

Corporate Social Responsibility- A Boon During Covid 19 Pandemic

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Abstract

The nation is witnessing a severe pandemic since 2020 in the name of Covid19. The pandemic has affected the whole world at large. Thousands have lost their lives and millions of people are affected by the attack of virus and the containment of which is totally out of the human control. No doubt this is not the first-time mankind is facing such a situation. Few decades ago, a similar situation has arisen. But the containment of the disease was easy as movement of people throughout the nation was less compared to the present scenario. After the said biological attack there has been a major change in the working of the whole system as it has become difficult for the humans to survive in the earth. In spite of making several efforts to combat the virus, it has not become fully possible to contain the virus. The virus has affected the lives of every individual. No state can sit idle under these difficult times. It is the responsibility of the State to fight against the threat imposed by the virus to mankind. The States have taken several steps to combat the pandemic situation. The corporate and other sectors have also joined hands with the State to help the people to fight against the pandemic. The concept of CSR has greatly come to the rescue in these times of difficulty. Many companies have devoted their CSR initiatives for Covid19 reliefs which have helped the States to withstand the present difficult situation in a most efficient manner. Even though various hindrances existed in the way of combating this pandemic situation, the nation has strived hard to overcome the situation with the help of CSR initiative and general public by passing various policy decisions at the right time.

Key Words: *Corporate Social Responsibility, Corona Virus, Pandemic, PM CARE Fund*

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1. INTRODUCTION

“COVID 19 Pandemic”- A word that created a panic and havoc in everyone's life throughout the globe. There was a complete change in the lifestyle of every individual. It brought various changes in the society including environmental changes. The country suffered a lot due to the pandemic, millions of people lost their lives, many lost their jobs, many businesses have shutdown which resulted in total imbalance in one's life. Situation has arisen such that people are not being allowed to move out of their houses because of which it has become very difficult for them to meet their daily necessities. It is a known fact that most of the people in our country are daily wage earners due to which the people are struggling to meet the basic necessity of their lives. The concept of CSR played an important role in lending a helping hand to the needy people due to the Covid19 outbreak. Several companies have devolved their profit amount in combating the problem arisen due to the Covid19 pandemic situation and is *inter-alia* providing aid to the government in such a critical situation. This article aims at providing a brief insight about how the concept of CSR *inter-alia* is an aid to combat the dangerous deadly Corona Virus problem in the country.

2. CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

Being humans, it is our responsibility and duty to take care of our society. It is the social responsibility of each of us to take care of the State. Even the Constitution of India clearly enumerates the duties of citizens and States towards each other under the concept of Fundamental Duties and Directive Principles of State Policy. No doubt in the beginning all the responsibilities were on the shoulder of the State. State was solely responsible for everything as all the departments were run by it. It was possible only for the state to take the responsibilities of the society and the people. But, as time passed, collective responsibility of the state and the citizens increased. The State felt it difficult to take the responsibility alone and the people were required to join hands with the State to contribute to the welfare of the state and the society.

The concept of CSR, an age-old concept was practiced in India from time immemorial without any mandatory law or statutory provisions. The corporate sectors which are considered as major stakeholders were involved in serving the society to the best way possible. There are several instances where the huge companies like TATA, Birla, Infosys,

etc were involved in various social activities like adoption of educational institutions, building toilets in villages, providing health facilities to the rural folk, empowerment of women, and so on.¹ In return the companies would also get name and fame which helped them to gain profit and expand and develop their business too. It is after the enactment of the Companies Act, 2013, which made the concept of social activity by the companies' mandatory in the name of CSR under Section 135 which led to the compulsory involvement of the corporate sectors in the welfare and development of the society. The law is clear in this regard which mandates every company who come under the purview of section 135 to spend a part of their profit for the benefit of the society.

There is a clear mention in the provision of the Companies Act, 2013 under section 135, which directs every eligible company to spend 2% of the company's average profit in the last 3 years compulsorily to social activities. The Act also lists out the activities to be carried out under CSR initiative in Schedule VII of the Act. In India, there are several companies which come under the purview of section 135 of the Companies Act, 2013 which devote their part of income compulsorily to the social cause.² For a developing country like India with dense population, such companies are really a boon for the State as they lend helping hands in tackling the problems of the society. It is pertinent to note that all activities mentioned under Schedule VII of the Companies Act, 2013 concentrate on the social activities especially for the benefit of the vulnerable people who struggle for their daily basic necessities.

3. EFFECT OF COVID-19 TO INDIA

Being an independent country, India is linked to other countries either for trade, commerce or any other activities. The world has become a global village. After LPG, the movement of people between countries is quite often and it is also a necessity in modern system so as to develop the economy of a country. It is because of people travelling frequently between the countries, the epidemic disease can spread throughout the globe very easily. There were several rumours with regard to the deadly corona virus as to the origin of the virus

¹ Manuel T., and Herron T.L., "An ethical perspective of business CSR and the COVID-19 pandemic" 15 *Society and Business Review* 235-253 (2020).

² T.N.Pandey, "The concept of Corporate Social Responsibility under the Companies Act, 2013- Whether Well Conceived?" 43 *Chartered Secretary* 1055-1068 (2016).

which is still not clarified. But the impact of the deadly virus has changed the lifestyle of the people to a great extent.

India did not witness the deadly virus at the beginning when many other countries were suffering from the ill effect of the corona virus. The deadly disease entered India in the month of January 2020 in the State of Kerala through a student from Wuhan, China.³ But once it entered India, it became difficult for the government to tackle the situation due to several reasons. It is a fact that the population of India is very high and the population density of the country when compared to land area is minimum. And as the virus is highly contagious, it was a challenge to the government to tackle the serious issue. The concept of maintaining a social distance was really a difficult task. Yet the government of India has really succeeded in handling the situation by implementing timely decisions and policies during the first wave of virus attack. The corona virus disease has brought a sea change in the life of every person. For the first time the whole country was locked down for more months together. Lockdown was considered as the only solution to tackle the problem of virus due to which the government announced lock down from time to time. It has worsened the life of many. India is a country where most of the people work on daily wages. The lockdown affected such people to a greater extent. There arose a situation where people were not in a position to meet their daily basic needs.

On the other hand, in spite of various measures initiated by the government to invent the vaccine and to control the virus it was not fully successful as many people were affected by it and several people lost their lives. The situation was such that people were not even allowed to perform the final rites of their family members. Even after the invention of vaccine, the distribution of the vaccine to the whole world was even more difficult especially to the country like India with dense population.

Furthermore, the national economy of the country was brought down suddenly. The government was not in a position to manage the situation as crores of rupees were spent by the government to handle the deadly disease. As the economy was highly affected, people started losing their jobs, cuts in their pay which made their life still worse. No doubt the NGO's, corporate sectors and other people joined hands with the government to manage the current situation, but they too were unable not to provide assistance to all the affected people.

³ M.A.Andrews and Binu Areekal, "First confirmed case of COVID 19 infection in India: A Case Report" 151 *Indian Journal of Medical Research* 490-492 (2020).

The Covid19 pandemic situation has affected the country to a greater extent. People were not allowed to move freely out nor were they allowed to gather at one place. They were forced to live like animals where the freedom of free movement was curtailed by the government for the larger interest of public health & safety.

The environment on one hand was pollution free due to non-usage of private vehicles, stoppage of most of the huge factories, plants & machineries which were the major cause of environment pollution. But, on the other hand due to the overuse of chemicals and plastics in the form of sanitizers, disinfectants, gloves, masks, etc the environment was filled with all these wastes which in turn polluted the environment badly.⁴

The major problem with the pandemic was arisen in the further days as the virus started getting new strain with new genes in the virus which made the situation even worse. No doubt with great efforts the government would contain the pandemic to a great extent. But soon the country got hit by the second wave which was even more dangerous than the previous one. Despite developing the vaccine, it could not reach to maximum people as once again the production was less compared to the demand. Once again, the situation was very bad to be tackled by the nation. Several new issues cropped up in the second wave like lack of medical oxygen, lack of hospital facilities and other important drug to save the lives of people. People started dying in mass due to the non-availability of the medical aid. In between several cruel people started minting money in the name of corona virus which became even more difficult for the State to tackle with the present situation in a country. The 2nd wave in India which was regarded as more serious than the first wave put the country into lockdown again which was again a real threat to the nation like India. The pandemic has worsened the life of individuals to a large extent.

4. ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN COVID 19 PANDEMIC

The concept of CSR has played an important role in managing the Covid19 outbreak situation in the country. It is a true fact that the concept of CSR even though an age-old concept, it was made mandatory only after the inclusion of Section 135 along with Schedule VII of the New Companies Act, 2013. But even before 2013, CSR was followed

⁴ Vasanthi Vara, "Coronavirus in India: How the COVID-19 could impact the fast-growing economy", *Pharmaceutical Technology*, April 30, 2020, available at <https://www.pharmaceutical-technology.com/features/coronavirus-affected-countries-india-measures-impact-pharma-economy/> (last visited on Aug 5, 2020, 10.15 A.M).

by almost all the stakeholder's voluntary without any compulsion. Even the corona outbreak was not an exception as most of the companies came forward to help the country which was in great trouble due to the biological havoc.⁵

The aid provided by the companies was in different ways. Certain companies directly contributed money to the PM National relief fund at the beginning. Later keeping in mind, the emergent situation for tackling the pandemic situation in the country, a public charitable trust was set up in the name of 'Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund' (PM CARES Fund)' on 28 March 2020 with Prime Minister as the Chairman and Defence Minister, Home Minister and the Finance Minister as its members for the sole purpose of combating the virus. It was clarified that every donation made to the PM CARE Fund would come under the purview of CSR spending by the company and hence it encouraged the companies to contribute funds to the PM CARE which was used for the purpose of combating the pandemic situation in a country. The MCA also amended the Schedule VII of the Act on 23rd March 2020 by including the PM-CARES Fund as a permissible CSR activity along with the Prime Minister's National Relief Fund.

Tata Group has contributed Rs. 1500 crores, Reliance group of Companies has devoted Rs. 500 crores, Larsen and Toubro has contributed Rs. 150 crores whereas Infosys, Adani Group, Vedanta, JSW who contributed Rs. 100 crores⁶ are in the major front line to contribute to the PM CARE fund. While several other companies joined hands with NGOs and served the public by providing kits containing basic essential articles. PepsiCo company in association with Akshaya Pathre foundation distributed about five million meals to the needy in times of pandemic. It also donated 25000 testing kits to the government and proved it cares for nation.⁷ Infosys Company devoted its money to distribute basic kits to the needy and also spent the amount to establish smart classes in the rural areas in order to continue education in the pandemic situation. Companies like Maruthi, Hero, Bajaj, TATA, Birla expended their amount for the medical facilities like

⁵ Kee-Hong Bae, "Does CSR matter in times of crisis? Evidence from the COVID-19 Pandemic" 67 *Journal of Corporate Finance*, 101-124 (2021).

⁶ Strategic Investment Research Unit (SIRU), "Indian companies contributing to PM-CARES Fund to fight COVID-19", available at <https://www.investindia.gov.in/eam-india-blogs/indian-companies-contributing-pm-cares-fund-fight-covid-19>. (Last visited on Nov. 10, 2020, 11.15 AM).

⁷ Indra Nooyi, "Pepsi Co commits 25,000 COVID-19 testing kits, over 5 million meals to India" *The Economic Times*, Apr. 6, 2021.

providing medical oxygen, sanitizers, masks, PPE kits. Several companies like BSNL and other telecom companies as well as Google, Face book played a role in bringing awareness to the public with regard to prevention and protection against the deadly corona virus. During such an epidemic outbreak it was very much necessary to create awareness among the public in all ways possible. Various companies followed various tactics to spread awareness to the people and for that they have allocated huge amounts.⁸ Even the companies tried to bring awareness to the people about the social distancing which is the most important thing in order to fight this pandemic by changing the logo of the company which will really have greater effect in the minds of the people. It is a known fact that people normally recognize the company from its logo rather than the name. Indeed, these logos have Intellectual property rights too. It has its own unique place. Several companies have changed their logo in order to bring awareness to the public with regard to Covid19 pandemic. MC Donalds Company has changed the logo from m split into 2 n so as to show the importance of social distancing. Similarly, Audi company has also changed its logo from 4 intersecting circles to 4 separate circles which once again show the importance of social distancing to prevent the spreading of the disease.⁹ The corporate sectors have in one or the other way contributed for the suppression of the deadly disease. The CSR fund was an added advantage to the government in times of difficulty.

The government in order to protect the interest of the people and to get out of this pandemic situation, from time-to-time implemented policies with regard to CSR spending for Covid19 reasons. After the declaration was made about the novel corona virus outbreak in the world as a notified disaster and pandemic on 14th March 2020 it enabled every nation to be prepared and make arrangements to face the pandemic in the countries. Attempts were made to utilize funds for food supply, medical care, containment facility, testing labs, from various stakeholders to face the challenge imposed by the virus. The government also issued an order stating the funds spent by the corporate sector for the corona virus would come within the purview of CSR activity and the companies again need not spend on CSR activity as it would be difficult for the companies to be overburdened at the time of crisis. It created a win-win situation for the companies so as to

⁸ Sidharth Choudhary, Vasundhara Singh, "The changing landscape of CSR in India during COVID-19", *Strategic Investment Research Unit*, Sep.3, 2020, available at <https://www.investindia.gov.in/siru/changing-landscape-csr-india-during-covid-19> (Last visited on Nov.10, 2020, 12.35 PM).

⁹ Editorial, "How brands are endorsing social distancing" *The Economic Times*, Apr. 1, 2020.

participate in the relief work to overcome the damage caused due to Covid19 and also to meet their statutory requirements.¹⁰

Further, on 26 August 2020, keeping in mind the emergent need of research and development of vaccine and medicine for corona virus, the Government amended the CSR norms of the company to include research and development activity. The government in its gazette notification stated that, “Any company engaged in research and development activity of new vaccine, drugs and medical devices in their normal course of business may undertake research and development activity of new vaccine, drugs and medical devices related to COVID-19 for financial years 2020-21, 2021-22 and 2022-23 subject to the conditions”.¹¹

Relying on the above notification, the companies concentrated their CSR funds on top 3 sectors viz Preventive healthcare, food security and donations to government funds. Most of the companies concentrated and involved in more than one welfare domain, which made the companies to contribute to the nation in times of pandemic. Covid19 situation made companies to come out of their daily routine and mingle with the society directly. Most of the companies were involved in CSR activity simply by donating to prime minister or chief minister’s national relief fund. But the pandemic situation has made the company to join hands with the State actively and to take care of the society during its urgent societal challenges. Some corporates have also creatively engaged their funds towards promotion of mental health at the time of crisis.¹² The Ministry of Corporate Affairs now allows companies to channel their mandatory Corporate Social Responsibility (CSR) spending towards any innovations carried on to fight against the deadly corona virus outbreak in the country which is mentioned under General Circular No. 10/2020, No. 05/01/2019-CSR, Government of India.

The government also initiated several policies specially to deal with the virus outbreak which ultimately increased the CSR spend by the companies.

¹⁰ Nishant Parekh J., “CSR in times of COVID-19” 3 *Financial Express* 1-5 (2020).

¹¹ Government of India, “Report of the Committee on Preventive measures to contain the spread of COVID19” (Ministry of Corporate Affairs, 2020).

¹² Government of India, “Report of the Committee on Spending for COVID-19 is eligible CSR activity” (Ministry of Corporate Affairs, 2019).

Firstly, it allowed the companies to spend their part of CSR fund directly to covid related activities. The companies didn't concentrate only to donate their part to the PM CARES Fund but also contributed to the State disaster management authority, health care and sanitation, announced certain packages to daily workers, etc.

Secondly, the government announced for 100 percent tax deduction to the companies for the amount spent for covid related activities. Once again due to this policy, the government's revenue in the form of tax was reduced. But it was a need of the hour because the Covid19 not only affected the general public but also the corporate sectors too. So, in order to balance the situation, the government brought the initiative so as to help the companies to manage their affairs and also encouraged the companies to devolve their CSR Fund to the most urgent cause of the nation.

Thirdly, the government made policy which allowed the companies to balance their CSR funding in the subsequent years which contributed over and above the minimum prescribed amount to the Covid19 reliefs if the company desired so. This led the companies to spend even more than their CSR limit which was very much necessary during the time of pandemic emergency.¹³

In the severe pandemic situation, corporate sectors in India have proved that it cares as much as the State. Crores of rupees have been donated by the corporate sectors to various government funds. According to one report, India has spent ₹7,537 crores out of the CSR contribution in two months on Covid-related issues which included ₹4,316 crore in the form of donations to the PM CARES Fund and the remaining ₹3,221 crore was spent on various other relief funds, masks and sanitizers, food and ration donation, protective gear kits, etc.¹⁴ Even the company concentrated on the activities like vaccine drive, bulk testing for their employees and families, etc.

It is a known truth that corporate sectors themselves cannot involve in CSR activities independently because of several reasons. Even during the pandemic situation, they took the assistance of the various NGOs in order to serve the public in an efficient manner. It

¹³ Pushpa Sunder, "Covid has pushed CSR deeper into Corporate Consciousness" *The Hindu*, Sept. 9, 2020.

¹⁴ Gaurav Noronha, "India Inc spent Rs 7,537 crore as CSR obligations 2 months directed to address the Covid-19 pandemic", *The Economic Times*, June 9, 2020.

was specially a necessity for concentrating on the rural sector during the time of pandemic which became possible with the assistance of the NGOs.

No doubt, CSR activities are meant for serving the public at large, but at the same time importance is to be given to the company's own employees. Hence all the companies have announced packages to its own employees which are a need of the hour. Keeping in mind the health and safety of its employees, most of the companies have taken precautionary measures by allowing their employees to work from home. Few have made staggering arrangement where the employees have to report on alternative days so to avoid congestion and gathering of people. Companies have also provided masks, sanitizers, and also vaccines to their employees as well as their family members and have taken all precautionary measures for curbing the Covid19 pandemic.

5. CRITICAL ANALYSIS

No doubt the corporate sectors have played an important role in curbing the virus to the maximum extent. But still there are certain hindrances. Firstly, most of the companies took this opportunity only to comply with the mandatory spending of the CSR fund because of which the amount spent was not completely utilized for the cause.

As the government announced 100 percent tax exemption for the CSR spending in times of Covid19, it increased the burden of the government and the government had to face a deficit amount as their income of the government in terms of tax was reduced drastically. As the government had to incur huge expenditure towards public health and safety during the pandemic, it was unable to meet the expenditure fully because of which the burden was shifted to the general public.

Most of the companies were involved in helping their own employees, but there were few companies, who even did not pay their own employees because of which many people suffered especially in times of pandemic.

The companies failed to contact the beneficiaries directly because of various reasons due to which most of the fund released by the companies were misused and did not reach the actual needy.

High risk is involved when huge amount of money is to be spent on a large number of people. Even the Covid19 situation is not an exception to it. Most of the funds were misused by the implementing agencies.

The NGO's appointed by the company normally concentrated on one particular area and one group of people because of which there was no proper release of funds to the various groups of people.

There was no proper agency to check and monitor the CSR spending by the companies because of which there was misuse of CSR funds by the people at various levels before it reached the ultimate beneficiary.

Few companies took this initiative because of compulsion only due to which there was no proper co-ordination of the activities under the CSR initiative.

As several company's themselves were not working in a full pledged manner, their profits also came down due to which the amount on CSR funding was also reduced.

6. CONCLUSION

COVID 19 disease declared as pandemic by the WHO, has brought the whole world to a standstill. The mother earth witnessed a huge disaster because of the loss of people's life. During the difficult times several institutions joined hands with the government for controlling the pandemic. The corporate sector took the premium role in controlling the disease by lending its helping hand to the Government. The CSR concept introduced under Section 135 of the Companies Act, 2013 played an important role during the pandemic. The corporate sectors in the name of CSR funding have pooled a huge amount for solving the problems of the people during the pandemic situation. In spite of several loopholes not being that serious, the companies have succeeded in their motive to curb the pandemic situation in the world. India even though a developing nation with a huge population has been successful in curbing the pandemic situation in the country with the help of the corporate sector and other institutions. The corporate sectors falling under the purview of CSR are not the only one which came forward to comply with the statutory requirement by spending a substantiate amount to the society. There are several instances where the people simply came forward to solve the problems of the present situation without expecting anything in return from the state. It is because of the kind gestures of the people of India, the outbreak situation was managed well during the first wave. It became a model to other countries across the globe. But this is not the conclusion as regards this pandemic is concerned. It has not stopped completely and the people as well as government are

working hard to hit the second and third wave which has hit our nation badly. Even after the invention of vaccine as well as the drug to combat the virus, still there are multiple challenges to be faced by our nation due to the dense population of the country. To vaccinate the people is also a challenging task. The best thing what the State can do is to be prepared to face the situation that may arise in future. There are some evil sources who do not care for the lives of people and try to mint money in the name of corona virus. People must realize the gravity of threat posed by the virus to mankind and at least in this case avoid such evil activities. It is a universal truth that the State alone cannot solve any such problem alone, but it is the people who must support the Nation by following the norms to avoid the pandemic situation in the country and join hands with the government to solve the cruel havoc in the world.
