

Investors' Perceptissoon of Corporate Social Responsibility Expenditure and Its Influence on Investment Decisions: Evidence from NIFTY 500 Companies

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Abstract

Corporate Social Responsibility (CSR) has increasingly become an important component of corporate governance and stakeholder management, particularly in India following the introduction of mandatory CSR provisions under the Companies Act, 2013. The present study examines investors' awareness and perception of CSR expenditure and its influence on investment decisions relating to NIFTY 500 companies. The study adopts a quantitative research design based on primary data collected through a structured questionnaire from 50 investors. The questionnaire examined respondents' demographic and investment characteristics, awareness of CSR, awareness of specific CSR projects, and the extent to which CSR activities and expenditure influence investment decisions. Descriptive statistics, percentage analysis, reliability analysis using Cronbach's alpha, and non-parametric hypothesis testing were employed. The CSR investment-influence scale demonstrated excellent internal consistency (Cronbach's $\alpha = 0.946$). The findings indicate relatively high awareness of the CSR concept and CSR regulatory provisions among respondents. However, awareness of specific CSR projects undertaken by companies in which respondents invest was comparatively low. Furthermore, the composite measure of CSR influence on investment decisions did not indicate a statistically significant positive influence. The findings suggest that although investors recognise the importance of CSR and associate higher CSR expenditure with corporate responsibility, CSR expenditure does not necessarily constitute a decisive factor in their investment choices. The study contributes to the growing literature on responsible investment and provides insights into the gap between investors' awareness of CSR and the actual incorporation of CSR considerations into investment decisions.

Keywords: Corporate Social Responsibility, CSR expenditure, investor perception, investment decisions, NIFTY 500, responsible investment, India

Introduction

Corporate Social Responsibility has evolved from being primarily a philanthropic activity to becoming an important component of corporate strategy, governance and stakeholder management. In India, the institutional significance of CSR increased substantially following the enactment of the Companies Act, 2013, which introduced statutory CSR provisions for qualifying companies. Consequently, CSR expenditure has become an important and measurable dimension of corporate responsibility.

The increasing integration of environmental, social and governance considerations into investment analysis has also raised questions regarding whether investors actually incorporate CSR-related information into their investment decisions. While companies increasingly disclose information regarding their CSR policies, expenditure and activities, the extent to which investors understand, evaluate and use such information remains an important empirical question.

Investors may perceive CSR expenditure in different ways. Some may regard higher CSR expenditure as an indication of responsible corporate behaviour, sound governance and long-term sustainability. Others may

consider financial performance, profitability and returns more important than social expenditure. Therefore, the existence of CSR expenditure alone does not necessarily imply that it influences investment decisions.

The present study focuses on investors associated with equity shares and equity mutual funds and examines their perception of CSR expenditure of NIFTY 500 companies. The study particularly investigates three dimensions: investors' awareness of CSR, awareness of specific CSR projects undertaken by investee companies, and the influence of CSR activities and expenditure on investment preferences.

Review of Literature

Corporate Social Responsibility has been widely examined from the perspectives of corporate performance, stakeholder relationships, corporate reputation and investment behaviour. The stakeholder perspective suggests that responsible corporate behaviour can strengthen relationships with employees, customers, investors and other stakeholders. CSR may therefore contribute to corporate reputation and long-term sustainability.

From an investor perspective, CSR information may serve as a non-financial signal concerning management quality, governance, risk management and the long-term orientation of a company. Investors who consider responsible investment principles may incorporate CSR information while selecting securities.

However, empirical evidence regarding the relationship between CSR and investor behaviour is not uniform. Some studies report that socially responsible practices can improve corporate reputation, stakeholder trust and long-term value creation, whereas other studies indicate that investors continue to prioritise conventional financial indicators such as profitability, risk and expected returns.

The Indian context provides an especially relevant setting for examining this issue because CSR expenditure became subject to a statutory framework under the Companies Act, 2013. This creates an opportunity to examine whether the increased institutionalisation and disclosure of CSR have translated into greater investor awareness and consideration of CSR expenditure.

The present study addresses this issue by focusing specifically on investors' perception of CSR expenditure of NIFTY 500 companies.

Research Gap

Although considerable research has examined the relationship between CSR and corporate financial performance, comparatively less attention has been given to the perception of individual investors regarding CSR expenditure and its direct influence on investment decisions in the Indian context.

Three specific gaps are addressed by the present study:

1. Whether investors possess adequate awareness of the concept and regulatory framework of CSR.
2. Whether investors are aware of specific CSR projects undertaken by the companies in which they invest.
3. Whether CSR activities and CSR expenditure actually influence investors' investment preferences and decisions.

The study therefore attempts to bridge the gap between CSR disclosure by companies and investors' actual use of CSR information in investment decision-making.

Objectives of the Study

The study has the following objectives:

1. To examine the awareness of investors regarding the concept of Corporate Social Responsibility (CSR).
2. To assess investors' awareness of specific CSR projects undertaken by the companies in which they invest.
3. To examine the influence of CSR expenditure on investors' investment decisions.

Hypotheses of the Study

Hypothesis 1

H₀₁: There is no significant awareness of the Corporate Social Responsibility (CSR) concept among investors.

H₁₁: There is significant awareness of the Corporate Social Responsibility (CSR) concept among investors.

Hypothesis 2

H₀₂: Investors are not aware of the specific CSR projects undertaken by the companies in which they invest.

H₁₂: Investors are aware of the specific CSR projects undertaken by the companies in which they invest.

Hypothesis 3

H₀₃: Investors' investment preferences are not significantly influenced by a company's CSR expenditure.

H₁₃: Investors' investment preferences are significantly influenced by a company's CSR expenditure.

Research Methodology

Research Design

The study follows a quantitative and descriptive research design. Primary data were collected using a structured questionnaire designed specifically to measure investors' awareness and perception of CSR and its influence on investment decisions.

Population and Sample

The population comprises investors who participate in equity-related investments. A total of 50 responses were obtained through the structured questionnaire.

Of the 50 responses, 39 respondents completed the questions forming the principal CSR awareness, project-awareness and investment-influence analysis. Accordingly, demographic analysis is based on 50 respondents, while analyses involving the later CSR sections are based on 39 valid observations.

Sampling Technique

The study employed a non-probability sampling approach based on the accessibility and willingness of investors to participate in the survey.

Research Instrument

A structured questionnaire was divided into the following sections:

- Demographic profile
- Investment behaviour
- Awareness of CSR
- Awareness of specific CSR projects
- CSR influence on investment decisions

Five-point Likert-scale questions were used for measuring perceptions, where 1 represented "Strongly Disagree" and 5 represented "Strongly Agree".

Statistical Techniques

The following techniques were employed:

- Frequency and percentage analysis
- Mean and standard deviation
- Cronbach's alpha reliability test
- One-sample non-parametric tests
- Descriptive analysis of individual CSR perception items

A significance level of 5% was adopted.

Profile of Respondents

A total of 50 responses were obtained.

Table 1: Demographic Profile of Respondents

Variable	Category	Frequency	Percentage
Age	Below 24	3	6.0
	25–40	34	68.0
	41–56	9	18.0
	57–75	3	6.0
	76+	1	2.0
Gender	Male	37	74.0
	Female	13	26.0
Occupation	Salaried	28	56.0
	Self-employed	15	30.0
	Student	3	6.0
	Retired	3	6.0

	Housewife	1	2.0
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The sample is predominantly represented by investors aged 25–40 years, who constitute 68% of respondents. Male respondents account for 74% of the sample. Salaried individuals form the largest occupational group at 56%, followed by self-employed respondents at 30%.

Investors' Investment Experience

Investment Experience	Frequency	Percentage
Less than 1 year	6	12.0
1–3 years	12	24.0
4–7 years	13	26.0
More than 7 years	19	38.0
Total	50	100.0

The results indicate that the sample contains a relatively experienced group of investors. Thirty-eight percent of respondents reported more than seven years of investment experience, while 26% reported four to seven years of experience.

Awareness of Corporate Social Responsibility

The questionnaire assessed respondents' prior awareness and understanding of CSR.

Table 2: Awareness and Understanding of CSR

Measure	N	Mean	Median	SD
Prior awareness of CSR	39	3.79	4.00	1.37
Understanding of CSR	39	3.59	4.00	1.20
Awareness of CSR legal requirement	39	74.36	—	—

Higher CSR expenditure reflects commitment	39	3.85	4.00	0.93
CSR is important to long-term strategy	39	4.03	4.00	0.92

The results indicate a generally favourable level of awareness and understanding of CSR among respondents. The mean score for prior awareness of CSR was 3.79 on a five-point scale, while the mean score for understanding of CSR was 3.59.

Furthermore, 29 out of 39 respondents (74.36%) were aware that CSR is a legal obligation for certain qualifying Indian companies under the Companies Act, 2013.

The mean score of 3.85 for the statement that higher CSR expenditure reflects a company's commitment towards social responsibility indicates a positive perception of CSR expenditure. Similarly, the mean score of 4.03 for the importance of CSR in a company's long-term strategy suggests that respondents generally associate CSR with long-term corporate strategy.

Awareness of Specific CSR Projects

Respondents were asked whether they were aware of any specific CSR project undertaken by a company in which they had invested.

Table 3: Awareness of Specific CSR Projects

Response	Frequency	Percentage
Yes	7	17.95
No	27	69.23
Maybe	5	12.82
Total	39	100.00

The findings reveal a substantial gap between general awareness of CSR and awareness of specific CSR projects. While respondents generally demonstrated awareness of the CSR concept, only 17.95% clearly indicated awareness of a specific CSR project undertaken by a company in which they had invested.

A majority (69.23%) reported that they were not aware of any specific CSR project. This suggests that CSR disclosures and activities may not be sufficiently integrated into investors' investment-related information processing.

Influence of CSR on Investment Decisions

To measure the influence of CSR on investment decisions, eleven Likert-scale statements were considered. The items examined whether respondents considered CSR performance, CSR reputation, CSR expenditure, long-term value creation and CSR expenditure trends when making investment decisions.

Reliability Analysis

Table 4: Reliability Statistics

Scale	Number of Items	Cronbach's Alpha
CSR Influence on Investment Decisions	11	0.946

Cronbach's alpha of 0.946 indicates **excellent internal consistency** among the eleven items. Therefore, the items can reasonably be considered a reliable composite measure of investors' perceived influence of CSR on investment decisions.

Composite CSR Investment Influence Score

A composite score was calculated by taking the mean of the eleven CSR investment-influence items for each respondent.

Table 5: Descriptive Statistics of CSR Investment Influence

Statistic	Value
Valid N	39
Mean	2.69
Median	2.91
Standard Deviation	0.94
Minimum	1.00
Maximum	4.73

The composite mean score of 2.69 is below the neutral midpoint of 3.00. This indicates that, overall, respondents did not demonstrate a strong positive tendency to incorporate CSR expenditure into their investment decisions.

Hypothesis Testing

Hypothesis 1

H₀₁: There is no significant awareness of the CSR concept among investors.

The awareness-related Likert measures were examined against the neutral midpoint of 3 using a one-sample non-parametric approach.

The results indicate that respondents' awareness-related scores were generally above the neutral point. In particular, awareness of the CSR legal requirement was reported by 74.36% of respondents.

The findings therefore provide evidence of **substantial awareness of CSR among the respondents**.

Decision: H₀₁ is rejected in favour of H₁₁, subject to the operational definition of awareness adopted in the study.

Hypothesis 2

H₀₂: Investors are not aware of the specific CSR projects undertaken by the companies in which they invest. Only 7 of the 39 valid respondents (17.95%) reported definite awareness of a specific CSR project, while 27 (69.23%) reported no awareness.

The results indicate that awareness of specific CSR projects is considerably lower than general awareness of CSR.

Decision: The findings support H₀₂, indicating that investors in the sample generally lack awareness of specific CSR projects undertaken by companies in which they invest.

Hypothesis 3

H₀₃: Investors' investment preferences are not significantly influenced by a company's CSR activities and expenditure.

The eleven-item CSR investment influence scale produced a Cronbach's alpha of 0.946, indicating excellent reliability.

The composite mean was 2.69, below the neutral value of 3.00. A one-sample Wilcoxon signed-rank test was conducted against the neutral value.

The test did not indicate a statistically significant positive influence of CSR on investment preferences ($p > 0.05$).

Decision: H₀₃ is not rejected.

The evidence therefore does not establish that CSR activities and expenditure significantly influence investors' investment preferences in the present sample.

Summary of Hypothesis Testing

Table 6: Summary of Hypotheses

Hypothesis	Major Finding	Decision
H ₀₁ : No significant awareness of CSR concept	Respondents demonstrated substantial CSR awareness	Reject H ₀₁
H ₀₂ : Investors are not aware of specific CSR projects	69.23% reported no awareness of specific projects	Do not reject H ₀₂
H ₀₃ : CSR does not significantly influence investment preferences	Composite score = 2.69; $p > 0.05$	Do not reject H ₀₃

Discussion

The findings demonstrate an interesting distinction between **general CSR awareness and investment-oriented CSR awareness**.

Respondents appear to be familiar with the broad concept of CSR and its regulatory importance. The relatively high level of awareness regarding mandatory CSR provisions suggests that the institutionalisation of CSR under the Companies Act, 2013 has contributed to general investor knowledge.

However, this general awareness does not translate into detailed knowledge of individual corporate CSR initiatives. Nearly seven out of ten respondents indicated that they were not aware of specific CSR projects undertaken by companies in which they invested. This suggests that investors may recognise CSR as a general corporate responsibility without actively monitoring individual CSR programmes.

The findings relating to investment decisions are particularly significant. Despite respondents recognising that higher CSR expenditure can reflect corporate commitment and that CSR is relevant to long-term corporate strategy, the overall CSR investment influence score remained below the neutral point.

This indicates a potential **awareness–decision gap**. Investors may acknowledge the importance of CSR while still relying predominantly on conventional financial indicators when selecting investments.

The findings are relevant for companies because CSR expenditure alone may not create investor value unless the expenditure is accompanied by effective communication, transparency and credible impact reporting. Companies may therefore need to communicate not merely the amount spent on CSR but also the outcomes and social impact generated by such expenditure.

Conclusion

The study examined investors' awareness and perception of CSR expenditure and its influence on investment decisions relating to NIFTY 500 companies.

The findings indicate that investors in the sample possess a reasonable level of general awareness of CSR and its regulatory framework. However, their awareness of specific CSR projects undertaken by investee companies is considerably lower.

Furthermore, the study does not find statistically significant evidence that CSR expenditure and activities positively influence investment preferences among the respondents. The findings suggest that CSR is recognised as an important component of corporate responsibility and long-term strategy, but it has not yet become a dominant criterion in investors' decision-making.

The study therefore highlights the distinction between **recognising CSR as important** and **actually using CSR information while making investment decisions**.

Implications of the Study

Implications for Companies

Companies should improve the transparency and accessibility of CSR disclosures. Instead of reporting only expenditure amounts, companies should communicate measurable outcomes, beneficiaries, project effectiveness and long-term impact.

Implications for Investors

Investors may benefit from incorporating non-financial information, including CSR performance, into broader investment analysis, particularly when evaluating long-term sustainability and corporate governance.

Implications for Regulators

Regulatory bodies may encourage greater standardisation and comparability in CSR reporting so that investors can easily assess CSR performance across companies.

Implications for Researchers

Future research can examine whether CSR perception varies according to investor characteristics such as age, income, investment experience, investment amount and preferred asset class.

Limitations of the Study

The study has several limitations.

First, the sample size is limited to 50 respondents, with 39 complete observations available for the principal CSR perception analysis. Therefore, the findings should not be generalised to the entire population of Indian investors without caution.

Second, the study uses non-probability sampling, which may introduce sampling bias.

Third, the study measures investors' **perceptions and self-reported behaviour**, rather than their actual portfolio allocation or transaction history.

Fourth, respondents may have varying levels of familiarity with individual NIFTY 500 companies and their CSR disclosures.

Finally, the study is cross-sectional from the investor-survey perspective. Consequently, it cannot establish that changes in CSR expenditure actually caused changes in investor behaviour.

Suggestions for Future Research

Future studies can extend the sample across different geographical regions of India and include a larger and more diverse investor population. Comparative studies can examine retail investors, institutional investors and professional investment managers separately.

Further research can also combine investor survey data with secondary CSR expenditure data from NIFTY 500 companies. Such an approach would allow researchers to examine whether actual CSR expenditure, CSR expenditure growth and CSR intensity are associated with stock returns, market valuation, volatility or other financial indicators.

Longitudinal research could additionally investigate whether investor sensitivity to CSR has increased following the implementation of mandatory CSR provisions under the Companies Act, 2013.

References

The final journal version should include a properly formatted reference list covering:

Companies Act, 2013 and CSR provisions

CSR and stakeholder theory

CSR and corporate financial performance

Responsible investment

Investor perception of CSR

CSR disclosure and corporate governance

Relevant empirical studies on Indian companies