



Empirical Study on Influencing Factors of Corporate Social Responsibility Performance Degree: From the Perspective of the Nature and Function of State-owned Enterprises in China

MEN Sheng^{[a],*}

^[a] School of Management and Economics, University of Electronic Science and Technology of China, Chengdu, China

* Corresponding author.

Received 21 April 2013; accepted 03 June 2013

Abstract

Starting from the nature of state-owned enterprises (SOEs), this paper has made an empirical study on influencing factors of Corporate Social Responsibility (CSR) performance degree for both state-owned and non-state-owned enterprises in China. It shows that the enterprise nature is a remarkable influencing factor for CSR performance degree. SOEs make more social contributions than other types of enterprises, but only in terms of social donations, they make less. While small size and fast-growing enterprises make much more social donations. No matter using social contribution rate or social donation rate as the indicator, the operating results of both SOEs and non-SOEs have the same significant positive impacts on CSR performance degree.

Key words: Corporate Social Responsibility (CSR); State-owned Enterprises (SOEs); Enterprise size; Social Contribution Rate; Social Donation Rate

MEN Sheng (2013). Empirical Study on Influencing Factors of Corporate Social Responsibility Performance Degree: From the Perspective of the Nature and Function of State-owned Enterprises in China. *Management Science and Engineering*, 7(2), 75-79. Available from: <http://www.cscanada.net/index.php/mse/article/view/j.mse.1913035X20130702.3379>
DOI: <http://dx.doi.org/10.3968/j.mse.1913035X20130702.3379>

1. RESEARCH HYPOTHESIS

Traditionally, SOEs have always been social organizations with a large number of social roles and obligations, even now they gradually follow the development of economic organizations, they seem unlikely to completely get rid

of their social obligations and become purely economic animals. The country has also given SOEs the duties of controlling the economic lifeline and stabilizing the society. Over the years, SOEs have borne the major tasks in the national plans to support the smooth progress of reform and opening up as well as economic construction, and played important roles in the aspects of supply security, market prosperity, distribution adjustment and social stabilization. The social and economic system of China has fundamentally determined the historical mission, existential meaning and social commitments of SOEs. Due to the special nature, SOEs should not only bear the responsibility of strengthening economic, but also the responsibility of a society, which non-SOEs would not bear.

However, compared with SOEs, private enterprises are the products in society transformation period. As surviving outside the state system, the development environment of private enterprises far cannot be compared to that of SOEs, so, private enterprises consider more about survival, development and the pursuit of profit. In recent years, with the economic development and the deepening of economic reform, the non-SOEs have played increasingly important roles in the whole market, and also assumed more social responsibilities. Therefore, Hypothesis 1:

1.1 Hypothesis 1

Hypothesis 1a: The nature of the ultimate controller has a major impact on CSR performance degree. Hypothesis 1b: As the ultimate controller, SOEs fulfill more CSRs than non-SOEs.

According to the definition of Carroll (2000), "CSR encompasses the economic, legal, ethical and discretionary (charity) expectations that a society has on organizations at a given point in time." Trotman and Bradley (1981) pointed out that the enterprise size played an important role in the process of fulfilling CSR,

because the larger enterprises would be subject to more community concerns, and therefore necessary to bear more social responsibility. Additionally, the study of Fombrun and Shanley (1990) also found that the larger the enterprise it was, the higher reputation index of CSR it owned. Similarly, some other scholars (Atkinson & Glaskiewicz, 1988; Useem, 1988; Boatsman & Gupta, 1996; Buchholtz, 1999) found that the enterprise size was one of the most important factors of corporate donations. Regardless of their profits, the bigger enterprises always seemed more willingly to make additional contributions for charity. Thompson et al, (1993) found that the number of employees of small enterprises and corporate donations were positively correlated. Also, in the research of impacts of firm size and industry type on corporate philanthropy, Louis H amaretto and Christa H amaretto (Amato & Amato, 2007) pointed out that between the scale of enterprise and corporate philanthropy expenses, there was an existence of a non-linear relationship. On the other hand, with the accelerated pace of business growth, corporate demand for funds, especially cash flow, is greatly increased, in which case, the cash flow expenditures of enterprises to fulfill their social responsibilities are more difficult. Therefore, Hypothesis 2:

1.2 Hypothesis 2

Enterprise size (size) has a significant impact on corporate philanthropy (Phi).

Hypothesis 2a: The larger enterprise size, the higher degree of CSR performance.

Hypothesis 2b: the rapid growth of enterprise business may reduce the performance degree of CSR.

According to the theory of signal transfer, through fulfilling CSR, a good external image of the enterprise can be transferred to stakeholders, which gains more motivation to fulfill their CSR in future, forming a virtuous circle. Scholars (Ullmann, 1985; McGuire, 1988; Roberts, 1992; Waddock, 1997) pointed out that with idle resources, enterprises often used the highest free handling and flexibility cash (liquidity) of idle resources to do charitable activities, which would generate the behaviors of CSR, for example corporate donations. On the other hand, the premise of corporate donations is economic strength. Therefore, the quality of business performance directly determines the number of donations for charitable projects (Tian Lihua, Chen Xiaodong, 2007).

There are some scholars believe that the positive correlation between CSR and financial performance is based on the relation that financial results as causes and CSR behaviors as results: the better (worse) financial results, the better (worse) CSR performance degree. Keith et al, (1975) considered the strong profitability of

large enterprises had a greater impact on social issues. Empirical studies of Preston and O'Bannon (1997) also verified that the financial results of enterprises had a positive influence on social responsibility. McGuire et al, (1988) found through empirical evidence that the higher late CSR performance degree was due to the early financial results. Kraft and Hage (1990) as well as Preston et al, (1991) also found that the financial results, whether in the early or current, there was a strong positive correlation with the social responsibility performance.

CSR of SOEs have both the non-economic goals and economic goals. On the whole, CSR of SOEs focuses on non-economic goals, and economic goals serve non-economic goals. So, the impact of CSR of SOEs affected by their business performance is weaker than other types of enterprises. Therefore, Hypothesis 3:

1.3 Hypothesis 3

Corporate cash flows and operating results (Cap) have a significant impact on corporate philanthropy (Phi).

Hypothesis 3a: With good surplus performances, enterprises have more impetus and abilities to perform more CSRs, in the case that the benefits of fulfilling CSR outweigh their costs.

Hypothesis 3b: SOEs as the ultimate controller, the impact of their surplus results on social responsibility is weaker than those of non-SOEs.

2. MODEL, VARIABLE DEFINITIONS AND DESCRIPTIONS

Two methods are used to measure CSR. One is the social contribution rate (CE), which is calculated by adding the responsibilities of the various stakeholders and then dividing by the owner's equity. The calculation of social contribution uses the definition in "strengthening the listed corporates social responsibility work notice" published by Shanghai Stock Exchange in May 2008. $CE = (\text{Net profit} + \text{Income tax expenses} + \text{Business taxes and surcharges} + \text{Cash paid to and for employees} + \text{the current staff remunerations} - \text{the previous staff remunerations} + \text{financial expenses} + \text{donations} - \text{sewage charges and clean-up costs}) / \text{owners' equity}$. The method of calculating social donation (SD) rate is to use the total amount of community donations divided by the main business incomes. To test the hypothesis, we have established the following model (1), (variables are defined in Table 1).

$$CSR = \alpha + \beta_1 SOE + \beta_2 SIZE + \beta_3 GA + \beta_4 ROA + \beta_5 ROA * SOE + \beta_6 ASDT + \beta_7 CFSD + \beta_8 PA + \beta_9 PR + INDCONTROL + YEARCONTROL + e \quad (1)$$

Table 1
Variables Description

Variables	Variables names	Calculation methods
SOE	Enterprise nature	Judging on the nature of the ultimate controller : SOEs 1 ; non-SOEs 0.
SIZE	Enterprise size	Taking the logarithm of total assets.
GA	The growth rate of total assets	(Total assets at the end of the current year / Total assets at the end of the previous year) - 1.
ROA	Return on total assets	(Total profit + interest expense) / average total assets
ASDT	Asset-liability ratio	Total liabilities / total assets
CFSD	Cash flow liability ratio	Operating cash flow / current liabilities
PA	Accounting and finance violation	If violation 1; If no violation 0.
PR	Expenditure rate of fine	Fine expenditure / principal operations incomes
INDCONTROL	Industry	Industry control
YEARCONTROL	Year	Year control

3. RESULTS AND ANALYSIS

3.1 Descriptive Statistics

Table 2
Descriptive Statistics of the Variables

Variables	Mean	Variance	Median	Minimum	Maximum
ROA	0.0632	0.0697	0.0562	0.7226	0.6297
GA	0.1471	0.2513	0.0989	0.7863	1.9189
ASDT	0.4914	0.1918	0.5076	0.0071	0.9794
CFSD	0.1860	0.5854	0.1210	19.5781	23.4291
PR	0.0017	0.0646	0.0000	0.2223	5.6870
PA	0.0609	0.2391	0.0000	0.0000	1.0000
SIZE	21.5657	1.0796	21.4676	18.1572	26.9495
SOE	0.6072	0.4884	1.0000	0.0000	1.0000

These sample data are from listed companies in Shanghai Stock Exchange and Shenzhen Stock Exchange from the year of 2004 to 2011, and the sources of data are CCER Chinese economic and financial databases and GTA CSMAR database. By removing incomplete sample data and through necessary calculations, final 10,346 sample data and required variables are obtained, data results are run by Eviews 511.

3.2 Regression Results and Analysis

Table 3
Regression Results of CSR Impact on Corporate Business Performance

Variables	CE	SD
SOE	0.0141*** (4.6171)	(0.0002)*** (3.6328)
SIZE	0.0004 (0.2906)	(0.0000)* (1.6932)
GA	(0.0495)*** (13.2012)	0.0002** (1.9639)
ROA	2.3146*** (95.3252)	0.0022*** (4.1323)
ROA*SOE	(0.0340) (1.1000)	(0.0007) (1.0266)
ASDT	0.2613*** (38.8727)	(0.0006)*** (4.4578)
CFSD	(0.0169)*** (8.2769)	0.0000 (0.6699)

To be continued

Continued

Variables	CE	SD
PA	(0.0085)* (1.8349)	0.0002** (1.9983)
PR	(0.0490)*** (2.7700)	0.0006 (1.5678)
Intercept α	(0.1585)*** (6.2466)	0.0020*** (3.7005)
"F" value	1005.1240	33.7005
Adjusted R-squared	0.6600***	0.0595***

Note: The superscript of "***, **, *" represent the test results have reached 1%, 5%, 10% significance level in two-tailed test respectively, and data in parentheses are T-statistics.

It can be seen from Table 3 that if use CE (social contribution rate) as a CSR measurable indicator, the coefficient of SOE is significantly positive, indicating that SOEs make more social contributions than other types of corporates; however, the coefficient of SIZE do not pass the test of significance, indicating that there is no significant relation between the enterprise size and corporate contributions to society. The indicator of GA coefficient is significantly negative, indicating that the faster growth of the enterprise, the less social contributions; the coefficient of ROA is significantly positive, and passes the test of 1% significance, indicating that for non-SOEs, corporate performance has a significant positive impact on social contributions. The cross-productterm of ROA and SOE has not

passed the significance test, indicating that there is no significant difference in the impacts of corporate business performance on social contributions for SOEs and non-SOEs.

But, when SD (social donation rate) is made as the measurable indicator, the social contribution of SOEs is less than that of other types of corporates. It is believed that non-SOEs can improve their reputation through donations (Navarro, 1988; Brown, Helland and Smith, 2006). The empirical results from Shan Li Wei, Gan Li and Zheng Tao (2008) support the idea that non-SOEs have economic motivations to achieve the desired advertising effectiveness through donations. Private enterprises in the lower degree of information asymmetry are more motivated to improve their reputation and image by the use of donations. In addition, the property right of China's SOEs belongs to the whole people, so, their operating benefits should be also shared by all the people, if SOEs use these resources which belong to the whole people to do charity, it should be arranged by the government, rather than by themselves.

The larger enterprise size (SIZE), the less donations; the faster growth (GA) of the company, the more donations. Using different indicators, the conclusions are the opposite, which is inconsistent with the assumptions. We believe that this is due to the different emphases of different indicators. To measure the social contribution, donations belong to a higher level of social responsibility, more biased towards the moral level. And donations can improve the reputations for small fast-growing companies with more motivations. Just because of this characteristic of donations, the coefficient of ROA is significantly positive, and passes the significant test of 1%, while the cross-product term of ROA and SOE does not pass the test of significance, the empirical results of which is the same to those of using social contribution rate as indicator. It shows that the better economic foundation of corporates, the greater social contributions. However, the social contribution performances of SOEs and non-SOEs are not significantly different.

CONCLUSION

In the impact of the enterprise nature on social contributions, different social contribution indicators bring different conclusions. Using social contribution rate as the measurable indicator of social contributions, SOEs make greater social contributions than other types of corporates, but when social donation rate as the measurable indicator, SOEs make smaller. Small scale and fast-growing corporates make more donations. No matter which measurable indicator is used, the social contribution performances of SOEs and non-SOEs are both positive without significant differences.

REFERENCES

- Archie B., Carroll. A. (2000). Commentary and an overview of key questions on corporate social performance measurement. *Business & Society*, 39(4), 466-478.
- Atkinson L., Glaskiewicz J. (1988). Stock ownership and company contributions to charity. *Administrative Sciences Quarterly*, 33(1), 82-100.
- Boatsman J. R., Gupta S. (1996). Taxes and corporate charity: Empirical evidence from micro-level panel data. *National Tax Journal*, 49(2), 193-213.
- Buckholtz A. K., Amason A. C., & Rutherford M. A. (1999). Beyond resources: The mediating effects of top management discretion and values on corporate philanthropy. *Business & Society*, 38(2), 167-187.
- Charles Fombrun, Mark Shanley (1990). What's in a name reputation building and corporate strategy. *The Academy of Management Journal*, (33), 233-258.
- Davis Keith, Robe L. Blomstrom (1975). *Business and society: Environment and responsibility* (3rd ed.). New York: McGraw-Hill.
- Louis H. Amato, Christie H. Amato (2007). The effects of firm size and industry on corporate giving. *Journal of Business Ethics*, 72(3), 229-241.
- Kenneth L. Kraft, Jerald Hage (1990). Strategy, social responsibility and implementation. *Journal of Business Ethics*, 9(1), 11-19.
- McGuire, J., A. Sundgren and T. Schneeweiss. Corporate social responsibility and firm financial performance. *Academy of Management Journal*, 31, 854-872.
- Navarro, P. (1998). Why do firms give to charity? *Journal of Business*, 61(1), 65-93.
- Preston, L. E. and D. P. O'Bannon (1997). The corporate social-financial performance relationship: A typology and analysis. *Business and Society*, 36, 419-429.
- Preston, Lee, Harry Sapienza, & Robert Miller (1991). "Stakeholders, shareholders, managers: Who gains what from corporate performance?" in Amatai Etzioni and Paul Lawrence (eds.). *Socio-economics: Toward a new synthesis*. Armonk: M. E. Sharpe.
- Roberts, R. W. (1992). Determinants of corporate social responsibility disclosure: An Application of stakeholder theory. *Accounting, Organizations and Society*, 17(6), 595-612.
- Shan Liwei, Gan Li & Zheng Tao (2008). Corporate donations and economic incentives: An empirical study based on corporate donations following the 5.12 earthquake in China. *Economic Research Journal*, (11), 51-61.
- Tian Lihua, Chen Xiaodong (2007). A study on dealing of corporate strategic philanthropy. *Journal of Central University of Finance & Economics*, (2), 10.3969/j.issn.1000-1549.2007.02.012.
- Thompson J. K., Smith H. L. & Hood J. N. (1993). Charitable contributions by small businesses. *Journal of Small Business Management*, 31(3), 35-51.

- Trotman, K., G. Bradley. (1981). Association between social responsibility disclosure and characteristics of companies. *Accounting, Organizations and Society*, 6(4), 355-362.
- Useem M. (1998). Market and institutional factors in corporate contributions. *California Management*, 30(2), 77-88.
- Ullmann A. A. (1985). Data in search of a theory: A Critical examination of the relationships among social performance, social disclosure, and economic performance of U.S. firms. *Acad. Manage*, 10, 540-557.
- Waddock, S. A., S. M. Graves. (1997). The corporate social performance-financial performance link. *Strategic Management Journal*, 18(4), 303-319.
- William O. Brown, Eric Helland, Janet Kiholm Smith (2006). Corporate philanthropic practices. *Journal of Corporate Finance*, 12(5), 855-877.