



A STUDY ON THE EFFECT OF COVID-19 ON CSR ACTIVITIES AND BUSINESSES

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ABSTRACT

The purpose of this study is to understand the changes in CSR practices and activities due to the COVID-19 pandemic by organizations of different sectors across India. The outbreak of the coronavirus has led to serious changes in many businesses ranging from work from home to workforce reduction in many sectors. Despite the setbacks, many organizations are actively participating in helping society and the government get through these unprecedented times. Many firms usually focus on environmental and charitable activities while performing CSR but the focus rapidly shifts towards medical aspects due to the novel coronavirus where companies are seen performing activities like PPE distribution, awareness campaigns, economic help, donating in PM Cares Fund etc. This pandemic has also affected the CSR plans and models for the subsequent years in many firms. To conclude, the pandemic altered the way of CSR practices, led to many changes and has become an important lesson for the coming years to deal with any situation that might arise in the future

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INTRODUCTION

According to Global Reporting Initiative (GRI, 2020), 80% of the world's largest 250 companies actively issue corporate social responsibility (CSR) reports every year to exhibit their effort towards society and sustainability. This is mainly because of the fact that many countries have set up various policies for business entities to perform CSR but India is the first country to make it mandatory for companies to practice CSR (Thacker, 2019). Even though CSR has existed in some form or the other throughout history, the first prominent mention of CSR was during World War II in Europe as well as in America. According to Doris Goodwin, the industrial productivity in the US increased by 96% to produce over 88,000 tanks, 640,000 jeeps for war purposes and various companies have also supplied food and medical aid to allied nations.

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It was around this time in India, Industrialists donated funds to set up religious institutions and businessmen such as the Tatas, Birlas helped with the independence struggle by setting up charitable foundations. Since then, CSR activities have been evolving over time while becoming more and more prominent. CSR is widely known as a self-regulatory business model which helps a company be socially accountable to all of its stakeholders by practising activities that have an impact on social, environmental and economic aspects. It is typically followed by an organization to meet the triple bottom line. (People, Planet, Profit). Although practising CSR has many benefits, many companies usually practice these activities to gain a good reputation, engaging employees along with attracting new ones and most importantly to attract attention among the consumers which eventually boosts the company's performance. CSR among Indian firms has been on the rise due to strict policing by the government over the years. Even though CSR has many uses, it faces a few problems too, especially the smaller organizations can't afford the costs or don't have enough resources to carry out effective social and environmental projects.

Another important issue is that companies are not matching the scale that is needed to have a significant effect on the areas they are concentrating on, during recent times, the pandemic has changed and brought all the organizations on to the same page regarding their approach. During this unprecedented time due to the coronavirus, both the people and government are overwhelmed with the current situation and many organizations are trying to do their part through various ways such as awareness, manufacturing masks and ventilators, food donation and much more. Covid-19 has struck businesses across the world disproportionately hard, the most vulnerable being the manufacturing and small businesses which are trying to adapt to the current situation and needs. This has been a unique time for everyone, so this paper aims to study and understand how various businesses in India are coping up and helping with the pandemic through CSR. Hence to bridge the gap between the previous literatures, this paper aims to investigate the influence of Covid-19 on CSR activities of businesses across different sectors and propose suggestions, improvements and strategies using the data collected which the companies can take up.

OBJECTIVES OF THE STUDY

-) To understand different businesses from various sectors' efforts and contributions to the recent and ongoing novel coronavirus in the name of 'Corporate Social Responsibility.
-) To know the impact of CSR practices and activities pre and post COVID-19.
-) Whether companies/firms from different sectors changed their CSR practices in order to fit in and adjust to the pandemic.

LITERATURE REVIEW

Corporate social responsibility or CSR is defined as a business model that holds a company socially responsible to itself, stakeholders and the public (Investopedia, 2020). This involves practising activities that have economic, social and environmental aspects. The definition of CSR and the activities associated with the term keep changing as it engulfs a broad spectrum ranging from the basic working environment to environment-friendly practices. The earliest and prominent definitions ascribed to CSR is the one given by Howard Bowen who is referred to as the father of Corporate social responsibility "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953). (Kundu, 2013) in her empirical study of CSR and global scenario defined CSR as a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment and whereby companies integrate social and environmental concerns into their business operations and their interaction with their stakeholders on a voluntary basis. The European commission in 2004 defined CSR as "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Kauffman (2011) also went with the commission's decision for CSR. Shyam (2016) in her Analysis of CSR in India defined CSR as ensuring company growth on a sustainable basis while ensuring fairness to all stakeholders". Baker (2004) stated that corporate social responsibility is how companies manage their business processes to produce an overall positive impact on

society. Lei Wang (2010) in his analysis on the evolution of CSR definitions maintained that the area of focus to all analyzed definitions are; sustainability and social obligations like economic, legal, ethical and discretionary responsibilities. According to the Indian Companies Act (2013, section 135), CSR is defined as a Company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Corporate Social Responsibility has been defined by many authors and researchers over a period of time. The first to mention CSR was by William.J.Owen in his 'Social responsibilities of businessmen' (1951). Milton Friedman (1970) said that 'the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country. Dave Packard (2002) said that a group of people get together and exist as an institution that is called a company so that they are able to accomplish something collectively that they could not accomplish separately and simultaneously they make a contribution to society. Philip Kotler (2007) defined CSR as a commitment to improve community well-being through discretionary business practices and corporate resources. According to Narayan Murthy (2013) "Social responsibility is to create maximum shareholders value, working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment." In the Rig Veda, there is a mention of the wealthy to plant trees, build tanks and perform Danna (charity). As more and more research on CSR in developing countries emerges, it is important to ensure that appropriate measures and considerations are provided to the context in which the research takes place. Different political, social, cultural and economic environments impact the development of CSR activities and simultaneously impact the value of these activities to benefit society and the natural environment.

RESEARCH METHODOLOGY

Following points in that sequence required

Research type: There is a gap that Covid is a novel situation and hence there is a need for research. Therefore, this research type is applied.

Research Method: Our project is based on quantitative research. We are doing a survey with the main objective in mind as the impact of CSR practices for firms pre and post Covid-19.

Data Collection Method: Primary Research mainly, as this is a very new topic that is caused by the recent situation of Covid-19, hence first-hand data is the most reliable one.

Data Collection Tool: We have chosen **Questionnaires** as our PRIMARY data collection tool since they are the most convenient way of collecting data and cost-effective. We also took the help of **various websites** for our reference making it our SECONDARY source of data collection.

Population and Sampling: The population chosen was all the sectors including IT, hospitality, service, heavy and light industry sectors. The population was limited to only India.

Data Analysis Method: Interpreting and analysing each question according to the response received to it. This is done to help us understand the activities performed by firms towards the welfare of the society. Graphs are also used for easy understanding of the analysis from the respondents. This topic was chosen because, we observed that COVID-19 has really impacted many firms, a lot of companies have the main focus on the CSR practices that they carry out, with the idea of social welfare and social awareness. So in these times the companies who focus on contributing to the society play a very vital role in spreading awareness about the pandemic. These unprecedented situations give companies an opportunity to step up and work together towards keeping the society safe.

Our research question for this research project is “The impact on CSR practices pre and post COVID-19 on the firm?” CSR which is corporate social responsibility is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders and others. COVID-19 being the first instance needs to understand CSR in a new perspective with new requirements and hence organisations CSR approach changes, in order to keep running and adapt to the preventive measures of COVID-19. In The year 2020, the COVID- 19 outbreak, brought a change to a lot of patterns of life. Working methods, as well as lifestyles, changed in order to adapt to the situation that had been created. Hence this research is going to be based on how companies from different industries changed their CSR practices in order to fit the COVID - 19 pandemic, hence compare their CSR practices pre and post COVID- 19. The pandemic caused the companies, businesses to temporarily close down due to the lockdown imposed due to Covid-19 in India, which in turn affected the business performance in terms of its profitability, revenue. The type of research that is to be carried out for this report is qualitative. Secondary analysis of data focuses on the re-use of qualitative data. For the secondary analysis, information from electronic databases or open access research data repositories can be used, like standardized testing data, economic data or consumer data. It is also possible to combine datasets from multiple sources. Find out more about using existing datasets or sharing your own research data. After the data is collected, and the results are obtained, we shall further analyze the results, and the responses we have gotten, which will further help us answer our research question, hence give us the path to a conclusion to be made on whether our assumptions are right or wrong, about a gradual improvement in business performance due to CSR practices. We are focusing on qualitative methods as it will help us gain more in-depth knowledge and helps us explore this topic, it will also help in better description and interpretation of the chosen topic. The topic being “Effect of COVID-19 on CSR Activities and Businesses” we will be doing an in-depth study on the current business performance in different firms in different industries and to analyse their CSR practices, how it indirectly benefits the firm and what upgrades have been made in the post-COVID-19 outbreak. A few qualitative methods to be kept in mind and to be used would include: Interpreting knowledge from pre-existing data, and choosing relevant examples and illustrations and showing how they are relevant to our chosen topic.

RESEARCH LIMITATIONS

As much as this research question is an interesting one to research upon, there are a number of limitations that we faced while carrying out this research.

First of all, it was time-consuming to get responses. Secondly, finding appropriate data/information on CSR through the secondary sources was not easy.

RESULTS AND DISCUSSION

Our primary source of collecting data is through a questionnaire. We floated out the questionnaire among the top and middle level of management of companies of different sectors around India. We got a very positive response from all our respondents. We kept the confidentiality aspect of the individual and the firm in mind while making the questionnaire and it didn't require the manager to disclose any confidential information of the firm or individual in any way. Our questionnaire was not only based on Corporate Social Responsibility in general but also made it considering today's situation of Covid-19. We got a total response of 33 people to our questionnaire.

RESULTS AND FINDINGS

When asked **what CSR activities are carried out by the firm**, the maximum respondents claimed to have contributed towards the Environment (63.6%). Respondents also said their firm contributes towards the Community (60.6%) as well.

The following show the respondent's response to this question:

Environmental: 63.6%
 Community: 60.6%
 Philanthropic: 33.3%
 Economic: 33.3%
 Employees: 33.3%
 Education: 9%
 Human Rights: 5%

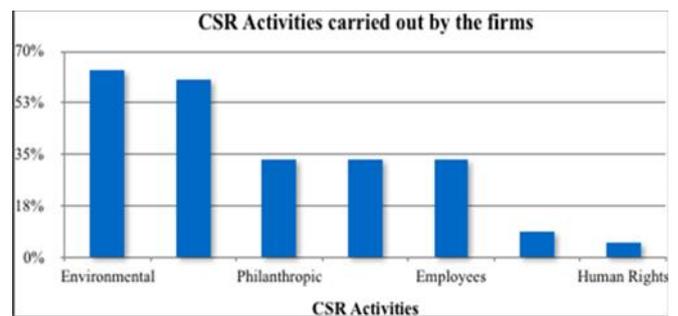


Figure 5.1

According to the graph above (Figure 5.1), it is clearly seen that Environmental and Community CSR activities are the most looked upon activities by most of the firms in India, therefore there are great changes being made to the environment and the community as they are benefitted by companies from different sectors. It is noticed that Education and Human rights as CSR activities are not given much importance to, hence it's observed that the education rate of India is 74.7%, thus not majorly looked upon because India is doing well already. However, the Human Rights section has to be looked upon, due to the endless human right problem that India faces every single day like, Women empowerment, Child Labour, Child Abuse, and large number of rape cases of teenagers.

On asking the firms **what they have done for the society during the Covid-19 time** the following was the response we received from the respondents:

- Spreading Awareness: 63.6%
- Economic Help: 45.5%
- Providing PPE kits: 36.4%
- PM Cares Fund: 33.3%
- Develop a software for the Govt.: 9.1%
- Providing meals: 6.1%

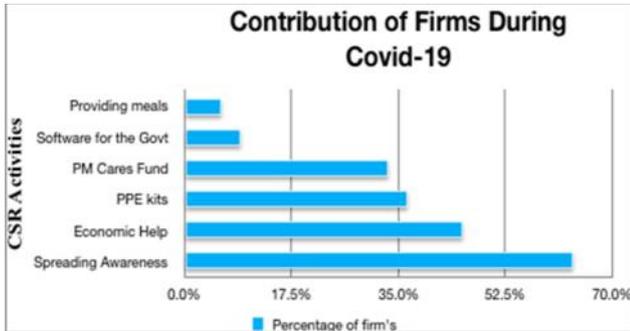


Figure 5.2

As shown (in Figure 5.2), the majority of the companies are involved in spreading awareness about the pandemic and spreading awareness on its precautionary measures to be taken to stay safe and healthy. As compared to the other modes of services during the Covid this form of service, of spreading awareness, is one of the most important services as people need to be aware of what is happening around them and what precautions can be taken. Providing economic aid to people is also done by many firms followed by providing PPE kits to hospitals.

On asking the firms if Covid-19 affected their CSR plan/model for this year as well as next year, a majority said a YES (45.5%), it did affect the CSR plan. 39.4% thought otherwise, saying NO, it didn't affect and about 15.2% weren't sure.

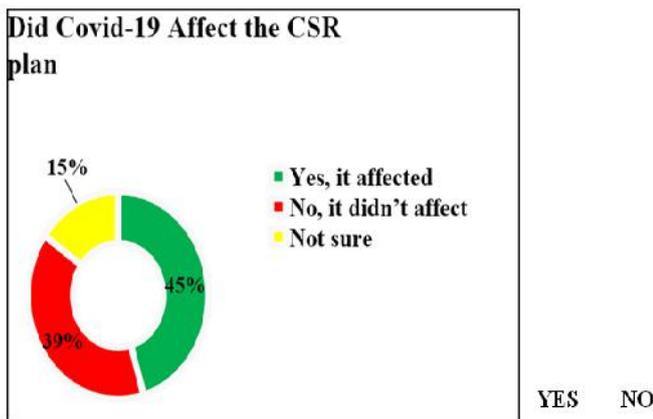


Figure 5.3

When we asked if COVID-19 would affect the CSR model, we have analysed that most of the participants i.e. 46% of them (as shown in Figure 5.3), responded that COVID does affect their CSR plan for the next year. A few on the other hand responded that they weren't sure; therefore making COVID inevitable to all.

When asked if the CSR plan of the firm changes every year (annually), 48.5% of the respondents said it depends on the situation during that time and looking at the need of the hour they decide their CSR. While 27.3% of the respondents said YES it does change in their firm and about 25.2% of them said their firm doesn't change the CSR plan every year.

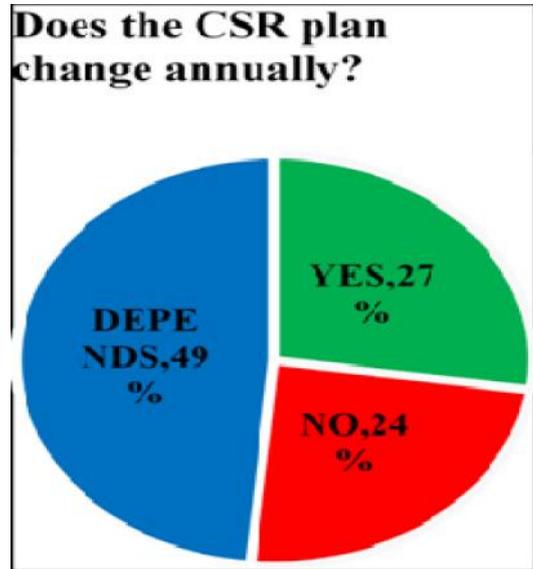


Figure 5.4

CSR plan is something that can be the same for a company or they might even decide to change their plan depending on what the society needs at that point of time. Many firms according to our questionnaire said the CSR plan depends on the needs of the society keep changing and the companies accordingly can plan their CSR activities out for the year. Some companies don't feel the need to change their CSR plans as they would want to continue doing the same activities because they might be really bringing a change in the society with those same activities/plan through so many years. Whereas some would want to keep changing their plans every year to keep up with the needs of the society. Everyone has their own way of thinking and going about with their CSR plans. (Figure 5.4)

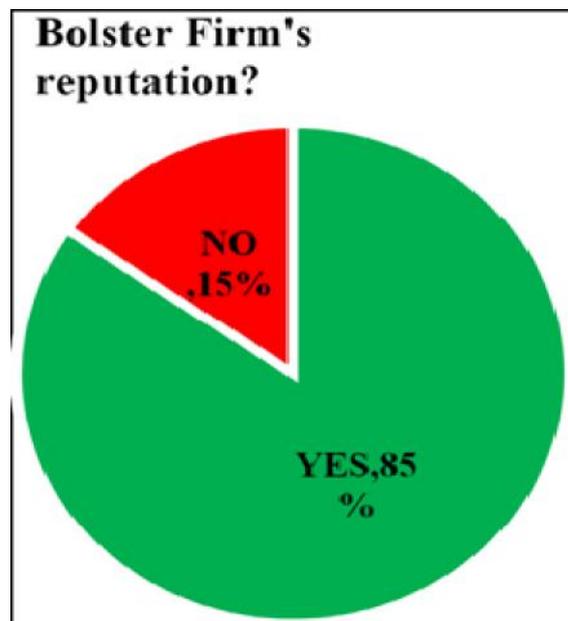
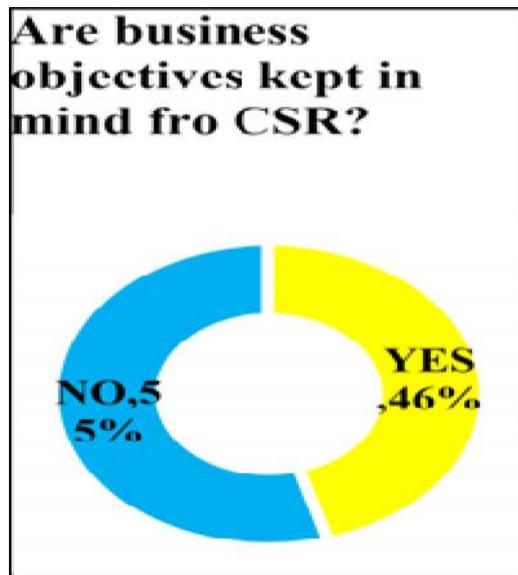


Figure 5.5

Does a firm's CSR program/model bolster their reputation? According to our respondents, 84.8% of them said it does bolster their firm's reputation and the rest felt otherwise (15.2% said NO). Even though the objective of companies while doing CSR is not to bolster and improve their businesses, about 85% of people (Figure 5.5) said that the activities conducted does strengthen the reputation of the company's among people and targeted community and help the firm. This might provide another incentive for companies to carry out CSR.

A stereotype that business objectives are not kept in mind while doing the CSR activities proved wrong when a good percentage of 45.5% said they do have business objectives in mind while conducting CSR activities but still a percentage of 55.5% of the firms said they don't keep business objectives in mind.



Even though CSR is intended for society in general, the brand recognition and reputation of the company or business is definitely tilting towards the positive area. Operational cost savings and better financial performance aren't affected much by CSR. Organizational growth and expansion have definitely improved due to CSR. Thus, in the conclusion of the interpretation, we can say that CSR is done not only for society but also for brand recognition and business reputation. In a world post-Covid, building brand recognition and re-establishing business reputation will help businesses all over the world to recover from the economic losses. 7. We also asked our respondents if they consider what other firms from the same sector do for the society? And approximately 95% of our respondents said their firms perform CSR for the society and are not done with the purpose of competing. Most of the competition was about promoting the brand and creating brand loyalty and repeated sales. CSR as it suggests is mainly undertaken by each firm in their own way, to contribute to the society. Even though competitors are more than aware of what other firms in the same market are doing, they do not consider CSR as a competing factor.

CONCEPTUAL MODEL



CONCLUSION AND RECOMMENDATION

CSR as an overall view is a self-regulatory business model which helps a company be socially accountable to all of its stakeholders by practising activities that have an impact on social, environmental and economic aspects. Our questionnaire gives us a perspective of how COVID has affected the business regards to its annual change in model, their active participation in CSR during and after COVID. Most of the firms have observed not to keep their objectives in mind. To conclude, CSR has affected the business sector in India and the firms are making an effort to do as much as possible in their hands to keep up their Corporate Social Responsibility. Different firms in different sectors have been able to adapt to new CSR practices in order to keep their employees and their environment safe from a new disaster of the world. These companies are trying their best to ensure that everyone around them is safe and healthy, by carrying out activities such as antiseptic using the surrounding, providing masks and gloves and other necessary equipment as precautions and ensuring social distancing is maintained. However, all this is done along with their regular CSR practices, for each of the firms respectively. Hence CSR has taken new turns in most of the companies, and this was caused due to COVID – 19 outbreak.

Recommendations

-) Focus more on the medical sector along with the environment looking at the current situation.
-) Providing education facilities to under-privileged, the ones who can't afford basic education. According to our survey, not many firms contribute towards education, hence providing education facilities would be highly recommended.
-) Along with spreading awareness companies can give out masks, gloves and everything that is required for taking precautions from this pandemic.
-) Promote cloth or other alternatives to single-use plastic masks and gloves, so that the environment is protected also it is washable reducing the need to buy new ones every time.

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