

Corporate Social Responsibility of Firm's during Covid-19 Pandemic: Evidence from Cross National Studies.with exceptional reference to MSMEs

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Abstract

Over the year, the whole world has been struggling with the covid-19 pandemic in business and its stakeholders, general public. The people and business firms across the globe were strongly committed and to working together and helping each other in possible way during the unprecedented times filled with fear and uncertainty. The awareness about Corporate Social Responsibility practices is growing among several stakeholders of business firms. In the 21st Corporate Social Responsibility firms are facing challenges like stiff competition. The present study attempts to explore firm's response towards Covid-19 and CSR outlays to support vital stakeholders. The objective of the present study was to understand the conceptual base of corporate social responsibility and to look over the literature review from two perspectives i.e, Financial and social perspective. The data has been collected from various articles, peer-reviewed journals, CSR Box and guidelines released by ministry of corporate affairs and the top firms spent on CSR activities beyond 100 crores were chosen with help of Inclusion and Exclusion criteria and it is descriptive study. The findings of the study revealed that CSR has provided business firms with ample of investment opportunities to spend on Covid-19 pandemic crisis and social welfare, also it was found that all the firms have spent on CSR outlays and CSR act as supporting arm to face the unprecedented times.

Keywords: Corporate Social Responsibility, CSR Outlay, CSR Box, Financial and Social perspective, Covid-19 unprecedented times.

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1. INTRODUCTION

The concept of corporate social responsibility has gaining significant importance in recent days in the last few decades the corporate social responsibility initiatives has grown exponentially present 21st century firms are facing number of challenges like stiff and cut throat competition, sustenance in market, increase of share in the market and external challenges like government restrictions and trade practices in Nation. Even organizations should consider the Investors and also guarantee the value for the investments in terms of enhancement long term capital. CSR Initiatives not only enhance the value of investments but also helps in fostering the relationship with several stakeholders in long-run business. The government has made CSR initiatives mandatory in 2013 the order has made the organizations to adopt CSR initiatives with more dedication and commitment towards society and comprehensive improvement of business in long-run is possible with CSR Act. The firms should consider CSR initiatives as an investment not as cost to the firm it reflects the firm commitment towards various stakeholders like shareholders, employees, customers, general public etc.

According to the Companies Act 2013 has formulated section 135, corporate social responsibility rules 2014 and schedule VII which prescribes mandatory provisions for companies to fulfill their CSR obligations. The provisions of CSR and its applicability was discussed .Every company holding and subsidiary having

- Net worth of Rs.500 Crore or more
- Turnover of Rs.1000 Crore or more
- Net profit of Rs.5 Crore or more
- At least 2% of the average net profits of an enterprise made during the 3 immediately preceding financial years in pursuance of its CSR policy.

The motive of any business is to generate profits and wealth maximization in long - run but the firm should also consider the social welfare. Some studies have shown a positive relationship between CSR initiatives and Firm financial performance while some have shown negative and few study results are blend of both. Each firm may differ in implementing its CSR Initiatives it is entirely based upon the Size of the firm, nature of the business, Investment pattern and stakeholder demands are also taken into consideration. Corporate Social responsibility is generally defined as the firm business operations that help the firm to be socially accountable to the society, economy and atmosphere. CSR initiatives are considered as firm responsibility and commitment towards society at large. Since India is considered as developing nation with issues like literacy rate, poverty, Infrastructure facilities etc. The government has major role to play in Nation development and social welfare at large under these circumstances the firms have opportunities to contribute to the welfare of society and in exchange of value and reputation of the firm. The society of developing nation faces various

challenges; with CSR initiatives firms may contribute to solve the problems of nations. The Government of India in its notification specifically described COVID-19 pandemic as disaster and included spending on covid-19 pandemic is considered as a part of CSR initiative and such kind of expenditure will be treated under clause (i) and (Xii) of schedule VII of companies Act 2013 and Ministry of Corporate Affairs has issued certain guidelines related to inclusion of spending activities in CSR initiatives.

The Corona Virus (COVID-19) pandemic is epitomized as a massive global health disaster defined by (WHO 2020). The people across the globe are struggling with pandemic crisis and financial crisis by Covid-19 pandemic.

2.Objectives of the study:

1. To understand the conceptual base of Corporate Social Responsibility.
2. To look over the Literature review on Corporate Social Responsibility from two perspectives i.e. Social and Financial.
3. To identify the firms CSR outlay towards Covid-19 Pandemic Crisis.

3.Review of literature:

He and Harris ^[1] has examined how covid-19 pandemic affect the firms CSR initiatives. In their study the authors had opined that the covid-19 pandemic has provided firms with opportunity to move towards with more commitment and genuine CSR and address the societal issues. The authors have focused on examining some of the potential directions of how Consumer ethical decision making will be changing its direction in pandemic crisis.

Crane and Matten ^[2] have identified four major areas where CSR research has been challenged by covid-19 pandemic. The four areas comprises of Stakeholders, Social issues, Supply chain activities and political economy of CSR. They highlighted the challenges posed by covid-19 in execution of CSR initiatives and practices adopted by firms. The authors have provided scope for further research on CSR in order to face the pandemic crisis.

Sanchez & Sanchez ^[3] analysed the role of Large Spanish firms during the unprecedented times and how the firms has formulated objectives to face the covid-19. They found that many firms have shown interest and Commitment towards society by formulating policies and actions that assist the firms to face the pandemic. Authors have highlighted major areas of responsibility that firm should have a control over the interest of shareholders and investors, welfare of Spanish firms towards society and merging of philanthropic actions with commercial interests. Grizel Menezes ^[4] The researcher has made an attempt to examine the Impact of CSR Spending on the firm financial performance the collected for the study was for 5 years of Top ten companies for CSR spending in order to find out the impact of CSR spending on variables like ROA ,Net profits and EPS the author has used Independent pooled OLS regression , Fixed and random method was employed. The outcomes of the study were the Net profit has significant Impact on Firm financial performance where as no ROA and EPS have no impact.^[5] The author examined the Impact of CSR exercises on Agri industries financial performance at a particular time of three years from 2015-17 the author selected top 100 performing businesses in Bangladesh the purposive sampling technique is used by the researcher in order to examine the objectives researcher used

correlation ,regression to examine relationship between the variables .The findings of the study are ROE and overall gain has a positive / noteworthy effect on financial performance. while ROA and EPS has no significant impact.^[6] Author has made an attempt to examine the association between CSR and Financial performance with reference to Indian scenario The author used secondary data of 28 commercial banks listed in BSE Index for the period of 10years from(2007-2016) the findings provides great knowledge of Administration , to incorporate CSR with a suitable plan of business and redesign their business logic for habitual profit oriented to capable social approach business. ^[7] Has made an attempt to trace out the Impact of CSR exercise on 5 privately owned business firms in India like TATA STEEL, RIL, M&M, INFYOSIS and L&T for the time period of 2010-14 they have consider factors like profit for total assets ,Benefit for duty and EPS as the financial performance indicators the authors used regression analysis and ANOVA . The findings of the study are CSR has no significant association with ROTA but they found significant impact on EPS of the select firms.

Have examined the Impact of CSR on Financial performance indicators of sixteen Navranta organizations in India from the period of 2010-14 the researchers used correlation and linear regression the financial parameters considered are liquidity, Financial leverage, Investment size , firm size , revenue and return on sales have less significant positive association with CSR ,ROA have negative Impact on CSR,Investment, firm size and profitability measures are not affected by CSR practices. ^[9]

Has examined various works identifying with the connection between CSR activities of many firms and their financial patterns the findings of the study have shown the results CSR and financial performance have a positive associations with the firm the same correlation and regressions were used.^[10] The researcher has made an attempt to demonstrate the effect pre and post execution of CSR practices in Indian commercial banks author collected the primary data from 135 respondents and other information through secondary data available in RBI websites and other diaries were used they found mixed results. ^[11] The authors have made an attempt to investigate the association between CSR and Financial performance by collecting data from 15 firms listed in Karachi stock exchange with the help of correlation analysis is used to trace the relationship between. ^[12] The results shown an extensive positive connection between CSR and Financial execution of firm and firms spending on CSR not just advantageous for continuous long term advancement yet in addition to improved Financial performance.With the title "corporate social responsibility on company financial performance" the researcher wants to examine relationship between 1] concurrent and consequent financial execution to CSR 2] past monetary execution they identified negative relationship between CSR and CFP.^[13] In spite of fact the acquired cost to the firm yet it may give high benefits in future to the firm.Under the title "Does corporate social responsibility influence firm performance of Indian companies?"^[14] Examined the CSR regarding six measurements clients, representatives, suppliers, nature turfs and effect of connection on budgetary and

non-financial execution of firm 150 assembling firms were selected for study. Pearson correlation is used to analyze the information the results have shown CSR have positive effect on firm fiscal and non –monetary execution. The author has examined the dimension of CSR in Indian corporate by examining four measurements operational, economic, social and environmental 27 enterprises were selected chi-square measure is employed to evaluate the level of distinction between expected and observed frequencies the findings of the study revealed that operational and economic measurements of CSR was note worthy while social and environmental have no significant impact.^[15]

4. Research Methodology:

The Present study has been accompanied and comprised of the following research methodology

5. Data Collection:

The data has been collected from the secondary sources

which has been collected from CSR Box and the other necessary information has been collected from peer – reviewed journals, repute journals, notifications released by Ministry of home affairs related to firms CSR spending during covid-19. The study has followed inclusion and exclusion criteria to collect the data.

6. Inclusion Criteria:

The articles available in the English language are considered and the firms that have contributed above 100 crores towards CSR outlay were majorly focused and financial data has been collected from CSR Box. Sample of Top 10 firms contributed towards CSR initiatives are considered.

7. Exclusion Criteria:

The firms spent on CSR outlay i.e, 100 crores and the below 100 crores were not included because majority of the firms have spent as per the guidelines issued by ministry

Indian Corporate's CSR Spending towards Covid-19 Pandemic Crisis data has presented below

| SL.NO | COMPANY | CSR AMOUNT | INITIATIVES |
|-------|---------------------------|--------------|---|
| 1 | Wipro Ltd | 1,125 Crores | Disadvantaged group, Health care capacity, Aid to frontline service workers |
| 2 | Tata Motors | 1,000 Crores | Empower all affected communities, Ventilators, protective equipments for front line workers |
| 3 | Reliance Groups | 500 Crores | Hospital, Food and Fuel, Health workers, Mask production |
| 4 | Tata Trusts | 500 Crores | Promoting health care preventive care, Tackle disaster management. |
| 5 | ONGC | 300 Crores | CSR Initiative national drive to fight against Covid-19 |
| 6 | Coal India Ltd | 221 Crores | To fight against Covid-19 Pandemic |
| 7 | Vedanta Ltd | 201 Crores | Relief measures to community at large. |
| 8 | Power finance corporation | 200 Crores | Masks, sanitizers and protective equipments |
| 9 | L& T | 150 Crores | Health care equipments, establishment of isolation wards |
| 10 | ITC Ltd | 150 Crores | To address and manage the challenges arise due to covid-19 |

Source: CSR Box

Apart from the above firms there are many firm's that has been contributed towards covid-19 pandemic. Author has chosen only firm's spent on CSR investment more than 100 Crores.

8. Key Findings of the study:

The major driving factor to adopt CSR initiatives by any firm is due to social contract. Every firm operating in ecosystem should bound to the law of land, to act responsible according to the legal legislations, Customs and practices prevailing in society. Firms are obliged to produce goods and services, maximize the shareholders wealth and also firms should be morally and ethically obliged towards social welfare. During the unprecedented times the corporate firms have shown commitment towards Community wellbeing.

In present article author have done literature survey on CSR from two perspectives i.e, Financial and Social, Philanthropy

and community well being. It was found that the firms were more committed towards CSR spending during Covid-19 pandemic crisis, also observed that there is an association between CSR outlay and Firm financial performance.

During Covid-19 Pandemic Crisis Wipro ltd has been spent 1,125 Crores and ranked 1st place on CSR outlays and other firms also have spent towards Social welfare. It was found that all firms have justified for their existence by Contributing towards CSR during unprecedented times. Many firms have contributed directly or indirectly for social wellbeing by distributing protective equipments, Sanitizers, food kits to the needy and pandemic has provided an

opportunity to firms to tackle the crisis and contribute towards Social welfare.

9. Conclusion:

Firms are committed towards dealing with unprecedented health and humanitarian crisis arose from covid-19 pandemic. The major challenges of the crisis includes health care, Humanitarian, economic and social issues are majorly disheartening. The major challenges facing by the firms were to sustain in the market place in long-run and to protect its stakeholders from pandemic. Firms contribution towards CSR specially during pandemic and formidable situations will certainly be a value added benefit that enhances goodwill and reputation of the firm. CSR has provided an ample of investment opportunities to firms to face the disaster and firms should not focus only on its financial growth but also focus on social welfare and various stakeholders like employees, customers and society at large. CSR act as supporting arm to face the pandemic. It was found that all firms have contributed to their possible extent towards Pandemic crisis. The major limitations of present study was only firms spending beyond 100 crores were considered and other firms spent 100 crores and below 100 crores directly or indirectly towards Pandemic Crisis were ignored. The study has mainly focused upon CSR outlay of Firms during Pandemic crisis. The review of literature resulted in few recent studies as the covid-19 is considered as unprecedented disaster and available literature has been considered for the present study.

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