Corporate Philanthropy and Corporate Social Responsibility Report Disclosure

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Abstract. Corporate philanthropy can influence stakeholders' perception of a company. This study examines the relationship between corporate donations and the CSR report disclose format. Specially, we consider the moderating role of firm's ownership type and we also investigate the moderating role of media attention in different firm's ownership type. We using data from a sample of Chinese listed companies during the period from 2006 to 2022. We use multivariate models to explore our research. This study results revealed that firms issue stand-alone CSR reports tend to donation more than the firms issue CSR information with annual reports. And when all corporates issue stand-alone CSR reports, SOEs donation less than Non-SOEs. Because corporate reputation will impact corporate philanthropy, we test We These results implication for stakeholders assessing corporate CSR performance in real-life contexts.

Keywords: Corporate Donations, Stand-alone CSR Reports, Ownership.

1 Introduction

Corporate Social Responsibility (CSR) report is a crucial important non-financial document released by publicly listed companies in the capital market. Fulfilling social responsibility helps companies maintain reputation, improve external image, and effectively reduce financing costs. Corporate philanthropy is the highest expression of corporate social responsibility and influences the formulation of business strategies [1]. Listed Chinese firms are required to disclose their donations in their CSR reports [2].

When reporting sustainability disclosure to stakeholders, firms can choose between a stand-alone report and an integrated report [3]. Hoffmann et al. argue that stand-alone reports provide more detailed disclosure [4]. Compared to the issuance of an integrated report, the issuance of a stand-alone report providing more information [5]. More information can increase the information transparency, so the issuance of stand-alone reports could improve the information asymmetry for stakeholders to assess corporates' overall CSR performance, that is consistent with the signaling theory [6,7]. Inadequate CSR disclosures will impose corporate's reputation loss [8]. If corporate philanthropy is insufficiently disclosed in stand-alone reports, stakeholders may develop negative perspectives to assess the corporates, leading to reputation loss. Williams and Barrett

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found that corporate donations can enhance the corporate's reputation, but declining donations can reduce it [9]. Therefore, the corporates which disclosed in stand-alone reports may increase philanthropy to retain or enhance their reputation. Chen et al. report that investment in CSR projects is significantly higher when companies use a stand-alone CSR reporting framework, as a standalone CSR report exclude the financial costs [10]. The issuance of stand-alone CSR reports represents high-quality CSR performance and corporate cannot consider the financial costs in these reports, so the corporate has higher CSR performance which disclose stand-alone CSR reports will make more philanthropy.

On the contrary, Axjonow et al. find that issuing a stand-alone CSR report does not necessarily impact a corporate's reputation [11]. However, stand-alone CSR reports tend to include more information, leading to worse performers have more extensive disclosures [12]. Unfortunately, this increased disclosure has not a greater quality [13]. Consequently, corporates maybe reduce their philanthropy if these corporate choose to disclose stand-alone CSR reports.

In the context of China, where a significant number of state-owned enterprises (SOEs) and non-state-owned enterprises (Non-SOEs) coexist, and Chinese firms typically have a high level of ownership concentration [14]. If all corporate disclose stand-alone CSR reports, those with different ownership structures will exhibit varying levels of philanthropy. Non-SOEs need donation more to attain their reputation and the supports of stakeholders, but the role of SOEs including many parts, social donation is just a part of that, and SOEs donation not just cash donation, they also have skills or products donations. SOEs donation less than Non-SOEs [15,16]. Therefore, if all corporate disclose stand-alone CSR reports, the SOEs are likely to donate less amount than Non-SOEs.

In summary, existing research has not thoroughly explored the impact of CSR report disclosure format on corporate philanthropy, especially considering the moderating effect of ownership type. While prior studies focused on CSR performance in general, our study specifically examines corporate philanthropy. Our empirical results are consistent with previous research, indicating that firms disclosing stand-alone reports significantly increase corporate philanthropy, and SOEs negatively affect this relationship. But our study has the two differences with prior researches, first, prior researches don't study the moderating role of SOEs, they just study the impact of SOEs on corporate philanthropy. Second, prior researches don't study the relationship between corporate donations and the CSR report disclose format.

Therefore, our research questions are as follows:

Research Question1: What is the relationship between corporate donations and the CSR report disclose format?

Research Question2: How does corporate ownership type moderate this relationship?

Our research makes several contributions. First, we supplement the literature on the impact of CSR report disclosure format on corporate philanthropy. Second, we explore the moderating effect of SOEs in the relationship between CSR report disclosure format and corporate philanthropy. Finally, our study focuses on Chinese listed companies, providing insights for stakeholders assessing corporate CSR performance in real-life contexts.

2 Data and Sample Selection

To test our research question, we collected data on corporate donation amounts, stand-alone CSR reports and other characteristics for all Chinese A-share listed companies from 2006 to 2022. All data were obtained from the China Securities Market and Accounting Research (CSMAR) database. We delete observations without enough data for the control variables. We finally obtained an unbalanced panel dataset of 6,835 firm-year observations. We winsorized all continuous variables at the top and bottom 1% to alleviate the influence of outliers.

Size, age, ROA and growth as control variables for firm-level characteristics have been noted in prior research as factors that affect corporate donations [16,17]. *Size* is the natural algorithm of a corporate's total assets. *Age* is the corporate's age from establish. *ROA* is return on assets. *Growth* is the firm's operating revenue growth rate.

In Fig. 1 the left illustrates variations in CSR reports disclose format over the period from 2006 to 2022. It shows that since 2012, the proportion of companies using stand-alone reports has declined, but from 2020, companies disclose CSR information using stand-alone reports begin increasing. And the right graph indicates that variations in corporate donations during the same period from 2006 to 2022. It shows that since 2010, Non-SOEs show an upward trend.

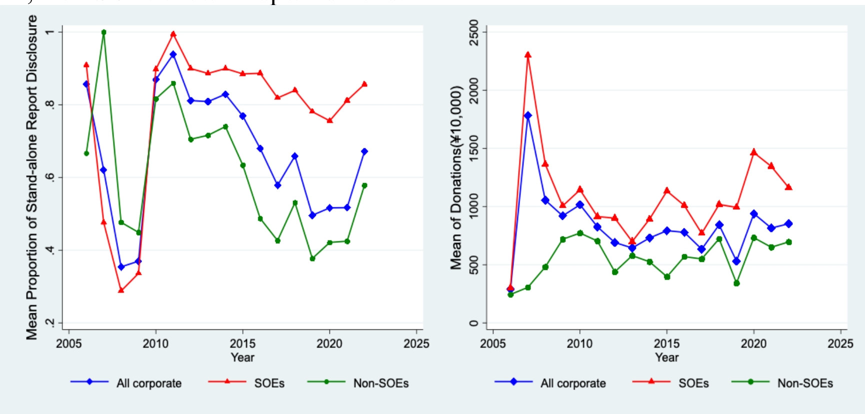

Fig. 1. The trend of corporate disclose CSR report format (right) and donations (left).

Table 1. Descriptive statistics for variables.

	N	Mean	SD	Min	p50	Max
Donations (ln)	7662	14.07	2.15	0.00	13.91	28.13
Source	7662	0.63	0.48	0.00	1.00	1.00
SOE	7662	0.41	0.49	0.00	0.00	1.00
Size (ln)	7603	3.64	1.07	0.69	3.71	8.71

Media	7662	23.22	1.98	18.64	22.80	31.31
Age	7662	18.66	6.44	1.00	19.00	64.00
ROA	7662	0.05	0.06	-0.89	0.04	0.79
Growth	7662	0.48	10.09	-3.80	0.09	865.91

Table 1 presents the descriptive statistics for all variables used in our models. As shown in the table, the natural logarithm of corporate donations (Donations) was 13.72 on average. 52 percent of the corporates disclose their CSR report in stand-alone report (Source); 48 percent of the corporates disclose their CSR report in annual report. 27 percent of the corporates is SOE; 73 percent of the corporates is non-SOE. The mean media attention (Media) is 0.24, with a minimum of 0.69 and maximum of 8.71.

3 Research Model and Results

We use Following Dhaliwal et al. [5] and Axjonow et al. [11], we measure CSR disclosure format by a dummy variable (Source) which equal to 1 when the firm issues a standalone CSR report and 0 otherwise, and this is the independent variable in Eq. (1) and Eq. (2).

Corporate donation (Donations) is a part of corporate philanthropy and Chinese listed companies are required to disclose their donations. We use the natural logarithm of corporate donation amounts as a measure of corporate philanthropy, and this is the dependent variable in Eq. (1) and Eq. (2). State ownership is a dummy variable that equal to 1 if the corporate is state-owned and 0 otherwise.

We used multiple linear regression approach as a statistical analysis method to examine the impact of CSR report disclose format on corporate philanthropy, and the moderating role of state-owned enterprises.

To investigate the relationship between corporate philanthropy (corporate donations) and the CSR report disclose format, we define the following economic model:

$$Donations_{i,t} = \alpha + \beta_1 Source_{i,t-1} + \Phi Controls_{i,t-1} + FE + \varepsilon_{i,t-1} \quad (1)$$

where: i = firm, t = the current fiscal year, Source = 1 if firm issued standalone CSR Report; 0 otherwise, Controls = a set of control variables, Size, the natural algorithm of a corporate's total assets; age, the corporate's age from establish; ROA, the corporate's return on assets; growth the firm's operating revenue growth rate, FE including the firm and year fixed effects, $\varepsilon =$ the regression residual.

To investigate the moderating role of state-owned enterprises on the relationship between corporate philanthropy (corporate donations) and the CSR report disclose format, we define the following economic model:

$$Donations_{i,t+1} = \alpha + \beta_1 Source_{i,t} + \beta_1 Source \times SOE_{i,t} + \Phi Controls_{i,t} + FE + \varepsilon_{i,t} \quad (2)$$

where: *i* = firm, *t* = time, *Source* = 1 if firm issued standalone CSR Report; 0 otherwise, *SOE* = 1 if the firm is state-owned; 0 otherwise, *Controls* = a set of control variables, Size, the natural algorithm of a corporate's total assets; age, the corporate's age from establish; ROA, the corporate's return on assets; growth the firm's operating revenue growth rate, *FE* including the firm and year fixed effects, $\varepsilon =$ the regression residual.

Table 2 presents the results of the independent t-tests comparing donations for firms that issue stand-alone CSR Reports to those who do not. Table 2 shows that donation is significantly higher ($p < 0.01$) for firms that issue stand-alone CSR Reports than for those that do not issue stand-alone CSR Reports. These results support the signaling explanation that firms who issue stand-alone CSR Reports have more donations.

Table 2. Results of independent T-tests of donation means.

	Stand-alone reporting firms donation	Non stand-alone reporting firms donation	T Statistic
Donation	1105.74	302.55	-13.04***

Notes: N=7,662. * *p*<0.1, ** *p*<0.05, ****p*<0.01

Table 3. Regression results for corporate philanthropy.

Variables	Dependent variable: Donation (1) All pool	(2) All pool	(3) SOEs	(4) Non-SOEs
Source	0.21***	0.20***	-0.01	0.34***
	(3.95)	(3.64)	(-0.12)	(5.18)
SOE	-0.58***	-0.50***		
	(-9.29)	(-6.56)		
Source×SOE		-0.21**		
		(-2.06)		
Size	0.70***	0.70***	0.73***	0.67***
	(34.19)	(34.12)	(23.96)	(23.83)
Age	0.00	0.00	-0.01	0.01
	(0.45)	(0.38)	(-1.15)	(1.24)
ROA	3.30***	3.30***	4.91***	2.70***
	(10.31)	(10.32)	(7.17)	(7.53)
Growth	0.00	0.00	-0.02*	0.00
	(0.24)	(0.26)	(-1.73)	(0.40)
Year	Control	Control	Control	Control
Industry	Control	Control	Control	Control
Constant	-1.15*	-1.16*	-2.21**	-0.42
	(-1.80)	(-1.81)	(-2.39)	(-0.38)

Notes: N=7,662. t statistics in parentheses. * *p*<0.1, ** *p*<0.05, ****p*<0.01

We report our regression results in Table 3. Column 1 presents the Eq. (1) results of a univariate regression and it shows that the coefficient of Source is positive and significant at the 1% level. Column 2 reports the Eq. (2) results, it shows that the coefficient of Source is positive and significant at the 1% level, the coefficient at interaction term Source × SOE is negative and significant at the 1% level. These results imply that firms issue stand-alone CSR reports tend to donation more than the firms issue

CSR information with annual reports. And the impact of firms issue stand-alone CSR reports on corporate donations differs between SOEs, when all corporates issue stand-alone CSR reports, SOEs donation less than Non-SOEs. This result is consistent with Li et al. [15], SOEs donation less amount than Non-SOEs.

Column 4 in Table 3 illustrates that in SOEs, the coefficient of Source is negative and not significant (beta = -0.01, p > 0.1), but the issuance of stand-alone CSR report is positive and significant (beta = 0.34, p < 0.01) which illustrate in Column 5 in Table 3. These results also indicating that state ownership weakens the positive effect of Source on corporate philanthropy.

Table 4. Regression results for corporate philanthropy using media attention.

Variables	Dependent variable: Donation		
	(1) SOEs	(2) Non-SOEs	(3) Non-SOEs
Source	-0.01	0.32***	0.30***
	(-0.06)	(4.83)	(4.52)
Media	0.28***	0.13***	0.16***
	(5.38)	(3.61)	(4.10)
Source×Media			-0.11**
			(-2.11)
Size	0.66***	0.63***	0.63***
	(20.32)	(20.13)	(20.21)
Age	-0.01	0.01	0.01
	(-1.42)	(1.12)	(0.99)
ROA	4.65***	2.65***	2.68***
	(6.82)	(7.38)	(7.46)
Growth	-0.02*	0.00	0.00
	(-1.68)	(0.39)	(0.34)
Year	Control	Control	Control
Industry	Control	Control	Control
Constant	-1.72*	-0.05	-0.24
	(-1.88)	(-0.05)	(-0.22)
N	3148	4455	4455

Notes: t statistics in parentheses. * p<0.1, ** p<0.05, ***p<0.01

When companies disclose stand-alone CSR reports, the moderating effect of media attention on corporate philanthropy may vary depending on the type of ownership. Reputation impact corporate philanthropy, while reputation is influenced by media attention [18]. Therefore, we investigated the impact of stand-alone CSR reports on corporate philanthropy for different ownership types, when the moderate variable is media attention.

Column 1 in Table 4 indicates that Media is significantly and positively associated with corporate philanthropy (beta = 0.28, p < 0.01), but Source is not significantly and negatively associated with corporate philanthropy (beta = -0.01, p > 0.1), indicating that media attention doesn't have effect of Source on corporate philanthropy in SOEs.

Column 2 reports that Source is significantly and positively associated with corporate philanthropy (beta = 0.32, $p < 0.01$), and Media is significantly and positively associated with corporate philanthropy (beta = 0.13, $p < 0.01$). Column 3 illustrates that Source × Media is significantly at 5% level and negatively associated with corporate philanthropy (beta = -0.11, $p < 0.05$). This implies that media attention weakens the positive effect of Source on corporate philanthropy in Non-SOEs. Interestingly, these findings diverge from Aharonson and Bort's (2015) study [19], which suggested that firms with greater public ownership become more responsive to media attention, increasing their engagement in Corporate Social Action. The discrepancy may be attributed to our focus on Chinese corporations and our measurement of corporate philanthropy as a subset of Corporate Social Action engagement.

4 Conclusions

In this study, we investigate the relationship between corporate donations and the CSR report disclose format. Our findings indicate that a firm disclose stand-alone reports significantly increasing corporate philanthropy. However, SOEs negatively impact this relationship. When all corporates issue stand-alone CSR reports, SOEs donate less than Non-SOEs. These empirical evidences fulfill the understanding the relationship between corporate donations and the CSR report disclose format, and support the results of Li et al. [15], SOEs donation less amount than Non-SOEs, but Li et al. [15] don't study the impact of stand-alone CSR report on corporate philanthropy. We also find that in Non-SOEs, media attention has a positive effect on the relationship between stand-alone CSR report disclosure and corporate philanthropy. However, this effect is not observed in SOEs.

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