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IMPACT OF CORPORATE SOCIAL RESPONSIBILITY SPENDING ON PROFITABILITY OF SELECTED NSE COMPANIES

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ABSTRACT
This study examines the relationship between corporate social responsibility (CSR) expenditure and the financial performance of selected companies over five-year period. The analysis is based on secondary data collected from company reports and employs statistical techniques, including descriptive statistics, corelation analysis and regression analysis. Financial performance is evaluated using key indicators such as Earning per share (EPS), profit before tax (EBT) and Return on Equity (ROE).

The findings reveal a study increase in CSR expenditure during the study period; however, no statistically significant direct relationship is observed between CSR spending and the selected financial performance measures. In contrast, profitability exhibits a strong positive association with both EPS and ROE. The regression results further indicate that the model is statistically significant, suggesting that the selected explanatory variables collectively influence EPS. Overall study concludes that while CSR expenditure may not generate immediate financial benefits, it plays an important role in strengthening corporate reputation, supporting long term organisational sustainability, and creating enduring value for stakeholders.

KEYWORDS*: CSR, Financial Performance, EPS, ROE, Profitability, Regression Analysis*

INTRODUCTION

Corporate Social Responsibility (CSR) has progressively assumed a central role in contemporary business practice, extending beyond philanthropic intent to become an integral element of organisational strategy and governance demonstrating a company's dedication to achieving economic goals while addressing social environmental concerns, there by supporting sustainable growths and development. from an Indian perspective corporate social responsibility acquired a formal regulatory framework with the enactment Section 135 of the Companies Act, 2013, which requires qualifying companies to allocate a minimum of 2 per cent of their average net profits towards CSR activities.

With the growing emphasis on accountability, transparency, and stakeholder engagement, firms are increasingly channelling resources into CSR domains such as education, healthcare, environmental sustainability, and rural development. Despite this trend, the relationship between CSR expenditure and financial performance continues to evoke mixed empirical evidence. While some studies suggest that CSR initiatives impose additional financial burdens that may affect short-term profitability, others highlight their potential to enhance corporate image, strengthen stakeholder relationships, and generate long-term economic benefits.

Review of Literature

The growing prominence of Corporate Social Responsibility (CSR) in India has attracted considerable scholarly attention, particularly following the enactment of the Companies Act, 2013, which institutionalized mandatory CSR spending. The literature reflects three dominant streams: (i) evolution and regulatory framework of CSR, (ii) CSR expenditure patterns and determinants, and (iii) the relationship between CSR and financial performance.

Evolution and Regulatory Framework of CSR in India

Initial studies primarily focused on understanding the nature and scope of CSR practices in India. Gautam and Singh (2010) highlighted that CSR engagement among top Indian companies was largely voluntary and lacked uniformity in reporting standards. This view is supported by Kumar (2017), who emphasized the transition of CSR from a philanthropic activity to a structured corporate strategy.

The introduction of the Companies Act, 2013 provide a formal legal framework for CSR activities in India. Gupta and Gupta (2019) noted that the Act strengthened corporate accountability and improved transparency in CSR reporting and implementation. However, Varadarajan (2016) pointed out that differences between the CSR amount prescribed by law and the amount actually spent by companies continued to exist, reflecting certain gaps in compliance and implementation.

CSR Expenditure Patterns and Determinants

Researchers have examined CSR expenditure from different perspectives within the Indian corporate sector. Verma and Kumar (2014) reported a positive relationship between a company's size and its CSR expenditure, indicating that capacity to allocate resources towards social initiatives. Sharma (2019) also observed an increase in CSR spending among BSE-listed companies after the implementation of stronger regulatory requirements.

More recent studies have focused on the factors that influence the level of CSR expenditure. For instance, Dey, Das, and Mondal (2023) found that factors such as profitability, firm size, and industry characteristics significantly influence CSR

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spending among NSE 200 companies. This suggests that CSR expenditure is influenced not only by social responsibility objectives but also by the financial position and strategic priorities of the organisation.

CSR and Financial Performance: Empirical Evidence

The connection between CSR activities and financial performance has been widely discussed in previous research, although the findings are not always consistent. Bhunia and Das (2015) found that CSR initiatives positively impact the profitability of Maharatna companies. Similarly, Mangalagiri and Bhasa (2022) found evidence of better firm performance among NSE listed companies that actively participated in CSR activities.

Evidence from individual sectors also points towards a positive association between CSR and financial outcomes. for example, Sen and Mallick (2021) examined companies in the IT sector, while and Bhargava and Duhan (2018) focused on the banking sector, both studies reported a favourable relationship between CSR involvement and financial performance.

However, the literature is not unanimous. Sawant (2014, 2017) reported mixed results, indicating that while CSR may enhance long-term firm value, its short-term impact on profitability is often insignificant. Nagar (2023) further emphasized that the CSR–financial performance relationship is contingent upon firm-specific variables and market conditions, suggesting the presence of moderating factors.

CSR Disclosure, Sustainability, and Emerging Trends

Recent studies have expanded the scope of CSR research to include disclosure practices and sustainability dimensions. Shreedhar and Olekar highlighted that enhanced CSR disclosure improves corporate transparency and is positively associated with profitability. Pathak et al. (2024) extended this argument by demonstrating that sustainable CSR strategies contribute not only to profitability but also to market value creation.

Additionally, Jhawar and Jain (2021) examined CSR during the COVID-19 pandemic and found that firms adopted more proactive and socially responsive strategies, reinforcing the role of CSR as a strategic tool during crises.

Research Gap

Even though a lot of research has already been conducted some aspects remain unexplored. research, certain gaps remain. First, existing research provides mixed evidence regarding the CSR–financial performance relationship, indicating the need for more robust and sector-specific analysis. Second, limited research integrates both CSR expenditure and disclosure simultaneously while assessing firm performance. Third, there is a lack of longitudinal studies capturing post-implementation effects of CSR regulations over an extended period

Objectives of the Study

1. To analyse the pattern and extent of Corporate Social Responsibility (CSR) expenditure among the selected five companies over the study period.
2. To examine the trends in Profit Before Tax (PBT) of the selected companies over a period of five years.
3. To evaluate the Earnings Per Share (EPS) of the selected companies as an indicator of financial performance.
4. To assess the relationship between CSR expenditure and the financial performance (PBT and EPS) of the selected companies.

Hypothesis

H_0: stating that there is no significant relationship between CSR and financial performance variables is accepted
H_1: accepted for Profit with EPS and ROE, as these relationships are notable at the 1% level.

Overview of CSR

1. TCS

TCS has maintained a strong, growing commitment to CSR, with expenditure rising from approximately ₹674 crore in FY21 to ₹960 crore in FY25, consistently meeting or exceeding the 2% net profit mandate. Key areas such as education (Ignite My Future), digital access, and skill development, with over 7 million beneficiaries supported in FY24.

2. Infosys

Focused on promoting STEM education through digital classrooms, scholarships, and infrastructure support, strengthening healthcare facilities with advanced equipment, empowering women and underserved communities through livelihood and welfare programs, undertaking sustainability initiatives such as lake rejuvenation and waste management along with rural infrastructure development, and extending support for disaster relief and rehabilitation efforts.

3. Hindustan Unilever Limited (HUL)

Hindustan Unilever Limited (HUL) has consistently maintained high Corporate Social Responsibility (CSR) spending, focusing on water conservation, health, hygiene, and education. HUL's CSR expenditure was approximately ₹165 crore in FY2020-21 and increased to ₹234 crore in FY2023-24, reflecting a strong commitment to community development and environmental sustainability.

4. ITC LIMITED

ITC Limited has consistently maintained high Corporate Social Responsibility (CSR) spending, typically exceeding the statutory 2% requirement. Its CSR initiatives focus heavily on environmental sustainability, including watershed development, afforestation, and social empowerment programs under its "Mission Sunehra Kal" initiative.

5. Reliance

Reliance Foundation from 2010 to 2025 with major CSR initiatives. Around 30% focus is on education and skill development, 25% on healthcare, 15% on sports promotion, 15% on rural development and women empowerment, and 15% on environment and other social causes. It also shows strong COVID-19 relief efforts during 2020–2021. Overall, the foundation has expanded into a multi-sector social impact organization with balanced CSR contributions.

RESEARCH METHODOLOGY

Research Design

The research is empirical and analytical in nature. This research has done on the basis of SPSS using statistical tool descriptive statistics, correlation analysis, and regression analysis

Sample Selection

The study is based on selected NSE-listed Indian companies that consistently disclosed CSR data during the study period.

Table 1

NAME	YEAR	EPS	CSR (in crores)	PBT (In crores)	ROE%
TCS	2020	126.17	602	42248	38.44%
	2021	89.27	674	43760	37.52%
	2022	103.62	727	51687	43%
	2023	115.19	953	56907	46.61%
	2024	127.74	960	61997	50.73%
INFOSYS	2020	89.62	455.67	22007	25.50%
	2021	103.62	391.51	26628	27.52%
	2022	115.19	344.91	30,110	29.39%
	2023	125.88	325.32	33,322	32.30%
	2024	127.74	359.94	35,988	32.46%
RELIANCE	2020	33.8	1022	818	10.23%
	2021	38.11	922	-311	7.60%
	2022	44.87	1271	-656	7.79%
	2023	49.29	234	-2,466	9.30%
	2024	51.45	1592	-605	9.20%
HUL	2020	38.26	165	9,173	83.89%
	2021	42.99	165	10,606	28.60%
	2022	46.03	208.32	11,874	20.10%
	2023	48.48	234	13,346	20.40%
	2024	48.52	234	13,930	20.20%
ITC	2020	12.45	222	20,026	23.45%
	2021	10.69	365.43	17,945	21.80%
	2022	12.37	300	19,800	25.10%
	2023	15.44	365.5	24,660	29.20%
	2024	16.39	404.05	26,323.34	30.50%

(Source: various company's websites)

Analysis and interpretation

Table 2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EPS	25	10.69	127.74	65.3272	42.06663
CSR	25	165.00	1592.00	539.9060	380.73842
PROFIT	25	-2465.67	61997.00	22764.6896	18412.69897
ROE	25	7.60	83.89	28.4332	16.52463
Valid N (listwise)	25				

The study covers 25 observations over the selected years, showing consistent data across the period. On average, EPS is 65.33 and ROE is 28.43%, indicating stable earnings and returns, while CSR spending averages 539.91 and profit 22,764.69, both showing high fluctuations. Variability is highest in profit (SD 81% of mean) and CSR (71%), compared to EPS (64%) and ROE (58%). The presence of negative profit values in some years indicates occasional losses, while overall trends remain positive. This suggests moderate stability in returns but significant year-to-year variation in profitability and CSR expenditure.

Table 3

Correlations

		EPS	CSR	PROFIT	ROE
EPS	Pearson Correlation	1	.153	.693**	.350
	Sig. (2-tailed)		.466	.000	.086
	N	25	25	25	25
CSR	Pearson Correlation	.153	1	.003	-.239
	Sig. (2-tailed)	.466		.989	.250
	N	25	25	25	25
PROFIT	Pearson Correlation	.693**	.003	1	.581**
	Sig. (2-tailed)	.000	.989		.002
	N	25	25	25	25
ROE	Pearson Correlation	.350	-.239	.581**	1
	Sig. (2-tailed)	.086	.250	.002	
	N	25	25	25	25

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis, based on 25 observations, reveals that Profit has a strong positive and statistically significant relationship with EPS ($r = 0.693$, $p < 0.01$) and a gradual relationship with ROE ($r = 0.581$, $p < 0.01$). However, CSR shows no significant relationship with EPS ($r = 0.153$), Profit ($r = 0.003$), and ROE ($r = -0.239$), as the p-values exceed 0.05. The relationship between EPS and ROE is positive but not statistically significant impact ($r = 0.350$, $p > 0.05$).

Table 4

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21397.080	3	7132.360	7.108	.002[b]
	Residual	21073.347	21	1003.493		
	Total	42470.427	24			

a. Dependent Variable: EPS

b. Predictors: (Constant), ROE, CSR, PROFIT

The ANOVA outcome indicate that the regression model is statistically significant, with an F-value of 7.108 and a p-value of 0.002, shows a statistically significant effect at the 1% level. This implies that the independent variables, namely ROE, CSR, and Profit, jointly have a sustainable impact on EPS. Therefore, the null hypothesis of no significant relationship is rejected, confirming that the model is a good fit and the predictors meaningfully explain variations in EPS.

SUGGESTIONS / RECOMMENDATIONS

- Companies should integrate CSR with core business strategies to enhance long-term value creation.
- Firms should focus on outcome-based CSR sustainability programs rather than merely fulfilling statutory requirements.
- Policymakers may encourage better disclosure and impact assessment of CSR activities.
- Future studies could consider a larger sample size and an extended study period to obtain more comprehensive results.
- Researchers may also explore qualitative factors such as brand value and stakeholder perception to understand the indirect impact of CSR.

CONCLUSION

The study concludes that CSR expenditure does not have a significant direct impact on financial performance indicators such as EPS, PBT, and ROE. However, profitability significantly influences EPS and ROE. The regression model confirms a significant combined effect of variables on EPS. Thus, CSR should be considering carefully a long-term strategic investment instead of short-term financial performance.

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