Asian Journal of Research in Banking and Finance
ISSN: 2249-7323 Vol. 12, Issue 6, June 2022 SJIF 2022 = 8.558
A peer reviewed journal

BUSINESS GROUPS AND CORPORATE SOCIAL RESPONSIBILITY

Mohammadreza Feshki*; Mohammad Torkashvand**

Email id: mehdimousavi.hrm@gmail.com

DOI: 10.5958/2249-7323.2022.00044.X

ABSTRACT

Corporate social responsibility reporting is a very important phenomenon today. Despite the fact that the purpose of social responsibility reports is to address the broader concerns of stakeholders in various environmental, social and economic dimensions. But according to research, the performance of social responsibility in companies affiliated with the business group is often different from independent companies. Accordingly, in this study, the impact of business groups on social responsibility has been investigated. In this research, 118 companies listed on the Tehran Stock Exchange in the period 2013-2020 have been studied. To test the hypotheses, panel regression models were used. The research findings show that companies affiliated with business groups have a negative and significant effect on social responsibility performance. But companies affiliated with business groups do not have a significant impact on the performance of social responsibility in state-owned companies.

KEYWORDS: *Companies Affiliated With Business Groups, Social Responsibility, And State-Owned Companies.*

1. INTRODUCTION

A business group is a prevalent organizational structure around the world, particularly in emerging markets (Khanna, 2000). It is a coalition of companies that are legally separate but bound together by a controlling firm either directly or indirectly through economic or social connections (Granovetter, 1995; Fan, Jin, & Zheng, 2016). Many prior studies (e.g.,Keister, 1998, 2009; Carney, Shapiro, & Tang, 2009; Guest & Sutherland, 2010; He, Mao, Rui, &Zha, 2013) have investigated the effect of business groups on their member firms' financial performance, but the impact of groups on member firms' performance in corporate social responsibility (CSR) has remained unexplored. This study intends to fill the void by examining the CSR performance of Chinese firms affiliated with business groups. Given the growing interest around the globe in CSR, it is important to understand how business groups, a ubiquitous economic construct in emerging markets (e.g., Brazil, Chile, China, India, Indonesia, Mexico, Pakistan, and Thailand) and also in some developed countries such as Italy and Sweden (Khanna &Yafeh, 2007), affect member firms in this aspect.

We choose to conduct the study in the China context because this country's special institutional environment provides researchers with great opportunities to examine business groups and CSR related issues. After three decades of rapid growth, China has become the second-largest economy in the world. This country's spectacular economic achievement has come with a big price of the severely polluted natural environment and pressing social problems. In view of the environmental and societal challenges, the Chinese government has advocated a "Harmonious Society" and urged companies to be socially responsible since 2006 (See, 2009; Marquis, Zhang, & Zhou, 2011). Business groups, a structure encouraged and supported by the Chinese government (Keister, 1998; Ma & Lu, 2005; Guest & Sutherland, 2010) and being a major actor in the country's economic development, undoubtedly plays an important role in fulfilling firms' social responsibility. So far, however, there is no systemic evidence showing whether Chinese firms associated with business

groups perform better or worse in CSR than stand-alone companies. To the best of our knowledge, this study is the first to provide large sample empirical evidence concerning this important issue.

Specifically, we examine a Chinese sample of 3,035 firm-year observations from 2009 to 2014 to find out whether there is a difference in CSR performance between firms affiliated with business groups (hereafter BG firms) and stand-alone companies (non-BG firms). The sample firms are publicly traded in one of two stock exchanges in China and issue at least one CSR report during the sample period. We identify firms' business group affiliations by manually collecting data from firms' annual reports and websites. We use CSR scores from the RKS, the leading CSR rating agency in China, to measure firms' CSR performance.

Our data analysis provides evidence that non-BG firms perform better than BG firms in CSR. This finding applies to not only the overall CSR performance measured by the total CSR score but also four dimensions of CSR performance measured by four components of the total score. Furthermore, after we divide the sample into state-owned enterprises (SOEs) and non-SOEs, it reveals that our prior finding continues to hold in the subsample of SOEs but not in the subsample of non-SOEs. That is, among SOEs, BG firms have poorer CSR performance than non-BG firms, while among non-SOEs; there is no significant difference in CSR performance between BG and non-BG firms. Our empirical tests control for various factors that the prior literature (e.g., Di Giuli&Kostovetsky, 2014; Marquis & Qian, 2014; Lau, Lu, & Liang, 2016) finds to affect CSR performance, including: (1) firms' economic characteristics such as size, financial performance, the proportion of cash holdings, leverage, and firm age; (2) corporate governance variables such as board size, board independence, foreign experience of board members and top managers, female CEOs, and ownership structure; and (3) some other relevant factors such as the regional development level, voluntary disclosure, and stock cross-listing.

Our results suggest that a firm's dual-status of both possessing a business group affiliation and being an SOE leads to poorer performance in CSR. The finding is consistent with the view that CSR engagement is a strategy for firms to pursue political legitimacy from the government and to seek legitimacy in general from the public. Being a member of a business group and being an SOE at the same time afford political legitimacy to the firm and also reduce the need to pursue general legitimacy due to the relatively secure environment provided by the group. This study has implications for policymakers as well as the general public. Our finding is particularly thought-provoking when viewed in conjunction with the prior findings regarding the effect of Chinese business groups on firms' financial performance. Keister (1998) finds that business groups in China had a positive impact on firms' financial performance during the early years of the country's economic reform when market institutions were severely underdeveloped. In more recent years, however, when markets improve and become more established, business groups have started to hinder competitiveness and flexibility of member firms and consequently impair firms' financial performance (Keister, 2009; Carney, 2009). If business groups in China are no longer beneficial to member firms' financial performance and at the same time foster poorer CSR performance, then the validity of this type of economic structure in this country nowadays is questionable. Even if business groups remain helpful to member firms' financial success to some extent,1 it is still debatable whether economic achievements shall be attained at the expense of weaker CSR performance.

Being the first study to investigate systemically BG firms' CSR performance in China, this paper makes several contributions to the literature. First, it adds to the CSR literature that has developed rapidly worldwide during the past two to three decades (e.g., Matten & Moon, 2008; Moser & Martin, 2012; Di Giuli & Kostovetsky, 2014; Shabana, Buchholtz, & Carroll, 2017) and has started to grow in the China context during recent years (e.g., See, 2009; Marquis & Qian, 2014; Liao, Lin, & Zhang, 2016; Hofman, Moon, & Wu, 2017). Second, it enriches the literature on

business groups (e.g., Hoshi, Kashyap, &Scharfstein, 1991; Keister, 1998; Shin & Park, 1999; Khanna &Yafeh, 2007; He et al., 2013), which so far has focused primarily on financial outcomes and barely examined the CSR area. And third, this study contributes to the research on China (e.g., Sutherland, 2003; Keister, 1998, 2000, 2009; Marquis et al., 2011; Huang &Rong, 2017; Yu, Fang, Sun, & Du, 2018), a country that has drawn increasing attention from scholars around the world due to its fast-growing economic significance and various controversial issues accompanying its economic development. The remainder of the paper is organized as follows. In the next section, we describe the institutional background, review the relevant literature, and develop our hypotheses. Thereafter, we describe the data, sample, and research design. The subsequent section discusses the empirical results. Lastly, we summarize and conclude the study.

2. Institutional Background, Prior Literature, and Hypothesis Development

2.1. Business Groups and Development of CSR

As the institutional environment greatly influences firms' involvement in CSR activities (Matten & Moon, 2008), we review the institutional background in China regarding business groups and the development of CSR. In China, forming and developing business groups (qiyejituan) are one component of the economic reforms that the government has carried out since the late 1970s. Policymakers studied Japan's keiretsu and Korea's chaebol in preparing for establishing similar groups in China. The Communist Party Central Committee in 1978 first encouraged links among Chinese state-owned enterprises (SOEs) (Ma & Lu, 2005), and in the mid-1980s, the government started to allow firms to acquire ownership rights of each other in many industries (Dong & Hu, 1995; Keister, 1998). In 1986, the concept of "business group" appeared in the State Council's official documents for the first time, indicating that the state was serious about developing this type of economic structure (Ma & Lu, 2005). Although business groups were initially built among SOEs, many entrepreneurs in the non-state sectors followed suit when they recognized various benefits of doing so.2 By the end of 2008, there were nearly 3,000 large business groups across all the economic sectors in China, 3 with total assets of around US$ six trillion, revenues of approximately US$ four trillion, profits of about US$ 210.58 billion, and employees of nearly 33 million (National Bureau of Statistics of China (NBSC), 2009).4 In addition, over the years, the state has selected a subset of 100 or so large and institutionally advanced business groups as prestigious "national champion" trial groups aimed at being internationally competitive and leading China's integration into the world economy (Sutherland, 2003; Guest & Sutherland, 2010). In the 2009 list of Global Fortune 500 Companies, 38 are Chinese firms affiliated with business groups (NBSC, 2009).

A business group can bring substantial benefits to its member firms. A major reason why groups are ubiquitous in emerging markets is that they substitute for imperfect markets and complement underdeveloped institutions (Khanna & Yafeh, 2007). For example, internal financing among member firms, a common characteristic of many business groups, appears to substitute for a formal financial system and provides firms with scarce capital that is unavailable from a fledgling market (Goto, 1982; Fan et al., 2016). Besides internal financing, prior studies (Nolan & Wang, 1999; Keister, 2000) suggest that Chinese business groups combine and distribute various resources among member firms, including management skills, research and development centers, brands, and sales services. In addition, connections among member firms improve interfirm information flow, reduce the uncertainty of their business environments, and enhance the collective power (economic, political, and social) of united actions – benefits that are particularly valuable to Chinese firms during the country's economic transition (Keister, 1998).

Regarding firms' social responsibility, global companies have started to issue CSR reports since the 1990s, and more than 50% of the 250 largest firms in the world have provided reports by 2005

and over 90% by 2011 (KPMG, 2005, 2011). In China, however, the first CSR report did not appear until 2006 when the government signaled that CSR was an appropriate and desired activity (Marquis et al., 2011). In that year, the Chinese Communist Party introduced the policy of a "Harmonious Society", which was widely viewed as a shift from a model of economic growth at all cost to one of economic growth balanced with the need to tackle pressing societal and environmental problems (See, 2009). In the same year, the Sixth Plenary Session of the 16th Communist Party Committee Congress stated that the government would strive to "create a harmonious situation in which everyone promotes harmony, and focusing on enhancing a sense of social responsibility amongst citizens, enterprises and all kinds of organizations" (Sino-Swedish CSR Cooperation, 2009). The Shenzhen and Shanghai Stock Exchanges, China's two stock markets owned by the state, issued guidelines in 2006 and 2008, respectively, to encourage listed companies to engage in socially responsible activities and issue CSR reports (Marquis & Qian, 2014). The year 2008 saw a big increase in CSR reports released by Chinese firms.

2.2. Hypothesis Development

It is not clear, *ex ante*, whether firms affiliated with business groups would perform better or worse in CSR than stand-alone companies in China. On the one hand, it would be natural to expect that business groups act in accordance with the state's expressed interest in CSR since the state has been supportive of the groups. In addition, prior research (e.g., Belkaoui&Karpik, 1989; Reverte, 2009) finds that larger firms and firms with higher political or social visibility are more likely to involve in CSR activities. Business groups appear to be well situated in fulfilling firms' social responsibility given their relatively larger size, more prestigious social status, and stronger supporting systems for their members. Hence, member firms of business groups are likely to do a better job in CSR than other firms.

On the other hand, there are also reasons why BG firms may have weaker CSR performance than other firms. Acting in a socially responsible manner under the China context can be seen as a strategy for firms to pursue political legitimacy (Marquis & Qian, 2014). While customers and investors are often considered the most important constituencies for a western company, the government is positioned at the top of the CSR pyramid in China as a vital stakeholder of a firm (ChinaCSR.com, 2009). Governments usually control critical resources that affect firms' business environments and economic advantages. For example, a government can issue regulations that impact a particular industry, develop tax policies favoring certain regions, or grant import relief to protect firms from foreign competitions (Jones, 1991; Baron, 1995; Schuler &Rehbein, 1997). In China, the government is a powerful actor in the economy and controls firms' business opportunities through, among other things, "industry access control, new investment ratification, value-added tax differentiation, control of pace and pattern of privatization or decentralization, and government involvement in business activities such as material sourcing, distribution, and marketing" (Luo, 2003). Therefore, it is essential for firms in China to possess political legitimacy.

A BG firm likely enjoys stronger political legitimacy than a non-BG counterpart because the government supported and has continued to support business groups as part of itseconomic reform. Marquis and Qian (2014) argue that for firms with political legitimacy, they less need to use government encouraged activities to pursue the desired status and obtain valuable resources from the state. Their argument reveals an irony in how different types of firms in China respond to government signals: the government encourages all firms to be socially responsible, but this message will have a stronger effect on those that have a stronger need to enhance their political legitimacy. Compared with a BG firm, a stand-alone company has relatively lower political legitimacy and hence more need to engage in CSR activities in order to create goodwill with the government and gain resources that are already easier for a BG firm to obtain. Applying this view, one would expect a BG firm to be less diligent in conducting CSR activities.

Potential motivations for firms to engage in CSR activities include not only to gain political legitimacy from the government but also to attain legitimacy in general from the public. Legitimacy theory (Suchman, 1995; Chen & Roberts, 2010) proposes that a firm's survival depends on its ability to meet expectations of the society in which it operates. Incongruence between the value system of a firm and that of the society jeopardizes the firm's continued existence because civil society has the authority to permit or disallow an organization to exist and conduct business within that society (Cho, Laine, Roberts, &Rodrigue, 2015). In China, the public expectation of socially responsible organizations has grown increasingly strong in recent years due to widespread outrage towards deteriorating natural environment and various unethical corporate wrongdoings such as adulterated milk and infant formula, unsafe toys, and toxic pork. Good CSR performance hence can help a firm gain legitimacy from the general public.

It is likely that stand-alone companies have a stronger need to pursue legitimacy than member firms of business groups because prior literature finds that BG firms are situated in a more supportive and less risky environment than other firms. For example, He et al. (2013) find that business groups in China help member firms overcome constraints in raising external capital for investment projects, presumably by pooling funds from different affiliates and reallocating them to the most profitable uses. Hoshi et al. (1991) and Shin and Park (1999) report similar findings with Japanese industrial groups and Korean chaebols, respectively. Business groups can also provide security to member firms by sharing risks through resource transferring from a well-performing affiliate to a poorly performing one in financial distress. He et al. (2013) examine Chinese business groups and provide evidence consistent with this view. The purposes for a business group to help member firms in adverse economic conditions include ensuring the whole group's long-run survival (Prowse, 1992) and establishing among members financial cross guarantees that serve as the basis for an internal capital market (Shin & Park, 1999). As a failing firm in a group can resort to funds from other members, this greatly reduces the firm's business risks and insulates it from the discipline of the market. If a BG firm faces less a threat of survival and fewer constraints of funding for further development, then it will have weaker motivations than a stand-alone company to engage in CSR activities and thus to gain legitimacy.

In summary, there are reasons to expect BG firms to perform better in CSR than stand-alone companies but there are also theories predicting the opposite. If the view of firm visibility and the notion of mutual-support between the state and business groups play a dominant role, then BG firms would have better CSR performance than other firms; if the theory of seeking legitimacy prevails, then BG firms would have poorer CSR performance. Given the competing predictions, we state the hypothesis without a direction and test this issue empirically.

Hypothesis1: Corporate social responsibility (CSR) performance differs between corporate affiliates (BG companies) and independent companies (non-BG companies).

One conspicuous characteristic of Chinese firms is that many are owned by the state, commonly known as state-owned enterprises or SOEs. As SOEs and private firms face different incentives, it is necessary to examine the impact of business group affiliations on the two types of firms separately. A firm that possesses the dual-status of being a business group member and an SOE at the same time likely behaves differently in CSR. SOEs have conflicting motivations to either actively engage in CSR or not treat it seriously. On the one hand, since the state is the largest and also controlling shareholder of SOEs, actions of the firms are to a great extent subject to governmental interference (Li & Zhang, 2010) and hence SOEs may perform better in CSR. As discussed previously, with the advocation of a "Harmonious Society" by the government since 2006, promoting CSR has entered the political agenda in China (See, 2009). In January 2008, the State-owned Assets Supervision and Administration Commission (SASAC) issued CSR guidelines for SOEs, which state that fulling CSR is "an ardent expectation and requirement from the public"

to SOEs.5 In China, the vast majority of SOE managers are directly appointed by their superior government officials, and thus politicians can significantly influence the behavior of SOEs via the managers whom they appointed (Mi& Wang, 2000). Bai and Xu (2005) find evidence that the Chinese government places non-financial objectives into the CEO contracts of some SOEs and hence executives of those firms are likely to put efforts to meet non-financial expectations of the government.6 To summarize, the notion of governmental interference or control suggests that SOEs would conform to the social and political goals of the state by acting as role models in CSR.

On the other hand, the view of political legitimacy predicts that SOEs have weak incentives to conduct CSR activities diligently. In China and many other emerging markets, where the rule of law is lacking, enforcement of existing rules is weak, and the legal and political infrastructure is underdeveloped, it can be difficult for firms to know how to properly interpret and effectively respond to signals from the government (Peng & Heath, 1996; He & Tian, 2008; Marquis et al., 2011). In our context, the signals are the CSR related guidelines and statements issued by the government. Li and Zhang (2007) argue that SOEs possess political legitimacy and are supported or even protected by the government agencies that have established them. Similarly, Marquis and Qian (2014) propose that SOEs have the most political legitimacy and thus the least need to use government encouraged activities to pursue advantageous positions and valuable resources from the state. Therefore, the perspective of political legitimacy predicts that SOEs would not treat CSR seriously. As different theories lead to conflicting predictions about an SOE's performance in CSR, we refrain from making a directional hypothesis and empirically test the combined effect of the SOE status plus the business group affiliation. Our second hypothesis hence is stated as follows

Hypothesis 2: Companies that are affiliated with business groups and owned by the government (BGplus-SOE companies) have different corporate social responsibility (CSR) compared to other companies.

3- Research Method

This research is applied in terms of correlation method and purpose. Also, because this article describes what is or describes the existing conditions without interference (and not to the specific requirement and recommendation) and due to the fact that value judgments in this study are low, the present study is in the category of descriptive accounting research. Are. In addition, due to the fact that historical information will be used to test its hypotheses, it is classified in a quasi-experimental research group. It should be noted that SPSS software (version 21) and Eviews (version 9) were used for statistical analysis.

4- Models and how to Measure Variables

According to the main title of the research on the effect of dependence on the business group on the performance of corporate social responsibility, models and how to measure variables based on the research of Goa et al. (2018) are presented as follows:

Test Model of the First Hypothesis:

$$CSR\ Score = \beta_0 + \beta_1 BGroup + \beta_2\ Size + \beta_3\ ROA + \beta_4\ Cash + \beta_5\ Leverage + \beta_6 FirmAge + \beta_7\ B\text{-}Size + \beta_8\ B\text{-}Indep + \beta_9\ Own\text{-}Con + \beta_{10} Eimd + \beta_{11} Dp + \beta_{12}\ SH\text{-}Exch + \varepsilon$$

Test Model of the Second Hypothesis:

$$CSR\ Score = \beta_0 + \beta_1 BGroup + \beta_2\ SOE + \beta_3 BGroup^*\ SOE + \beta_4\ Size + \beta_5\ ROA + \beta_6\ Cash + \beta_7\ Leverage + \beta_8 FirmAge + \beta_9\ B\text{-}Size + \beta_{10}\ B\text{-}Indep + \beta_{11}\ Own\text{-}Con + \beta_{12} Eimd + \beta_{13} Dp + \beta_{14}\ SH\text{-}Exch + \varepsilon.$$

TABLE (1): SYMBOL OF RESEARCH VARIABLES

Symbol	variable name	Symbol	variable name
SOE	The company is owned by the government	CSR Score	Corporate social responsibility performance
B-Size	Board size	BGroup	Dependence on the business group
B-Indep	Independence of the board	Size	size of the company
Own-Con	Concentration of ownership	ROA	Return on assets
Eimd	Industry CEO	Cash	Cash flows
Dp	Company Disclosure Rank	Leverage	Financial Leverage
SH-Exch	Establishment of the company in the capital	FirmAge	Company age

4-1- How to Measure the Dependent Variable

The fictitious variable is voluntary disclosure of CSR, to measure the disclosure of social responsibility, first according to previous research (Gianarakis, 2014; Lou et al., 2016; Pour-Ali Vahjami, 2014; Maranjouri and Alikhani, 2014) and a survey of financial experts, checklist It consisted of 39 cases of social responsibility disclosure that are compatible with the country's reporting environment.

Then, by looking at the financial statements, explanatory notes and activity reports of the board of directors of the sample companies, the presence or absence of items in the checklist is checked. So that in case of any of these items, a score of one and otherwise a score of zero for the company in question and finally, the social responsibility disclosure index of each company is obtained by dividing the sum of disclosed items by the total disclosable items.

So that:

$$CSR_{i,t} = \frac{\sum_{i=1}^{n} Y_i}{\sum_{i=1}^{m} T_i}$$

Where in:

$CSR_{i,t}$= Corporate Social Responsibility Disclosure Index i in year t,

$\sum_{i=1}^{n} Y_i$= All disclosures from which the company received a score of one and

$\sum_{i=1}^{m} T_i$= All cases can be disclosed (Kari et al., 2017).

The general titles and components of the social responsibility checklist used in the research are shown in Table (2): (In addition, all disclosures related to social responsibility in the financial statements of Iran are optional.).

TABLE (2): CORPORATE SOCIAL RESPONSIBILITY CHECKLIST

Components	General title
Pollution control, prevention of environmental damage, recycling or prevention of waste, conservation of natural resources, research and development, environmental policy, investment in environmental projects, other environmental issues.	Environmental issues
Product development / market share, product quality / ISO, product safety and health, cessation of production, other products and services.	Products and Services
Number of Employees, Monthly Salary / Cash Rewards and Benefits, Employee-Owned Shares, Retirement and End-of-Service Benefits, Occupational Health and Safety, Staff Training and Development Programs, Sports and Welfare, Employee Loans or Insurance, Employee Morale and Communication, Other human resources.	Human resources
Customer health, customer complaints / satisfaction, late payment policy for specific customers, provision of facilities and after-sales service, meeting the needs of customers, other customers.	Customers
Social investment, support of community activities, gifts and charitable services, legal actions / lawsuits, religious / cultural activities, other community responsibilities.	Community responsibilities
Conservation and conservation of energy, development and exploration of new resources, use of new resources, other energy.	Energy

4-2- How to Measure the Independent Variable

Dependence on a business group: A fictitious variable is equal to one if a company is affiliated with a business group in year t, otherwise it is equal to zero (Saadati, 2018).

4-3- How to Measure the Moderator Variable

State-owned companies: A fictitious variable to represent a state-owned company (SOE) versus a private company. If a company is owned by the government, virtual variable 1 (one) and otherwise virtual variable 0 (zero) is provided (same source).

4-4- How to Measure Control Variables

The control variables of the research are as follows

Economic Characteristics of the Company:

Company size: Calculated as a logarithm of total company assets.

Return on assets: Calculated as the company's net income divided by total total assets.

Cash flow: is the division of the company's cash into total assets.

Financial leverage: is calculated from the total liabilities of the company divided by the total assets.

Company Age: The logarithm of the number of years since a company was established.

Corporate Governance Indicators:

Board size: is calculated according to the total number of managers on the board.

Independence of the board: It is calculated according to the ratio of foreign managers in the board.

Ownership focus: Percentage share of the company's largest shareholder.

Expertise in the CEO industry: To calculate this variable, if the CEO's education is in line with the company industry, the virtual variable 1 (one) is used, and otherwise the virtual variable 0 (zero) is used.

Other Related Factors:

Company Disclosure Rank: To measure this variable, the disclosed rankings of companies provided by the Tehran Stock Exchange are used.

Establishment of the company in the capital: If the company is located in the capital, one (1) of the virtual variable and otherwise zeros (0).

5- Society and Statistical Sample

The statistical population of this research includes all companies listed on the Tehran Stock Exchange and the statistical sample includes companies that have all the following characteristics:

1- In order to observe their comparability, the financial year of the companies should end at the end of March of each year.

2-During the research period, they have not stopped their activities and have not changed their financial period.

3-All the information needed by companies for research is available.

4- Not be part of banks and financial institutions (investment companies, financial intermediation, holding companies and leasing companies).

5- Accepted on the stock exchange before 2013 and continue until 2020.

Applying the above conditions, 123 companies have been included in the statistical sample of this research.

6- Research Findings

6-1-Descriptive Statistics of Research Variables

The results of descriptive analysis of research variables are presented in Table (3).

TABLE (3) DESCRIPTIVE STATISTICS OF RESEARCH VARIABLES IN THE WHOLE

Kurtosis	Skewness	Std. Dev.	Minimum	Maximum	Median	Mean	**Variable**
2.359	0.106	0.204	0.100	0.777	0.500	0.441	) CSR_SCORE
2.180	0.666	1.426	10.031	19.066	13.741	13.883	(SIZE)
4.702	0.458	0.131	-0.397	0.621	0.085	0.099	(ROA)
16.843	2.789	0.043	0.000	0.460	0.026	0.040	(CASH)
2.445	0.635	0.216	0.090	1.752	0.623	0.618	(LEV)
3.363	-0.855	0.380	2.079	4.174	3.688	3.586	(FIRMAGE)
90.962	6.019	0.197	3.000	7.000	5.000	5.009	(BSIZE)
3.383	-0.455	0.198	0.000	1.000	0.600	0.649	(BINDEP)
3.357	0.743	0.204	0.000	0.989	0.319	0.338	(OWNCON)

2.814	-0.683	19.491	-1.158	99.906	75.253	71.727	(DP)

TABLE (4) DESCRIPTIVE STATISTICS OF THE FREQUENCY OF RESEARCH VARIABLES

Mean	Variable
Year of companies with affiliation to the business group: 572 Year of companies without affiliation to the business group: 372	(BGROUP)
Year of companies with industry-specific CEOs: 556 Year of companies without an expert CEO in the industry: 388	(EIMD)
Year of companies located in the capital: 354 Year of companies not located in the capital: 590	(SH_EXCH)
Year of state-owned companies: 392 Year of non-government companies: 552	(SOE)

According to the descriptive statistics, the above indices can be divided into central indices, dispersion and other indices, of which the central indices are the mean and median indices, the dispersion indices are the standard deviation index and the other indices are The index is maximum, minimum, skewness and elongation. In short, the financial leverage variable shows that the average sample is 61.8%, so it can be said that companies in the statistical community use more debt to secure their capital structure, so they are in a good position in terms of credit.

Also, affiliation to the business group shows that the year of companies with affiliation to the business group was 572 observations and the year of companies without affiliation to the business group was 372 observations. Regarding the negative skewness coefficient of some variables, it can be said that this indicates the presence of skewness to the right and the tendency of these variables to smaller values. The average is focused.

6-2- Test of normality of Distribution of Research Dependent Variable

Since in this research, in order to estimate the model parameters, the ordinary least squares method is used and this method is based on the assumption that the dependent variable of the research has a normal distribution, so it is necessary to test the normality of the distribution of dependent variables.

TABLE (5) RESULTS OF THE STUDY OF THE NORMALITY OF THE DISTRIBUTION OF DEPENDENT VARIABLES

K-S test results (normality)						Variable
Sig. (2-tailed)	Kolmogorov-Smirnov Z	Minimum	Maximum	Std. Dev.	Mean	
0.089	1.198	0.100	0.777	0.204	0.441	(CSR_SCORE)

According to Table (5) after the normality test, the significance level of K-S statistic for the dependent variable (corporate social responsibility performance) increased to higher than 0.05, so hypothesis H0 that the distribution of the variable is normal is accepted and indicates it. The dependent variable of the research has a normal distribution; therefore parametric statistical methods are used to test the research hypotheses.

7-Test Results of Research Hypotheses

Given that the main question of the researcher is the impact of business groups on corporate social responsibility, so hypotheses are formulated in the third chapter, the results of which are as

follows:

7-1- Test results of the first main hypothesis

Hypothesis1: Corporate social responsibility (CSR) performance differs between corporate affiliates (BG companies) and independent companies (non-BG companies).

$CSR\ Score = \beta_0 + \beta_1 BGroup + \beta_2\ Size + \beta_3\ ROA + \beta_4\ Cash + \beta_5\ Leverage + \beta_6 FirmAge + \beta_7\ B\text{-}Size + \beta_8\ B\text{-}Indep + \beta_9\ Own\text{-}Con + \beta_{10} Eimd + \beta_{11} Dp + \beta_{12}\ SH\text{-}Exch + \varepsilon$

TABLE (6) RESULTS OF MODEL ESTIMATION FOR THE FIRST MAIN HYPOTHESIS OF THE RESEARCH

Statistics VIF	Prob	Statistics t	Coefficient	Variable name and symbol
1.398	0.019	-2.374	-0.119	(BGROUP)
1.140	0.001	2.835	0.056	(SIZE)
1.642	0.344	0.945	0.082	(ROA)
1.082	0.257	-1.134	-0.203	(CASH)
1.932	0.533	0.623	0.036	(LEV)
1.129	0.015	2.435	0.289	(FIRMAGE)
1.048	0.426	0.795	0.035	(BSIZE)
1.109	0.536	0.618	0.030	(BINDEP)
1.347	0.028	-2.191	-0.167	(OWNCON)
1.030	0.540	0.611	0.008	(EIMD)
1.238	0.031	2.153	0.001	(DP)
1.235	0.026	2.193	0.103	(SH_EXCH)
-	0.081	-1.745	-0.650	Constant
2.094	Durbin-Watson	3.243 (0.000)		Statistics F (Sig)
12.762 (0.095)	Jarque-Bera (Probability)	0.339	(R-squared)	
Prob. 0.145		1.233		Godfrey
Prob. 0.219		1.122		ARCH
Prob. 0.000		114.382		H-hausman
Prob. 0.000		2.764		F-limer

The test results of the first main hypothesis are presented in Table (6), the significant level of F-limer statistic is less than the accepted error level (5%), so the panel data method is preferable to the solid data method. Also, due to the fact that the significant level of H-Hausmann statistic was less than the accepted error level (5%), the regression method with fixed effects is preferable to the regression method with random effects. In the next step, according to the significance level of ARCH statistic, which was 0.219, so regression has no variance heterogeneity? In the next step, Godfrey statistic was also tested, so the significance level of this statistic is more than the accepted error level (5). This indicates that regression does not have a serial autocorrelation problem. Then, considering that the F statistic (0.000) has a significance level below (5%), so regression has explanatory power.

The coefficient of determination of the model also indicates that 33.9% of the changes in the corporate social responsibility performance variable are explained by the variables entered in the model.

Also, in examining the classical regression assumptions, the results of the Jarcobra test indicate

that the residuals obtained from the model estimation have a normal distribution at the 95% confidence level, so that the significance level related to this test is greater than 0.05 (0.095). Also, considering that the statistic value of Watson camera is between 1.5 and 2.5 (2.094), so it can be said that in the model, there is no problem of residual correlation. Finally, according to the significance level of the business group dependency variable (independent variable) which is below 0.05 (0.019), therefore, companies affiliated with business groups have a negative and significant effect on social responsibility performance. Among the control variables, company size, company age, company disclosure rank and company location in the capital have a significant positive effect on social responsibility performance and ownership concentration has a significant negative effect on social responsibility performance. Finally, with the alignment test between the research variables, the value of VIF (variance inflation factor) statistic for all variables is less than 5 and indicates that there is no severe alignment problem between the research variables.

TABLE (7) RESULTS OF DIFFERENCE TEST ESTIMATION FOR THE FIRST MAIN HYPOTHESIS

Sig.F	F	Std. Dev.		Mean		Number	
0.016	5.783	No affiliation with the business group	Dependence on the business group	No affiliation with the business group	Dependence on the business group	No affiliation with the business group	Dependence on the business group
Mean difference	Sig. t						
0.057	0.000						
		0.009	0.008	0.476	0.419	372	571

In Table (7), considering that in F 783.5 the significance level is below 5%, so the assumption of inequality of variance between the two groups is used, in the next step, due to the inequality of the means, we also examine the significance level. Since the value of t statistic is equal to 4.315 and its significance level is less than 5%, so with 95% confidence we can say that the average of the two groups are not equal, or in other words the performance of social responsibility in companies Has less affiliation with the business group than companies that do not have affiliation with the business group. The results and findings obtained in this hypothesis are consistent with the results of research by Goa et al. (2018).

7-2- Test Results of the Second Main Hypothesis

Hypothesis 2: Companies that are affiliated with business groups and owned by the government (BGplus-SOE companies) have different corporate social responsibility (CSR) compared to other companies.

$$CSR\ Score = \beta_0 + \beta_1 BGroup + \beta_2\ SOE + \beta_3 BGroup^*\ SOE + \beta_4\ Size + \beta_5\ ROA + \beta_6\ Cash + \beta_7\ Leverage + \beta_8 FirmAge + \beta_9\ B\text{-}Size + \beta_{10}\ B\text{-}Indep + \beta_{11}\ Own\text{-}Con + \beta_{12} Eimd + \beta_{13} Dp + \beta_{14}\ SH\text{-}Exch + \varepsilon.$$

TABLE (8) RESULTS OF MODEL ESTIMATION FOR THE SECOND MAIN HYPOTHESIS OF THE RESEARCH

Statistics VIF	Prob	Statistics t	Coefficient	Variable name and symbol
2.059	0.017	-2.330	-0.117	(BGROUP)
1.849	0.349	-0.935	-0.180	(SOE)
2.510	0.597	0.528	0.108	(BGROUP_SOE)
1.354	0.018	2.327	0.046	(SIZE)
1.978	0.353	0.928	0.081	(ROA)
1.117	0.254	-1.140	-0.204	(CASH)
1.959	0.520	0.643	0.037	(LEV)
1.139	0.020	2.319	0.276	(FIRMAGE)
1.074	0.422	0.802	0.035	(BSIZE)
1.119	0.523	0.639	0.031	(BINDEP)
1.421	0.001	-2.529	-0.168	(OWNCON)
1.032	0.519	0.644	0.009	(EIMD)
1.265	0.032	2.141	0.001	(DP)
1.235	0.031	2.150	0.101	(SH_EXCH)
-	0.133	-1.502	-0.568	Constant
2.095	Durbin-Watson	3.607 (0.000)		Statistics F (Sig)
7.129 (0.123)	Jarque-Bera (Probability)	0.340	(R-squared)	
Prob. 0.100		2.326		Godfrey
Prob. 0.011		1.362		ARCH
Prob. 0.000		116.440		H-hausman
Prob. 0.000		2.705		F-limer

The test results of the second main hypothesis are presented in Table (8), the significant level of F-limer statistic is less than the accepted error level (5%), so the panel data method is preferable to the solid data method. Also, due to the fact that the significant level of H-Hausmann statistic was less than the accepted error level (5%), the regression method with fixed effects is preferable to the regression method with random effects. In the next step, according to the significance level of ARCH statistic, which was 0.011, so the regression has variance heterogeneity? The significance level of this statistic was higher than the accepted error level (5%), which indicates that regression does not have the problem of serial autocorrelation.

Then, considering that the F statistic (0.000) has a significance level below (5%), so regression has explanatory power. The coefficient of determination of the model also indicates that 34% of the changes in the variable of social responsibility performance of the company are explained by the variables included in the model.

Also, in examining the classical regression assumptions, the results of the Jarcobra test indicate that the residuals obtained from the model estimation have a normal distribution at the 95% confidence level, so that the significance level related to this test is greater than 0.05 (0.095).

Also, considering that the statistic value of Watson camera is between 1.5 and 2.5 (2.095), so it can be said that in the model, there is no problem of residual correlation. Finally, according to the significance level of the dependent variable on business group and owned by the government (independent variable) which is above 0.05 (0.597), so companies affiliated with business groups

on the performance of social responsibility in government owned companies have a significant impact. does not have. Among the control variables, company size, company age, company disclosure rank and company location in the capital have a significant positive effect on social responsibility performance and ownership concentration has a significant negative effect on social responsibility performance.

Finally, with the alignment test between the research variables, the value of VIF (variance inflation factor) statistic for all variables is less than 5 and indicates that there is no severe alignment problem between the research variables.

TABLE (9) RESULTS OF DIFFERENCE TEST ESTIMATION FOR THE SECOND MAIN HYPOTHESIS

Sig.F	F	Std. Dev.		Mean		Number	
0.002	9.820	No affiliation with the business group and no affiliation with the government	Dependence on the business group and owned by the government	No affiliation with the business group and no affiliation with the government	Dependence on the business group and owned by the government	No affiliation with the business group and no affiliation with the government	Dependence on the business group and owned by the government
Mean difference	Sig. t						
0.011	0.101						
		0.007	0.013	0.456	0.445	664	279

In Table (9), considering that in F 9.820 the significance level is below 5%, so the assumption of inequality of variance between the two groups is used, in the next step, due to the inequality of the means, we also examine the significance level. Since the value of t-statistic is equal to 1.345 and its significance level is higher than 5%, so with 95% confidence we can say that the average of the two groups are not significantly equal, or in other words, the performance of responsibility. There is no significant difference between social and government-owned companies. The results and findings obtained in this hypothesis are consistent with the results of research by Goa et al. (2018).

8- Conclusions and Research Suggestions

Corporate social responsibility reporting is a very important phenomenon today. Although the purpose of social responsibility reports is to address the broader concerns of stakeholders in a variety of environmental, social and economic dimensions, participation in social responsibility activities can reduce agency costs and increase the quality of information. Accordingly, this study, considering the importance of the issue, examines the impact of one of the company's business components called business groups on the company's social responsibility.

Findings show that business groups have a positive and significant effect on social responsibility performance, but companies that are affiliated with business groups and owned by the government, do not have a different and significant social responsibility compared to other companies. Regarding the analysis of the results, it can be said that the ruling and powerful shareholders of business groups use internal information to increase the share of profitable companies and transfer profits between group members by conducting intra-group transactions.

Accordingly, companies that are members of the business group often have less social responsibility performance, probably because social responsibility measures are costly for them or

they do not see any positive consequences. Regarding the lack of effect of government variability, it can be said that the government, given its role in the field of social responsibility, if the ownership of even a significant part of the company, have a neutral and meaningless effect on the performance of social responsibility. According to the results, users of financial statements should always pay attention to variables such as affiliation to the business group when analyzing to buy shares of companies, because this variable leads to a decrease in social responsibility.

Also, considering that the goal of managers is to provide the trust of company owners, and then they should consider that it should always seek to increase social responsibility so that this leads to gaining the legitimacy of the company in society.

The Securities and Exchange Commission is advised to adopt rules and regulations to determine the true value of companies, to clarify their information and to better understand their performance, so that the listed companies have the desired social responsibility performance to reduce the legitimacy gap. The results of the present study also contain useful information for economic managers, financial analysts, researchers and students; because the impact of affiliation on the business group on the performance of social responsibility is very important.

REFERENCES

1- Bai, C. E., & Xu, L. C. (2005). An incentive for CEOs with multitasks: Evidence from Chinesestate-owned enterprises. *Journal of Comparative Economics*, 33(3), 517-539.

2- Baron, D. P. (1995). Integrated strategy: Market and nonmarket components. *California Management Review*, 37(2), 47-65.

3- Belkaoui, A., & Karpik, P. G. (1989). Determinants of the corporate decision to disclosesocial information. *Accounting, Auditing & Accountability Journal*, 2(1), 36-51.

4- Carney, M., Shapiro, D., & Tang, Y. (2009). Business group performance in China: Ownership and temporal considerations. *Management and Organization Review*, 5(2), 167-193.

5- Chen, J. C., & Roberts, R. W. (2010). Toward a more coherent understanding of the organization–society relationship: A theoretical consideration for social and environmental accounting research. *Journal of Business Ethics*, 97(4), 651-665.

6- ChinaCSR.com (2009, February 23). How far can Chinese companies take corporate social responsibility? Retrieved December 10, 2016, from http://www.chinacsr.com/en/2009/02/23/4572-how-far-can-chinesecompanies-take corporate-social-responsibility/.

7- Cho, C. H., Laine, M., Roberts, R. W., & Rodrigue, M. (2015). Organized hypocrisy, organizational façades, and sustainability reporting. *Accounting, Organizations and Society*, 40, 78-94.

8- Claessens, S., Fan, J. P., & Lang, L. H. (2006). The benefits and costs of group affiliation: Evidence from East Asia. *Emerging Markets Review*, 7(1), 1-26.

9- Di Giuli, A., & Kostovetsky, L. (2014). Are red or blue companies more likely to go green? Politics and corporate social responsibility. *Journal of Financial Economics*, 111(1),158-180.

10- Dong, J. L., & Hu, J. (1995). Mergers and acquisitions in China. *Economic Review – Federal Reserve Bank of Atlanta*, 80(6), 15-29.

11- Dou, H., Zhang, H., & Lu, Z. (2014). Business groups, monitoring by large shareholders, and over investment. *Management World*, 7, 134-143.

12- Fan, J. P. H., Jin, L., & Zheng, G. (2016). Revisiting the bright and dark sides of capital flows in business groups. *Journal of Business Ethics*, 134(4), 509-528.

13- Goto, A. (1982). Business groups in a market economy. *European Economic Review*, 19(1), 53-70.

14- Granovetter, M. (1995). Coase revisited: Business groups in the modern economy. *Industrial and Corporate Change*, 4, 93-130.

15- Guest, P., & Sutherland, D. (2010). The impact of business group affiliation on performance: Evidence from China's 'national champions'. *Cambridge Journal of Economics*, 34(4), 617-631.

16- He, J., Mao, X., Rui, O. M., & Zha, X. (2013). Business groups in China. *Journal of Corporate Finance*, 22, 166-192.

17- He, Y., & Tian, Z. (2008). Government-oriented corporate public relation strategies in transitional China. *Management and Organization Review*, 4(3), 367-391.

18- Hofman, P. S., Moon, J., & Wu, B. (2017). Corporate social responsibility under authoritarian capitalism: Dynamics and prospects of state-led and society-driven CSR. *Business & Society*, 56(5), 651-671.

19- Hoshi, T., Kashyap, A., & Scharfste in, D. (1991). Corporate structure, liquidity, and investment: Evidence from Japanese industrial groups. *The Quarterly Journal of Economics*, 106(1), 33-60.

20- Huang, J., & Rong, Z. (2017). Housing boom, real estate diversification, and capital structure: Evidence from China. *Emerging Markets Review*, 32, 74-95.

21- Jones, J. (1991). Earnings management during import relief investigation. *Journal of Accounting Research*, 29(2), 193-228.

22- Keister, L. (1998). Engineering growth: Business group structure and firm performance in China's transition economy. *American Journal of Sociology*, 104(2), 404-440.

23- Keister, L. (2000). *Chinese business groups: The structure and impact of inter firm relations during economic development*. Hong Kong: Oxford University Press.

24- Keister, L. (2009). Inter firm relations in China: Group structure and firm performance in business groups. *American Behavioral Scientist*, 52(12), 1709-1730.

25- Khanna, T. (2000). Business groups and social welfare in emerging markets: Existing evidence and unanswered questions. *European Economic Review*, 44(4), 748-761.

26- Khanna, T., & Yafeh, Y. (2007). Business groups in emerging markets: Paragons or parasites? *Journal of Economic Literature*, 45(2), 331-372.

27- KPMG. (2005). KPMG international survey of corporate responsibility reporting 2005.KPMG International, Amsterdam, Netherlands.

28- KPMG. (2011). KPMG international survey of corporate responsibility reporting 2011.KPMG International, Amsterdam, Netherlands.

29- Lau, C., Lu, Y., & Liang, Q. (2016). Corporate social responsibility in China: A corporate governance approach. *Journal of Business Ethics*, 136(1), 73-87.

30- Li, H., & Zhang, Y. (2007). The role of managers' political networking and functional experience in new venture performance: Evidence from China's transition economy. *Strategic Management Journal*, 28(8), 791-804.

31- Li, W., & Zhang, R. (2010). Corporate social responsibility, ownership structure, and political interference: Evidence from China. *Journal of Business Ethics*, 96(4), 631-645.

32- Liao, L., Lin, T. P., & Zhang, Y. (2016). Corporate board and corporate social responsibility assurance: Evidence from China. *Journal of Business Ethics*, forthcoming.

33- Luo, Y. (2003). Industrial dynamics and managerial networking in an emerging market: The case of China. *Strategic Management Journal*, 24(13), 1315-1327.

34- Ma, X., & Lu, J. (2005). The critical role of business groups in China. *Ivey Business Journal*, 69(5), 1-12.

35- Marquis, C., & Qian, C. (2014). Corporate social responsibility reporting in China: Symbol or substance? *Organization Science*, 25(1), 127-148.

36- Marquis, C., Zhang, J., & Zhou, Y. (2011). Regulatory uncertainty and corporate responses to environmental protection in China. *California Management Review*, 54(1), 39-63.

37- Matten, D., & Moon, J. (2008). 'Implicit' and 'explicit' CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, 33(2), 404-424.

38- Mi, Z., & Wang, X. (2000). Agency cost and the crisis of China's SOE. *China EconomicReview*, 11(3), 297-317.

39- Moser, D. V., & Martin, P. R. (2012). A broader perspective on corporate social responsibility research in accounting. *The Accounting Review*, 87(3), 797-806.

40- Nolan, P., & Wang, X. (1999). Beyond privatization: Institutional innovation and growth in China's large state-owned enterprises. *World Development*, 27(1), 169-200.

41- Peng, M. W., & Heath, P. S. (1996). The growth of the firm in planned economies in transition: Institutions, organizations, and strategic choice. *Academy of Management Review*, 21(2), 492-528.

42- Prowse, S. D. (1992). The structure of corporate ownership in Japan. *The Journal of Finance*, 47 (3), 1121-1140.

43- Reverte, C. (2009). Determinants of corporate social responsibility disclosure ratings by Spanish listed firms. *Journal of Business Ethics*, 88(2), 351-366.

44- Ryan, T. P. (1997). *Modern regression methods*. New York, NY: John Wiley & Sons. Schuler, D. A., & Rehbein, K. (1997). The filtering role of the firm in corporate political involvement. *Business & Society*, 36(2), 116-139.

45- See, G. (2009). Harmonious society and Chinese CSR: Is there really a link? *Journal of Business Ethics*, 89(1), 1-22.

46- Shabana, K. M., Buchholtz, A. K., & Carroll, A. B. (2017). The institutionalization of corporate social responsibility reporting. *Business & Society*, 56(8), 1107-1135.

47- Shin, H. H., & Park, Y. S. (1999). Financing constraints and internal capital markets: Evidence from Korean "chaebols". *Journal of Corporate Finance*, 5(2), 169-191.

48- Sino-Swedish CSR Cooperation. (2009, May 14). Interpreting CSR policy for large Chinese SOEs. Retrieved December 10, 2016, fromhttp://csr2.mofcom.gov.cn/article/laws/200905/20090506246453.shtml

49- Such man, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610.

50- Sutherland, D. (2003). *China's large enterprises and the challenge of late industrialization*. New York, NY: Rout ledge Curzon, the Taylor & Francis Group.

51- Wang, J., & Coffey, B. S. (1992). Board composition and corporate philanthropy. *Journal of Business Ethics*, 11, 771-778.

52- Xin, Q., Zheng, G., & Yang, D. (2007). Business groups, government control, and investment efficiency. *Finance Research*, 10, 123-142.

53- Yu, H., Fang, L., Sun, B., & Du, D. (2018). Risk contribution of the Chinese stock market to developed markets in the post-crisis period. *Emerging Markets Review*, 34, 87-97.

54- Zhang, J. Q., Zhu, H., & Ding, H. (2013). Board composition and corporate social responsibility: An empirical investigation in the post Sarbanes-Oxley era. *Journal of Business Ethics*, 114, 381-392.