

The economic consequence of corporate philanthropic donations: evidence from Jordan

Impact of CPD
on CEP

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Abstract

Purpose – The purpose of this study is to investigate the impact of Corporate Philanthropic Donations (CPD) on the Corporate Economic Performance (CEP) of a group of Jordanian public shareholding companies.

Design/methodology/approach – The sample includes 94 companies listed on the Amman Stock Exchange between 2010 and 2016. Manual content analysis is employed to collect the quantitative-related data needed for this study.

Findings – Our findings show that CPD is relevant, with a significant impact on financial performance. More specifically, CPD has a positive impact on the performance indicators measured by Tobin's Q (TQ), return on equity (ROE) and return on assets (ROA).

Research limitations/implications – This study contributes to the research debate on CPD and CEP, especially in developing countries. It emphasizes the importance of such practices in increasing corporate profitability.

Practical implications – The study's findings highlight the importance of CPD for Jordanian corporate managers. A greater emphasis on donations is likely to attract investor attention, government attention, media attention and humanitarian activism, all of which will enhance corporate goodwill.

Originality/value – This study demonstrates the positive relationship between corporate social responsibility (CSR) and CEP in an emerging economy, with a focus on one aspect of CSR, namely donation, that is underrepresented in developing countries. The study employs multiple methods for analyzing profitability as proxied by TQ, ROE and ROA, given the presence of multiple proxies to measure profitability. A further interesting aspect is examining the topic of CPD in the Jordanian context, where listed companies exhibit a uniform understanding of CPD.

Keywords Corporate philanthropic donations, Tobin's Q, ROE, ROA, Emerging economies

Paper type Research paper

1. Introduction

Firms have become increasingly concerned with their corporate social responsibility (CSR) to control their social burden. CSR provides firms with the opportunity to define their social role, which is in turn related to their overall performance (Zhang *et al.*, 2020; Amin *et al.*, 2021; Ananzeh *et al.*, 2021; Ting, 2021). According to CSR, businesses have a duty to act in a manner that contributes to and enhances societal goals beyond their economic concerns (Cha and Rew, 2021). Although there has been extensive research on the impact of firms' social performance on corporate economic performance (CEP), philanthropy has received less attention. Corporate philanthropy is considered to be an important component of CSR (Carroll, 1991). This study employs corporate donations, a specific aspect of CSR, to explore the relationship between social performance and firm financial performance.

Companies devote significant resources to philanthropy to foster a positive business image (Ananzeh *et al.*, 2022a, 2023; Al Amosh *et al.*, 2022). Thus, corporate philanthropy is a



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common activity for businesses around the world, whether they are large multinationals or small-to-medium-sized companies (Cha and Rew, 2021).

A philanthropic act can range from altruistic gestures intended to benefit others to monetary contributions for charitable, humanitarian or social causes (Campopiano *et al.*, 2014). Corporate giving has emerged as a major strategic issue for companies as they strive to become socially responsible institutions (Ananzeh *et al.*, 2022c; Cha and Rew, 2021). Given the increasing scarcity of resources, firms are making more strategic philanthropic donations as part of their philanthropic initiatives (Campopiano *et al.*, 2014). It is thus necessary to understand corporate philanthropic donations (CPD), which is the voluntary, nonobligatory and nonreciprocal transfer of wealth from corporations to their external stakeholders (Bennett, 1998).

There is still considerable debate about whether CPD improves or degrades CEP. These inconsistencies can be attributed to two factors. First, in previous studies, accounting and market indicators were combined to proxy CEP (Barnea and Rubin, 2010). Second, previous empirical studies addressed a variety of contexts (e.g. public and private sectors, financial companies and not-for-profit organizations, and developed and developing countries).

This research contributes to the literature on CSR in developing countries. CPD and CEP have been extensively studied in developed countries, but relevant research in developing countries has been limited (Saleh *et al.*, 2011). CPD is also a dimension of CSR that lacks evidence supporting its link to economic performance (Verbeeten *et al.*, 2016; Alshurafat *et al.*, 2023). Thus, understanding these relationships is gaining popularity among academics. Furthermore, the current study revisits the relationship between corporate donations and firm economic performance by employing several proxies to measure donations, including donation intensity and donation amount, and numerous CEP indicators based on both financial accounting and market indicators.

Jordan is an appropriate research setting for this topic as it provides empirical evidence from developing countries. According to the World Bank, Jordan is classified in the “upper middle income” category. To meet the urgent needs of the environment, human rights and the economy, the government has placed a strong emphasis on CSR activities in the private sector (Ananzeh *et al.*, 2021, 2022a; Ananzeh, 2022). It is also interesting to examine CSR in the Jordanian context, where listed firms have declared a homogeneous perspective on this issue (Al-Daaya, 2017). Furthermore, studies of Jordanian CSR in the literature indicate that firms use CSR as a strategic marketing tool and to attract the attention of stakeholders (Ananzeh *et al.*, 2021). Even though CSR encompasses several dimensions, Jordanian companies continue to choose donations, especially cash donations, as their preferred CSR method. This is because many Jordanian companies equate CSR with volunteer and philanthropic work (Al-Daaya, 2017). Furthermore, Jordanian companies may be interested in actively participating in charitable causes through Zakat in line with Islamic principles (Abu Bakar and Yusof, 2015; Alshurafat *et al.*, 2023). Islamic Zakat is a type of wealth tax that mandates charitable contributions for the most vulnerable members of society (Brammer *et al.*, 2007). Considering that corporate giving is an important component of corporate life in Jordan, it is critical to analyze how such activities influence a firm's economic performance. Therefore, the purpose of this paper is to investigate the CPD–CEP relationship in Jordan.

The remainder of this paper is organized as follows. The next section discusses the theories employed and presents a review of relevant literature. This leads to the formulation of the research hypotheses. Data and research methodology are presented in the third section. The fourth section presents and discusses the results, while the paper concludes in the fifth section.

2. Literature review and theoretical framework

CSR activities carried out voluntarily and strategically are capable of satisfying a wide range of stakeholder demands (Chiu and Wang, 2015). According to Liu and Zhang (2017), firms are

increasingly incorporating CSR into their business strategy to improve their corporate image and they participate in and expect to be held accountable for their social responsibilities. Furthermore, by being socially responsible, businesses promote goodwill, create positive organizational images, differentiate themselves from competitors and, as a result, enjoy long-term profitability (Liu and Zhang, 2017). Accordingly, the contemporary corporate management landscape provides strong incentives for companies to engage in CSR activities to maximize their value.

According to stakeholder theory, the corporation is a set of interconnected relationships with stakeholders (Clarkson, 1995). The company's sustained success depends on considering the demands of stakeholders and their information requirements (Nekhili *et al.*, 2017a). CSR is a valuable tool for stakeholders to understand the company's social and environmental impact (Li *et al.*, 2018), which can help stakeholders reduce their expectations (Li *et al.*, 2018). As a result, companies will be able to establish good relationships with stakeholders, earn their support and improve their reputation, allowing them to perform better economically (Choi *et al.*, 2010; Orlitzky *et al.*, 2003). CSR also helps to establish a unique brand image and strong interactions with stakeholders in response to their social concerns (Malik, 2015). For instance, CSR can increase intangible corporate assets, reduce government sanctions, boost employee productivity, alleviate activists' and nongovernmental organizations' concerns, and attract consumers who value CSR (Bird *et al.*, 2007).

According to Carroll (1979), social responsibility is defined as the economic, legal, ethical and discretionary (philanthropic) obligations that society expects from businesses. Consequently, corporate philanthropy is held accountable as strategic CSR through philanthropic CSR (Cha and Rew, 2021). Thus, researchers are extremely concerned about corporate philanthropy, which has grown to be a significant global phenomenon.

There is no single theoretical foundation that can be used to generate precise empirical predictions about the relationship between CPD and CEP. CSR is widely regarded to boost a firm's market value across a wide range of geographic contexts (Choi *et al.*, 2010; Liu and Zhang, 2017), which is primarily explained using the stakeholder theory. Maintaining excellent relationships with various stakeholder groups is vital to improving a company's financial performance (Jones, 1995).

The concept of corporate philanthropy has been theorized and empirically investigated concerning a variety of outcomes, including economic benefits, brand reputations and customer satisfaction (Li *et al.*, 2015; Dennis *et al.*, 2009). Corporate philanthropy decisions are increasingly being driven by strategic considerations, to maximize returns by meeting stakeholder expectations (Dennis *et al.*, 2009; Ananzeh *et al.*, 2021, 2022a). Strategic philanthropy can help an organization's bottom line and strategic position by diverting corporate resources toward social causes (Saiia *et al.*, 2003). Because organizations operate as components of a larger social system, the way they interact with and benefit from these interactions with powerful stakeholder groups is probably a determinant of their success (Freeman and Moutchnik, 2013). Thus, according to stakeholder theory, embracing corporate philanthropy is one way for companies to build positive relationships with stakeholders. CPD would help stakeholders better understand the impact of CSR and reduce expectations regarding CSR issues, hence improving reputation and relationships and leading to economic growth (Alshurafat *et al.*, 2023). Furthermore, CPD fosters positive relationships with stakeholders by addressing social concerns and creating a distinctive brand image (Malik, 2015). By leveraging CSR, CPD can boost intangible assets, improve employee productivity, alleviate activist concerns and reduce government sanctions (Bird *et al.*, 2007; Liu and Zhang, 2017).

However, there is much debate in the literature on the relationship between CPD and CEP (Orlitzky *et al.*, 2003), which can be explained by three basic schools of thought. According to the first school, socially responsible actions would place firms in an economically adverse position because of the high costs involved (Nekhili *et al.*, 2017b; Liu and Zhang, 2017).

According to the second perspective, CSR has low costs and may benefit the company in the long run (Ting, 2021). The third perspective contends that while socially responsible actions have significant costs, other corporate expenses costs will be cut to offset them. For instance, firm sustainability is likely to be strengthened when firms are socially responsible and acquire society's trust (Cho *et al.*, 2019).

Furthermore, the majority of studies are devoted to systematic evidence of motivations. Donor motivations can be classified into four categories: altruistic, strategic, political and self-image management (Li *et al.*, 2021). However, regardless of their purpose, donations may affect their business. The impact on financial performance is a key factor in assessing the outcomes of corporate philanthropy (Li *et al.*, 2021).

Participating in social responsibility initiatives, such as corporate philanthropic programs, has grown in popularity in Jordan in recent years (Ibrahim and Hanefah, 2016). The recent regulations, namely the corporate governance code (CGC), may lead businesses to donate to charities and participate in community activities (Ananzeh *et al.*, 2022a). As a result, many companies are encouraged to make donations and to report their actual payments in their annual reports as Jordanian stakeholders are likely to request such information (Alshurafat *et al.*, 2023). Donating to a charity can strengthen positive relationships with stakeholders and make it easier for a company to receive more lenient treatment from authorities in the future (Hoi *et al.*, 2019; Cha and Rew, 2021). Although companies are becoming more interested in CSR, the donation attitude of Jordanian companies indicates a significant discrepancy (Ananzeh *et al.*, 2022a; Ananzeh, 2022). However, to our knowledge, there has been little research on the effect of CPD on CEP in Jordan, specifically between 2010 and 2016. The majority of research on CPD and CEP has been conducted in developed markets. Many groups in Jordan, including shareholders, creditors and the government, may be interested in the CPD. As a result, we have developed the following hypothesis:

H1. CPD has a positive impact on CEP.

3. Method and data

3.1 Study sample

This study aims to investigate the impact of CPD on CEP. Data for this study are obtained from 94 publicly traded companies listed on the Amman Stock Exchange, with identical regulations (Al-Khadash, 2003). Since the services and industrial sectors make up the majority of Jordan's economy, we restrict the study sample to these two sectors. In addition to this, including the industrial sector is crucial since it has a significant impact on the environment. The financial sector, however, is excluded since its corporate governance system differs from that of other industries.

Because the CGC was issued in 2009, the year 2010 is chosen as the starting point for this study's investigation. To ensure sample homogeneity, the study period ends in 2016, following the release of amended instructions by CGC in 2017.

3.2 Data on CPD

Companies' CPD is the main explanatory variable in this study. Incorporated philanthropy encompasses a wide variety of charitable activities. Initially, such practices were intended to help the needy and support churches and pet projects. This era has been referred to as the golden age of corporate philanthropy due to the altruistic nature of corporate donations (Levy, 1999). However, with increased global competition and corporate reorganization in the 1980s, philanthropy combined with business strategy and marketing evolved into strategic philanthropy (McClimon, 2004). Thus, corporate philanthropy has evolved into a way of

establishing social networks and contributing to the organization's social status. Strategic philanthropy can therefore be viewed as a strategy for firms to gain a powerful competitive advantage (McClimon, 2004). Companies with a social responsibility have made donations as part of their social responsibilities.

The study defines philanthropy donations as charitable contributions made by individuals or businesses to improve society's welfare. This study takes into account several forms of donations when collecting data on philanthropic donations, including political, educational, medical and monetary donations.

Data on CPD are manually extracted from annual reports of firms. To analyze corporate donation levels, previous studies have used various indexes such as donation expenses, donation intensity and dummy variables. Donation intensity is measured by transforming the monetary cost of making corporate philanthropies into a natural logarithm. Donation intensity is frequently quantified by calculating the monetary cost of philanthropic contributions on assets, sales and profits. Finally, binary score variables are employed, which typically have a value of one if the firm makes charitable contributions and zero otherwise. According to Ananzeh *et al.* (2021, 2022a), a statistical analysis based on donation intensity has two main advantages. First and foremost, it contributes to reducing heteroscedasticity among firms in a sample. Second, it can also be used to control intra-firm differences, by eliminating concerns about large firms donating more to charity. This study uses donations intensity (i.e. donations-to-sales ratio). Donation expenses are included in our analysis as an additional indicator of firm donations. This study tracks both cash donations and gifts-in-kind and/or product donations as specific donation measures.

3.3 Research model

Economic performance can be measured in a variety of ways, with no universal consensus on the best measure. Previous studies have mainly used two sets of indicators, namely accounting-based measures and market-based measures (Aras *et al.*, 2010). Firms' economic performance may be measured via market-based or accounting-based indicators depending on the perspective from which they are evaluated (Alshurafat *et al.*, 2023). Accounting measures track historical aspects of firm performance whereas market-orientated measures provide a more forward-looking perspective. Accounting-based measures typically suffer from several disadvantages due to their historical nature. Such proxies might produce deceptive results since managers are better equipped to manipulate accounting procedures (Aras *et al.*, 2010). Market-based measures alleviate this weakness since they rely less on accounting standards and are more difficult to manipulate by managers (Aras *et al.*, 2010). In addition, several studies have found that CSR is not only positively correlated with firm performance when measured using market-based indicators but it is also negatively correlated when measured using accounting-based indicators (Yoon and Chung, 2018).

This study employs a combination of accounting and market-based indicators (Yoon and Chung, 2018) to address concerns associated with the use of a single type of measurement. More specifically, return on equity (ROE) and return on assets (ROA) are used as financial accounting-based indicators, while Tobin's Q (TQ) is used as the market-based indicator. Multiple regression analysis is used to investigate the relationship between CDP and CEP.

Prior research has shown that controlling certain variables is crucial for understanding the relationship between CSR and CEP. Several variables that were commonly used in previous studies are included in the model. The company size and age are added as controls to ensure that extremely deviant companies with extreme ages and sizes do not have a significant impact (Byun and Oh, 2018). In addition, financial leverage is used to control a firm's capital structure. In addition, to account for differences in corporate governance structures, we add board size and CEO duality to our model.

Using multiple regression analysis, we examine the economic impact of CPD for Jordanian-listed companies between 2010 and 2016. A few assumptions are tested to validate the OLS method (i.e. linearity, normality, non-multicollinearity and homoscedasticity). Linearity and normality are assessed using a kernel density histogram. When the residuals are plotted along the diagonal, the results show a bell curve, indicating that the assumptions have not been violated. To address heteroskedasticity, a robust standard error method is also applied.

$$\begin{aligned} \text{CEP}_{it} = & \beta_0 + \beta_1\text{CPD}_{i,t} + \beta_2\text{SIZE}_{it} + \beta_3\text{LEV}_{it} + \beta_4\text{AGE}_{it} + \beta_5\text{BSIZE}_{it} + \beta_6\text{CEO}_{it} \\ & + \beta_7\text{YEAR}_i + \beta_8\text{INDUSTRY}_i + \varepsilon_{it} \end{aligned}$$

Model (1)

where

CEP refers to the different economic performance indicators; CPD_{it} refers to corporate philanthropic donations; SIZE is the size of the company measured by the natural logarithm of total sales; LEV is the financial leverage measured by total debt divided by total assets; AGE is the age of the company measured by the natural logarithm of total years since its establishment; BSIZE is the board size measured by the total number of board members; CEO is the CEO duality measured as a dummy variable equals 1 if the firm has a dual CEO function; YEAR is the year dummy; INDUSTRY_i is the industry dummy; i denotes the firm; t denotes the financial year; and ε is the error term

4. Results and discussion

Table 1 shows the descriptive analysis of the study variables. The average of TQ, ROE and ROA is 2%, 2% and -42%, respectively. The average donation expense is 6.35 (in logarithms), with a 52% donation intensity. Based on the maximum and minimum measures of donations, the study sample exhibits a wide dispersion of donation behavior. Moreover, the mean values for company characteristics are 16.34, 0.325 and 2.95 for size (in logarithms), leverage and age (in logarithms), respectively. Finally, the average number of board members is 8 for the 94 Jordanian companies, while the CEO duality is about 18% on average.

Wooldridge (2013) defines multicollinearity as a serious problem when two or more independent variables have a high correlation. The correlation matrix between the variables in this study is shown in Table 2. Correlation analysis can be used to detect the presence of multicollinearity between continuous independent variables. According to Gujarati (2003), multicollinearity exists when the correlation coefficient is close to or greater than 0.8.

Table 1.
Summary statistics

	Mean	Std. dev.	Min	Max	Median	Kurtosis	Skewness
ROE	0.02	0.221	-3.179	0.51	0.043	81.435	-6.537
ROI	0.02	0.126	-1.953	0.384	0.027	101.469	-6.899
Tobin's Q	-0.422	0.835	-3.537	2.639	-0.474	3.596	0.244
Donation expenses	6.359	4.703	0	16.132	7.834	1.693	-0.297
Donation intensity	0.528	1.189	0	9.985	0.114	28.106	4.481
SIZE	16.34	1.938	8.088	22.185	16.389	4.869	-0.233
LEV	0.325	0.218	0	1.042	0.29	3.559	0.957
AGE	2.953	0.738	0	4.357	2.996	3.19	-0.512
BSIZE	8.104	2.293	3	13	8	2.488	0.366
CEO	0.183	0.387	0	1	0	3.683	1.638

Table 2.

Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ROE	1.000									
ROI	0.793	1.000								
Tobin's Q	0.313	0.425	1.000							
Donation expenses	0.185	0.261	0.079	1.000						
Donation intensity	0.198	0.323	0.307	0.529	1.000					
SIZE	0.225	0.291	-0.039	0.595	0.303	1.000				
LEV	-0.174	-0.251	-0.445	0.100	-0.139	0.381	1.000			
AGE	0.190	0.152	0.024	0.220	0.190	0.319	0.166	1.000		
BSIZE	0.126	0.135	0.014	0.421	0.247	0.365	0.006	0.208	1.000	
CEO	0.082	0.130	0.168	-0.183	0.054	-0.164	-0.148	-0.031	-0.076	1.000

According to the results in Table 2, there is no multicollinearity problem among independent variables.

Table 3 displays the relationship between CPD as measured by donation expenses and CEP dimensions. The models exhibit a satisfactory level of explanatory power with 0.26, 0.365 and 0.333 for ROE, ROA and TQ, respectively. The study finds that the level of donations can significantly improve economic performance in the long run. Providing good CPD will probably increase ROE, ROA and TQ. The positive relationship between the company and the Jordanian market indicates that the latter consistently rewards it for its philanthropic donations in later periods. The strategic advantage of the CDP is that it improves stakeholders' perceptions of the firm, which strengthens its reputational capital among all stakeholder groups.

On the other hand, Table 4 displays the relationship between CPD as measured by donation intensity and CEP dimensions. The models' explanatory powers of 0.277, 0.382 and 0.368, respectively, are regarded as satisfactory. In the same vein, the extent to which the firm

Table 3.Results of the
relationship between
donation expenses
and CEP

Variables	(1) ROE	(2) ROI	(3) Tobin's Q
Donation expenses	0.00290** [1.98]	0.00252*** [3.08]	0.0194** [2.01]
SIZE	0.0254*** [4.63]	0.0176*** [7.08]	0.0335 [1.49]
LEV	-0.294*** [-4.88]	-0.164*** [-7.98]	-1.595*** [-8.77]
AGE	0.0282*** [3.52]	0.0146*** [3.49]	0.132** [2.44]
BSIZE	-0.00568** [-2.33]	-0.00340** [-2.18]	-0.0516*** [-3.59]
CEO	0.0269* [1.83]	0.0246*** [2.90]	0.0154 [0.18]
Constant	-0.355*** [-3.56]	-0.262*** [-6.33]	0.00852 [0.02]
Observations	573	573	573
R-squared	0.268	0.368	0.331
Year-fixed effect	YES	YES	YES
Industry-fixed effect	YES	YES	YES

Note(s): Robust *t*-statistics in parentheses *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 4.
Results of the
relationship between
donation intensity
and CEP

Variables	(1) ROE	(2) ROI	(3) Tobin's Q
Donation intensity	0.0101* [1.81]	0.0109*** [2.71]	0.171*** [4.79]
SIZE	0.0273*** [4.84]	0.0186*** [7.14]	0.0218 [0.99]
LEV	-0.303*** [-4.93]	-0.166*** [-7.64]	-1.422*** [-7.37]
AGE	0.0335*** [3.84]	0.0168*** [3.61]	0.108** [2.03]
BSIZE	-0.00590** [-2.24]	-0.00382** [-2.46]	-0.0581*** [-4.16]
CEO	0.0243 [1.64]	0.0210** [2.53]	-0.0370 [-0.46]
Constant	-0.395*** [-3.68]	-0.276*** [-5.80]	0.327 [0.79]
Observations	573	573	573
R-squared	0.277	0.382	0.368
Year-fixed effect	YES	YES	YES
Industry-fixed effect	YES	YES	YES
Note(s): Robust <i>t</i> -statistics in parentheses *** <i>p</i> < 0.01, ** <i>p</i> < 0.05, * <i>p</i> < 0.1			

donates as a percentage of its net income can improve economic success, suggesting that the organization benefits economically by increasing its donation intensity. Furthermore, it would be able to maximize profits through the active participation of management in CDP practices. By strengthening its relationships with influential stakeholders, a firm could achieve better operations, investments, consumption and legal commitment resulting in better financial performance (Li *et al.*, 2018).

4.1 Sensitivity test

To check the accuracy of results, a variety of alternative measures are applied. First, the company's size is measured by the natural logarithm of the total assets of the company rather than total sales. Second, financial leverage is measured by the ratio of total debt to total equity. In addition, the natural logarithm of the number of years since the company's first listing date is used as an alternative measure of the company's age. The results presented in Table 5 are consistent with the previous findings (see Table 6).

5. Conclusion

The purpose of this study is to empirically examine the relationship between CPD and CEP using a pooled OLS regression. CEP is measured by three variables (TQ, ROE and ROA). This study finds that CPD has a significant and beneficial long-term impact on firm value and financial performance. The company's business philosophy must shift from a profit-oriented to a socially responsible approach to succeed in the market and remain profitable (Alshurafat *et al.*, 2023). A social responsibility-focused approach would assist companies in better responding to the expectations of many stakeholders. This is because a socially responsible approach would enable businesses to respond to the demands of different stakeholders, which is necessary for business continuity. In support of our claims, the success of an organization is contingent on its ability to address the different needs of each stakeholder. Therefore, Jordanian companies would be well served by committing to greater CPD rates to reap major benefits.

Variables	Impact of CPD on CEP		
	(1) ROE	(2) ROI	(3) Tobin's Q
Donation expenses	0.00567*** [3.08]	0.00521*** [5.08]	0.0449*** [4.48]
SIZE	0.0439** [2.10]	0.0254** [2.05]	0.160*** [4.30]
LEV	-0.0516** [-2.40]	-0.000656*** [-23.73]	-2.08e-05 [-0.06]
AGE	0.0107 [0.92]	0.00592 [0.70]	-0.0165 [-0.29]
BSIZE	-0.00913 [-1.35]	-0.00429 [-0.99]	-0.00927 [-0.53]
CEO	0.0576*** [3.11]	0.0487*** [3.89]	0.0965 [1.06]
Constant	-0.437** [-2.57]	-0.304*** [-2.82]	1.442*** [3.56]
Observations	573	573	573
R-squared	0.255	0.218	0.218
Year-fixed effect	YES	YES	YES
Industry-fixed effect	YES	YES	YES

Note(s): Robust *t*-statistics in parentheses ****p* < 0.01, ***p* < 0.05, **p* < 0.1

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Table 5.
Robustness test of the
relationship between
donation expenses
and CEP

Variables	Impact of CPD on CEP		
	(1) ROE	(2) ROI	(3) Tobin's Q
Donation intensity	0.0179*** [2.60]	0.0179*** [3.66]	0.250*** [7.79]
SIZE	0.0475** [2.16]	0.0283** [2.16]	0.166*** [4.59]
LEV	-0.0520** [-2.46]	-0.000686*** [-26.21]	-0.000250 [-0.76]
AGE	0.00952 [0.80]	0.00477 [0.55]	-0.0351 [-0.63]
BSIZE	-0.00777 [-1.17]	-0.00317 [-0.74]	-0.00801 [-0.49]
CEO	0.0488*** [2.65]	0.0402*** [3.22]	-0.00688 [-0.08]
Constant	-0.451** [-2.46]	-0.311*** [-2.68]	1.752*** [4.31]
Observations	573	573	573
R-squared	0.254	0.218	0.272
Year-fixed effect	YES	YES	YES
Industry-fixed effect	YES	YES	YES

Note(s): Robust *t*-statistics in parentheses ****p* < 0.01, ***p* < 0.05, **p* < 0.1

Table 6.
Robustness test of the
relationship between
donation intensity
and CEP

Different implications can be drawn from this study. Jordanian managers should consider a CPD strategy to enhance long-term profitability. Managers can maximize their companies' overall well-being by gaining the attention of investors, government officials, the media and humanitarian activists through CDP. Managers can enhance their company's reputation and goodwill by emphasizing CPD to attract investors and other stakeholders such as the government, the media and humanitarian activists. A company with outstanding CPD is more likely to be appealing to stakeholders.

It is important to note that this study has some limitations. Only companies listed on the stock exchange were included in the study. CPD may be equally important for non-listed companies that contribute significantly to both the Jordanian economy and the Middle East region as a whole. In addition, only one country in the Middle East, namely Jordan, was considered as part of the study. Even though the Middle Eastern countries share a lot of similarities, they also possess unique environmental, social and economic characteristics that set them apart and make them interesting. Thus, to improve understanding of the nature of this relationship among developing nations, future research on the connection between CPD and CEP across the Middle Eastern region is required, since it will be possible to better understand the nature of this relationship within such a setting.

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