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Is Corporate Philanthropy Really Enhances Firms Value?

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Abstract
This study addresses the link between corporate philanthropic performance and corporate financial performance to test whether corporate philanthropy enhances a firm's value or not. Stakeholder theory supports a positive relationship between corporate philanthropic performance and corporate financial performance by empowering corporations to preserve basic resources controlled by stakeholders. Excessive CP creates agency cost, hence agency cost with higher CP makes an inverse U shape curve for corporate philanthropic performance and corporate financial performance. We used data on an annual basis from 2004 to 2013 for 2,307 firms listed at the Shanghai and Shenzhen stock exchanges including all industries. We used the Heckman model to counter the effect of selection bias with the probit model to select, whether either firm is a giver or not using micro and macro determinants along with fixed effect hierarchal regression for the first stage. In the Second stage, we used panel data to estimate CFP. We introduce quadratic terms in the model to justify curvilinear relationships. Results reveal that corporate philanthropic performance and corporate financial performance showed an inverse U shape association. Corporate philanthropy enhances a firm's value till stakeholder theory works and agency cost does not arise.

1. Introduction

In spite of the fact that organizations frequently give away a lot of money for charity, there is no unmistakable proof that such donations enhance an organization's revenues, performance, or shareholder capital. Advocates contend that corporate giving is predictable with investor value maximization for an assortment of reasons, such as change in an organization's status among customers and upgrading of its relation with regulatory and legislative officials. Counterarguments recommend that corporate giving frequently reflects irreconcilable circumstances in the middle of shareholders and managers, if managers favor charities with corporate funds in light of individual inclinations or to improve their own notoriety and informal communities. There are diverse reasons that propel firms to participate in CP. There is potential in magnanimous donations to expand shareholder value, irrespective of the Interest of administrators while settling on a choice on corporate giving.

Corporate giving projects can provide a competitive edge if they are all everywhere planned and painstakingly implemented (Porter & Cramer 2002). Such as, charitable binders can shape the term acknowledgment and reputation of a brand or association among buyers. Also, company support for domestic purposes helps to build a quality of life in social groups where corporations work. These obligations help managers construct relations with government authorities and can decrease managerial and specific vested party snags (Neiheisel 1994; Baron 2001). Also, firms can apply humanity to increase the financial situations in developing areas with the extended haul objective of refining the scope and nature of their customer base. A dedication to charitable activities also helps in the selection and retention of highly skilled employees.

According to the resource dependence view, CP is considered a means through which a firm could lessen the risk connected with resource acquirement (Haley 1991; Berman et al. 2005). While CP improves a company's picture, the company's key partners, including present and forthcoming personnel, customers, suppliers, share-investors, and the group are liable to feel all the more decidedly regarding being connected with such an organization and along these lines all the readier to coordinate by provided that resources (Dutton et al. 1994; Turban & Greening 1996; Frooman 1999; Backhaus et al. 2002; Irshad et al 2023). For instance, it has been revealed that representatives demonstrate more noteworthy responsibility to those organizations that have a decent open image in bringing human resource capital (Dutton et al. 1994). In addition, these organizations are frequently seen as alluring manager by employment hunters (Turban & Greening 1996; Johnson & Greening 1999; Backhaus et al. 2002; Irshad et al 2023).

Clients might react to CP by expanding their interest for the company's items or administrations, or by paying premium costs (Bhattacharya & Sen 2003). Moreover, a few financial analysts, especially specific institutions, are the entire further ready to put resources into firms known for seeking after CP (Waddock & Graves 1994; Johnson and Greening 1999; Turban & Greening 2000; Barnett and Salomon 2006). Hence it is proving by the unfaltering interest for common supports that represent considerable authority in organizations that fall under certain social criterion, mainly include charitable commitments. Likewise, local social groups might give a humanitarian firm tax cuts or positive terms for utilizing local infrastructure.

Carroll (1979) reports that among the essential elements pointed out by company managers for getting to be included with social issues are the earnestness of the social need and the advertising estimation of the social activity. Evidently, the monstrous

demise and devastation brought on by each of the major disastrous occasions of this century prompted significant social need. What's more, on the grounds that the corporate reactions to the tragedies likewise got much media consideration, organizations conceivably might have trusted their giving would have critical advertising benefit. Maignan & Ralston's (2002) portrayal of the inspirations for CSR as worth, execution or stakeholder-driven is additionally valuable.

A few researchers contend that corporate philanthropic commitments establish a good image of organization in front of stakeholder (Fry et al. 1982; Navarro 1988; Saiia et al. 2003). A positive social picture prompts stakeholder support and gives protection or secure like assurance to the association's social resources (Fombrun et al. 2000; Griffin 2004; Godfrey 200; Irshad et al 2023), empowering the organizations to safeguard basic resources controlled by stakeholders (Levy & Shatto 1978; Freeman 1984; Fombrun et al. 2000). In this way, this line of contention recommends that CP ought to positively affect corporate financial performance. Then again, other researchers argued for an inverse relationship between CP and CFP (Friedman 1970). By contention, managers do not have the aptitude essential for effective investment in social advancement. Thus, humanitarian causes ought to be championed by magnanimous not-revenue driven associations or people, though private firms ought to improve utilization of their profitable assets to enhance their operational effectiveness. This contention along these lines proposes that corporate contribution in magnanimity by and large does not advantage a firm or its shareholders, but rather might just upgrade top managers' close to home notorieties in their social groups or allow them to advance their political and profession plans (Friedman 1970; Galaskiewicz 1991; Werbel & Carter 2002; Masulis & Reza 2015). Different contentions recommend that the money related outcomes of CP may not be authoritative, in light of the fact that organizations might likewise take part in CP for reasons without evident financial ramifications (Galaskiewicz 1991; Galaskiewicz & Burt 1991; Jia & Zhang 2015; Irshad et al 2023). For instance, a firm might include itself in magnanimous causes since its top administrators effectively take an interest in the social and urban systems of the altruistic world class or relationship of corporations that are dynamic in charitable givings (Galaskiewicz 1991; Irshad et al 2023). Moreover, a firm might take part in generous giving basically in light of the fact that its companions in the same business do (Galaskiewicz & Burt &1991; Wang et al. 2011). Under these circumstances, institutional weights at the business or group level shape firm's altruistic activity, and the thinking frequently expand past an association's quick benefit augmentation objectives.

A few, more notable, Friedman (1970), have perceived the tradeoff between CSR and CFP and approached organizations to concentrate on financial performance. Fich et al. (2009) noticed that companies are restricted by their commitments to share-investors to seek after financial performance whether tradeoffs are present between CFP and CSR or not. Reich inferred that goading companies toward financial responsibility is counterproductive, and encouraged states to direct enterprises toward CSR by regulations, not appeals. Be that as it may, Pava (1996) couldn't help contradicting Reich, worried that Reich's contention may escort us to "abandon the potential outcomes of business assuming a vital part in building a superior future." The quantitative proof on the relationship of CP and CFP can likewise be described as uncertain. A few creators have analyzed corporate philanthropic as a segment of the bigger area of CSR. For instance, a systematically evaluation by Orlitzky et al. (2003) established that CP had a positive association with CFP. Conversely, Griffin & Mahon (1997) and Berman et al. (1999) had not located a critical relationship among CSP and CFP. Correspondingly, Berman et al. (1999) established that corporate inclusion in group relations, which incorporates charitable exercises, had little impact on CFP. According to Wang et al. (2008) comparable example of diverse results has been found in concentrates absolutely on CP. For instance, Wokutch and Spencer (1987) discovered clues of a positive association among CP and CFP. Then again, Seifert et al. (2004) had not located a noteworthy association between CP and CFP.

Defenders of CP and, all the more for the most part, corporate social responsibility, frequently assert that organizations confront no tradeoff between enhancing their CSR and expanding their financial performance. They depend on research studies, for example, those by Russo & Fouts 1997; Wang et al. 2008 who observe that high corporate environmental evaluations are connected with high financial performance. Russo and Fouts (1997) presumed that "managers who oppose and challenge weights for environmental change hazard a significant loss of beneficial vitality, as well as a primary objective of firm. Weber et al. (2014) expressed that now a day, the positive relationship between's CSP and CFP is broadly acknowledged, despite the fact that the quality of the connection and its genesis are still frequently hazy. The hypothesis hidden the no-tradeoff case is questionable on the grounds that the minor returns of interests in CSR reduces as the amount of investment increases. Wang et al. 2008 focused on curve linear relationship among CSP and CFP.

The motivation for firm to engage in CP is due to profit maximization and managerial utility maximization. CP research has been frequently used Stakeholder theory as the foremost paradigm in the literature (Roberts, 1992; Ullmann, 1985) and its importance has become frequently practiced since Ullmann (1985) argued that in CSR studies it is used as appropriate reason to include strategic decision making. Stake holder theory suggested positive relationship of corporate philanthropic performance and corporate financial performance by empowering corporate to preserve basic resources in the hands of stakeholders. Berman et al. (1999) argued that intrinsic stakeholder obligation representation is supported by, as managers consider a moral responsibility towards stakeholders while strategic stakeholder management representation supported by profit maximization to justify donations.

The relationship among CFP and CPP made complex when we use agency theory in the framework in addition stakeholder theory. According to Jensen & Meckling 1976 whenever there is agency relation there is possibility of agency cost vary manager to manager. Boastman & Gupta 1996 argued that it's difficult for stockholders to monitor every CP amount and check the motive of manger, which makes easy for managers to over engage in CP. The over investment in CP will create possibility of

agency cost, which resulted in negative association among CFP and CPP. Hence by taking stakeholder and agency theory in framework of CP resulted in inverse U shape curve for CFP and CPP.

The relation between corporate financial performance (CFP) and corporate Philanthropic performance (CPP) has been discussed by many researchers mostly through domain of CSR and used CP as proxy. The relationship among CFP and CPP is not simple it's very complex. There are many studies address and debated on link among CFP and CPP some of which argued positive relation among CFP and CSP, some argued neutral, some argued negative and some as curvilinear. Even studies who addresses curvilinear relation some found U shaped relation and others found inverse U shaped relation. When we talk about positive link among CFP and CPP the studies generally found supporting positive link are (Wokutch & Spencer 1987; Ulamann 1985; Robert 1992; Orlitzky et al. 2003; Wang et al. 2011). Cochran & wood 1984 and Robert 1992 have seen positive relationship with intervening effect of age and industry impact. Wang et al. 2011 has seen the positive relationship among CF and CPP in the presence of ownership concentration.

Seifert et al. 2004 found no significant relation among CFP and CPP. McWilliam & Siegal 2000 found neutral relation while account for innovation in their model. The literature also supported negative link among CFP and CPP. Friedman 1970; Galaskiewicz 1991 and Halley 1991 studies supported negative relation among CFP and CPP. Study of Brammer & Millington, 2008 found U shaped relationship among CFP and CPP, while Wang et al. 2008 found inverse U shape relationship. We hypothesize in align with the Wang et al. 2008 study that in start of CP stakeholder theory plays important role by empowering the organizations to safeguard basic resources controlled by stakeholders. But stakeholder theory works for a specific extent and when firm engages in excessive CP agency cost theory start playing its role. Hence due to agency cost with higher CP makes inverse U shape curve for CFP and CPP.
H1: The relation between CFP and CPP is curvilinear

2. Data and Methodology

2.1 Sample Selection

This study used data gathered from CSMAR and RESSET databases, both databases gives the data reported by firms in their financial statement. We used firms listed at Shanghai and Shenzhen stock exchanges, and they are still listed till December 31st 2014. We use another filter for firms to be included in sample that the firm should establish before 2010 year, making unbalanced panels of firms. The data related to macro variables such as GRP and environmental pollution will be gathered from China statistical year book for each province. We got data for firms registered in which province from RESSET database. Due to limitations in availability of environmental pollution data we only use data after year 2003. We used data on annual basis from 2003 to 2013. Previous researchers mostly use two-digit (SIC) codes to differentiate industries (Seifert et al., 2003; Brown et al., 2006; Brammer and Millington, 2008; Fich et al. 2009; Masulis & Reza 2015). Our industry categories were first downloaded using the RESSET database industry sector name categories. Various industry categories used previous literature was considered and we have used CSRC industry codes available in RESSET database. From these CSRC industry code we differentiate firms into Environmental impact industries firms and Financial regulated firms, we also create dummy of these industries along with interaction term of pollution level of province where firm registered. EUI firms are such as Coal mining and washing; Papermaking and paper product industry; chemical manufacturing industry; Exploitation of petroleum and natural gas etc.

2.2 Variables used in study

Corporate Philanthropy; Corporate philanthropy is used in first model for selection process. We used binary variable coded in 0,1which indicates 0 as firm has not donate while 1 indicates that firm make donation in that year.

Corporate Financial Performance; CFP in this study has been measured by two proxies ROA is Return on assets and Tobin's Q is market to book value. Many researchers also used ROA as valid proxy for profitability (Ullmann 1985; Waddock & Graves 1997). Tobin's Q has been used in analyzing CFP as a market measure (Wang et al. 2008). We also use lag of profitability variable as independent variable to counter autocorrelation issue.

Corporate Philanthropic Performance; Corporate Philanthropic Performance (CPP), the rank will distinguish as high or low. CPP will be measured by ranking scale from (1 to 7) for all sampled firms with in each industry separately. This can be done by making an index by calculating lag generosity ratio and then ranked. Generosity ratio will be measured as donations to sales. The Donations amounts and Sales revenue are specified by firms in their annual statements. Many researchers used lag generosity ratio as proxy for CPP i.e. in studies of (Johnson 1966; Wang et al. 2008). We also used quadratic term for CPP to support curvilinear relationship as other researchers used to support curve linearity in model (Barnett & Salomon 2006; Wang et al. 2008).

Ownership structure; For ownership structure main proxy used in this study is Ownership concentration of top 10 shareholders. While state ownership is measured by % age of shares held by state. These variables are used by different researchers in their studies such as (Zhang et al. 2010; Jia & Zhang 2011; Li et al. 2015; Irshad et al 2023). In addition we also used percentage of trade able shares to better analyze structure of firms ownership.

Governance variables; This study does not only focused ownership structure but also seen the impact of structure of board and its characteristics. We used number of board of directors and percentage of independent directors to analyze agency

problem. These variables are used by different researchers in their studies such as (Brown et. al. 2006; Wang et al. 2008; Masulis & Reza 2015; Safdar & Manzoor 2015; Ahmad et al 2023). We also used percentage of shares held by directors. We used remuneration of directors and its impact on CP and amount of CNY got by directors as remuneration has been used as proxy also used by different researchers as well (Masulis & Reza 2015; Jia & Zhang 2015).

Leverage; This study uses leverage as determinant for CFP. Leverage has been measured by debt to equity ratio (Waddock & Graves 1997; Wang et al. 2008; Irshad et al 2023). Debt to equity ratio has been gathered from RESSET database by taking percentage of total liabilities with respect to equity.

Innovation; Many researchers used innovation in determining CPP (McWilliam & Siegal 2000; Irshad et al 2023). Innovation proxy measured by net intangible assets to total assets, because in china firms started to disclose research and development expense after 2006, so we used this proxy instead of R&D to measure innovation.

Slack Resources; To measures slack resources two proxies has been used by this study. First is availability of free cash flows and second is Dividend payout ratio. These proxies are also used by Navarro 1988; Bramer & Millington 2006; Seifert et al. 2004. We used free cash flows in millions CNY.

Risk; This study used market beta as proxy for firm's risk, RESSET database contains market beta as the market return that is generated by Tradable Market Value Weighted method. Many researchers used beta risk in CP studies such as Roberts 1992.

Firms Characteristics; Other firm's characteristic has been also used such as firm size and its age. Generally, researchers used Total assets to show the firm size, in this study we used natural logarithm of total assets as proxy aligned with previous researches i.e. (Waddock & Graves 1997; Irshad et al 2023). Some researchers used number of Employees as proxy of firm size as well. This study also used total number of employees working in each firm on annual basis also used by many researches such as Wang et al. 2008. Age of firm is calculated by the no of years passed from establishment date of firm, used by different researchers such as (Roberts 1992; Wang et al. 2008).

Gross Regional Product; Gross regional product of each province is used where firm is registered. Previous studies such as Levy & Shatto's 1978 used GDP and analyzed relationship with CP. The proxy used for GRP is GRP Indices (preceding year=100) gathered from china statistical year book.

Environmental Variable; Analyze environment situation of firm's surroundings we used proxy for air quality the level of PM10 in 10,000 tons gathered from china statistical year book. Combining macro variables such as gross regional product province wise and environmental pollution level is not found commonly in literature. Very few studies account for macro variables such as Levy & Shatto's 1978, While Industry impact has been used by (Seifert et al., 2003; Brown et al., 2006; Brammer & Millington, 2008; Fich et al. 2009; Masulis & Reza 2015; Irshad et al 2023).

2.3 Methodology

Previous researches (Waddock & Graves 1997; Orlitzky et al. 2003; Brammer & Millington 2004, 2008; Wang et al. 2008; Lev et al. 2010) used different quantitative techniques to test the relationship among CFP and CPP. Brammer & Millington 2008 simply compare profitability both accounting and market measure, differentiate by analyzing percentiles according to giving strength of firms. Lev et al. 2010 used Granger causality to test relationship among CFP and CPP. Wang et al. used Heckman Selection model by using Probit at first level and OLS at second level. (Khanna et al. 1995) used fixed effects model to test relationship. We used Heckman Selection model by using Probit at first level and FE estimation at second level. At Second level Durbin Hausman test will be used to check the prefer model between FE estimator and RE estimator (random effects). The null hypothesis will be about random effects is favored model while the alternative hypothesis is that fixed effect model is preferred.

The logic behind Heckman model is to counter the effect of selection bias. Issue of biasness generally arose while selecting sample according to previous studies, when studying association among CFP and CPP. Due to some common determinants of CPP and CFP, which may lead correlation among error term and CP coefficient. So this may be issue and FE estimator show biasness, to counter this issue Heckman approach has been used. At first level we used Probit model to select whether firm is a giver or not. We used determinants for CP including macro variables as well and also calculate "inverse mills ratio" or "(λ) for correction of sample". Wang et al. 2008 used OLS at second level for panel date, in contrast we used fixed effect model. When running second level regression we only used only those firms which are engaged in charitable giving. We also used "inverse mills ratio" to control the biasness in selection as explained by Heckman 1979. Only givers are included in second level or stage, which is helpful in correcting selection bias. We used Probit model at first level to predict giving for a particular observation, by using both micro and macro determinants of CP. Stata 12 has been used for quantitative analyses.

The First Stage model to be estimated by probit model as follows:

Corporate Philanthropy = f (Profitability, Innovation, Corporate Governance, Ownership Structure, Slack Resources, Gross Regional Product, Environment Pollution Level, Industry, Control variables) *(1)*

The Second Stage model to be estimated by fixed effect model as follows:

Corporate Financial Performance = f (Corporate Philanthropic Performance, Leverage, Innovation, risk, Ownership Concentration, Control variables) *(2)*

3. Results

Table 1 explains descriptive mean and standard deviations for variables used in second level of Heckman model for CFP. All variable in Table 1 is reported without logarithm. ROA shows average value of 0.12051 with standard deviation 0.26335. The mean age of all firms is 11.96 years with a standard deviation of 5.94 years. The average no of employees are 4987 with an overall standard deviation of 21734 workers. The mean of total assets of sampled firm is CNY 28080,000,000 with standard deviation of CNY 421,800,000,000.

Table 1: Descriptive Statistics

Variables	mean	sd	Variables	mean	sd
ROA	0.12051	0.26335	Debt to Equity Ratio	0.29042	0.14254
Tobin's Q	0.75791	0.4809	Total Assets (CNY'000)	28080000	421800000
ROA lag	0.33016	0.13199	Innovation	0.04914	0.07357
Tobin's Q lag	0.82817	0.50983	Ownership Concentration1top	0.40209	0.18366
Age	11.9621	5.94545	CPP	3.96165	2.00192
Number of Employees	4987.02	21734.6	"Inverse mills ratio"	0.55976	0.17531
Beta Risk	1.06517	0.34112			

Table 2 shows the Results for Heckman first level probit estimation for selecting Sample. The first level probit model is to predict that firm is participating in charity donations. The results of probit model showed significant results for most of variables. CP is used as dependent variable which shows value in 0,1 where firm donate CP has value 1 and zero if no donation is made by firm. The results of probit model are aligns with chapter 2 determinants and literature. We got curvilinear relationship for profitability (PBT).

Table 2: Heckman first level Probit estimation

VARIABLES	CP
PBT	0.0409***
PBT^2	-0.000199***
LTA	0.213***
Innovation	0.483***
Age	-0.00540***
Number of Directors	-0.0118***
Free Cash Flows	0.00350**
Ownership Concentration 10top	0.0867
State Shares %	-0.189***
Debt to Equity Ratio	-0.000827
Directors Salary	0.0124***
No of Employees	-0.00359***
Tradable Shares %	0.492***
Risk Beta	0.118***
Revenue	0.00111***
Dividend Paid Ratio	-0.00499
GRP	-0.00808*
Pollution	-0.000701
Environment Impact Industry dummy	0.131**
Environment Impact Industry dummy* pollution	-0.00107
Financial regulated Industry dummy	-0.593***
Constant	-3.730***
Observations	17,654
Log likelihood	-10801.016
Note: *** p<0.01, ** p<0.05, * p<0.1	

Results of first stage probit model supported that Higher the firm is innovative more firm engage in CP. while CP is positively associated with free cash flows. Results showed that state ownership has negative association with CP firms. Industry impact is also got same result as expected. Inverse mills ratio calculated from predicted values of first level probit regression has been used in second level fixed effect regression, which help in controlling biasness in sample selection.

Firstly, for each model in table 3, F tests for all u_i equal to zero is significant at 1% level which means u_i is not equal to zero; hence we conclude that panel model techniques are appropriate in our case. We also analyze Rho is inter class correlation which shows variances due to difference across panels. For full model this value 0.4967, which shows 49.67% of variances is

due to difference across panels. We also report Durbin Haussmann test results for each model and found significant means alternative hypotheses of test is accepted. This means Coefficients of fixed effects are consistent. In each model firms fixed effect is used. Over all model fit is also significant for all models.

In table 3 Hierarchal fixed effect regression has been used to analyze CPP and CFP. Second level of Heckman model for CFP and CPP used two proxies for measuring CFP, ROA and Tobin's Q. Six models has been run to justify the relationship of these variables with CFP. Also Lags has been used for dependent variables as an independent variable to counter possible autocorrelation in data. The lag of ROA shows positive and significant results. In first model we used lag of dependent variable along with beta risk, controlling firm's characteristics and inverse mills ratio. Ownership Concentration shows positive relation which is aligned with previous study by Wang and Qian 2011.

Table 3: Heckman second level model for estimation of CFP

Section A: Fixed effect regression with ROA as dependent variable

VARIABLES	1	2	3	4	5	6
ROA lag	0.0332***	0.0323***	0.0300***	0.0289***	0.0571***	0.0568***
Age	0.0197	0.0356	0.0402	0.0962***	-0.106**	-0.102**
Number of Employees	-0.0234*	-0.0240*	-0.0197	-0.0164	-0.0161	-0.0164
LTA	-0.336**	-0.298*	-0.438***	-0.772***	-0.327	-0.311
Beta Risk	-2.016***	-2.054***	-2.115***	-2.173***	-1.464***	-1.453***
Debt to Equity Ratio		-0.0223***	-0.0213***	-0.0201***	-0.0161***	-0.0163***
Innovation			-9.286***	-9.153***	-13.63***	-13.61***
OwnershipConcentration1top				7.371***	5.598***	5.556***
CPP					6.27e-05	0.00192*
CPP2						-0.000019*
Inverse mills ratio	-1.760**	-1.124	-2.211**	-2.968***	-4.501***	-4.364***
Constant	14.54***	13.27***	17.32***	21.55***	15.67***	15.01***
Observations	10,998	10,998	10,998	10,998	10,998	10,998
R-squared	0.10	0.12	0.16	0.20	0.26	0.26
Firm FE	YES	YES	YES	YES	YES	YES
hausman	106	104.7	108.5	110.9	1481	1481
Prob>chi2	0	0	0	0	0	0

Section B: Fixed effect regression with Tobin's Q as dependent variable

VARIABLES	1	2	3	4	5	6
Tobin's Q lag	-0.000525***	-0.000525***	-0.000525***	-0.000525***	-0.000189	-0.000186
Age	0.2794***	0.2834***	0.2834***	0.2902***	0.03916***	0.04061***
Number of Employees	0.03029***	0.03009***	0.03068***	0.03128***	0.422	0.00408
LTA	-2.13***	-2.123***	-2.138***	-2.186***	-0.9312***	-0.9253***
Beta Risk	-0.6591***	-0.6722***	-0.6798***	-0.6896***	-0.5071***	-0.5031***
Debt to Equity Ratio		-0.00457***	-0.00447***	-0.00428***	-0.000285	-0.000332
Innovation			-0.9170*	-0.9035*	-0.6148*	-0.6049*
OwnershipConcentration1top				0.8952**	-0.2821	-0.2910
CPP					-0.00993	0.0495**
CPP2						-0.000063***
Inverse mills ratio	-0.7965**	-0.6711*	-0.7813**	-0.9284***	-2.444***	-2.399***
Constant	45.32***	45.06***	45.51***	46.21***	23.48***	23.25***
Observations	8,892	8,892	8,892	8,892	8,892	8,892
R-squared	0.0360	0.0362	0.0363	0.0361	0.189	0.186
Firm FE	YES	YES	YES	YES	YES	YES
hausman	258.6	262.9	264.2	268.8	108.8	117.5
Prob>chi2	0	0	0	0	0	0

Note: *** p<0.01, ** p<0.05, * p<0.1

Also in table 3 we used CPP along with its quadratic term both shows significant results. When only CPP is used as independent variable it is does not show significant results. When we introduce quadratic term in model the results of both CPP and square of CPP got significant and coefficient of CPP is positive while quadratic term has negative sign. This result proves our hypothesis that CPP and CFP have curvilinear relationship.

4. Discussion and Conclusion

Heckman's first level probit model showed insignificant results of environment pollution level, while results for EUI are significant and their interaction term in giving firm suggested that EUI firms are sensitive to pollution level and giving firms

used CP to counterbalance their negative image in society. The firms with more slack resources are more possible givers rather than firms with less slack resources. As managers donate from discretionary funds, cash flow symbolizes the indifferent funds that are accessible for philanthropic and unrestricted uses. Most of the firms enjoy reasonable returns but not adequate cash flows.

Corporate philanthropic performance and corporate financial performance relationship are analyzed to test whether corporate philanthropy enhances a firm's value or not. We found an inverse U-shaped association between CPP and CFP. Stakeholder theory supports a positive relationship between corporate philanthropic performance and corporate financial performance by empowering corporations to preserve basic resources controlled by stakeholders. While excessive CP creates agency cost, hence agency cost with higher CP makes an inverse U shape curve for corporate philanthropic performance and corporate financial performance in alignment with Wang et al. 2008 study. As the CPP and CFP relationship is limited to giving firms only, in first level probit model is used. The norms for CP are different among different industries are different and firms get from their peers in industry signals to counter the CP of revival as a benchmark for firms. While calculating CPP, we account for industry impact as the CPP Index has been calculated industry-wise. So CPP inherently used Industry impact, hence is no need to introduce an Industry dummy in the second level.

Ownership concentration plays a positive role in generating CFP. If ownership concentration in any firm is high the large shareholder influences the company's polices and helps reduce agency costs. In the market base of CFP age and number of employees show a significant positive relationship means investor gives more value to large and old firms. Corporate philanthropy enhances a firm's value till stakeholder theory works and agency cost does not arise. So to attain CFP and enhance firms value the governance mechanism should be strong and donations made should be properly disclosed.

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