

Impact of Profitability, Slack Resources and Natural Disasters on China's Corporate Philanthropic Practices

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Abstract : Corporate philanthropy is important, as the donations have been considered as a source to improve the image of business entity in modern era of high competition. We used data on annual basis from 2000 to 2014 for 1,248 firms listed at Shanghai and Shenzhen stock exchanges. Results for giving firms reveal that there is curve linear relation of profitability and CP, as profitable firms utilize cash in an efficient way and have fewer amounts of slack resource and tradeoff among stakeholder and agency cost made it more justifiable. We found that more profitability does not mean that the cash flows are available, actually good performing firms or profitable firm also good at cash management. Cash is utilized in an effective way by profitable firms, and have fewer extents of slack resources which generate curvilinear relationship of profitability with Corporate Philanthropy. We found that the trend of Corporate Philanthropy also got affected due to natural disasters. Analysis made by innovation, slack resources and directors salary revealed the positive significant relationship. It is not compulsory that firm should be only profitable for engaging in philanthropy rather they should have abundant slack resources to donate.

Keywords : corporate philanthropy, free cash flows, natural disasters, profitability

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