

# The Changing Landscape Of Csr In India During Covid-19 And Response Of Indian Corporate

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**Abstract:** With the new coronavirus disease (COVID-19), a moment has come, which has no precedence in our lifetime. In this paper, we briefly introduce the concept of CSR followed by evolution of CSR in India through the “Chatterjee Model”. Then this paper tries to examine the influence of COVID-19 on Corporate Social Responsibility (CSR) in India and justify government’s role in making CSR as a more genuine and authentic way of addressing this global crisis. This paper also tries to highlight the steps taken by an Indian corporate in spending CSR funds in response to the crisis. Finally, the paper tries to analyse the whether the CSR funds are intended for short term measures to provide immediate response to COVID-19 crisis or is it invested to alleviate long-terms effects of the pandemic.

**Keywords:** Corporate Social Responsibility (CSR), Chatterjee Model, Companies Act 2013, Schedule VII, COVID-19, Central Coalfields Limited (CCL)

## 1 INTRODUCTION

Corporate Social Responsibility has a long historical context. It is basically a process to enhance company’s responsibility for its actions through its activities resulting in positive impact on its stakeholders, which may include its employees, community, society, environment, consumers, competitors etc.

India, being one of the world’s ten emerging markets (Sharma, 1999), is a diverse economy ranging from rustic rural Bharat to smart urban cities (Chatterjee & Mitra, 2017). This research paper tries to introduce the concept of CSR with respect to the emerging economy of India and the way it has contributed towards National Developmental Agenda since the post mandate period. This paper also tries to discuss about the Chatterjee model of CSR and how it is different from other CSR models like ‘shared value model’ of Porter, ‘triple bottom line model’ of Elkington and ‘Fortune at the bottom of the pyramid model’ of Prahlad. The CSR mandate under section 135 of the new act came into effect from Financial Year 2014-15. The act mandates every company, which comes under the purview of it, to spend minimum 2% of the average net profit (profit before tax) of preceding three Financial Years on CSR activities. This act is applicable to companies with (a)

net worth of Rs. 500.00 Crore or more, or (b) turnover of r Rs. 1000.00 Crore or more, (c) or net profit of Rs. 5 Crore or more.

With the new coronavirus disease (COVID-19), a moment has come, which has no precedence in our lifetime. This pandemic has been caused by a virus named SARS-CoV-2, which is a part of family of viruses, which causes respiratory diseases in humans ranging from common cold to rare diseases having high mortality rates. The world has previously witnessed coronavirus attacks in the year 2003 as SARS (Severe Acute Respiratory Syndrome) and 2012 as MERS (Middle East Respiratory Syndrome). As per WHO reports, the genetic makeup of SARS-CoV-2 is related to coronavirus isolated from bat population (WHO, 2020). The very first case of coronavirus was reported in December 2019 in Wuhan city, China and later spreader to many provinces in China and finally became a worldwide pandemic. COVID-19 was declared as a Public Health Emergency of International Concern by WHO on January 30, 2020. Incidentally, India witnessed its very first case of coronavirus, the very same day in the state of Kerala and subsequently the number of cases rose drastically (Kumar et all, 2020).

We are living in a changed world today as COVID-19 has broaden our lens to see the world in the ways we think how it is and how our lives are actually affected. More than a pandemic, COVID-19 has become a generational catastrophe that is fast evolving and requires immediate attention and action. Lives were lost, families were broken, communities were scarred but the pandemic driven lockdown has created a socio-economic change leading to a major scar in the memories of present generation, which will follow as a cultural legacy and will haunt and live in the memories of our future generations.

We are dealing with a scenario, which is evolving at an unprecedented pace and requires immediate attention. Time has come to gather all our potential resources to the public sphere and collectively take affirmative actions against the pandemic. The mandate for CSR has been created in India, for India and by India with a view to inclusive growth and fulfilling national developmental agenda of the nation (Chatterjee & Mitra, 2016a). In the current scenario, CSR has acquired a new sense of responsibility in India. Post introduction, the research paper will deal with brief literature review followed by focus on impact of COVID-19 on CSR in India. The study is based on secondary data collection through website of Ministry of Corporate Affairs, World Health organization's reports, related articles on COVID-19, Annual Reports and sustainability reports of Corporate under study, etc. and finally a mini case study of Central Coalfields Limited (a subsidiary of Coal India Limited) substantiating the change from welfare/community development to core CSR in the post mandate period and impact of COVID-19 on its CSR practices.

## 2 CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) has always been a progressive field of discussion since 1950s. The year 1950 marks the beginning of modern CSR era.

**Table 1:** CSR era (1950-1978)

Year/Period	Era of CSR
Up to 1950s	Philanthropic era
1953-67	Awareness era
1968-73	Issue era
1974-78 and beyond	Responsive era

Source: Adopted from Caroll 2008

During philanthropic era, companies focussed on charities and donations. Awareness era characterised responsibility of business and its involvement in community affairs. Issue era dealt with specific issues like

pollution, racial discrimination, etc. Serious management and organizational actions for addressing CSR became a part of responsive era (Schwartz & Carroll, 2008). Much of the early CSR concept began within academic or scholarly circles. The scholarly perspective can be traced back to 1960s in the writings of Keith Davis, William Frederick, Adolf Berle, etc. (Carroll, 1999). Dozens of definitions of CSR has evolved since then. 37 such different definitions of CSR were analysed by Dahlsrud but not all were captured fully in his article (Dahlsrud, 2008).

As an emerging nation, India faces its own challenges. With the second largest population in the world, next to China, India ranks at 129<sup>th</sup> position among 189 countries on the 2019 Human Development Index (HDI) released by United Nations (Human Development Report, 2019). This means that though India has a huge population, the life expectancy, per capita income and education is low. This depicts a rise in inequality among different sections of the society in India, thereby hampering economic development of the country as a whole. Hence, in order to protect the poorest of the poor and the most vulnerable sections of the society, it becomes imperative for a country like India to have a strategy in place. Though many Central/State government schemes are running in India to minimize such socio-economic inequalities, the Government alone cannot work. It has to work in tandem with other stakeholders like Civil Society Organizations, Public Sector Undertakings, Private Sector, NGOs, etc.

This concern for 'inclusive growth' raised many questions like how to improve health and education system in India, who should provide the basic services and who will responsible for paying for the services rendered. Many think that it is the responsibility of the Government to maintain equality through its social security schemes, others believe that it is the onus of the Corporation in pursuance of 'social license to operate' (Chatterjee, & Mitra, 2017). Thus, for sustainable human development, the national agenda must focus on empowerment of the poorest and weaker sections of the society (Mitra & Schmidpeter, 2016).

It is because of the challenges and dilemmas of this new and emerging India that need for a robust CSR model was generated. For a business to progress, the nation should also progress. The relationship is symbiotic and any discord causes a level of disequilibrium. Thus, not only development of human capital through CSR would reap desired results, but also many other related issues can be dealt through CSR. In view of this, the Chatterjee Model of CSR was formulated in India to define the roles and responsibilities of Corporate and streamline the level of accountability and transparency (Chatterjee & Mitra, 2017).

### **3 COVID-19 AND CSR: THE INDIAN SCENARIO**

On January 31<sup>st</sup>, 2020, the very first case of coronavirus was reported in India. It was declared as a public health emergency, the very same day. Ministry of Home Affairs, Government of India declared coronavirus outbreak as a 'notified disaster' on 14<sup>th</sup> March 2020 (MHA, 2020). This was done to enable state governments to mobilise State Disaster Response Fund (SDRF) towards avenues like food and medical care to patients or people quarantined, temporary accommodation, setting up procurement of essential equipment, empowering testing laboratories, etc. It was on 23<sup>rd</sup> March 2020 that Ministry of Corporate Affairs declared funding on COVID-19 management as an eligible CSR activity (MCA, 2020). Subsequently, many orders related to COVID-19 management and CSR were issued by Ministry from time to time, which has been discussed in detail in the next section. These notifications by Government of India were treated as a welcoming step in combating the distressing impact of virus outbreak and helped industry, academicians, government and civil society organizations to join forces and fight against this deadly disease.

Before analysing the steps undertaken by Indian Government in combating coronavirus outbreak through CSR spending, we must first try to understand the CSR model in India and subsequent notifications or amendments since the launch of Companies Act, 2013 with respect to CSR in India.

#### **3.1 CSR in India- the Chatterjee Model**

The pioneer of Chatterjee Model of CSR, Dr. Bhaskar Chatterjee, propounds that in emerging economies CSR should contribute towards National Agenda. It is a unique and completely different model of CSR, which focuses on social development of nation rather than viewing CSR as a business opportunity (Chatterjee & Mitra, 2017). Though India is the third country, only after Mauritius and Indonesia, to have developed a 2 % mandate for CSR, the CSR models for each country are unique and different in their own ways. To have proper understanding of CSR mandate in India, the largest democracy of the world, Chatterjee Model of CSR is a live study.

The model finds its origin in the CSR Guidelines for Public Sector Enterprises of India effective from April 1, 2010. Later, in 2013, Dr. Bhaskar Chatterjee became instrumental in incorporating Section 135 in the New Companies Act, 2013 (MCA, 2013). Before discussing the crux of this model, we will first discuss the provisions laid down by this new act and various amendments thereon.

As per this new act, CSR became mandatory for such companies having net worth of (Indian Rupee) INR five billion or more, or a turnover of INR ten billion or more, or a net profit of INR 50 million or more during any Financial Year. Also, a Schedule VII list of activities was laid down by this act detailing the scope of CSR, i.e. priority areas under CSR (MCA, 2013).

Schedule VII list of activities have been amended multiple times, since its launch. Also, Ministry of Corporate Affairs has issued various amendments/clarifications, time to time, to streamline the concept of CSR in India. Details of all such amendments since 2014 is appended in below mentioned table:

**Table 2:** Amendments made in Companies Act since 2014 with respect to CSR in India

Sl. No.	Notification date	Amendments made	Notification was effective from
1	27.02.2014	<b>Amendment in Schedule VII of Companies Act</b>  Comprising detailed list of Schedule VII list of activities under CSR (10 listed activities)	01.04.2014
2	31.03.2014	<b>Corrigenda</b>  In the notification dated the 27th February, 2014 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide G.S.R. No. 130(E), dated the 28th February 2014 at page 2, line 20 for “promoting preventive health care” will now be read as “promoting health care including preventive health care”.	31.03.2014
3	18.06.2014	<b>No. 05/01/2014-CSR- General Circular no. 21/2014 of Ministry of Corporate Affairs</b>  Clarifications with regard to provisions of Corporate Social Responsibility under section 135 of the Companies Act, 2013 was issued.	18.06.2014
4	06.08.2014	<b>Amendment in Schedule VII of Companies Act</b>  Slum Area Development was inserted as 11th activity to be covered under Schedule VII list of activities under CSR	06.08.2014

5	17.09.2014	<p><b>F.No. 05/01/2014-CSR, General Circular no. 36/2014 of Ministry of Corporate Affairs</b></p> <p>Further amendment to clarifications issued vide circular dated 18.06.2014 was issued, which are as follows:</p> <p>(i) Rule 4(6) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been amended by notification dated 12.09.2014; and</p> <p>(ii) Consequently, clarification (iv) in General Circular No. 21 of 2014 dated 18.06.2014 (related to payment of salaries to CSR staffs, stands omitted).</p>	17.09.2014
6	24.10.2014	<p><b>Amendment in Schedule VII of Companies Act</b></p> <p>(i) In item (i), introduction of contribution to Swachh Bharat Kosh was inserted.</p> <p>(ii) In item (iv), after the words “and water”, the words “including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga;” was inserted.</p>	24.10.2014
7	28.05.2018	<p><b>F.No. 08/05/2018-CSR, General Circular no. 06/2018 of Ministry of Corporate Affairs</b></p> <p>Further amendment to clarifications issued vide circular dated 18.06.2014 and 17.09.2014, which are as follows:</p> <p>For CSR spending, companies shall give preference to the local area and areas around it where it operates.</p>	28.05.2018
8	30.05.2019	<p><b>Amendment in Schedule VII of Companies Act</b></p> <p>Disaster Management, including relief, rehabilitation and reconstruction activities was inserted as 12th activity to be covered under Schedule VII list of activities under CSR</p>	30.05.2019
9	11.10.2019	<p><b>Amendment in Schedule VII of Companies Act</b></p> <p>In the said Schedule VII, for item (ix) Contributions to technology incubators was inserted in detail.</p>	11.10.2019
10	11.03.2020	<p><b>Clarification on utilization of CSR funds of industries/establishments on Apprenticeship</b></p>	11.03.2020

	<p>(Ref. to MCA Circular dtd 12.02.2016)</p>	<p style="text-align: center;"><b>training under Apprenticeship Act, 1961 (ammended 2014)</b></p> <p>As per circular from MCA dtd 12.02.2016, industries/establishments are permitted to utilize their CSR funds for Apprenticeship training (Basic training + stipend), subjected to following conditions:</p> <ol style="list-style-type: none"> <li>1. Obligatory: Industries/estb having employee strength above 30 to engage apprentices min 2.5% and max 15%. Any expenditure on Apprenticeship training over and above 2.5% can be booked under CSR funding</li> <li>2. Not obligatory: Industries/estb having employee strength between 4-29, not obligatory to engage apprentices min 2.5% and max 15%. Any expenditure on Apprenticeship training over and above 2.5% can be booked under CSR funding</li> <li>3. Not permitted: Industries/estb having employee strength 3 or less, not permitted to engage apprentices. Hence, no expenditure on Apprenticeship training can be booked under CSR funding</li> </ol>	
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Source: Adopted from Ministry of Corporate Affairs (The Gazette of India) and General Circulars

Now, let us focus on the different components of the Chatterjee Model of CSR. Firstly, this model focuses on companies spending certain minimum percentage of their average net profit towards such activities, which are neither a part of their core business nor their legislative duty. This spending should be in line with the Schedule VII list of activities and should have a clear-cut outcome/impact on the society. Secondly, the model lays stress on project/programme mode of each CSR activity with transparency and accountability. This means that each CSR activity should be in a project mode with a defined timeline (and should not be one-off events), a detailed budget bifurcation, well-defined objectives, rationale/outcome, monitoring and evaluation followed by impact assessment and audit. Thirdly, every company must have a designated CSR policy, which should be in line with Companies Act and other related guidelines on CSR, which are issued from time to time. Fourthly, the model entails authorization of individual CSR activity/project through Company's Board comprising of three or more directors, out of which at least one of them should be an Independent Director. This attaches accountability to Board for every single INR spent on CSR by the company in line with CSR policy of the company. Fifthly, in order to strengthen CSR and broaden the involvement of various stakeholders, companies can implement approved CSR activities (approved by designated CSR committees) through various implementing partners like civil society organizations, NGOs, registered trusts/societies or a company established by the company or its holding subsidiary or associate company under Section 8 of the Companies Act, 2013 (Chatterjee & Mitra, 2017). Lastly, the model through Companies Act has incorporated a mandatory 8-column Annual Report Format in Company's Annual Board Report. This not only ensures transparency and accountability of Board, but also ensures the principle of "comply and explain". Whether a company has done CSR or has nil CSR expenditure, it has to mandatorily report and explain on its website and also in Annual Director's Report, in each financial year. This ensures total transparency and in case a

company fails to explain/report, it is held accountable under Section 134 of the Companies Act, 2013 which provides stringent punitive measures (Chatterjee & Mitra, 2016b).

### 3.2 Key announcements by Indian Government regarding CSR for COVID-19

After notifying COVID-19 as a ‘notified disaster’ on March 14, 2020, the first amendment in CSR in relation to management of this deadly disease came on 23<sup>rd</sup> March 2020 by Ministry of Corporate Affairs, Government of India. Many who believed it as a tool to alleviate the distressing impact of virus outbreak viewed the order as a welcoming step. The order also made provision for liberal interpretation of the items under Schedule VII.

With an objective to deal with any kind of emergency situation, such as COVID-19 pandemic, and to provide a relief to the affected, Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) was set up on 28<sup>th</sup> March 2020. This notification by Ministry of Corporate Affairs clarified that all donations and contributions made to PM CARES Fund will be counted as a company’s mandatory CSR spending.

On 10<sup>th</sup> April 2020, Ministry of Corporate Affairs issued Frequently Asked Questions (FAQs) on CSR clarifying concerns regarding deployment of fund under CSR for COVID-19 relief. The FAQs states that contributions made to PM CARES fund and State Disaster Management Authority to combat COVID-19 shall qualify as CSR expenditure. However, funds given to Chief Minister’s relief fund or State Relief fund for combating COVID-19 shall not qualify as a CSR expenditure. As per the notification, ex-gratia payments made to temporary/casual/daily wage workers qualify as CSR expenditure as one time exception, subjected to explicit declaration by the board of the company and certification by statutory auditors.

Through the amendment made in Schedule VII of Companies Act vide notification dated 26<sup>th</sup> May, 2020, PM CARES fund was inserted as a part of item number (viii) and was made effective from 28<sup>th</sup> March, 2020. It is basically a charitable trust and is set up with the main objective of dealing with emergency/distress situations, like the COVID-19 pandemic and provide relief to the affected persons. Prime Minister of India is the ex-officio Chairperson of this fund and Defence Minister, Home Minister and Finance Minister, Government of India are the trustees. All contributions towards PM CARES fund are exempted under section 80(G) of the Income Tax Act 1961. An amount of Rs. 3076.62 Crore was collected in the Financial Year 2019-20 under this fund and Rs. 39.68 lakh was collected in foreign currency in the same year. PM CARES accepts voluntary contributions from individuals/organizations and as CSR contribution from Companies/Public Sector Undertakings (PSUs). Contributions out of budgetary sources of PSUs are not accepted under this fund (PM CARES 2020).

On 24<sup>th</sup> August 2020, CSR norms were amended to include research and development (R&D) spending on new vaccines, medical devices, drugs etc. related to COVID-19. This relaxation is applicable for three Financial Years (2020-21, 2021-22 and 2022-23) and comes with a caveat that such R&D activities must be carried out in collaboration with specified public institutions. This move will increase the flow of funds towards development of COVID-19 vaccination and drug development.

The latest amendment in Schedule VII of Companies Act was witnessed on 13<sup>th</sup> January 2021 wherein expenditure towards carrying out awareness campaigns/programmes or public outreach campaigns on COVID-19 vaccination is a qualified CSR expenditure.

A snapshot of all such amendments made in Schedule VII of Companies Act with respect to combating COVID-19 pandemic can be viewed in the below mentioned table.

**Table 3:** Amendments made in Companies Act with respect to CSR to combat COVID-19 pandemic

Sl. No.	Notification date	Amendments made	Notification was effective from
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1	23.03.2020	<p><b>Clarification on spending of CSR funds for COVID-19 (File no. 05/01/2019-CSR, General Circular No. 10/2020 of Ministry of Corporate Affairs)</b></p> <p>Funds spent for combating COVID-19 can be as per item number (i) and (xii) of Schedule VII relating to health care, sanitation and disaster management.</p>	23.03.2020
2	28.03.2020	<p><b>Clarification on contribution to PM CARES Fund as eligible CSR activity under item no. (viii) of Schedule VII of Companies Act, 2013</b></p> <p>Any contribution made to PM CARES (Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund) fund shall qualify as CSR expenditure under the Companies Act 2013.</p>	28.03.2020
3	10.04.2020	<p><b>COVID-19 related Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR) (F. No. CSR-01/4/2020-CSR-MCA, General Circular No. 15 /2020 of Ministry of Corporate Affairs)</b></p> <p>7 FAQs related to CSR spending for COVID-19 activities along with clarifications from Ministry</p>	10.04.2020
4	26.05.2020	<p><b>Amendment to Schedule VII of Companies Act</b></p> <p>In Schedule VII, item (viii), after the words 'Prime Minister's National Relief Fund', the words 'or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)' shall be inserted.</p>	28.03.2020
5	24.08.2020	<p><b>Amendment to Companies (CSR Policy) Rules 2014 and insertion of COVID-19 clause related to research and development of new vaccines, drugs and medical devices.</b></p> <p>(a) Companies (CSR Policy) Rules 2014 may be calls Companies (CSR Policy) Amendment Rules, 2020.</p> <p>Companies may undertake research &amp; development (R&amp;D) 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 condition that (i) Such R&amp;D be carried out in collaboration with institutes or organisations mentioned in item no. (ix) of Schedule VII (ii) Details of such activities to be mentioned separately</p>	24.08.2020



		in Annual Report on CSR included in Board's report.	
6	13.01.2021	<p><b>Clarification on spending of CSR funds for Awareness and public outreach on COVID-19 Vaccination programme-reg</b></p> <p>Under item number (i), (ii), and (xii) of Schedule VII. CSR expenditure on awareness campaigns/programmes or public outreach campaigns on COVID-19 vaccination is an eligible CSR activity.</p>	13.01.2021

Source: Adopted from Ministry of Corporate Affairs (The Gazette of India) and General Circulars

### 3.3 Contribution by Indian Companies in CSR for combating COVID-19

After detailed study, it has been observed that the annual reports of most of the Indian companies are under preparation for Financial Year 2020-21. Also, as on date, database on CSR spending in India is available from Financial Year 2014-15 to 2015-16 on the website of Ministry of Corporate Affairs. Hence, in the absence of any concrete information on contribution by companies in CSR for combating COVID-19, it is practically impossible to analyse contribution of various PSUs/Non-PSUs towards covid response. However, as per RTI filed by Indian Express for 55 PSUs, response was received for 38 PSUs from Government of India, stating an overall contribution of Rs. 2,105.00 Crore towards PM CARES. As per the response received, it was observed that many PSUs donated from their unused allocations for CSR activities for Financial Year 2019-20 while others contributed from next year's CSR budget. Oil and Natural Gas Corporation (ONGC) was the top donor with Rs. 300.00 Crore followed by NTPC (Rs. 250.00 Crore), Indian Oil (Rs. 225.00 Crore), Power Finance Corporation (Rs. 200.00 Crore) and Power Grid Corporation (Rs. 200.00 Crore). Coal India Limited, along with its subsidiaries, contributed Rs. 100.00 Crore (Indian Express 2020).

### 3.4 Policy responses to COVID-19 by different countries- a snapshot

To understand the response undertaken by different countries for combating COVID-19 following three countries, apart from India, have been analysed:

**Table 4:** Snapshot of COVID-19 response for different countries

Sl. No	Country	Background	Reopening of economy and newer restrictions
1	USA	The first case of COVID-19 was observed in January 2020 followed by wide outbreak in March and April. New cases were again observed in September 2020 and an upward trend was observed till mid-December, 2020 (IMF 2020).	Containment measures varied from state to state and geographical area. While some states followed strict lockdown (closed gatherings, banned entertainment venues, schools/colleges closed, etc.), other states had less strict restrictions with varying approaches (IMF 2020). There are more than 26 million reported cases out of which more than 4

			lakh deaths have been reported (WHO 2020).
2	UK	First confirmed case of Covid-19 was witnessed on 31 <sup>st</sup> January 2020. Cases peaked initially in April/May 2020, but after weeks of decline, a second and wave has been observed with a new strain of the virus (IMF 2020).	The government introduced a three-tier system of restrictions and majority of the country was put under strict tier-2 and tier-3 restrictions. The tier system was reviewed every 14 days. As of December 2020, most of England is under tier-3 restriction. After the discovery of new coronavirus strain on 4 <sup>th</sup> January 2021, Prime Minister Boris Johnson imposed a new tier-4 lockdown as a new emergency lockdown, expected to last until 8 <sup>th</sup> March 2020 (IMF 2020). There are more than 3.90 million reported cases out of which more than 1 lakh deaths have been reported (WHO 2020).
3	China	The very first case of coronavirus was reported in December 2019 in Wuhan city, China and later spread to many provinces in China and finally became a worldwide pandemic.	The government imposed stricter restrictions from January 2020 onwards including stricter containment measures like extension of National Lunar Year holiday, mobility restrictions, social distancing, etc. (IMF 2020). Surprisingly, China being considered as the introducer of novel coronavirus to the world has only 1.01 lakh reported cases and 4,834 deaths as on 11.02.2021 (WHO 2020).

Source: From the website of International Monetary Fund (IMF) and World Health Organisation (WHO)

### 3.5 Mini Case Study of CSR at Central Coalfields Limited (CCL) in relation to COVID-19 pandemic

The beginning of nationalization of coalmines in India is credited to formation of Central Coalfields Limited (CCL) on 1<sup>st</sup> November 1975 (formerly, National Coal Development Corporation Limited). It is one of the 8 subsidiaries of Coal India Limited, which is the first holding company for coal in India. Even much before the issue of CSR became global concern, Coal India was aware of its Corporate Social Responsibility and was fulfilling the aspiration of the society through well-defined “Community Development Policy” within 8 Kms of the Project sites thereby resulting into a harmonious relationship between the company and community. Later in the year 2014, CIL CSR Policy was adopted incorporating the features of the Companies Act 2013 and as per notification issued by Ministry of Corporate Affairs, Govt. of India on 27.02.2014 as well as DPES guidelines and broadly covers (a) welfare measures for the community at large, so as to ensure maximum benefits to the poorer section of the society, (b) imparting education, training and social awareness specially

with regard to the economically backward class for their development and generation of income, (c) protection and safeguard of environment and maintaining ecological balance.

CSR at CCL runs with the philosophy of inclusive growth for the poor and marginalised section of the society, which acts as the underlying principle of its projects. The primary beneficiaries for CSR at CCL are majorly land oustees, Project Affected Persons (PAPs) and those staying within the radius of 25 Kms of the project where as poor and needy section of the society living in different parts of India are its secondary beneficiaries. Over the past five years, CCL has alone spent Rs. 370.99 Crores as against the budget of Rs. 257.21 Crore as is evident from its Annual Report (Source: [www.centralcoalfields.in](http://www.centralcoalfields.in)).

CCL undertakes CSR projects/activities which are in line with Schedule VII of Companies Act, 2013 and subsequent amendments. Major sectors covered under CSR are health, education, sanitation, drinking water, infrastructure, skill development, environment & sustainable development, sports and other rural development projects.

CCL has adopted CIL CSR Policy in the year 2014. The policy incorporating features of the Companies Act 2013 and related rules/guidelines. Highlights of CSR policy is as follows (Modified CIL CSR Policy, 2020):

### **3.5.1. Focus of local area of operation:**

As per the policy, 80% of the CSR expenditure is to be done within 25 Km of the project/site/mine/Area HQ/Company HQ and rest 20% of the budget to be spent in the State, i.e., Jharkhand.

### **3.5.2. Allocation of CSR fund:**

Higher of 2% of average net profit of Company for last 3 immediate preceding Financial Years or Rs. 2.00 per tonne of coal production of previous year, whichever is higher.

### **3.5.3. Scope of CSR activities:**

It is as per Schedule VII of Companies Act, 2013 and subsequent amendments/guidelines.

### **3.5.4. Implementation:**

The investment in CSR is to be done in project mode with time frame through community based organization, elected local bodies, voluntary agents, institute/academic organization, trusts/missions, self help groups, Govt./Semi-Govt/Autonomous organizations, Mahila mandals, contracted agencies, professional consultancy organizations, etc.

### **3.5.5. Institutional arrangement (CSR Committees):**

CSR executives at CCL were interacted to understand the institutional arrangements for carrying out CSR. As per the interaction with the executives and going through the Annual Reports of organization under study, following arrangement was witnessed:

**CSR Review Committee:** All CSR activities are examined by a CSR Review Committee (1<sup>st</sup> level committee) to check the coverage of selected activity as per Schedule VII of Companies Act 2013/ Company's CSR Policy/DPE guidelines/other related guidelines issued from time to time (CCL Annual Reports, 2018-19).

**Below Board Level CSR Committee:** A project/activity duly recommended by Ist level Committee as above is referred to a multi-disciplinary committee of HODs/Senior Executives of the company for evaluation of the CSR proposals and submission of recommendation to Director (Personnel) (CCL Annual Reports, 2018-19).

**Board Level CSR Committee of Directors:** In line with provisions of Companies Act, 2013, CCL has a Board Level CSR Committee comprising of two Part Time Independent Directors and three members (Directors of the company) (CCL Annual Reports, 2018-19).

**3.5.6. Delegation of Power (DOP):**

As per CSR policy of company and subsequent sub-delegation by CCL Board for expediting approvals, the DOP for approval of CSR Projects/Activities is as follows:

**Table 5:** DOP of CCL

Sl. No.	Value of CSR project/programme/activity	Approving authority
1.	Up to Rs. 10.00 lakh	Director (Personnel), CCL
2.	Above Rs. 10.00 lakh upto Rs. 25.00 lakh	CMD, CCL
3.	Above Rs. 25.00 lakh	CCL Board

Source: Adopted from CCL Annual Report for Financial Year 2018-19

**3.5.7. CSR expenditure of CCL: Pre COVID-19 scenario**

The annual reports of last six years was studies for Central Coalfields Limited and a synopsis of the same is placed below:

**Table 6:** CSR expenditure of CCL from 2014-2020 (in Rs Crore)

Sl. No.	Financial Year	CSR Expenditure (in Rs Crore)
1	2014-15	48.87
2	2015-16	212.79
3	2016-17	30.29
4	2017-18	37.9
5	2018-19	41.14
6	2019-20	52.89

Source: Adapted from the Annual Reports of CCL for Financial Year 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20

**3.5.8. CSR expenditure of CCL: COVID-19 scenario**

With the introduction of new COVID-19 related clause in CSR at the end of March, 2020 by Ministry of Corporate Affairs, Government of India and subsequent amendments, the expenditure pattern for my corporates changed. Since the annual report for the company under study was available till Financial Year

2019-20, hence an interview schedule and questionnaire was devised to understand the expenditure done by CCL during the COVID-19 outbreak. For this purpose, General Manager (CSR) and his team at CCL headquarter was personally interviewed and Area Level Nodal Officers (CSR) were sent online questionnaire through email.

Based on the response received, it was observed that CCL acted as a responsible corporate that acted upon the grave situation and helped the needy and the helpless by providing food packets comprising of dry rations like Pulses/Rice/Turmeric powder/Salt etc. With the aim of “Food for all”, this intervention was started to provide help to the needy and the poor who could not afford the basic needs for themselves. Two community kitchens were also started to provide two time meals. A hotel on the National Highway was converted into a community kitchen to provide meals to the ongoing commuters. Along with food packets, safety packets were also distributed which consisted of mask, sanitizer, hand washing soap, cloth washing soap, phenyl etc. Apart from the distribution activities Central Coalfields limited converted its four hospitals into COVID care centers for providing immediate assistance to the people in need. To support the state government of Jharkhand in fighting the COVID 19 pandemic, CCL contributed a total of Rs 1.25 Crore among eight district administration and Rs 20.00 Crore to State Government of Jharkhand for food/medical aid to the poor and the needy in the remotest corners.

**Table 7:** CSR expenditure of CCL to combat COVID-19 pandemic

Sl. No.	Description of activity undertaken	CSR Expenditure (in Rs Crore)
1	Medical Preparedness (Personal Protective Equipment kits, face masks, infrared thermal scanners, alcohol based sanitizers, hand gloves, etc.)	0.80
2	Distribution of dry food grains, cooked food packets, providing cooked food through establishment of community kitchens, distribution of food packets in shramik special trains etc.	1.29
3	Financial contribution to State Disaster Management Authority, Jharkhand	20.00
4	Financial contribution to district administration (Ranchi, Chatra, Hazaribagh, Ramgarh, Bokaro, Latehar and Palamu district)	1.25

Source: Analysis of response made in Interview schedules and questionnaire by CSR executives of CCL

The above expenditure was incurred by CCL in this Financial Year (2020-21) in addition to the already committed CSR expenditure as per its annual CSR action plan. This shows that CCL had followed a dedicated

programme for combating COVID-19 pandemic. In fact, this pandemic has led CCL prioritise its activities to address pertinent social issues caused by the pandemic and has let it to identify its CSR footprint in unexplored areas too.

#### 4 SUGGESTIONS AND RECOMMENDATIONS

CSR during the COVID-19 outbreak should be seen as an opportunity for Companies in India to expand their CSR footprint. Through this article, following is being suggested/recommended:

1. Instead of earmarking CSR funds for designated CSR activities, companies must professionalise their CSR teams, work in tandem with district administration and forge new partnerships with NGOs/Civil Society Organizations for deployment of CSR funds.
2. Companies must resort to an hybrid approach, wherein part of CSR fund is spent in relief/disaster management, part in implementing COVID-19 resilience projects and rest in designated CSR works like skill development, Women empowerment, health and sanitation, environmental sustainability, etc.
3. Employee engagement can be used as the backbone of CSR for any company. Hence, company must inform, sensitize and train employees about CSR and sustainable development issues. They can act as an internal network of CSR ambassdors for an organozation.
4. A company should also be able to transform and adapt itself to the changes before focussing on communication and marketing strategies.
5. Also, as a part of branding strategy for generating good will and competitive advantage, a company should try to report its CSR practices as per existing standards and certifications to the largest possible extent.

#### 5 CONCLUSIONS

The future of CSR, keeping in view its robust past and present, seems to have a sustainable future. This article deals with a preliminary yet vital research, which explains the new model of CSR as a precursor to the introduction of CSR mandate in India. Though the ‘Chatterjee Model’ was able to introduce a statute related to CSR in India, yet more vital research is required to be done both quantitatively and qualitatively to analyse the impact of CSR. However, there is an absence of CSR index in India, which could have been more useful in measuring research findings. Bombay Stock Exchange Limited (BSE Ltd) and Indian Institute of Corporate Affairs (IICA) is currently working on the preparation of CSR index for India (Mitra et al, 2018).

Crisis situation demands reach of right resources to right people in the right time and in right quantities. The frequent amendments in relation to spending CSR funds for combating this pandemic by Indian Government is not a myopic view. But if we analyse the CSR response of corporate under study (CCL) towards combating COVID-19, it is more focussed on providing immediate relief on healthcare, essential services and social protection of vulnerable groups. It is now the right time for corporate to prepare a medium or long term approach or strategy like investment in livelihood support, food and agriculture, supply chain security, research and development activities, etc. post COVID-19. Also, steps should be taken for encouraging collaborative CSR where multiple companies/foundations can take joint initiative to address such a disaster.

The COVID-19 pandemic has brought CSR in India to the forefront. The government has been proactive in amending its provisions and Indian companies have risen to the challenge and augmented government’s efforts through reorienting their CSR strategies. Through this paper it is suggested to invest more in education and health sector in order to reduce the gap between social groups. This will help in building resilience in the face of future shocks.

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