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CSR SPENDING AND ITS RELATIONSHIP WITH STOCK PRICES (WITH SPECIAL REFERENCE TO THE NSE TOP 10 COMPANIES)

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ABSTRACT

Corporate Social Responsibility (CSR) has emerged as a key component of corporate governance and stakeholder engagement, especially in India, where CSR spending became mandatory under Section 135 of the Companies Act, 2013. The present study examines the relationship between CSR expenditure and stock prices of the top ten companies listed on the National Stock Exchange (NSE) based on market capitalisation. The study is based on secondary data collected from annual reports, CSR disclosures, and NSE stock price records for a ten-year period. Statistical tools such as correlation and simple linear regression were employed to analyse the relationship between CSR spending (independent variable) and stock price performance (dependent variable). The findings reveal a weak and statistically insignificant relationship between CSR expenditure and stock prices. The overall correlation coefficient was 0.0855, indicating minimal association between the variables. Similarly, the regression results demonstrated a low R-square value of 0.008, suggesting that CSR spending explains less than 1% of the variation in stock prices. The regression coefficient for CSR was positive but not statistically significant ($p = 0.345$), leading to the acceptance of the null hypothesis that CSR expenditure does not significantly impact stock prices of selected NSE-listed firms.

The study concludes that CSR spending, although essential for compliance and ethical positioning, may not yet be perceived by investors as a direct determinant of stock market performance in the Indian context. The results imply that the financial market may value CSR benefits as long-term and intangible rather than short-term monetary gains. The study suggests incorporating more variables, such as ESG ratings, profitability measures, and event-based analysis, in future research to better understand investor perception and market behaviour toward socially responsible corporate actions. Overall, the findings suggest that the impact of CSR on stock market performance is not uniform across companies but depends on sectoral dynamics, investor sentiment, perceived CSR effectiveness, and the strategic integration of CSR within corporate operations.

KEYWORDS: CSR, Stock Prices, NSE Companies, Market Performance



INTRODUCTION

Corporate Social Responsibility (CSR) has become a critical area of business policy and academic inquiry in recent years, particularly in emerging economies such as India. The concept of CSR is not new in the Indian context. Historically, Indian businesses have engaged in philanthropic activities driven by ethical, cultural, and religious values. During the pre-independence era, industrialists such as the Tata, Birla, and Bajaj families contributed significantly to community development, nation-building, and charitable activities (KPMG, 2019). However, while CSR originally emerged from voluntary ethical commitments, its role has evolved into a structured and strategic business mandate. A major turning point occurred with the implementation of the Companies Act, 2013 (Section 135), which made India the first country in the world to legally mandate CSR spending for eligible companies. According to this act, companies having a net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more must spend at least 2% of their average net profit of the previous three financial years on CSR-related activities. Since then, CSR in India has shifted from voluntary philanthropy to compliance-driven strategic investment aligned with national priorities such as education, rural development, environmental sustainability, women's empowerment, and healthcare.

In parallel with rising corporate focus on CSR, the Indian financial markets have also demonstrated increased awareness of sustainability practices, governance standards, and socially responsible investing. The growth of ESG (Environmental, Social, and Governance) indices, responsible investment frameworks, and sustainable financing has encouraged researchers and investors to examine whether CSR performance influences a firm's market valuation or investor perception. Stock prices in the Indian capital market are influenced by multiple internal and external factors such as profitability, industry trends, government regulations, investor sentiment, geopolitical events, and macroeconomic conditions. Despite this complexity, CSR has increasingly been viewed as a potential determinant of corporate financial performance and shareholder value. Proponents argue that CSR creates intangible benefits such as brand loyalty, reduced regulatory scrutiny, reputation enhancement, customer trust, and lower risk exposure, which may ultimately result in improved market performance and stock price appreciation. However, existing research presents mixed evidence. Some studies report a positive association between CSR and firm performance, arguing that socially responsible companies attract long-term investors and reduce business risks. Others suggest that CSR spending may not yield immediate financial returns and may instead be treated as a cost rather than an investment by shareholders—especially in developing economies like India where financial returns often take precedence over ethical considerations.

Given these contrasting viewpoints, it becomes relevant to empirically investigate whether CSR



spending influences stock market behaviour in the Indian context, particularly among leading corporations. The top listed companies in India, especially those listed on the National Stock Exchange (NSE), play a pivotal role in shaping CSR trends and investor sentiment. These companies are often industry leaders with high visibility, strong investor following, and larger CSR budgets, making them ideal for examining the relationship between CSR initiatives and stock price performance.

LITERATURE REVIEW

Recent studies have examined the evolving link between CSR spending and stock market behaviour in India, especially after the introduction of mandatory CSR spending under the Companies Act, 2013. Roy (2022), using firm-level CSR expenditure data and panel regression analysis, concluded that while mandatory CSR provisions have significantly increased corporate CSR spending, their effect on stock market liquidity remains complex and varies based on firm-specific characteristics. Similarly, Pandey (2024) analysed the impact of ESG regulations on stock market returns and found that the market response is highly dependent on the credibility and assurance of CSR and ESG reporting, suggesting that regulation and disclosure quality—not merely the amount spent—play a key role in shaping investor confidence. Further supporting this view, Ruhupatty (2024), through an event study approach, found heterogeneous market responses to mandatory CSR announcements, noting that companies with strong historical CSR engagement experienced more positive stock reactions compared to firms perceived as CSR-laggards, indicating that investor sentiment and reputational factors significantly mediate market outcomes.

Sector-specific evidence also shows mixed results. A 2024 study published in SAGE Journals examining the Indian banking sector using panel regression techniques reported that CSR spending does not immediately enhance financial performance or stock valuation, but may contribute to long-term institutional trust and resilience. Likewise, Oware (2022), analysing 80 Indian firms, observed that although mandatory CSR spending increased expenditure levels, it did not consistently translate into better stock market performance or short-term financial gains. Verma (2024), using event-study methodology, highlighted that market reactions to CSR-related announcements tend to be weak or inconsistent, particularly during volatile periods such as the COVID-19 pandemic—implying that macroeconomic conditions may overshadow CSR news. Recent working papers analysing announcements of CSR awards and ESG recognitions between 2018 and 2023 also indicate that investor response is more favourable when CSR efforts are visible, measurable, and externally validated rather than merely reported as expenditure.

Broader systematic literature reviews conducted between 2024 and 2025 further reveal that the relationship between CSR, ESG activities, and stock market performance remains inconclusive, context-dependent, and influenced by methodology, time horizon, and disclosure transparency. While



some studies report positive long-term relationships, short-term stock price reactions remain inconsistent and often statistically insignificant. In addition, evolving regulations by SEBI—including BRSR reporting requirements and guidelines for ESG rating agencies—suggest that corporate reporting frameworks are still maturing. Recent policy updates and CSR expenditure trend reports from 2024 indicate that investor interpretation of CSR continues to evolve alongside regulatory clarity and reporting consistency. Taken together, these studies suggest that while CSR spending has grown and gained institutional significance in India, its direct and immediate impact on stock market prices remains limited, supporting the argument that CSR may influence firms more through long-term reputation building, governance quality and stakeholder trust rather than short-term price movements.

RESEARCH GAP

Although several studies have examined the link between CSR and financial performance in India, most have relied on CSR scores or disclosure-based measures rather than actual CSR spending. Further, existing research rarely analyses the relationship at a company-wise level or compares multiple leading firms across sectors. Limited evidence exists on whether mandatory CSR expenditure directly influences stock market behaviour in the long term. Therefore, there is a need to study the association between actual CSR spending and stock prices using longitudinal firm-level data of top-listed Indian companies.

OBJECTIVES OF THE STUDY

1. To examine the relationship between CSR spending and stock prices of selected NSE- listed companies.
2. To analyse the effect of CSR Spending on the Stock prices of the NSE-listed companies.

HYPOTHESIS

1. **H₀₁**: There is no significant relationship between CSR spending and stock prices of the selected NSE-listed companies.
H₁₁: There is a significant relationship between CSR spending and stock prices of the selected NSE-listed companies.
2. **H₀₂**: CSR spending does not have a significant effect on the stock prices of the selected NSE-listed companies.
H₁₂: CSR spending has a significant effect on the stock prices of the selected NSE- listed companies.

Data Analysis and Interpretation

In order to examine the relationship between CSR spending and stock prices of selected NSE top listed companies, both correlation analysis and regression analysis were performed using the panel data collected for ten companies over a period of ten years. The variables considered for analysis included CSR expenditure and stock prices. The statistical analysis was conducted using Microsoft Excel.

The required financial information and CSR expenditure figures were obtained from annual company reports and CSR disclosures mandated under Section 135 of the Companies Act, 2013. Stock price data was sourced from official records available on the National Stock Exchange (NSE) platform.

Pearson’s correlation coefficient (r) was used to determine the strength and direction of the relationship, while the significance value (Sig. 2-tailed) was used to verify the statistical significance of the results.

Company	Correlation (r)	Significance (p-value)
Reliance	0.190	0.576
HDFC Bank	0.309	0.355
Bharti Airtel	-0.390	0.235
TCS	0.567	0.069
ICICI Bank	0.916	0.00
SBI	0.934	0.00
Bajaj Finance	0.713	0.014
Infosys	0.066	0.846
HUL	0.816	0.002
ITC	0.383	0.245

The correlation values indicate varied patterns across firms. While ICICI Bank, SBI, Infosys, and HUL show statistically significant positive relationships, the remaining companies do not show a meaningful statistical association between CSR expenditure and stock price movements.

Variable	Correlation Value (r)	Significance Value (p-value)	Interpretation
CSR Spending and Stock Price (overall)	0.0855	> 0.05	Very weak, not significant

To evaluate the overall relationship between CSR spending and stock prices across the selected firms,

a Pearson correlation test was performed. The correlation coefficient ($r = 0.0855$) indicates a very weak positive association between CSR investment and stock price performance. The result suggests that CSR spending does not have a significant influence on stock price movement at the aggregate level.

To examine the extent to which Corporate Social Responsibility (CSR) expenditure influences stock prices of NSE-listed companies, a simple linear regression analysis was conducted. The stock price was taken as the dependent variable and CSR expenditure as the independent variable. The regression model tests the direction and statistical significance of the relationship between the two variables at the 5% significance level. The results of the regression model are presented in the table below.

<i>Regression Statistics</i>								
Multiple R	0.091269							
R Square	0.00833							
Adjusted R Square	-0.000938							
Standard Error	1612.799							
Observations	109							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	2337860.7	2337861	0.89879	0.3452426			
Residual	107	278319791	2601120					
Total	108	280657652						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1447.90	222.77	6.50	0.00	1006.29	1889.52	1006.29	1889.52
760.6	0.425	0.449	0.948	0.345	-0.464	1.315	-0.464	1.315



The regression results indicate that the relationship between CSR expenditure and stock prices is positive but statistically insignificant ($p = 0.345 > 0.05$). The R^2 value of 0.008 suggests that CSR expenditure explains less than 1% of the variation in stock prices, indicating a weak predictive relationship. The coefficient of CSR ($\beta = 0.425$) shows that although stock prices tend to increase with CSR spending, the effect is not strong enough to be statistically meaningful. Therefore, based on this model, CSR expenditure does not have a significant impact on stock price movements among the selected NSE-listed companies during the study period. These findings imply that investors may not immediately respond to CSR expenditure while making investment decisions, suggesting that CSR benefits may be long-term, reputational, and non-financial rather than directly influencing market price movements.

The correlation analysis revealed a weak positive association between CSR expenditure and stock prices, with an overall correlation coefficient of $r = 0.0855$. Since the correlation value is close to zero, it indicates a negligible linear relationship between the two variables. Furthermore, the significance value ($p > 0.05$) suggests that this relationship is not statistically meaningful at the 5% significance level.

Similarly, the results of the simple linear regression further support the weak association observed in the correlation analysis. The regression model yielded an R-square value of 0.008, indicating that only 0.8% of the variation in stock prices can be explained by CSR spending. The regression coefficient ($\beta = 0.425$) was positive but statistically insignificant, as indicated by the p-value of 0.345, which exceeds the standard threshold of 0.05. The F-statistic ($F = 0.898$) also confirmed that the overall regression model was not statistically significant.

Based on both statistical tests, the evidence does not support the alternative hypothesis. Therefore, the null hypothesis (H_0) is accepted, and it is concluded that CSR spending does not have a statistically significant impact on stock prices among the selected NSE top 10 listed companies during the study period.

DISCUSSION

The objective of this study was to analyse whether Corporate Social Responsibility (CSR) expenditure has a measurable influence on stock prices of selected NSE-listed companies. The findings from both correlation and regression analyses provide insights into the nature and strength of the relationship between the variables.

The correlation analysis conducted for the selected companies revealed a weak and statistically insignificant association between CSR spending and stock prices. Across the dataset, no strong



positive or negative correlation was observed, suggesting that fluctuations in CSR expenditure did not correspond with changes in stock price performance. This indicates that stock market reaction to CSR spending may not be uniform across firms and may depend on additional organisational or market-level factors.

The overall regression analysis further supports these results. The model yielded an R^2 value of 0.008, indicating that CSR expenditure explains less than 1% of the variation in stock prices among the selected firms. Additionally, the regression coefficient for CSR spending was positive, suggesting that stock prices tend to increase as CSR expenditure increases; however, the p-value (0.345) indicates that this effect is not statistically significant at the 5% confidence level. Therefore, the regression results confirm that CSR expenditure does not have a meaningful or predictive impact on stock prices during the study period.

These findings suggest that although CSR investment is increasingly recognised as an important part of corporate strategy and legal compliance in India, it may not yet be perceived by investors as a direct driver of financial or market value in the short term. This aligns with existing literature that proposes CSR benefits are often long-term, intangible, and reputation-driven, rather than immediately reflected in stock market reactions.

CONCLUSION

This study examined the relationship between Corporate Social Responsibility (CSR) expenditure and stock prices of selected companies listed on the National Stock Exchange (NSE). Using correlation and regression analysis, the study attempted to determine whether CSR investment influences market performance.

The findings indicate that there is no statistically significant relationship between CSR expenditure and stock prices for the selected firms. The correlation results showed a weak association between the variables, while the regression model demonstrated a very low explanatory power, with CSR expenditure accounting for less than 1% of variation in stock prices. Although the direction of the regression coefficient was positive, the effect was not statistically significant.

Based on the results, it can be concluded that CSR expenditure alone is not a key determinant of stock price changes during the study period. This suggests that investors may not directly consider CSR spending as a factor influencing short-term market value, or that CSR benefits may not be immediately reflected in stock market performance.



LIMITATIONS OF THE STUDY

While the study provides useful insights, several limitations must be acknowledged:

1. The study used a limited number of observations, which may restrict the generalisability of findings.
2. CSR was measured only in monetary terms. Non-monetary CSR disclosure quality, CSR performance ratings, or ESG scores were not included.
3. Stock prices may reflect only short-term reactions, whereas CSR initiatives often yield long-term intangible benefits.
4. Stock prices are influenced by multiple internal and external factors (economic conditions, firm performance, governance, investor sentiment), which were not controlled in the regression model.
5. The study did not examine whether CSR impact differs across sectors, which could affect result interpretation.

SCOPE FOR FUTURE RESEARCH

Future studies may expand the present research by:

- Analysing a larger sample of companies or extending the timeline to capture long-term CSR impact.
- Incorporating additional financial variables such as firm size, ESG scores, ROA, ROE, financial leverage, and market capitalisation.
- Applying advanced analytical methods, including panel regression or event study methodology.
- Comparing industry sectors to determine whether investor response to CSR differs across industries.
- Evaluating CSR disclosure quality and public perception rather than monetary expenditure alone.

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