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The Moderating Role of Cash Slack in Explaining the Relationship between CSR Expenditure and Firm Performance in India

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Abstract: Despite the extensive literature on corporate social responsibility (CSR), its impact on firm performance remains inconclusive in India's mandatory CSR regimes. The study investigates the moderating role of slack resource (cash holdings) on the relationship between CSR expenditure and firm performance. The study's sample consists of 526 non-financial NSE-listed Indian companies over the period 2015-2025. The empirical investigation uses a two-way fixed-effects estimation model. The study finds a significant positive relationship between CSR expenditure and firm performance, while higher slack resource negatively moderates this relationship. Findings suggest that the payoff from CSR expenditure becomes negative as cash holdings increase. Further, the marginal effect analysis shows a negative marginal influence of CSR expenditure on ROA and Tobin's Q for firms with excess cash.

Keywords: Corporate Social Responsibility Expenditure, Agency Theory, Cash Holdings, Financial Performance, India

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