

ABSTRACT

This study examines the financial factors influencing cash holdings and emphasizes the significance of corporate social responsibility (CSR) expenditure and firms' adherence to CSR norms following the implementation of mandatory CSR regulations by the Indian Parliament. The research employs ordinary least squares (OLS) regression and quantile regression on a sample of 950 non-financial private listed firms to explore whether CSR plays a role in determining cash holdings. Specifically, we conduct a comparative analysis using quantile regression for low-cash and high-cash firms during the fiscal year 2014-15. The findings reveal notable differences in cash holding levels between firms in the first and fourth quantiles, with CSR exerting a positive and significant influence on cash holdings. However, it is worth noting that firms' compliance with CSR regulations shows a positive yet insignificant relationship with cash holdings. This study contributes to the existing literature by identifying the impact of firm-level characteristics and CSR expenditure on cash holdings in the post-implementation phase of mandatory CSR regulations. To the best of our knowledge, this work is the first to shed light on how CSR spending affects cash holdings while considering variations among different groups of firms based on their cash holding levels.

Keywords: Firms' cash holdings, Corporate Social Responsibility, Companies Act 2013, high-cash and low-cash firms.