

Research and Analysis of Charitable Donations and Financial Performance of Private Listed Companies

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Abstract: Charitable donation is an important dimension of corporate social responsibility. Private enterprises are becoming more and more aware of social responsibility in the course of practical development, and more and more enterprises are investing in the main force of domestic large-scale charitable donations. Will charitable donations improve the financial performance of private enterprises and will financial performance in turn affect the charitable donations of private enterprises? Scholars at home and abroad have not reached a unified conclusion on the discussion of the causal relationship between the two. With the optimization of the industrial structure and the continuous rise of the tertiary industry economy, private enterprises have gradually become an irreplaceable role in my country's economic development. Therefore, research on the relationship between charitable giving and financial performance is necessary. Select privately-owned listed companies on the Shanghai and Shenzhen Stock Exchanges from 2011 to 2017 as the research object, use Guotai'an CSMAR private enterprise social responsibility database; Hexun Finance, CSR-CHINA and other websites download private enterprise CSR development reports; Sina Finance, Dongfang Finance, Phoenix Caijing, Sohu Finance and other websites obtained charitable donation data that were not released through official channels, and obtained charitable donation data from 315 listed companies from 2011 to 2017. Using the combination of normative research and empirical research, quantitative analysis and qualitative analysis to analyze the above problems, the main conclusions are as follows: charitable donations and financial performance are mutually causal. This relationship helps researchers understand and explain the charitable donation behavior of private enterprises.

Keywords: charitable donation; financial performance; private enterprises

1. Research background

Charitable donation is an important aspect of corporate social responsibility. For enterprises, social responsibility is inseparable from charitable donations [1]. Although many aspects such as corporate social responsibility strategy, people's livelihood construction and green development are involved in the corporate social responsibility report, charitable donation is the most frequently mentioned keyword in the social responsibility report. This means that charitable donations can better measure the social responsibility undertaken by enterprises during the reporting period and be more easily recognized by the public. According to the survey system of Chinese entrepreneurs, 90% (the vast majority) of enterprises have made charitable donations in history. The theory of charitable donation in the West is richer and has a longer history. Compared with the West, Chinese companies have less practice in charitable donation and the theory is not perfect. At present, the research focus on charitable giving and financial performance is to verify whether and how charitable giving affects financial performance. Relevant theoretical research, or domestic scholars take China's A-share listed companies as the research object, and the results obtain Charitable donation is an important aspect of corporate social responsibility. For enterprises, social responsibility is inseparable from charitable donations [1]. Although many aspects such as corporate social responsibility strategy, people's livelihood construction and green development are involved in the corporate social responsibility report, charitable donation is the most frequently mentioned keyword in the social responsibility report. This means that charitable donations can better measure the social responsibility undertaken by enterprises during the reporting period and be more easily recognized by the public. According to the survey system of Chinese entrepreneurs, 90% (the vast majority) of enterprises have made charitable donations in history. The theory of charitable donation in the West is richer and has a longer history. Compared with the West, Chinese companies have less practice in charitable donation and the theory is not perfect. At present, the research focus on charitable giving and financial performance is to verify whether and how charitable giving affects financial performance. Relevant theoretical research, or domestic scholars take China's A-share listed companies

as the research object, and the results obtained have three views, namely positive correlation, negative correlation and irrelevance. Porter believes that charitable donations can enhance corporate market competitiveness and strengthen corporate brand building [2]. According to the data disclosed by listed companies in Shanghai and Shenzhen, public welfare donations under sudden natural disasters have significantly improved corporate accounting performance and market performance during the reporting period, and the more charitable donations, the better the financial performance. Scholars at home and abroad believe that charitable donations not only have a positive effect on corporate performance, but also have a negative impact on corporate performance. An increase in corporate spending on charitable donations will lead to a decrease in corporate free cash flow, which is not good for companies that require large capital expenditures; it will reduce the valuation of cash held by shareholders [3]; when companies are in poor operating conditions, charitable Donations will affect the market value of enterprises [4]. Some scholars have found that the relationship between financial performance and charitable donations is not significant through empirical analysis, and believe that due to the lack of laws, regulations and system construction, corporate charitable donations have not formed positive feedback. Although scholars have made remarkable achievements in researching the relationship between charitable donations and financial performance [5], they have not reached a unified conclusion and there are few studies on the impact of financial performance on charitable donations, which cannot effectively promote charitable donations by enterprises. On the one hand, corporate charitable donations gain the support of stakeholders in order to improve brand influence and corporate image. On the other hand, corporate charitable donations require corporate free cash flow as a guarantee. The better the financial performance of an enterprise, the stronger its ability, willingness, and amount of charitable donations. Thus, the relationship between charitable giving and financial performance may be interactive.ed have three views, namely positive correlation, negative correlation and irrelevance.

2. Literature review

The academic community has conducted long-term research on the relationship between corporate charitable donations and financial performance, and most scholars focus on certain correlations between charitable donations and financial performance. For example, whether corporate profits in the early stage will expand corporate charitable donations, and whether changes in corporate charitable donations will cause changes in earnings in financial reports [6]. The good financial performance of enterprises has laid a material foundation for charitable donations, but there is a big controversy about the impact of corporate charitable donations on financial performance. In the empirical literature on the relationship between charitable donations and financial performance, the conclusions can be roughly divided into three categories: 1. There is a positive correlation between charitable donations and financial performance, and charitable donations are part of corporate strategic management. 2. From the perspective of shareholders, charitable donations have a certain negative impact on the financial statements of local companies and weaken the competitiveness of companies in the market. Therefore, it is believed that charitable donations have an inhibitory effect on financial performance. 3. Charitable donations by enterprises are part of fulfilling their social responsibilities, and enterprises should not consider economic benefits when making charitable donations.

2.1 *The impact of financial performance on charitable giving*

Previous scholars believed that the resource slack theory [7] is the most important theoretical basis for the positive correlation between financial performance and charitable donations. The resource slack theory holds that the abundance of cash and other resources in a company determines its social donation behavior. Firms with poor financial status are significantly less likely to make charitable donations than firms with better financial status. Some scholars believe that there are problems with the resource slack theory. Aupperle, K. E. [8] believes that the process of corporate charitable donations is complex, and any proxy variable in the empirical process will have an impact on the empirical results when describing charitable donations. Jordi Surroca[9] believes that there is no significant correlation between charitable donations and financial performance, and there is an intermediate variable between the two, which promotes corporate charitable donations. The healthy assets and liabilities of enterprises promote enterprises to increase research and development efforts, increase talent system training, maintain corporate brand and reputation, and enrich corporate culture. The virtuous circle formed by these soft powers for enterprises will increase corporate charitable donations to a greater extent. level and quality. Scholars believe that the conclusions of researchers such as Aupperle and Jordi Surroca are essentially an extension of the theory of resource relaxation, and an extension and extension of resource types and

chains of action.

2.2 Impact of charitable giving on financial performance

Scholars at home and abroad have demonstrated and analyzed whether the impact of charitable donations on financial performance is positive, negative, or irrelevant. Domestic researchers often use A-share listed companies as data sources when demonstrating the impact of charitable donations on financial performance. There is a lot of controversy in the academic circles about this issue.

(1) Charitable donations are positively correlated with financial performance

The doctrine of strategic charitable donations believes that charitable donations are essential to enterprises, and there is no dispute over whether to donate, but how to donate. The relationship between corporate charitable donations and corporate strategic goals is not conflict but mutual promotion. Enterprises should think about how to use charitable donations to improve their competitiveness in the market, gain the initiative, and increase the trust of stakeholders. Brammer&Millington believes that corporate charitable donations play an irreplaceable role in obtaining stakeholders' support for the company and will improve financial performance [10]. Griffin[11] and Goddrey[12] believe that charitable donations will strengthen the relationship between enterprises and stakeholders, and obtain resource support from stakeholders. The reason for the positive correlation between charitable donations and financial performance is that corporate charitable donations help companies gain market share, bring more resource support [13], and attract high-level employees [14]. Thus, there is a positive relationship between charitable giving and financial performance.

(2) Charitable donations are negatively correlated with financial performance

Shareholder capitalism believes that charitable donations have an inhibitory effect on the company's financial performance and weaken the competitiveness of the company's products and services in market competition. Galaskiewicz believes that based on their research, charitable donations do not have a positive effect on financial performance. Corporate charitable donations will reduce corporate value resources, and corporate value creation capabilities will weaken, ultimately leading to poor corporate financial performance. The effects of charitable donations on shareholders and management are diametrically opposed. Charitable donations will bring reputation capital to management, but it is not conducive to the increase of corporate wealth. Economist Milton Friedman sees corporate charitable giving as a disruption to free cash flow, undermining shareholders' power to dispose of their money. Under the theme of emphasizing the harmonious development of society, this view has been criticized to a certain extent, and the general public believes that it is not advisable for enterprises to refuse to undertake social responsibility .

(3) Charitable donations are not correlated with financial performance

Scholars who agree with the theory of corporate citizenship believe that enterprises, as public agents of the generalized community, do not need to consider economic benefits when making charitable donations, and the obligation of citizens is the basis for enterprises to make charitable donations. This view is incompatible with the view from the perspective of shareholders. This theory believes that there are prerequisites for the realization of shareholder wealth value. If there is no sound community system and basic human rights in the local area, it is worthless to discuss shareholder property rights. It is essential for enterprises to be actively involved in the development process of social welfare. Galaskiewicz & Burt believe that the financial dimension is hardly a factor considered by corporate charitable donations , but there are other possibilities, for example, corporate executives also serve as the heads of the donation team , and other market competitors participate in charitable donations . Under the pressure of public opinion from social welfare, the impact of this factor on corporate charitable donations may exceed the impact of shareholder interests and value (that is, corporate profit maximization). On the whole, the views of the corporate citizenship school do not define the boundaries of corporate social obligations, nor do they define the rules for stopping corporate charitable donations. So the social responsibilities undertaken by enterprises are not based on interests but actually assume the role of public politics. Griffin & Mahon investigated the US chemical industry, based on two performance data (TRI database and corporate philanthropy), and found that corporate charitable donations and financial performance are not irrelevant. The Seifert&Morris study found that no matter what method is used to measure charitable donations and financial performance, it is impossible to draw the conclusion that there is a correlation between the two.

(4) Other relationships between charitable donations and financial performance

Heli believes that the relationship between corporate charitable donations and financial performance is an inverted U-shaped relationship, and this relationship is affected by changes in the external environment of the company. Patten conducted research on 79 charitable donation companies in the tsunami, and believed that the time before and after the publicity of charitable donations did not affect changes in market value, but the scale of donations had an impact on changes in market value. Brammer believes that the relationship between corporate charitable donations and financial performance is inverted U-shaped because there is a "reflexivity" between the key resources obtained by corporate charitable donations and the company's insurance on key resources, which promotes the improvement of corporate financial performance. But this relationship is affected by stakeholder support, donation costs, and agency costs.

Chen Jiagui believes that in addition to undertaking social responsibilities, corporate charitable donations are partly for the consideration of corporate development. Through the data of A-share listed companies, it is concluded that the relationship between charitable donations and financial performance is positive but not significant. The significance of charitable giving's impact on financial performance increases over time for the study. Shan Liwei et al. believe that different types of downstream customers have different responses to corporate charitable donations. Compared with enterprises facing the B-end, corporate charitable donations for the C-end have a more significant effect on improving financial performance. Zhao Dadi based on the charitable donation data of 872 listed companies in Shanghai and Shenzhen, used Person correlation analysis between charitable donation and financial performance, and found that there is no correlation between the two, and charitable donation can not bring about the improvement of management return rate. Liu Xiaojun constructed a multiple regression model, using the data of companies listed on the A-share market from 2005 to 2014 to draw a conclusion that charitable donations have a more significant impact on non-state-owned enterprises than state-owned enterprises. Based on the above literature review, charitable donation is one of the important strategies for enterprises, and it is effective in improving the financial performance of enterprises.

3. Theoretical Analysis and Research Hypothesis

In the past, most scholars tended to study the impact mechanism of charitable donations on financial performance, but few scholars studied whether and how financial performance affects charitable donations. Moreover, considering China's special market economy, the "invisible hand" control over key resources in different regions affects the decision-making and development of enterprises, and affects the motivation of corporate charitable donations and corporate performance. Therefore, studying the impact of political connections and marketization differences on charitable giving and financial performance will help to gain a deeper understanding of the reciprocal causal relationship between charitable giving and financial performance.

3.1 Idle resource mechanism

Orlitzky believes that the idle resource mechanism is due to the optimization of the market competition pattern and the improvement of product competitiveness, which lead to the improvement of corporate financial performance, and the emergence of idle resources other than continued expansion of reproduction, which in turn improves the ability to undertake social responsibilities. Kang and McGuire pointed out that the level of corporate charitable donations is largely determined by the level of idle funds owned by the company in the current period. After using meta-analysis, Margolis found that the relationship between the amount of corporate charitable donations and corporate idle funds is positively correlated, and compared with the level of idle funds in the current period, the level of idle funds in the previous period has a greater impact on the amount of charitable donations. According to the "China Corporate Social Responsibility Research Report", whether it is a private enterprise or a state-owned enterprise, the top-ranking enterprises in charitable donations all rank high in operating income that year. So Hypothesis 1 is put forward:

H1: The better the financial performance of private enterprises, the greater the amount and possibility of charitable donations of the private enterprises.

3.2 Good management mechanism

Although the academic circles have reached a relatively unified conclusion on how financial performance affects charitable donations, they have not reached a unified conclusion on whether and

how charitable donations affect financial performance. Most scholars believe that there is a positive correlation between the two. Charitable donations bring the trust of stakeholders to the enterprise, reduce the uncertainty risk in the operation process of the enterprise, and then improve the financial performance of the enterprise. However, some scholars believe that there are other relationships between the two, including negative correlation, no relationship, and U-shaped relationship.

The researchers of strategic philanthropy theory believe that the "strategic philanthropy" formed by charitable donations makes there is no conflict between profit and public welfare. According to the existing research results, charitable donations can help companies establish and maintain their corporate image, and the effect is better than that of advertising. At the same time, charitable donations increase the loyalty and recognition of C-end consumers to corporate products, enhance employee satisfaction with the company, and then achieve the effect of improving corporate financial performance. The benefits formed by corporate charitable donations can compensate for the costs, and ultimately lead to the improvement of the overall performance of the enterprise. Based on this, Hypothesis 2 is put forward.

H2: The more charitable donations of private enterprises, the better the financial performance of the private enterprises.

4. Data statistics and analysis

4.1 Sample selection and data sources

The empirical data in this paper are selected from the annual reports of private listed companies on the Shanghai and Shenzhen Stock Exchanges from 2011 to 2017. From the "Eleventh Five-Year Plan" to the "Thirteenth Five-Year Plan" in China, the economy has developed rapidly, people's lives have been improved, the corporate social responsibility movement has gradually matured, and the disclosure of information on corporate charitable donations has become more standardized. Charity data comes from private enterprise annual reports, corporate social responsibility reports, and news announcements.

(1) Obtain the charitable donation data of enterprises from 2011 to 2017 in the "private enterprise social responsibility database" in Guotai'an CSMAR, including the charitable donation announcements issued by the company during the period.

(2) Download the CSR development report of private enterprises from the official website of private enterprises, Hexun Finance, CSR-CHINA and other websites to obtain the data of charitable donations from 2011 to 2017.

(3) Obtain charitable donation data that have not been released on official channels from websites such as Sina Finance, Dongfang Finance, Phoenix Finance, and Sohu Finance.

4.2 Model setting and variable definition

4.2.1 Model setting

According to the idle resource mechanism, enterprises have idle funds in production and operation, and have the ability and resources to make charitable donations. In order to test Hypothesis 1, there is a positive correlation between the financial performance of private enterprises and charitable donations. The better the financial performance, the greater the possibility and the amount of charitable donations by the private enterprise. Model (1):

$$Giving_t = \beta_0 + \beta_1 Giving_{t-1} + \beta_2 Size_{t-1} + \beta_3 Age_{t-1} + \beta_4 Debt_{t-1} + \beta_5 Grow_{t-1} + \beta_6 Ave - giving_{t-1} + \sum \beta_i Industry_{t-1} + \sum \beta_j Year_{j,t-1} + \varepsilon_{t-1} \quad (1)$$

In this econometric model, the control variables that may affect charitable donations in period t-1 are added to the enterprise size, asset-liability ratio, enterprise age, industry average donation amount, growth, industry dummy variable, year dummy variable. Financial performance is an explanatory variable, and charitable donation is an explained variable. According to the slack resource mechanism and assumption 1, the regression coefficient of the financial performance variable is significantly positive.

According to the good management mechanism, corporate charitable donations can effectively improve the corporate image, and the effect is better than advertising. Moreover, charitable donations also enhance employees' satisfaction with the company and consumers' loyalty to the company, and then realize the transformation of brand effect into value. To test Hypothesis 2, build an econometric model (2).

$$\begin{aligned}
performance_{t+1} &= \beta_0 + \beta_1 Giving_t + \beta_2 performance_t + \beta_3 Debt_t + \beta_4 Grow_t + \beta_5 Top_t \\
&+ \sum \beta_i Industry_{t-1} + \sum \beta_j Year_{j,t-1} + \varepsilon_{t-1}
\end{aligned}
\tag{2}$$

4.2.2 Variable definitions

(1) Charitable donations

Charitable donation is an explained variable in (1) model, and an explanatory variable in (2) model. The charity data in this paper come from the annual reports of private enterprises, corporate social responsibility reports, and news announcements. Manually collecting data on charitable donations requires a lot of work, but it is of great significance to the accuracy and objectivity of the research questions. Charitable donations in this paper include cash and material donations, and public welfare donations, cash donations, external donations, etc. are included in the annual report. Chinese scholars tend to define 2008 as the first year of the awakening of Chinese private enterprises' awareness of social responsibility. Before 2008, corporate donations were mainly in cash. After 2008, the forms of corporate charitable donations have gradually diversified, including both cash and other in-kind donations.

In models (1) and (2), whether private enterprises donate or not, the value is 1 if they donate, and 0 if they don't. At the same time, charitable donation variables include the natural logarithm of charitable donations. In models (2), the charitable donation variable is mainly the income ratio of charitable donations.

(2) Financial performance

Financial performance is an explained variable in (2) model, and an explanatory variable in (1) model. Scholars at home and abroad usually use accounting indicators including ROE and ROA when evaluating financial performance. $ROE = \text{net profit} / \text{average net assets} = \text{sales profit ratio} * \text{total asset turnover ratio} * \text{equity multiplier}$. This formula can reflect the profitability of the enterprise, the level of debt repayment and the asset turnover efficiency of the enterprise during the reporting period. $ROA = \text{profit before interest and taxes} / \text{average total assets} = \text{production efficiency} * \text{sales efficiency} * \text{sales profit margin} * \text{financial leverage coefficient}$.

(3) Control variables

1) Industry

In order to control the impact of different industries on the charitable donations and financial performance of private enterprises, industry dummy variables are added to the econometric model. According to the "Guidelines for the Industry Classification of Listed Companies" revised in 2017, the industry is divided into 19 industries including agriculture, forestry, animal husbandry, fishery (A), and mining (B). In the course of the research, it was found that the amount of sample data in some industries is small, such as the number of companies in the mining industry and construction industry is less than 10. This situation is likely to cause collinearity problems. Therefore, the method of elimination is adopted for enterprises with small capital.

2) Enterprise scale

In this paper, the scale of enterprises is measured by the natural logarithm of the total assets of private enterprises at the end of the period. Moreover, domestic and foreign scholars believe that enterprise size is the key factor when studying the relationship between charitable donations and financial performance of private enterprises.

3) Capital structure

When the corporate debt in the corporate capital structure is too high, it will bring higher risks to the corporate, which in turn will lead to a decline in corporate value. Different levels of assets and liabilities of private enterprises bring different degrees of market risk to enterprises, and will also have an impact on corporate financial performance and charitable donations.

4) Shareholding structure

Xu Liping found that there is a significant positive and dominant relationship between ownership concentration and corporate operating performance, and this relationship has nothing to do with the nature of the controlling shareholder. The significance of the two decreases in descending order according

to the state-owned enterprises directly under the central government, the private property rights holding, the local state-owned enterprises holding, and the state-owned assets management institutions holding. A high degree of equity concentration will reduce agency costs and help companies pay attention to industrial trends in economic and social development.

5) Other control variables

In addition, other variables that affect charitable donations include enterprise age, enterprise growth, industry average donation amount, and year dummy variables. Other variables that affect financial performance include asset-liability ratios, etc. In the econometric models (1) to (2), considering that there is a lag in the effects of financial performance, explanatory variables and control variables are lagging behind for one period.

5. Demonstration results and analysis

5.1 Verification results of the idle resource mechanism

First, use the logistic multiple regression analysis method to verify Hypothesis 1, and verify whether there is a correlation between private enterprises' charitable donations and financial performance. In the model (1) of this paper, according to the panel data of private enterprises, charitable donation and financial performance are the dependent variable and independent variable respectively. The Hausman test was used to determine whether to choose a random-effects model or a fixed-effects model. In this section, the Hausman test results show that $F=2.33$, $\text{Prob}>=0.000$, indicating that the sample individual effect is significant. Therefore, the fixed effect model should be selected and the random effect model should be rejected. At the same time, the heteroscedasticity verification was carried out on the model, and the modified Wald test was adopted, the corresponding probability was 0.0000, the null hypothesis was rejected, and there was no heteroscedasticity in the measurement model.

Table 1: The regression result of model (1)

	Giving1	Giving2
performance	4.22*** (1.45)	5.26** (2.45)
size	0.91*** (0.01)	2.55*** (0.53)
age	-0.02*** (0.03)	-0.12*** (0.78)
debt	0.19 (0.45)	-2.92 (1.65)
grow	-0.15*** (0.19)	-0.14*** (0.45)
ave-giving	-0.44 (0.18)	-0.46 (0.40)
industry	Yes	Yes
year	Yes	Yes

According to the regression results of model (1) in Table 1, Econometric model (1) The regression results of giving1 show that there is a significant positive correlation between private enterprises' charitable donations and financial performance ($\beta=4.22$, $p<0.01$). Econometric model (1) The results of giving2 regression show that there is a significant positive correlation between the natural logarithm of charitable donations by private enterprises and financial performance ($\beta=5.26$, $p<0.01$). Hypothesis 1 is verified: the better the financial performance of private enterprises, the greater the possibility and amount of charitable donations. Among the control variables, enterprise size, enterprise establishment time and enterprise growth have withstood the significance test. The regression coefficient of enterprise size is significantly positive, indicating that the greater the total assets of the enterprise at the end of the period, the more powerful and willing the enterprise is to make charitable donations. The regression coefficient of enterprise establishment time is negative, which may be due to the relationship between my country's national conditions and market policies. The regression coefficient of corporate growth is negative, which may be because fast-growing companies need more funds to purchase assets and technologies to achieve long-term development, so the possibility and amount of charitable donations are reduced.

5.2 Validation Results of Good Management Mechanisms

Regression analysis was performed on the good management mechanism model. Whether there is a correlation between private enterprises' charitable donations and financial performance. In the model (2) of this paper, according to the panel data of private enterprises, financial performance and charitable donation are the dependent variable and independent variable respectively. The results of the Hausman test show that $\text{Prob} > 0.00$, indicating that the sample individual effect is significant. Therefore, the fixed effect model should be selected and the random effect model should be rejected. At the same time, the heteroscedasticity verification was carried out on the model, and the modified Wald test was adopted, the corresponding probability was 0.0000, the null hypothesis was rejected, and there was no heteroscedasticity in the measurement model.

According to the regression results of model (2) in Table 2, when financial performance and charitable donations are used as explained variables and explanatory variables, the regression coefficients of give1 and give2 are negative, and the regression coefficient of give1 is significantly negative. This shows that the larger the amount of charitable donations, the worse the financial performance of private enterprises will not be. The above results are not consistent with Hypothesis 2. Therefore, it is necessary to consider the impact of other factors on the relationship between charitable donations and financial performance, and analyze how political connections and marketization have an impact on good management mechanisms.

Table 2: Regression results of model (2)

	performance
give1	-0.00* (0.00)
give2	-0.51 (1.35)
performance	0.00 (0.04)
debt	0.06*** (0.02)
grow	-0.01 (0.01)
top	0.07*** (0.02)
industry	Yes

6. Research Conclusions and Enlightenment

6.1 Research conclusion

The relationship between charitable giving and financial performance has long been debated in academic circles. Scholars at home and abroad have demonstrated and analyzed whether the impact of charitable donations on financial performance is positive, negative or irrelevant, but no unified conclusion has been reached. The empirical results of this paper based on the econometric model (2) are inconsistent with the hypothesis (2). It is necessary to consider the impact of other factors on the relationship between charitable donations and financial performance, and to analyze how political connections and marketization have an impact on good management mechanisms. . The research conclusions of this paper are as follows:

There is a reciprocal causal relationship between charitable donations and financial performance of private enterprises. The financial performance of private enterprises will promote charitable donations, and under certain conditions, charitable donations will improve the financial performance of private enterprises. This relationship helps researchers understand and explain the charitable donation behavior of private enterprises.

6.2 Theoretical Enlightenment

First, the empirical results of the idle resource mechanism and hypothesis 1 show that charitable

donations by private enterprises need good financial performance as a backing and guarantee. The empirical results of good management mechanism and hypothesis 2 show that charitable donations of private enterprises do not necessarily improve financial performance. Therefore, when planning charitable donations, the management of private enterprises needs to control the possible financial risks to avoid unnecessary losses and risks to the enterprise.

Second, due to my country's special national conditions, different regions have different degrees of marketization, and governments at all levels have different control rights over the key resources needed by enterprises. In order to reduce the uncertainty of business development, private enterprises have to obtain political returns through charitable donations. Therefore, the current charitable donation behavior may deviate from the original intention of corporate social responsibility in some areas.

Third, the premise of charitable donations by private enterprises is that they need to have good financial performance. While promoting charitable donations by enterprises, governments at all levels need to formulate reasonable policies to moderately subsidize donating enterprises.

6.3 Policy recommendations

(1) Protect the legitimate rights and interests of private enterprises by improving relevant laws and regulations. Law enforcement agencies have strengthened law enforcement, and government regulatory agencies have carried out market supervision in accordance with the law.

(2) The premise of full market competition is that there are not too many restrictions on market access. The government should allow the "invisible hand" to actively promote social development, increase market-oriented reforms, and provide a level playing field for private enterprises.

(3) The government should give reasonable guidance to private enterprises with political connections. The social responsibility policies formulated by governments in various regions will affect the enthusiasm of private enterprises for charitable donations.

(4) Strengthen system construction to avoid the possibility of corruption caused by political connections. In regions with a low degree of marketization, political connections reduce uncertainty for the development of private enterprises. Unreasonable use of political connections can lead to illegal activities, including corruption. The important condition for avoiding corruption is to fully compete in the market, reduce the intervention of the "invisible hand" in the market, and improve the socialist market system with Chinese characteristics.

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