



IMPACT OF COVID-19 ON CORPORATE SOCIAL RESPONSIBILITY (CSR) SPENDING PATTERNS IN LEADING INDIAN STATES

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Abstract : The objective of this research study is to analyse the changes observed in the CSR spending patterns among the top five Indian States pre and post COVID-19. The study is based on the secondary data, collected from the official website of Ministry of Corporate Affairs (MCA) and government (MCA) CSR portal from the year 2014-15 to 2020-21. For the data analysis, MS-excel software is used. Descriptive research methodology with average, standard deviation, coefficient of variance and correlation analysis is applied on the average CSR spending (2014-20) and its comparative study with the spending in COVID year (2020-21). The analysis provides a comparative view of the pre and post CSR spending patterns between the leading Indian states and to find the deviations thereof. The result of this study is beneficial for the industry experts, CSR advisors, Government authorities, research scholars and the society as a whole.

Index Terms - CSR, Social Responsibility, CSR Spending patterns, inter-state CSR spending analysis, COVID-19 impact on CSR.

1. Introduction

CSR has been described as corporate duty, corporate citizenship and social enactment with different sustainable approaches. From time to time, academicians, corporates, social associations and government tried to define CSR in a single term which has resulted in a diverse concept of CSR's scope that is still growing and evolving.

The term "Corporate Social Responsibility (CSR)" can be referred as an initiative taken by the Corporates to assess and take responsibility for the Company's effects on the environment and impact on social welfare.

The World Business Council for Sustainable Development in its publication "Corporate Social Responsibility: Making Good Business Sense" (January 2000) by Richard Holme and Phil Watts provided the following definition "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

United Nations Industrial Development Organization (UNIDO) focussed on the management concept of CSR and explained it as an integral part of the companies' activities where they incorporate both social and environmental concerns.

International Labour Organization (ILO) defines CSR as "a way through which companies operate in a society by keeping into consideration the impact their organisation working will have on the environment." ILO also stressed that the companies should follow values and principles in executing internal operations as well as in dealing with external factors. ILO mentioned that CSR is a voluntary act which includes activities that are considered to exceed compliance with the law.

Thus, the idea behind the CSR concept is that the business cannot operate in isolation and in today's dynamic ever changing market made a huge impact on an increased realization by the companies that not only can they can affect society at large. However, they are also in a unique position to influence society and make positive impact which results in overall growth of the economy.

1.1 CSR and Indian Legal Framework

To strengthen the norms of CSR in India and providing uniformity and transparency in the corporate CSR initiatives and its reporting, the Companies Act, 2013 was enforced on August 2013 repealing the erstwhile Companies Act, 1956. The new law contains 470 sections and CSR was one of the important aspects which focussed on the spending of companies towards socially responsible activities.

As per section 135 of the 2013 Act read with CSR Rules, every company with net worth of Rs 500 crore or more, or turnover of Rs 1000 crore or more or net profit of Rs 5 crore or more during the immediately preceding financial year, shall spend at least 2% of its average net profits of the three preceding years, on CSR activities. Further, such companies are also responsible to constitute a Corporate Social Responsibility Committee of the Board of directors. The CSR Committee of the Board is responsible for formulating and implementing the CSR policy, subject to the supervision of the board of directors of the company.

1.2 Problem Statement

Problem statement plays an important role in any research as it serves as a base in setting up the objectives and related research questions. The below mentioned are the problem statement for this research-

- What are the deviations in CSR spending patterns in the leading states of India?
- To find out the CSR Spending gap between average state spending during pre COVID (2014-20) and COVID period (2020-21).

1.3 Objectives of Research Study

The objective of this research is to analyse the Corporate Social Responsibility (CSR) spending patterns in the top five States of India in the pre and post COVID scenario and to find out the variances and correlation between them by taking into consideration the relevant secondary data.

1.4 Scope of the Study

- The study is based on the secondary data pertaining to CSR spending among various Indian States, collected from the official website of Ministry of Corporate Affairs (MCA) and government (MCA) CSR portal.
- The top five states from India on their CSR spending pattern are selected from the year 2014-15 to 2019-20 and its comparative spending for the year 2020-21 is studied to analyse the impact of COVID-19 on the states CSR spending patterns.

2. Literature Review

To gain knowledge about the impact of CSR and CSR related spending patterns in India, an in-depth literature review of the past papers was done.

The customers believed that an improved corporate image is linked with an important factor performed by the companies related to CSR activities [13, 14]. In the past studies it was analysed that the customers give importance to consider the company's involvement in social responsibility services and thereafter reward or punish those enterprises through their actual purchase.

With the increase in the awareness about the relationship between customer behaviour and CSR, companies are now therefore actively getting involved in as many as corporate social responsibilities as possible in order to respond to customer demands [11, 12].

The actual success of the CSR spending and CSR initiatives could be justified only in case it results in overall growth of the economy with a positive effect on customers buying behaviour.

Dr. Mohammad Anees (2012) [1] has attempted to analyze the level of CSR initiatives in India relating to 50 standard companies listed at NSE popularly known as NSE Nifty Companies and to further know whether the CSR initiatives are associated with three important aspects of the sampled companies viz., profitability, type of ownership- private or public and type of industry – manufacturing or service. The research was based on secondary data collected from the websites of respective companies, the website of National Stock Exchange and the website of an NGO (www.karamyog.com) with a sample size of 50 Companies.

Carrol (1991) [2] has introduced the concept of CSR Pyramid in which Philanthropic, Ethical, Legal and Economic Responsibilities of the business are elaborated along with the shareholder/responsibility matrix which acts as a tool to understand and analyse the stakeholders interest and the impact of corporates activities on the same.

Other important studies includes Abigail McWilliams et al 2000 [3]; Ker-Tah Hsu, 2012 [4]; Porter and Kramer, 2006 [5]; Smith, 2003 [6]; Smith and Higgins, 2000 [7]; Varadarajan and Menon, 1988 [8]; Handelman et al, 1999 [9]; C.B. Bhattacharya and Sankar Sen, 2004 [10] that analysed the impact of CSR on financial performance and tried to explore the relationship between CSR and R&D by studying existing econometric studies. In these past studies the major gap was seen between expected CSR & CSR strategies and activities.

Thus, all the gaps and past paper studied justify the construction of the problem statement and objectives. The research is thus about the comparative analysis among the leading CSR spending states of India in the pre and post COVID-19 scenario.

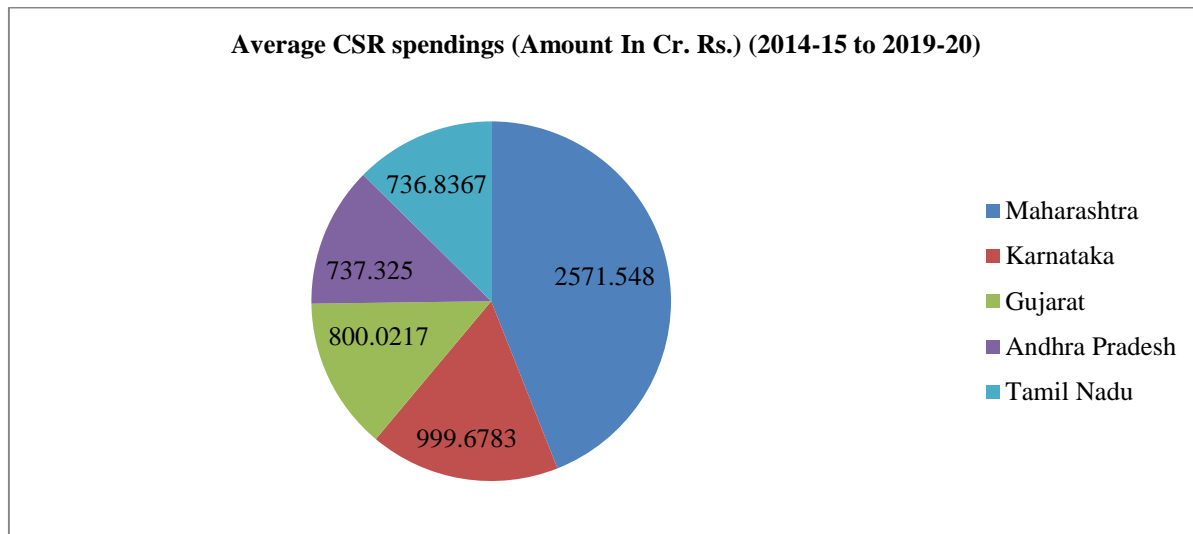
2.1 Research Methodology

The research conducted in this paper is descriptive in nature. The data of this study is secondary data which have been collected from different sources such as official websites of Ministry of Corporate Affairs (MCA) and government (MCA) CSR portal.

2.2 Justification for selecting the top five CSR Spending States

The analysis of state wise CSR spending patterns leads to the determination of the top five states with highest spending for the year pre 2014-15 to 2019-20 which is summarised in the table below.

<i>Name of the States</i>	<i>Average (in Cr.) From 2014-15 to 2019-20</i>
Maharashtra	2571.548
Karnataka	999.6783
Gujarat	800.0217
Andhra Pradesh	737.325
Tamil Nadu	736.8367



Based upon the yearly data of CSR spending, the aforesaid table have been compiled which proves that Maharashtra is the highest CSR spending state, followed by Karnataka, Gujrat Andhra Pradesh and Tamil Nadu.

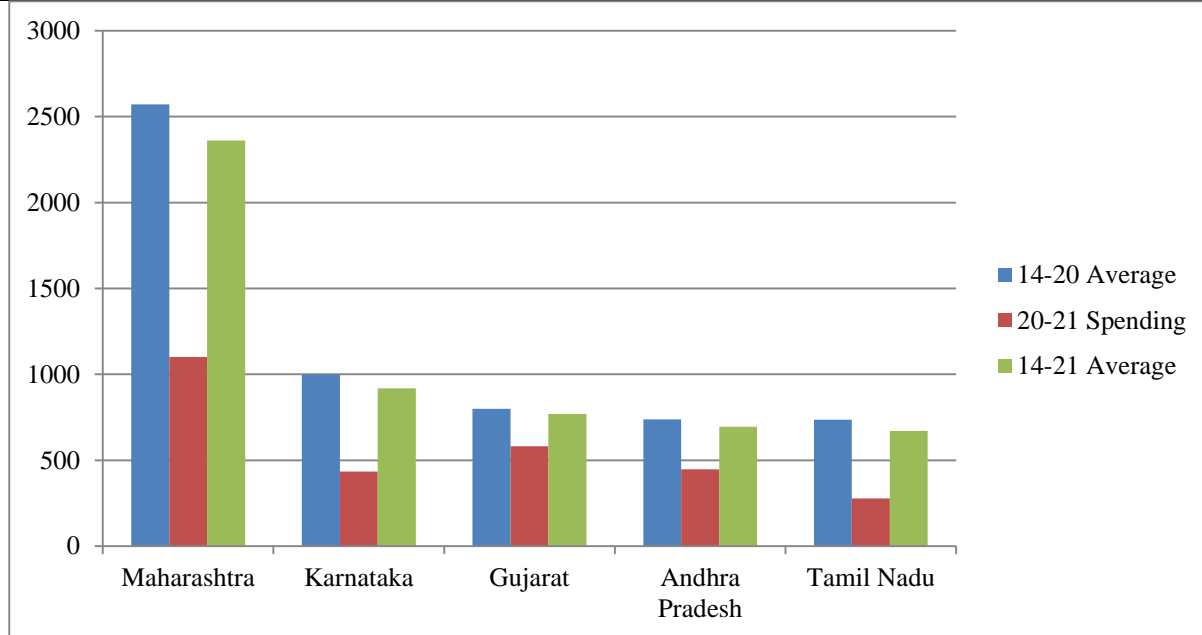
2.3 Analysis of pre and post COVID average CSR spending in leading States

<i>States</i>	<i>Amount Spent</i>	<i>Amount Spent</i>	<i>Amount Spent</i>	<i>Amount Spent</i>	<i>Amount Spent</i>	<i>Amount Spent</i>	<i>Amount Spent</i>
	<i>FY 14-15</i>	<i>FY 15-16</i>	<i>FY 16-17</i>	<i>FY 17-18</i>	<i>FY 18-19</i>	<i>FY 19-20</i>	<i>FY 20-21</i>
	<i>(INR Cr.)</i>	<i>(INR Cr.)</i>	<i>(INR Cr.)</i>	<i>(INR Cr.)</i>	<i>(INR Cr.)</i>	<i>(INR Cr.)</i>	<i>(INR Cr.)</i>
Maharashtra	1,445.91	2,052.23	2,492.10	2,565.59	2,864.04	2,751.21	1,100.59
Karnataka	403.46	784.65	887.68	1,034.32	1,224.91	1,383.65	434.68
Gujrat	313.44	551.42	870.84	775.89	1,065.90	910.12	582.36
Tamil Nadu	539.63	633.23	550.93	627.75	829.27	919.05	446.86
Andhra Pradesh	414.27	1,294.28	753.52	275.27	644.82	679.18	277.35

Based on the above secondary data collected from the website of Ministry of Corporate Affairs (MCA), Government of India, the following set of analysis is made.

2.4 Impact of COVID-19 on Average CSR spending of leading states

<i>Name of the States</i>	<i>Average Spending (Rs. in Cr.) From 2014-15 to 2019-20</i>	<i>CSR Spending (Rs. in Cr.) COVID year 2020-21</i>	<i>Average Spending (Rs. in Cr.) From 2014-15 to 2020-21</i>
Maharashtra	2571.548	1,100.59	2361.411
Karnataka	999.6783	434.68	918.9643
Gujarat	800.0217	582.36	768.9271
Andhra Pradesh	737.3250	446.86	695.830
Tamil Nadu	736.8367	277.35	671.1957



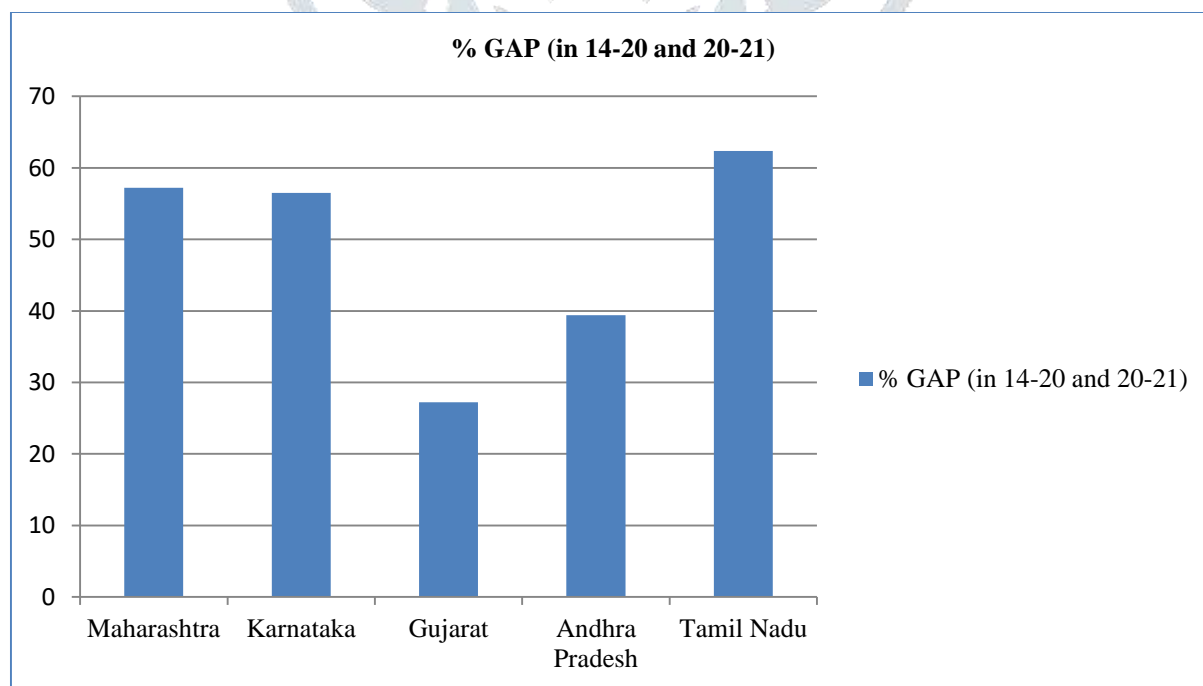
In the pandemic year 2020-21, the state of Uttar Pradesh also made significant contribution of Rs. 361.95 Crores. However, the six year and seven year average spending of the Uttar Pradesh is significantly less than the above five states. The above figures demonstrate a significant decrease in the CSR spending by the states.

3. Data Analysis & Interpretation

3.1 CSR Spending GAP Analysis

The table below represents an analysis of decrease in absolute terms (amount in Rs.) and relative terms (percentage) between the pre COVID average CSR spending of six years (2014-20) and spending in COVID year (2020-21).

Name of the States	Average Spending (Rs. in Cr.) From 2014-15 to 2019-20	Spending in COVID year (2020-21)	GAP (Rs. in Cr)	% GAP (DECREASE)
Maharashtra	2571.548	1,100.59	1,470.96	57.20
Karnataka	999.6783	434.68	565.00	56.52
Gujarat	800.0217	582.36	217.66	27.21
Andhra Pradesh	737.325	446.86	290.47	39.39
Tamil Nadu	736.8367	277.35	459.49	62.36



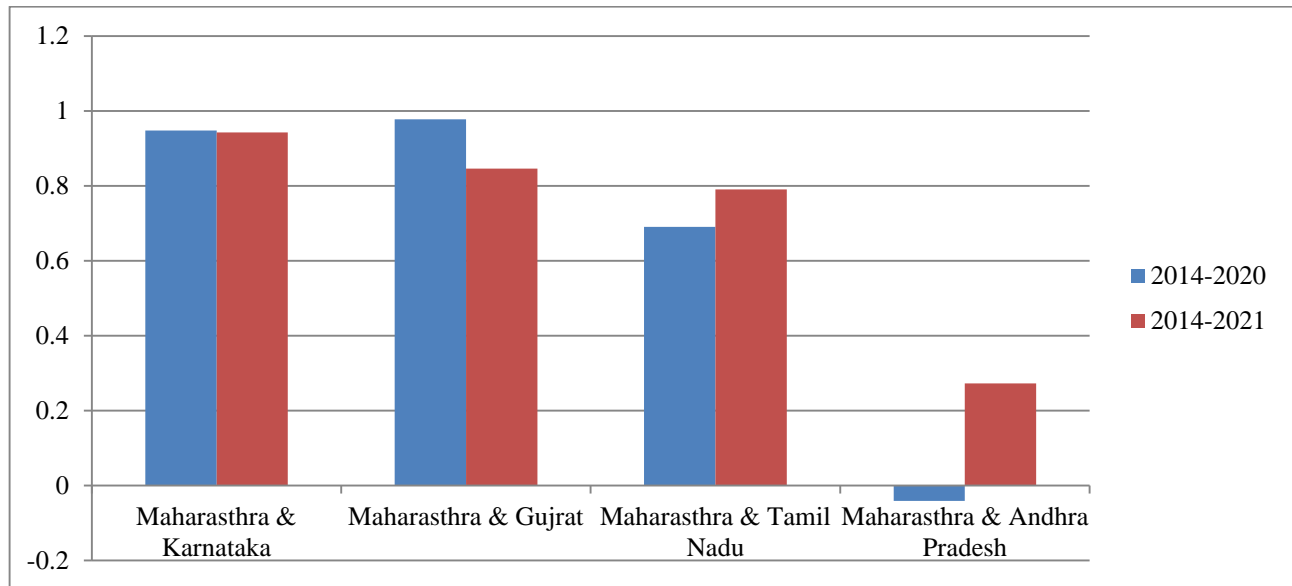
The above table represents the absolute and relative gaps in the CSR spending among the leading states of India. More than 50% decrease in reported in the three out of top five states, namely Maharashtra (57.2%), Karnataka (56.52%) and Tamil Nadu (62.36%). More than 39% decrease is found in the state of Andhra Pradesh while more than 27% decrease is measured in the state of Gujarat.

3.2 Inter State Comparison of CSR Spending

3.2.1 Analysis of Correlation of Maharashtra with other leading states for the year 2014-2020 and 2014-2021

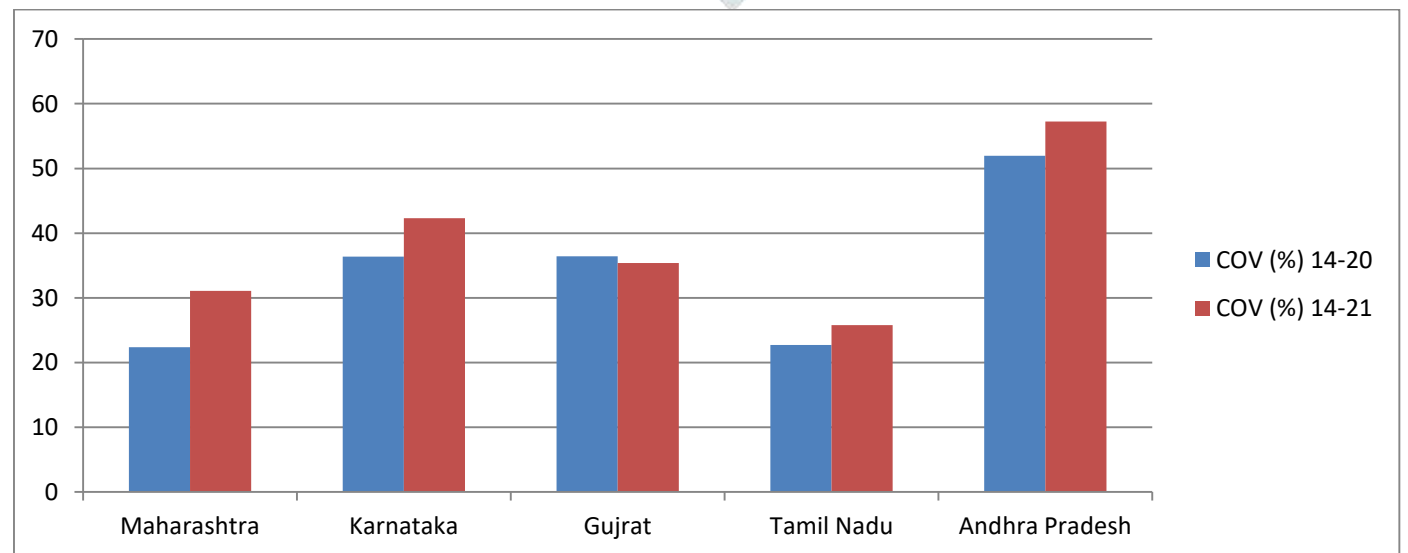
The analysis is made for the correlation of the top state in CSR spending (Maharashtra) with other leading states and the following results were drawn.

Correlation between States	2014-2020	2014-2021
Maharashtra & Karnataka	0.9473	0.9430
Maharashtra & Gujrat	0.9773	0.8458
Maharashtra & Tamil Nadu	0.6909	0.7905
Maharashtra & Andhra Pradesh	- 0.0405	0.2731



3.2.2. Analysis of Standard Deviation (SD) and Coefficient of Variance (CoV)

States	(Amount in Cr. Rupees)				(%)	
	Average 14-20	Average 14-21	SD 14-20	SD 14-21	CoV (%) 14-20	CoV (%) 14-21
Maharashtra	2,361.85	2,181.67	528.598	678.306	22.380	31.091
Karnataka	953.11	879.05	346.586	372.152	36.363	42.335
Gujrat	747.94	724.28	272.285	256.318	36.404	35.389
Tamil Nadu	683.31	649.53	155.332	167.611	22.732	25.805
Andhra Pradesh	676.89	619.81	351.665	354.770	51.953	57.238



4. Results and Discussion

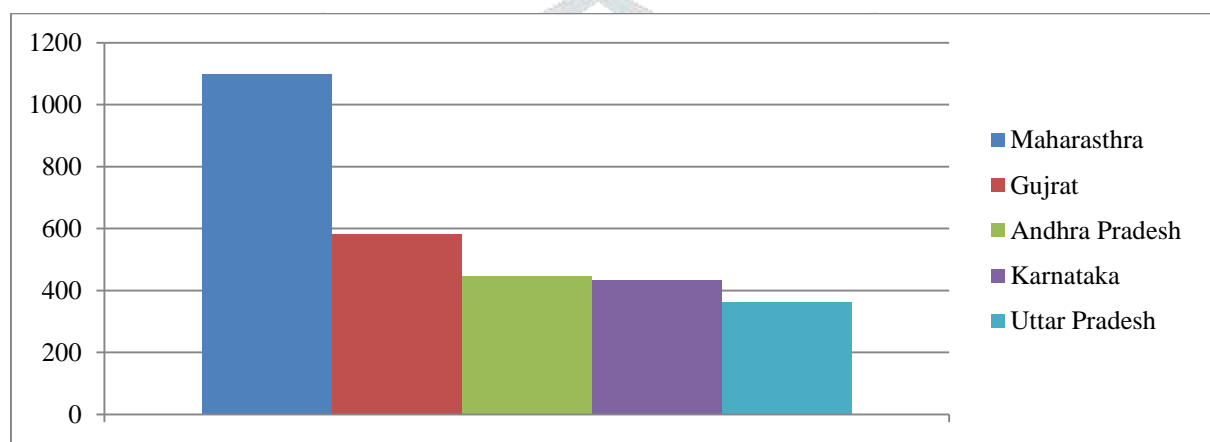
The results show that there was a significant difference between the spending of Maharashtra and other leading states. It was noticed that Karnataka and Gujrat are spending nearly 60% and 68% respectively less than Maharashtra while Andhra Pradesh is spending 70% less than Maharashtra.

The six year CSR spending studies tells that there is lowest level of Coefficient of Variance (22%) in the state of Maharashtra and Tamil Nadu, followed by Karnataka and Gujrat with a Coefficient of Variance of 36.36 and 36.4 respectively. Studies reveal that the state of Andhra Pradesh is not spending in a stable manner with a highest level of Coefficient of Variance of nearly 52%.

It was also analysed that Gujrat state shows a highest degree of positive correlation with Maharashtra (+0.97734) while Andhra Pradesh shows a degree of negative correlation with Maharashtra (-0.04) which explains that the spending pattern of Andhra Pradesh is not showing a consistent growth in its consecutive years which is reflecting an opposite trend as compared to other states, especially Maharashtra.

Thus, the research reveals that there are deviations in the CSR spending trends in the leading states of India. Maharashtra is spending a highest amount of CSR on average basis in the last six years. Andhra Pradesh, though ranks in top five CSR spending states, spending contains high level of variance spread and thus reflects its high fluctuating spending patterns over the year. Karnataka, Gujrat and Tamil Nadu are following a trend of a balance CSR spending with a stable spending rate as evident from the analysis of Coefficient of Variance of the respective states.

After doing detailed analysis of the data it was also noticed that the CSR spending has decline post COVID-19. The following table depicts the CSR spending by the top five states in the year 2020-21.



Name of the States	COVID Year 2020-21 CSR Spending
1. Maharashtra	Rs. 1100.59 Crores
2. Gujrat	Rs. 582.36 Crores
3. Andhra Pradesh	Rs. 446.86 Crores
4. Karnataka	Rs. 434.68 Crores
5. Uttar Pradesh	Rs. 361.95 Crores

5. Limitations and Suggestions for Future Research

The present study is majorly based on the average CSR spending patterns from the years 2014 to 2020 and its comparative study with 2020-21. The further research can analyse the averages of the aforesaid periods either on the basis of all states of India or a separate study on COVID pandemic year of 2020-21 as it might be beneficial to study the impact of COVID-19 on the CSR trends.

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