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Moderating Effect of Slack Resources on the Charitable Giving and Firm Performance Nexus

(Hubungan antara Penyederhanaan Ketersediaan Sumber terhadap Hubungan Pemberian Amal dan Prestasi Firma)

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ABSTRACT

This study aims to examine the relationship between charitable giving (CG) and firm performance (FP) of tourism-related firms across various economic regions. Panel data on tourism-related firms covering the years 2002 to 2014 are utilised. Results generating from the system-GMM estimator reveals an inverse U-shaped relationship between CG and FP. This curvilinear relationship suggests that though CG enhances FP, it does not imply an unlimited increased in charitable giving. Beyond a certain limit, firm performance will deteriorate. Furthermore, the empirical results also suggest that a firm's slack resources play a vital role in strengthening the CG-FP relationship. This finding implies that firms with higher flexibility of slack resources may allocate their slack resources in relation to CG to improve their financial performance and subsequently remain competitive in the industry.

Keywords: Charitable giving; firm performance; slack resources; dynamic panel analysis

ABSTRAK

Kajian ini bertujuan untuk menilai hubungan antara pemberian amal (CG) dan prestasi firma (FP) terhadap firma-firma berkaitan pelancongan yang merentasi pelbagai negara. Data panel firma-firma berkaitan pelancongan yang meliputi tahun-tahun 2002 hingga 2014 digunakan. Hasil kajian yang didapati daripada penganggar GMM sistem mendedahkan hubungan bentuk-U terbalik di antara CG dan FP. Hubungan garis melengkung ini mencadangkan bahawa walaupun CG meningkatkan FP, ia tidak bermakna kenaikan pemberian amal yang tidak terhad. Sehingga satu peringkat, prestasi firma akan merosot. Tambahan pula, keputusam empirik juga mencadangkan bahawa ketersediaan sumber-sumber firma memainkan peranan yang penting dalam mengukuhkan hubungan CG-FP. Penemuan ini bererti bahawa firma-firma yang mempunyai kelenturan ketersediaan sumber-sumber boleh mengagihkan ketersediaan sumber-sumber mereka yang berkaitan dengan CG untuk memperbaiki prestasi firma dan kemudiannya terus kekal berdaya saing dalam industri.

Kata Kunci : Pemberian amal; prestasi firma; ketersediaan sumber-sumber; analisa panel dinamik

INTRODUCTION

Concerns of firms on corporate social responsibilities (CSR) have been known as a factor contributing to the sustainability for businesses (Holden 2000) for the past several decades. In the tourism industry, many firms recognise the need to strike a balance between the profitability and building a positive reputation by actively engaging in CSR activities. Firms, who fail to implement CSR practices, could lose their business opportunities and competitive advantage (Aras & Crowther 2010). In all these socially responsible efforts by the tourism industry, academics and researchers began to wonder about financial impacts of CSR activities on firm performance. There is plenteous research on different dimensions of CSR activities in tourism industry (Inoue & Lee 2011) such like employee relations, environmental issues, and product quality. It is not until recently that the charitable giving (CG), a dimension of CSR activities has been considered (Chen & Lin 2015). Given the rising trend

of charitable giving over the years, it becomes critical to determine whether CG improves firm performance or whether the costs related to CG are a waste of scarce resources.

Charitable giving can be in a form of cash donations, and/or in-kind gifts of a company's products, services, infrastructure, etc. (Seifert et al. 2003). There are basically two arguments concerning charitable giving. Value enhancement theory shares the assumption that CG has potentials to create financial value for shareholders (Brown et al. 2006; Fry et al. 1982; Navarro 1988). Agency cost theory, on the other hand, postulates that CG can create additional agency costs when managerial insiders increase their own utility through charitable giving while shareholders incur expenses.

Following these arguments, empirical studies have been conducted to examine if CG improves firm performance but the findings have been inconclusive. Specifically, while there is a wide-held belief that charitable giving will improve company performance (Wokutch & Spencer 1987; Orlitzky et al. 2003, Tan et al. 2019), another group of research studies revealed that CG has either a negative or insignificant impact on firm performance (Griffin & Mahon 1997; Berman et al. 1999; Seifert et al. 2004).

One of the arguments for the mixed relationship between CG and financial performance, according to Wang et al. (2008), may be due to the existence of a curvilinear relationship among them. Specifically, although CG helps to reduce the firms' risk exposure by securing critical resources controlled by various stakeholders, the benefits generated from excessive CG will be level off eventually due to constraints on stakeholder support. The positive effect will be outweighed by the ascending direct and agency costs. As a consequence, an inverse U-shape link is postulated between the CG and financial performance.

Additionally, the benefits generating from charitable giving are argued to vary with slack resources. Unlike marketing, accounting, and other essential business functions, CG is categorised as a discretionary activity, and therefore, depends on the accumulation of firms' financial resources (Waddock & Graves 1997). It is expected to be higher when slack resources are abundant, vice versa. As a result, the CG-FP relationship may vary attributed to the slack resources, in which abundant slack resources favour firms' potential to convert CG to FP. Based on these arguments, it was suggested that moderating effect of slack resources on the CG-FP relationship need to be considered.

The study empirically examines if there exists a curvilinear relationship between CG and FP utilising the 144 tourism-related firms across various economic regions for the years 2002 to 2014. Moreover, this study also examines whether slack resources strengthen or weaken the CG-FP relations. Tourism-related firms, like the other industries which focus on customer's capital, have adopted various socially responsible activities (including charitable giving) in meeting their more socially-conscious customers' needs (Bremner 2009). Corporations who fail to implement CSR practices, including the CG, as noted by Aras and Crowther (2010) and Lo and Sheu (2007), could lose their business opportunities and competitive advantage.

Within the literature, it is worth noting top front that with few exceptions (e.g. Chen et al. 2017; Gonzālez-Rodriguez et al. 2019; Kang et al. 2010; Lee & Park 2009; Wang et al. 2018), the link between the CG and FP remain as yet unclear despite the rising trend of charitable giving in tourism industry since the 1990s (Chen & Lin 2015). Moreover, while the impact of CG is somehow being analysed in the literature, it does not imply the same results can be applied to the tourism-related industries in different economic regions.

This study, therefore, extends the previous literature in three distinct ways. First, this study enriches the CSR concerns in tourism literature by not only exploring the potential curvilinear link between CG and FP but by investigating the slack resources as the potential moderating variable connecting CP to FP. By examining the proposed hypotheses specifically for the tourism-related industries across various economic regions may enrich the tourism CSR literature.

Second, by using a unique data set from Thomson Reuter DataStream ASSET4 database, this study is able to consider the CG-FP link in tourism-related firms across various economic regions. Specifically, all tourism-related firms listed under ASSET4 database, which comprises of 144 firms are included.

Third, this study performs a dynamic panel model to accomplish its aims. More specifically, given a large number of firms observed over short time periods (N>T), together with the dynamic endogeneity problem, the system GMM is applied to the tourism-related firms for the period 2002 to 2014.

The reminder of this study is structured as follows: A brief review and hypothesis development are provided in Section 2. In the subsequent section, the data and method employed are discussed. Empirical results and discussions are presented in Section 4, and finally, conclusions and limitations are delivered.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

CHARITABLE GIVING AND FINANCIAL PERFORMANCE NEXUS

Charitable giving is a way for companies to display their social responsibility to the local community and satisfy stakeholders' interests (Berman et al. 1999; Clarkson 1995). According to value enhancement theory, CG, as a form of moral capital investment, creates a firm's favourable reputation or image. A positive image helps

firms facilitating cooperation with stakeholders (Brammer & Millington 2008; Lev et al. 2010), creating the competitive advantages of brand name and stakeholder loyalty (Brown et al. 2006; Navarro 1988), gaining socio-political legitimacy (Wang & Qian 2011; Su & He 2010), inducing preferential treatment from regulators or policymakers (Brown et al. 2006), and providing insurance-like protection against risk (Godfrey 2005). Higher CP enables firms to raise employee morale and productivity, helps secure access to critical resources, and thereby improves profitability through reduced operating cost and increased operating efficiency (Navarro 1988; Greening & Turban 2000; Brammer & Millington 2008; Wang et al. 2008). All in all, CG is argued to be positively linked to financial performance.

While charitable giving may be viewed positively by various stakeholders, it acts a specific business expense, and thus a direct cost to firms (Navarro 1988). According to agency cost theory, CG is an additional agency cost especially if managerial insiders intentionally using shareholder money or diverting valuable corporate resources to targeted beneficiaries at their discretion (Brown et al. 2006), rather than investing these free cash flows to profitable investment projects or returning them to shareholders (Jensen 1986). Hence, CG is argued to have a negative impact on firm performance.

Based on these arguments, it is observed that while the increased CG enhances operational efficiency, reduces both financial and operational risks (McGuire et al. 1988), and improves firms' profits, it incurs both direct and additional agency cost (Wang et al. 2008). The interaction of benefits and costs created by CG subsequently determines the effects of CG on firm performance (Brammer & Millington 2008; Wang et al. 2008). Hence, instead of linear relation, Wang et al. (2008) postulated an inverse U-shaped link between CG and FP. More specifically, Wang et al. (2008) argued that within a certain level, firms will benefit from the increased CG. Beyond a certain limit, however, the benefits should level off and eventually decline due to the increased costs, be it direct or agency costs. Based on the above discussion, the first hypothesis is formulated as follows:

H1: There is an inverse U-shaped relationship between charitable giving and financial performance.

SLACK RESOURCES AND CHARITABLE GIVING

Slack resource, as stated by Bourgeois (1981), is a cushion of actual or potential resources which allows a firm to use in a discretionary manner. According to slack resources theory, the intensity of charitable giving depends on the accumulation of firms' financial resources (Waddock & Graves 1997).

When slack resource is low, firms will give higher priority to essential business function such like marketing and accounting. CSR activities on the other hand take a lower priority in the manager's mind (Henriques & Sadorsky 1996) for firms with constrained resources. Conversely, as compared to firms with constrained resources, firms with abundant slack resources will be able to explore various innovate strategies (Nohria & Gulati 1996; Sahaym et al. 2010). Firms with ample resources, as observed by Campbell (2007), are more willing to embed corporate social responsibilities practices in their corporate strategies.-

By considering free cash flows as the proxy of discretionary accruals, Buchholtz et al. (1999) and Wang et al. (2008) stated a positive link between the free cash flows and charitable giving. Besides, Pallot (1990), and Parsons and Trussel (2008) also confirmed that the higher the liquidity of a firm, the higher would be the level of charitable giving. The moderating role of slack in CSR (i.e. environmental dimension) and FP relation is recently studied by Tan et al. (2018) where their findings support that slack resources strengthen the positive impact of corporate environmental performance on FP. With that, this study suggests that abundant slack resources favour firms' potential to convert CG to FP. Hence, the second hypothesis is formulated as:

H2: Slack resources moderate the relationship between CG and FP; the greater the firm's slack resources, the greater the impact of CG on FP.

Incorporating the aforementioned arguments, this study first investigates the potential nonlinear (inverse U-shaped) effects of CG on firms' financial performance. The roles slack resources plays in strengthening or weakening the CG-FP relation is then examined (see Figure 1).

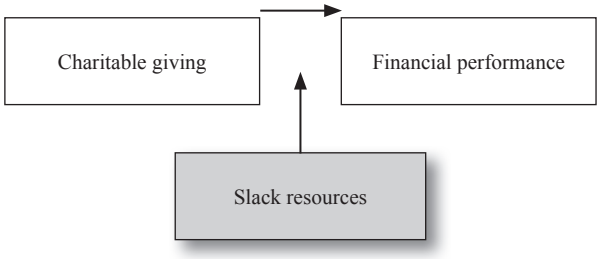

FIGURE 1. Conceptual framework

DATA AND METHODOLOGY

DATA SOURCES AND SAMPLE

Two data sources are utilised in collecting the required data for analysis: annual accounting and financial data, such as Tobin's Q, total assets and total debts are collected from Thomson Reuters World Scope; the firm-level charitable giving information were collected from the ASSET4 database. The data set covers all tourism-related

TABLE 1. Sample information

Region	Countries	No. of firms
APAC	Australia, China, Hong Kong, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Taiwan	59
North America	Canada, US	42
Europe	Austria, France, German, Greece, Ireland, Italy, Spain, Sweden, Switzerland, Turkey, UK	43
Total		144

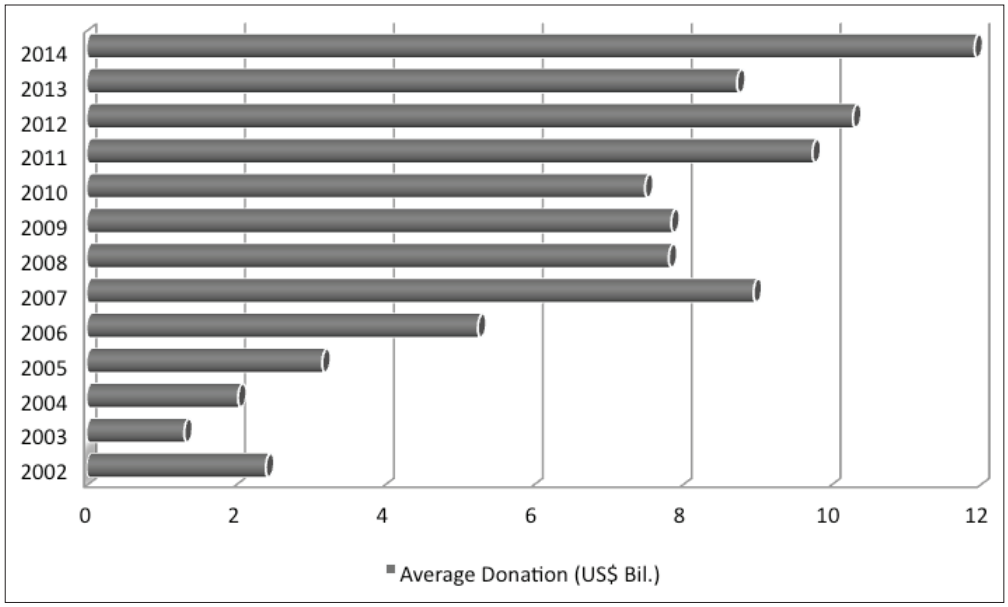

FIGURE 2. The distribution of the yearly charitable giving (Average value)

firms available under ASSET4 database and the sample period of this study spans from 2002 to 2014. This yields a number of 144 firms, across various economic regions. The finalised sample data is an unbalanced panel mainly based on the availability of the database. Table 1 presents the sample information over various economic regions. The rising trend of charitable giving in the 144 firms over the years is as illustrated in Figure 2.

DEPENDENT VARIABLE

Based on the prior literature, this study measures financial performance using two financial indicators: return on assets and Tobin's Q (Chen 2010; Chen & Lin 2015; Ross et al. 2007; Wang et al. 2008). Return on asset (ROA) represents a firm's profitability or short-term performance, is computed using the average of 3-year ROA; Tobin's Q (TQ) represents a firm value or long-term performance, is measured by 3-year Average Tobin's Q.

INDEPENDENT AND CONTROL VARIABLES

Charitable giving (CG), the key independent variable of this study, refers to total amount of all donations by the firm. It includes total cash donations as well as in-kind donations (e.g., volunteer work, research funded through the company's foundations, shares). CG is computed as the ratio of the total value of CG to sales revenue. To examine an inverse U-shaped link, CG^2 is included and it is computed as CG*CG.

Slack resources (Slack) is measured by the assets/debt ratio (Graves & Waddock 1994). A higher Slack value represents higher slack resources. Since one of the aims of the current study is to examine the potential effect of the moderating role of slack resources, two interaction variables, CG*Slack, and CG^2*Slack are included.

SIZE and AGE, the two commonly used controls in the CG-FP link research (see Wang et al. 2008; Chen & Lin 2015), are included. The variable of SIZE is computed by taking the natural logarithm of the total assets. It is expected to positively relate to firm performance credited to the operating cost efficiency (Ben-Zion & Shalit 1975; Hardwick 1997) and market power (Chen 2010). AGE represents a firm's maturity, and it is computed as the number of years since the firm's first listing. While it may be positively related to firm performance as it captures the competitiveness of older firms in the industry, it may also be negatively affecting the firm's performance due to greater agency conflicts (Claessens & Djankov 1999).

MODEL SPECIFICATION AND ESTIMATION APPROACH

To examine the effects of CG on FP with reference to the commonly used controls in the literature (Chen & Lin 2015; Tan et al. 2019), the following model is constructed:

$$FP_{it} = \alpha + \phi_1 FP_{it-1} + \beta_1 CG_{it} + \delta_1 Slack_{it} + \delta_2 Size_{it} + \delta_3 Age_{it} + year\ dummies + regional\ dummies + \eta_i + \varepsilon_{it} \quad (1A)$$

where: FP_{it} is the firm financial performance (ROA and Tobin's Q), FP_{it-1} is the lagged firm financial performance, CG_{it} is the charitable giving, $Slack_{it}$, $Size_{it}$, Age_{it} are slack resources, firm size and firm age, respectively; η_i and ε_{it} denote unobserved time-invariant firm effects and the standard residuals assumed to be uncorrelated over time, respectively; and i indicates firms and t indicates time. The lagged financial performance (FP_{it-1}) is included as one of the regressors to capture the dynamic or persistence in financial performance.

To investigate the potential inverse U-shaped relationship, this study extends the equation (1A) by including a quadratic term of charitable giving (CG^2) as below:

$$FP_{it} = \alpha + \phi_1 FP_{it-1} + \beta_1 CG_{it} + \beta_2 CG_{it}^2 + \delta_1 Slack_{it} + \delta_2 Size_{it} + \delta_3 Age_{it} + year\ dummies + regional\ dummies + \eta_i + \varepsilon_{it} \quad (1B)$$

Based on a priori expectation, the is expected to be positive while the is supposed to be negative.

To examine if slack resources plays any role in moderating the impact of CG on FP, equation (1B) is further extended to include the interaction between CG and a measure of slack resources (Slack) as:

$$FP_{it} = \alpha + \phi_1 FP_{it-1} + \beta_1 CG_{it} + \beta_2 CG_{it}^2 + \delta_1 Slack_{it} + \beta_3 CG_{it} * Slack_{it} + \delta_2 Size_{it} + \delta_3 Age_{it} + year\ dummies + regional\ dummies + \eta_i + \varepsilon_{it} \quad (2A)$$

$$FP_{it} = \alpha + \phi_1 FP_{it-1} + \beta_1 CG_{it} + \beta_2 CG_{it}^2 + \delta_1 Slack_{it} + \beta_3 CG_{it} * Slack_{it} + \beta_4 CG_{it}^2 * Slack_{it} + \delta_2 Size_{it} + \delta_3 Age_{it} + year\ dummies + regional\ dummies + \eta_i + \varepsilon_{it} \quad (2B)$$

The key parameter in (2A) is β_3 and (2B) is β_3 and β_4, which measures the slack-dependent effect of CG or CG-dependent effect of slack on financial performance. A positive β_3 and negative β_4 imply that the impact of CG on FP will be higher in a firm with more slack resources. Alternatively, it also means that the effect of slack would be stronger for firms with higher CG.

The dynamic panel of (1A) – (2B) is estimated using the system-Generalised method of moments (system-GMM) estimator (Arellano & Bover 1995; Blundell & Bond 1998). This estimation technique is preferred as (i) it avoids models to be mis-specified due to the omitted dynamics (Bond 2002); (ii) it solves the dynamic endogeneity which may occur when some explanatory variables are correlated with the error term; (iii) it is appropriate for dynamic panels with large units observed over short time periods (Roodman 2006). Beyond that, unlike other GMM estimation, system-GMM is suitable to avoid magnifying gaps owing to the unbalanced panel (Roodman 2009). Standard diagnostic tests, namely the autocorrelation test and Hansen test for instrument validity are performed to ensure consistency of the estimates. Moreover, to avoid instrument proliferation, the number of instruments is limited such that it is less than the number of cross-sectional units (Roodman 2009).

EMPIRICAL RESULTS AND DISCUSSIONS

The estimation results of various model specifications using system GMM estimators are reported in Table 2. Prior to the discussion on the empirical analysis, some diagnostic tests are scrutinised. The AR(2) tests reveal the absence of autocorrelation of the models. The insignificant Hansen test statistics on the other hand suggest that the instruments used are valid.

Panels A and B of Table 2 present the estimation results of ROA and TQ, respectively. Regressions (1) and (5) report the direct effects of charitable giving (CG) while regressions (2) and (6) reveal the direct effects of charitable giving together with the quadratic term of charitable giving to test for the inverse U-shaped relationship.

By glancing through regressions (1) and (5), it is observed that CG has insignificant effect on both ROA (β = 0.1118, p = 0.369) and Tobin's Q (β = 0.0042, p = 0.808). This finding is not surprising and it is indeed consistent with the previous studies conducted, see for instance Berman et al. (1999), Griffin and Mahon (1997) and Wang et al. (2008).

To assess the potential inverse U-shaped relationship, the quadratic term (CG^2), was entered. It is noting that when the CG^2 was entered (regressions (2) and (6)), the coefficient of CG, which is not significant in Models 1 and 5 turns to be positive and significant, supporting the view of Wang et al. (2008), Chen and Lin (2015) and Tan et al. (2019) in which the positive effect may be muted if the relationship is inverse U-shaped. More specifically, both of the coefficients of CG in regression (2) (ROA equation) and (6) (Tobin's Q equation) are statistically significant at 5%. This positive coefficient reflects that charitable giving can create a win-win situation, supporting the general conclusion in the empirical "doing well by doing good" literature. Specifically, charitable giving enhances a firm's positive image, creating competitive advantages of brand differentiation, stakeholder cooperation and risk reduction, which enhance operational efficiency, profitability and the value of an intangible asset (Wang et al. 2008; Chen & Lin 2015).

However, one should notice that apart from the positive and significant CG, the coefficients of CG^2 are negative and significant for both ROA (β = –0.0497, p = 0.000) and Tobin's Q equations (β = –0.0041, p = 0.0080). As both the coefficients of CG and the CG^2 are significant, it is suggested that the relationship between CG and FP is an inverse U-shaped. Hence, the first hypothesis, in which there exists an inverse U-shaped curvilinear relationship between charitable giving and firm performance, is therefore supported. To find the optimal CG that maximises firm performance, this study takes the derivative of ROA and Tobin's Q with respect to CG. Accordingly, the optimal CG level maximising ROA is 0.081% and the optimal CG level maximising Tobin's Q is 0.079%. These optimal CG level is lower than the sample average CG level for 144 firms under investigation (0.1%). Hence, firms may need to be cautious as the current proportion of sales revenue for charitable giving (0.1%) is shown to exceed the optimal level of CG, which may subsequently deteriorate the financial performance. This result concurs the earlier study by Wang et al. (2008), in which although charitable giving benefiting firm' performance, beyond a certain limit, when the costs (direct expenses and/or agency cost) incurred exceed the benefits yielded, firms' performance will deteriorate. To maximise firms' financial performance, the managers of tourism-related firms are therefore advised to only allocate the amount of CG that is close to the optimal level, or the firms' performance will deteriorate.

In conclusion, as CG improves the current profitability (measured by ROA) and the future growth opportunity (Tobin's Q), tourism-related firms may consider developing a multi-period charitable giving strategy. When making decisions about charitable giving contributions, firms may consider providing credible justifications to alleviate stakeholders' concerns especially when the giving is excessive, or stakeholders may withhold critical resources from the firm. To understand the effects of CG along with the moderating role of slack variables, regressions (3)-(4) and (7)-(8) are referred.

In regressions (3) and (7), when only a linear interaction (CG*Slack) was added, the interaction variable is not significant in CG-FP link, regardless on the financial performance measures. However, when a quadratic-by-linear interaction (CG^2*Slack) was included (refer to regressions (4) and (8)), the coefficient of CG*Slack turned up to be positive and significant for ROA (β = 0.059, p = 0.072) and Tobin's Q equation (β = 0.014, p = 0.095), implying that high slack resources moderate the CG-FP link. In other words, when slack resources are abundant, firms are more likely to engage more in socially responsible activities (Seifert et al., 2004). In addition, the coefficient of CG^2*Slack was found to be negative and significant, regardless the measures of financial performance. These findings provided evidence that slack resources moderate the inverse U-shaped CG-FP relationship, supporting the second hypothesis: The greater the slack, the greater the impact. The significant moderating effects indicate that slack resources provide an important foundation for firms to allocate resources for continuous social engagement (Sirmon et al. 2007).

The standard error of the marginal effects (Brambor et al. 2005) of CG on financial performance at different level of slack are also reported based on the suggestions by the reviewer. By referring to the marginal effect of regressions (4) and (8) in Table 3, one can confirm that as far as financial performance is concerned, slack is shown to strengthen the CG-FP link. More specifically, by setting the slack at average, one may observe that an increase in CG for firms with minimum and average level of CG is able to translate into an improvement in financial performance. However, one should notice that the impact of an increase in CG on FP is somehow declining for firms with largest CG.

On the other hand, by setting the CG at average, one can also observe an increasing trend on the CG-FP when slack improves from minimum to maximum. Thus, improving slack resource tend to strengthen the positive relation between the CG and FP. In other words, firms with low and average level of CG would benefit more from their CSR practices under the ample slack resources. The incremental effect of CG for firms with higher level of CG would be weakening even if the slack is abundant. Collaborating Sirmon et al. (2007), and Tan et al. (2018), this study thus provides supports to the increasing evidence that slack does matter in accounting for the relations between CG and FP.

For the controls variables, lagged financial performance is shown to be significant with a positive sign on both measures of financial performance (ROA and Tobin's Q), implying the dynamic framework is appropriate in scrutinising the CG-FP relationship. Slack is shown to affect Tobin's Q positively but it does not show a significant effect on ROA. Older firms are shown to have lower levels of financial performance, particularly in terms of ROA. Firm size tends to affect Tobin's Q positively but reveals a negative effect on ROA. The finding contradicts the arguments by Ben-Zion and Shalit (1975) and Hardwick (1997). However, as reported by Chen and Lin (2015), the firm size may have different impact on ROA and Tobin's Q, as larger firms are likely to have poor short-term profitability but higher future growth opportunity.

ROBUSTNESS CHECK

For the robustness check, this study re-estimates all model specifications by splitting them into two sub-samples: Sub-sample 1 consists of only U.S. and U.K. listed firms (countries being studied extensively in the literature) and sub-sample 2 comprises of firms listed

TABLE 2. The effects of charitable giving on firm performance: all 144 firms

Variable	Panel A: ROA			
	(1)	(2)	(3)	(4)
ROA(t-1)	0.5771 (0.0000)***	0.5587 (0.0000)***	0.5418 (0.0000)***	0.5661 (0.0000)***
CG	0.1118 (0.3690)	0.8099 (0.0020)***	0.7404 (0.0015)***	0.6036 (0.0900)*
CG^2	-	-0.0497 (0.0000)***	-0.0441 (0.0012)***	-0.0404 (0.0480)**
CG*Slack	-	-	0.0124 (0.5490)	0.1757 (0.0880)*
CG^2 *Slack	-	-	-	-0.0099 (0.0750)*
Slack	0.0196 (0.7970)	0.0276 (0.6830)	0.0429 (0.4900)	0.0430 (0.5540)
Size	-0.1750 (0.0870)*	-0.1653 (0.0950)*	-0.1661 (0.0810)*	-0.1816 (0.0350)**
Age	-0.9942 (0.0080)***	-0.9579 (0.0130)**	-0.6320 (0.0590)*	-0.6432 (0.0610)*
Constant	6.8083 (0.0000)***	6.8289 (0.0000)***	5.8718 (0.0000)***	6.1048 (0.0000)***
Regional dummies	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes
# instruments	86	94	109	113
# firms	144	144	144	144
AR(1)	(0.0150)	(0.0150)	(0.0140)	(0.0200)
AR(2)	(0.1770)	(0.1840)	(0.2900)	(0.2510)
Hansen-J test (p-value)	(0.338)	(0.247)	(0.274)	(0.157)
Variable	Panel B: Tobin's Q			
	(5)	(6)	(7)	(8)
Tobin's Q(t-1)	0.4900 (0.0000)***	0.4866 (0.0000)***	0.5032 (0.0000)***	0.5001 (0.0000)***
CG	0.0042 (0.8080)	0.0641 (0.0470)**	0.1160 (0.0270)**	0.1188 (0.0170)**
CG^2		-0.0041 (0.0080)***	-0.0205 (0.0720)*	-0.0171 (0.0980)*
CG*Slack	-	-	0.0044 (0.3820)	0.0204 (0.0580)*
CG^2 *Slack			-	-0.0010 (0.0610)*
Slack	0.0188 (0.0000)***	0.0189 (0.0000)***	0.0177 (0.0000)***	0.0156 (0.0000)***
Size	0.0842 (0.0030)***	0.0836 (0.0040)***	0.0578 (0.0150)**	0.0520 (0.0270)**
Age	-0.1541 (0.1710)	-0.1541 (0.1750)	-0.1844 (0.1070)	-0.1272 (0.2270)
Constant	1.8240 (0.1230)	1.8594 (0.1230)	1.7926 (0.0160)**	1.1813 (0.0660)*
Firm fixed- effects	Yes	Yes	Yes	Yes
Year dummies	Yes	Yes	Yes	Yes
# instruments	92	97	98	100
# firms	144	144	144	144
AR(1)	(0.0210)	(0.0200)	(0.0210)	(0.0200)
AR(2)	(0.5610)	(0.5670)	(0.5830)	(0.5960)
Hansen-J test (p-value)	(0.115)	(0.105)	(0.105)	(0.220)

Note: *, **, *** indicate significant at 10, 5, and 1% significant level. Figures in parentheses are p-values. Average time for each firm = 8 years.

outside U.S. and U.K. As shown in Table 4, it is worth noting that the findings from the sub-sample analysis supporting the full sample analysis shown in Table 2. All coefficients have the same sign as those obtained in Table 2. More specifically, in estimation (2)-(4), (6)-(8), the coefficients of CG and the squared CG are shown to be positive and negative respectively and thus are significant determinants of firm performance. The interaction terms of CG*slack and CG^2*Slack in estimation (4) and (8) are also shown to be statistically significant at conventional levels. This finding highlights that slack resources plays a crucial role in strengthening the effect of CG on FP. Therefore, the empirical results are robust to both sub-samples under investigation.

TABLE 3. Marginal effects of CG at minimum, average and maximum levels of slack resources

Panel A: Marginal effects from regression (4)						
	At different levels of CG:					
	Minimum CG		Average CG		Maximum CG	
Slack at:	Coeff.	s.e.	Coeff.	s.e.	Coeff.	s.e.
Minimum	0.6923	[0.3309]**	0.6888	[0.3294]**	0.6542	[0.3147]**
Average	1.9209	[0.6940]***	1.9119	[0.6970]***	1.8244	[0.6588]***
Maximum	4.0780	[1.8984]**	4.0594	[1.8900]**	3.8792	[1.8089]**

Panel B: Marginal effects from regression (8)						
	At different levels of CG:					
	Minimum CG		Average CG		Maximum CG	
Slack at:	Coeff.	s.e.	Coeff.	s.e.	Coeff.	s.e.
Minimum	0.1274	[0.0501]**	0.1260	[0.0496]**	0.1127	[0.0446]**
Average	0.2701	[0.1059]**	0.2682	[0.1054]**	0.2497	[0.1003]**
Maximum	0.5207	[0.2311]**	0.5179	[0.2302]**	0.4902	[0.2215]**

Note: *, **, *** indicate significant at 10, 5, and 1% significant level. Figures in brackets are standard errors. Coeff.= estimated coefficients, s.e. = standard errors.

TABLE 4. The effects of charitable giving on firm performance (robustness check)

Variable	Panel A: ROA							
	(1)		(2)		(3)		(4)	
Sub-sample 1: Firms listed under U.S. and U.K.								
CG	0.8389	(0.3648)**	3.5625	(1.7833)**	4.4526	(1.9359)**	6.8525	(2.6579)**
CG^2	-		-0.9032	(0.5059)*	-1.1628	(0.5557)**	-2.0787	(0.8377)**
CG*Slack	-		-		-0.2735	(0.3370)	0.7254	(0.4327)*
CG^2 *Slack	-		-		-		-0.4338	(0.1592)***
Sub-sample 2: Firms listed under other countries								
CG	0.1080	(0.3130)	0.9459	(0.0050)***	1.0463	(0.0300)**	0.9670	(0.0010)***
CG^2	-		-0.0570	(0.0060)***	-0.0814	(0.0010)***	-0.0456	(0.0010)***
CG*Slack	-		-		0.0410	(0.2220)	0.0923	(0.0810)*
CG^2 *Slack	-		-		-		-0.0073	(0.0860)*

Variable	Panel B: Tobin's Q							
	(5)		(6)		(7)		(8)	
Sub-sample 1: Firms listed under U.S. and U.K.								
CG	0.0167	(0.0436)	0.6128	(0.2515)**	0.5686	(0.2286)**	0.4504	(0.2002)**
CG^2	-		-0.1971	(0.0764)**	-0.1864	(0.0660)***	-0.1495	(0.0610)**
CG*Slack	-		-		0.1219	(0.0887)	0.2513	(0.0929)***
CG^2 *Slack	-		-		-		-0.0949	(0.0273)***
Sub-sample 2: Firms listed under other countries								
CG	0.0108	(0.6720)	0.1191	(0.0800)*	0.1034	(0.0770)*	0.1266	(0.0400)**
CG^2	-		-0.0069	(0.0370)***	-0.0105	(0.1250)	-0.0117	(0.0740)*
CG*Slack	-		-		0.0053	(0.2770)	0.0220	(0.0930)*
CG^2 *Slack	-		-		-		-0.0012	(0.0550)*

Note: *, **, *** indicate significant at 10, 5, and 1% significant level. Figures in parentheses are p-values. Only estimated coefficients of CG, CG^2, CG*Slack and CG^2*Slack are reported. The remaining results are available upon request.

CONCLUSIONS AND LIMITATIONS

The debate on the charitable giving and financial performance link has remained unresolved since the 1990s. This study aims to investigate if charitable giving affected the financial performance of 144 tourism-related firms across different economic regions from 2002 to 2014. Specifically, this study first examines if there exists an inverse U-shape relationship between charitable giving and financial performance. In addition, the study scrutinises a moderating effect of slack resource on the relationship between a firm's charitable giving and financial performance. With that, this study explores both the direct and indirect effects of slack resources on the link.

Empirical test results reveal an inverse U-shaped relationship between CG and firms' financial performance. Besides, the study also finds the support that slack resources moderate the relationship between CG and FP.

Some practical and policy implications can be drawn from the current findings. First, CG is shown to positively influence both profitability and firm value. The finding suggests that the tourism-related firms across different economies could "do well by doing good" during the studied period, implying that CG, or in more general, investment in a community helps to improve a firm's social profile and creates its competitive advantage. However, it is worth noting that although CG is beneficial to firms, they should be aware that, beyond a certain limit, the excessive CG may be harmful to the firm's performance. This may happen especially when stakeholders do not agree on the excessive amount of the CG and subsequently, withhold their resources from firms. Hence, to improve profitability and firm value, firms may consider blending this information when developing their corporate strategies.

From the industry analysts and investors' perspectives, this finding can be incorporated when developing or evaluating their investment portfolios. When developing their portfolio selection criteria, investors may consider excluding certain firms from their portfolio if excessive charitable giving are observed, vice versa.

Apart from the curvilinear CG-FP relationship, this study also reports a significant moderating effect of slack resources on the relationship between CG and FP. Policy makers, therefore, can consider policies that deal with subsidies or tax benefits to encourage charitable giving or community spending which in turn facilitate a firm's sustainable transition. With the intensives given, firms' slack resources availability can be improved.

This study is not free from limitations. First, this study finds that CG, within a certain limit, has a beneficial effect on firms' financial performance, supporting "doing well by doing good". An interesting question to address will be whether "doing well" firms are more willing to "doing good". As noted by Roberts (1992) and Ullmann (1985), profitable firms are likely to have discretionary funds to contribute to CG. The bi-directional causality between the charitable giving and financial performance may be addressed in the future study. Second, this study considers only charitable giving, and only one moderating variable, in examining the link with financial performance. Future work could consider the complex interrelation among other CSR dimensions and various moderating factors, to provide a thorough understanding of the CSR-FP link.

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