pleased with the ministry's statement. It developed a win-win situation for corporations who stressed existing CSR obligations and finances at their disposal who wished to donate to relief while also meeting legislative requirements under The Companies Act<sup>9</sup>. According to Section 135 of the Companies (CSR) Rules, 2014 and Schedule VII of the Companies Act 2013, any company with a net worth of Rs 500 crore or more, a turnover of Rs 1,000 crore or more, or a net profit of Rs 5 crore or more in the previous fiscal year must have a CSR committee and devote at least 2% of average net profits earned in the last three fiscal years to CSR activities.

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<sup>9</sup> Godara, L. and Kumar, S., 2020. India on foot: Internal migrants during COVID-19 in India. *HAPSc Policy Briefs Series*, 1(1), p.60.

The central government also set up PM CARES Fund- Prime Minister's Citizen and Relief in Emergency Situations Fund, in response to the Covid-19 pandemic to provide immediate relief and action plan to tackle the need of the affected citizens. Schedule VII was amended in order for companies to contribute through CSR. This was an additional emergency relief fund to provide oxygen cylinders, concentrators and other medical equipment, apart from Prime Minister's National Relief Fund.

#### **IV. CORPORATE SOCIAL RESPONSIBILITY TRENDS DURING A COVID-19 PANDEMIC**

India Inc. quickly realised its social responsibilities during the Covid-19 crisis. The Indian companies, as well as foreign companies, initiated several campaigns and activities in response to the changing CSR landscape. The Central government's PM CARES Fund received massive support from the companies. The Companies also partnered with local administrative authorities of the State's. The companies also donated food and medical supplies, mask and sanitisers to mitigate the responsibilities of the overburdened governing authorities<sup>10</sup>. Most of the companies, approximately around 75%, had initiated a dedicated plan regarding the Covid-19 crisis. The sudden outbreak of novel coronavirus shifted the priority from other long-term plans and objectives conducted by the companies through CSR. The prioritised CSR activities addressed the basic necessities of the society and developed CSR in unexplored areas. Another area of CSR is incubators. In India, 148 incubators out of over 250 government incubators are dedicated to technological innovation and experiments. These incubators are placed in top technical universities and government research departments. These incubators act as a critical aspect of technological developments and innovations. Such kind of technological innovation requires various kinds of funds and assistance. CSR funds can be utilised to mobilise such activities in developing incubators. Research and Development labs are the basic infrastructural requirements for developing incubators. The investment through intellectual capital may benefit many generations to come and several start-up founders. These incubators have helped in developing PPE kits, sanitisers, masks and other preventive equipment. Model for public sanitisation and developing contact-less devices aided in the prevention of further spread and mitigating the risk of involving the officials and workers. Development of testing kits and diagnostic such as portable kits, antibody testing kits, and RT-PCR testing kits led by Research and Development institutions and produced by many start-ups and pharmaceutical companies reduced the widespread of novel coronavirus<sup>11</sup>. These diagnostic kits helped in identifying and

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<sup>10</sup> Dewi, S., 2021. The implementation of company's CSR program in empowering the economy of rural communities during the Covid-19 pandemic. *JCH (Jurnal Cendekia Hukum)*, 6(2), p.346.

<sup>11</sup> HT, Pandeve., 2020. Role of Ergonomics and Innovation during Covid-19 Pandemic. *Ergonomics International*

containing the virus in a limited area. The advancement of thermometers from physical to contact-less infrared thermometers also acted as a preventive and identification tool. These R&D labs also suggested therapeutic measures to be adopted to heal from the virus and its after-effects. The annual CSR contribution in various aspects during the Covid-19 pandemic can be divided as<sup>12</sup>-.

- 18.5% to Government funds such as PM CARES and various State Relief Funds.
- 19.2% to Food Security.
- 18.5% to Preventive healthcare infrastructure.
- 14.6% to Employee's safety and advancing the hygiene standards.
- 8.5% to Women and Child welfare.
- 4.6% to Ex-gratia compensation for temporary and casual workers.
- 3.8% to Rehabilitation activities.
- 3.1% to Mental health and awareness.
- 2.3% supporting the Incubators involved in Covid-19 innovations.

A few illustrations of contributions made by the corporates are, Reliance group contributed ₹ 500 crores towards PM CARES fund and additionally promised to provide food and free fuel to ambulances on duty. Tata Sons pledged ₹ 1500 crores to combat the Covid-19 pandemic; a sum of ₹ 500 crores was utilised for importing cryogenic tanks. Bajaj Group also pledged ₹ 100 crores by providing ventilators and other medical equipment. ONGC contributed ₹ 300 crores towards PM CARES fund. Infosys foundation partnered with the Narayana Health group, creating a quarantine 100-bed facility for the patients. Wipro group, along with Azim Premji Foundation, contributed ₹ 1125 for tackling Covid-19; they also converted their office spaces into temporary make-shift hospitals.

The new CSR amendment proposal includes all qualified enterprises in the CSR net and strengthens CSR compliance. Companies that participate in CSR initiatives have produced social value, incorporate new technology, and contributed to societal progress. They've also created several social models to address social and environmental issues. The proposed amendment will assist firms that have yet to invest in CSR since they would reap the benefits of being a part of the societal transformation that addresses both environmental and social

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*Journal*, 4(3).

<sup>12</sup> Investindia.gov.in. 2022. *The changing landscape of CSR in India during COVID-19*. [online] Available at: <<https://www.investindia.gov.in/siru/changing-landscape-csr-india-during-covid-19>> [Accessed 1 February 2022].

issues<sup>13</sup>. CSR will pave the road for resilient tactics and robust outcomes by learning from past trends. Over time, it is expected to become more structured and includes processes that are more aligned with the SDGs. CSR will eventually aid in greater technological advances and lower manufacturing costs for various businesses<sup>14</sup>. Multiple stakeholders will gain in the long run, and impact-driven footprints will be laid for improved development.

## V. CONCLUSION

It is apparent that CSR is a game-changer for ensuring that the profits gained by businesses in India are meaningfully transmitted back to society. The government's attempts to maintain the actions allowed under the CSR are as wide as possible. Furthermore, clearly and implicitly clubbing CSR efforts to the SDGs would guarantee that CSR expenditure corresponds with the government objectives. However, significant flaws in the execution of the CSR policy have been identified, which must be addressed proactively to ensure the maximum impact on the ground. To begin with, there should be a shift in the mindset, from one that focuses on completing it as a legislative duty to one in which corporations actively discover and implement initiatives with the long-term effect that correspond with their values. Secondly, simplified information on actions permissible under the regulation and timely clarifications are necessary. Thirdly, routes for project identification on a pan-India basis must be established. This will aid in the distribution of CSR monies to locations where the most effective may be achieved, as corporates are located in developed regions, and such activities are required as undeveloped areas. The Securities and Exchange Board of India's proposal for a Social Stock Exchange (SSE) is a positive move in this direction. The SSE will enable more effective deployment of CSR financing, verification of project impact, and the exchange of excess/deficient CSR spending between enterprises. Additionally, there is an urgent need to guarantee that CSR expenditure has a long-term and beneficial effect on the ground on aspects of social, economic, and environmental benefits. This will have to be accomplished through tracking the results of CSR expenditure over time and engaging in activities with higher impact potential. One such area where the influence may be pretty diverse is funding research and technology incubators. Finally, the COVID-19 epidemic has pushed CSR to the forefront. Corporates, large and small, located in India or elsewhere, have responded to the challenge and enhanced the government's efforts by reorienting their CSR initiatives. It is hoped that the same zeal and mission mode

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<sup>13</sup> G, S. and Munuswamy, J., 2019. Whether CSR is Internalized in Corporate India? An Empirical Study. *Journal of Advanced Research in Dynamical and Control Systems*, 11(0009-SPECIAL ISSUE), pp.1081-1090.

<sup>14</sup> Wu, Y. and Zhu, W., 2021. The Role of CSR Engagement in Customer-Company Identification and Behavioural Intention During the COVID-19 Pandemic. *Frontiers in Psychology*, 12.



focus would extend beyond the epidemic. Potential groups and the government should work together to make it easier for the corporations searching for adequate CSR opportunities to find them as part of a more significant and extensive effort. This would improve the ease of doing business in India by bolstering efforts and promoting information sharing among various stakeholders.

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