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Abstract

Informal systems can have a significant impact on corporate behavior, and 'Guanxi' is part of the informal system that can have a significant impact on corporate social responsibility. Based on the data of A-share listed companies in China, we take the relationship between local officials and corporate executives as an entry point to study the impact of Guanxi on Corporate Social Responsibility in the context of China's Economic Policy Uncertainty. It is found that Guanxi has a positive effect on CSR, and this effect is more significant when Economic Policy Uncertainty is low. Further research finds that there is a benefit swap effect between local officials and corporate executives, which is more pronounced when Economic Policy Uncertainty is high, while the heterogeneity study also finds that state-owned enterprises have stronger incentives to exploit hometown relationships compared to non-state-owned enterprises, especially when Economic Policy Uncertainty is low. The research in this paper facilitates the understanding of the mechanism of the influence of Guanxi on corporate behavior in the informal system and provides a new perspective for the study of corporate social responsibility.

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1. Introduction

Guanxi, as an important informal institution in China, has gradually received a lot of attention and importance in the fields of economics and sociology. Generally speaking, Guanxi is the social association of individuals based on their domicile/place of birth and the special emotion of individuals to their birthplace and place of living based on it. In China's hometown-affectionate social environment, hometown relationship is an enduring and non-selective natural relationship. Popular poems such as "On festival occasions one thinks of one's dear ones far away more than ever" and "Homesickness is a small stamp, linking Mom at the other end and me" are all excellent interpretations of this sentiment. However, Guanxi has not yet received enough attention from academics, in this paper, we measure the impact of Guanxi on enterprise behavior in terms of the hometown relationship between local government officials and local corporate executives.

Existing relevant studies have shown that hometown ties have an important impact on micro firms (Dai et al, 2016). When local government officials have a hometown relationship with corporate executives, does the Guanxi of local government officials affect the economic behavior of local firms with hometown relationships due to their attachment to their domicile/place of birth? In this paper, we define Guanxi as hometown relations between local government officials and firm executives.

On the one hand, previous studies on the impact of individual characteristics of government officials have focused more on the macroeconomic level (Burgess, R. et al, 2015; Li et al, 2016), such as Zhang et al (2012), who showed that central officials can significantly increase the economic growth of the place of birth, but not the economic growth of the place of work. Our study will try to explore the influence of local government officials on "hometown" enterprises in their current jurisdictions due to Guanxi and expand the literature from the micro level of

enterprises.

On the other hand, previous studies on government-enterprise relations have focused more on the government background of management/shareholders or the macro-level government intervention environment (Fang, 2008; Xia et al, 2011) (Yu and Pan, 2008), while a few studies have also explored the background characteristics of government officials (Yang, 2018; Zhang et al, 2013). For example, Yang (2018) identified the strengths and differences of government-enterprise relationships mainly by using the tenure of key city officials. The Guanxi between government officials and corporate executives studied in this paper is an extension of the previous government-business relationship.

Economic policy uncertainty refers to the inability of economic agents to predict exactly whether, when, and how the government will change the current economic policy (Gulen & Ion, 2016), and is an important component of economic uncertainty.

Currently, various black swan events, such as the Sino-US trade dispute, the global outbreak of Covid-19a, and the Russia-Ukraine war, have led to the world macroeconomic operation in an economic context of extremely high uncertainty, resulting in structural transformation of the world economy and changes in the internal economic structure.

Deep economic problems have also continued to erupt in China, and a new round of large-scale economic reforms have been implemented (Tang and Li, 2018). Helena Chuli et al. (2017) argue that uncertainty shocks reduce stock market returns in both mature and emerging markets; Wang (2020) based on the GARCH-MIDAS-Skewed T model that argues that global economic policy uncertainty is negatively related to Chinese stock volatility and has had a negative

impact on Chinese stocks since 2017 as economic policy uncertainty in the US has increased.

In addition, China's economy has moved from the quantitative growth stage to the qualitative development stage. However, the level of CSR in China is relatively lagging behind, which in turn has aroused widespread concern about enterprises.

In 2020, the Blue Book of Corporate Social Responsibility (2020) was released in Beijing, and the data shows that the Social Responsibility Development Index of China's top 300 enterprises is 36.0, over 40% of the companies' CSR index below 20 points. Therefore, how to actively promote the construction of CSR has become the focus of Chinese government's attention.

Among the studies on the antecedents of CSR, most of the existing studies focus on the internal characteristics of enterprises and the external market environment, such as enterprise size, growth, executive background, years of establishment, financial performance, the degree of competition in the industry in which the enterprise is located, and public opinion pressure (Shen, 2007; Zhang, and Ji, 2013; Jia , and Liu, 2014; Wang, 2016).

However, for China, which is in a period of transition, in addition to the internal characteristics of firms, CSR is still significantly and extensively affected by the environment of economic policy uncertainty, and it is important to pay attention to the mechanisms by which policy uncertainty brought about by economic changes affects CSR, so as to better provide an empirical basis for promoting the healthy and sustainable development of CSR.

How do economic policy uncertainty and hometown relations affect corporate social responsibility? In order to clarify these questions, it is of great practical importance to promote more corporate social responsibility and to optimize the policy environment and business environment in China.

Based on the above introduction, this paper studies the Guanxi, corporate social responsibility and economic policy uncertainty from the perspective of Officer-Executive Relations.

First, due to Guanxi, local government officials and "hometown" executives tend to be closer to each other and are more likely to develop trust and identity(Lu and Hu, 2014). Therefore, in the process of resource allocation, local government officials are more likely to increase their inclination toward "hometown" enterprises and assist "hometown" enterprises to actively improve their social responsibility in order to enhance their corporate influence.

Second, corporate executives who have Guanxi with local government officials will be more motivated to establish relationships with them through the hometown ties of government officials and thus gain more social resources.

In addition, as the grouping behavior among the hometowns becomes a common phenomenon, the hometown relationship has gradually become a mutually beneficial resource exchange channel among group members(Dai et al,2016). Government officials and "hometown" enterprises are more likely to have mutually beneficial behaviors that lead to the emergence of government-enterprise collusion.

In particular, this paper forms a new dataset based on the data of Chinese listed A-share companies from 2010-2016, CSR of Chinese listed companies published by Hexun.com, Chinese economic policy uncertainty, and matching the birthplaces of executives and government officials to empirically test the relationship between Guanxi, economic policy uncertainty and corporate social responsibility.

The results find that Guanxi have a significant positive effect on CSR, especially when economic policy uncertainty is low, and empirically demonstrate that the mechanism of action between official hometown relations and CSR exhibits a benefit swap effect. The heterogeneity test also finds that state-owned enterprises use official hometown relations to fulfill CSR more significantly than non-state-owned enterprises.

The main contributions of this paper, relative to the existing literature, are as follow:

- a) Most previous studies have looked at the effects of informal institutions within or between firms on corporate governance, agency costs, and corporate investment (Dai et al, 2016; Lu and Jiang, 2014). Fewer studies have examined the impact of informal institutions from between corporate executives and government on corporate behavior. And it is confirmed that this positive relationship is more significant in the case of low economic policy uncertainty, thus enriching the research related to the impact of informal institutions on corporate behavior and providing empirical evidence for the impact of informal institutions on corporate social responsibility.
- b) The literature related to the impact of individual characteristics of government officials has focused more on the impact on the macroeconomic level (Burgess, R. et al, 2015; Fan and Li; 2014), and relatively few relevant studies have been conducted from the corporate's perspective. The study by Chen et al(2016) introduced the study of government officials' influence to the field of corporate behavior earlier, but their study focused more on the economic consequences of officials' geographical favoritism on firms, while the specific channels and mechanisms of influence need to be further explored. Therefore, from the perspective of corporate social responsibility (CSR), an in-depth study of how the hometown relationship between officials and corporate executives affects CSR is beneficial to consolidate the specific channels and mechanisms of the influence of government official factors on

corporate behavior, so as to deepen and expand the research related to the influence of government official factors on corporate behavior.

- c) Through the benefit swap perspective, it was found that there is a benefit swap relationship between local officials and enterprises, in which officials provide resources to enterprises so that they can further improve the fulfillment of corporate social responsibility, and enterprises provide local tax revenue as well as job opportunities, thus satisfying the performance of local officials. This relationship is more pronounced in times of high economic policy uncertainty. Finally, the effect of officials' hometown relationship on CSR is examined from the perspective of firm heterogeneity, which makes the study more relevant.

In addition to this, the second part of the paper is a literature review, the third part is a Hypothesis proposed, the fourth part is an empirical study, the fifth part is a further study, and finally, the conclusion.

2. Literature Review

2.1 Guanxi and corporate behavior

Guanxi is one of the components of informal institutions, and current domestic and international research on informal institutions such as social ties and corporate behavior has produced a rich body of research (Lu and Jiang, 2016; Shen et al, 2017; Hu and Le, 2018). Relevant studies have shown that social ties are often a channel for internal information flow and play an important influential role in firm investment efficiency (Chen and Xie, 2011), innovation performance (Shen et al, 2017; Wang and Zhang, 2018), M&A performance (Wang and Hu, 2014), M&A announcement returns (Schmidt, B.S. et al 2015), and financing decisions (Engelberg, J. et al, 2012).

Specifically, Cohen et al (2008) show that private information can be diffused through alumni relationships between mutual fund managers and corporate boards, thus significantly increasing the returns of alumni-connected firms. Lu (2014) found that the Guanxi between CEOs and directors has a significant positive effect on the level of corporate risk using data from all listed companies in China.

Similarly, Dai et al (2016) based on the dialectal perspective explored that the Guanxi between the chairman and the general manager of a company can reduce information asymmetry and goal inconsistency in the principal-agent relationship, and ultimately reduce the agency costs between shareholders and management.

In fact, the existence of different "hometown associations" in different parts of the country shows that in different fields, people from the same area often appear to "group behavior" and thus formed a culture, this hometown culture is also very common in officialdom and business. Zhang and Huang (2011) found that the degree of diversification of politically connected enterprises is significantly higher than that of non-politically connected enterprises through a microscopic perspective, indicating that political connections help enterprises obtain more diversified resources;

Xia et al. (2011) found that the political-enterprise ties owned by corporate executives can help enterprises open affiliated enterprises in provinces other than the registered ones; Yang (2019) argued that the stronger the relationship between enterprises and local governments, the lower the price of land purchase, but the market-based land transfer method will weaken the role of political-enterprise ties.

2.2 A microscopic study of economic policy uncertainty

Since China is a government-led market economy, the "visible hand" of the local government holds a lot of power in resource allocation; in addition, under the "promotion tournament" system, local government officials, as the main implementers of government policies (especially the first-hand municipal party secretaries), have an incentive to use the resources of local enterprises to achieve their economic goals and seek promotion opportunities.

Therefore, local officials have significant influence on various daily activities of enterprises, while changes in local officials can break the original political resources of enterprises and bring uncertainty and instability of policies (Yang, et al., 2015) . So when faced with potential market risk from policy uncertainty (Luo et al., 2016) , how do firms adjust their micro behavior to respond?

The impact of policy uncertainty on firms' micro behavior has been developed in the literature in terms of firms' foreign investment, innovation investment, cash holdings, and surplus management. Among them, Julio and Yook (2012) and Cao (2013) find that when facing policy uncertainty, firms increase the waiting value option of investment and thus delay investment; Wang and Jun (2019) find that policy uncertainty triggered by changes in local officials significantly reduces firms' innovation investment; Jiang et al. (2015) find that policy uncertainty makes firms reduce their cash holdings; Deqiu Chen and Yansen Chen (2018) find that firms engage in surplus management to reduce the possible policy costs of

policy uncertainty.

2.3 Influencing factors of corporate social responsibility

There has been a debate about the motivations behind CSR, and in the existing literature, there are three main factors that influence CSR, including internal company characteristics, external market environment and motivational factors.

The internal company characteristics, that is, the scale of the enterprise, the operation status, the prospect of the enterprise, the education of the executives, the family background of the executives, etc.

Shen (2007) concluded through empirical analysis that companies with larger size and better profitability are more inclined to disclose CSR information; the results of Zhang and Ji (2013) showed that there is a significant positive relationship between entrepreneurs' education, age, social reputation and CSR information disclosure level. Benlemlih M. (2018) concluded from an analysis of a sample of 22,839 U.S. firm-year observations that firms with higher CSR pay more and more stable dividends relative to firms with low CSR; Al-Hadi, A. (2019) examined the relationship between CSR and financial distress based on a data sample of 651 Australian listed firms, finding that for relatively mature firms, the more active they are in disclosing CSR information, the lower the risk of the firm being in financial distress.

The external market environment is mainly the macro environment, the industry environment and the competitors. The most important of the macro environment is the policy environment and economic environment i.e. economic policy uncertainty (EPU).

By economic policy uncertainty, Huseyin G. (2013) considers economic policy uncertainty as the changes in the current economic policies and the government's

decisions on the changes in economic policies are difficult to be predicted by firms.

Yang and Wang (2019) found that CSR performance is an ethical behavior, and the inhibitory effect of CSR performance on surplus management decreases as macroeconomic policy uncertainty increases; Qiu, Xie, and Chen, (2019) take a sample of A-share listed companies that voluntarily publish CSR reports and empirically analyze that the level of voluntary CSR disclosure increases significantly with rising economic policy uncertainty. Viput Oetal.(2019) argues that when firms face more economic policy uncertainty, firms with larger management shareholding invest significantly more in CSR.

In addition to the above theories the competitive environment of firms is also part of the external market environment, Jia and Liu (2014) argue that firms will perform CSR better due to the pressure of public opinion and that the degree of competition in the external market environment has an "n" type relationship with CSR.

The research around CSR motivation factors is more abundant such as altruistic motivation, self-interest motivation, and political motivation are the main motivations for CSR fulfillment. In the highly developed market economy of the Western countries, based on purely fragmented altruistic or self-interested motives, CSR is manifested entirely as a voluntary behavior (Hunter, 2003) .

However, unlike the Western countries, the Chinese government is an important guide and supervisor in the development of CSR, and CSR after political intervention is neither purely altruistic nor purely self-interested, but political in nature.

Meanwhile, the concept of CSR has been developed by Carroll since 1991 and has become a multidimensional concept that encompasses economic, legal, ethical,

and philanthropic dimensions (Carroll, 1991) . However, the existing literature mainly focuses on a single dimension of CSR, such as Li and Xiao (2011) , who argue that CSR behaviors can help companies prevent various social and environmental risks that arise during their operations.

Russo and Fouts (1997) found that by taking more responsibility for environmental protection, firms can gain a higher reputation and thus earn high premium income; Dai et al. (2014) showed that corporate charitable giving is essentially a kind of "political contribution" to build political and business relationships "Lin et al. (2016) found that when the government needs it, charitable giving can strengthen the relationship with the new government, and this relationship can help the company to sustain its business.

3. Hypothesis proposed

3.1 Guanxi and corporate social responsibility

China is influenced by thousand years of Confucianism as well as traditional culture, and hometown relations have a special status in people's mind. The main influence of officials' hometown relations on CSR stems from whether the connection between government officials and corporate executives is strong or not. In China, under the influence of human society, Guanxi is particularly valued as a natural interpersonal relationship.

For example, the existence of native association of commerce in various parts of China allows people from all walks of life in the same region to form a network of hometown relations, which creates a unique "circle effect" and becomes a market for the exchange of financial, material and human resources(Dai et al, 2016).

In China, local officials hold most of the scarce resources and the right to allocate and decide on the scarce resources (Zhou, 2007), which results in the decisive role of the local "hand" in the resources (Zhang, and Wang, 2010), so the more politically connected the firm is, the easier it is for the firm to obtain different resources (Zhang, and Huang, 2009), and at the same time the firm has a strong incentive to establish ties with the government in order to obtain more resources and achieve high returns (Zhang et al, 2013).

It has been found that there are different favoritism effects such as race and hometown of officials, who invest more investments and grants (Zhang et al, 2012; Knight B. et al, 2008) or make more transfers (Fan and Li, 2014; Cohen,L. 2011) to the associated places to promote the economic development of the associated places (Fan et al,2016). Because of the emotional dependence of hometown relations, it is easy to obtain mutual trust (Zhai, 2014), which facilitates enterprises to obtain more information and makes it more convenient for them to establish ties with the government and form a relationship of mutual benefit.

Therefore, in the process of resource allocation, the government is more willing to allocate resources to enterprises that have old-town relations with officials, which shows the favoritism of officials toward enterprises. This is reflected by the following two aspects.

On the one hand, in order to obtain more social resources, enterprises will actively use their Guanxi with local government officials to establish closer contact with them through the identity advantage of "hometown", and people from the same place tend to have more similarity, and the similarity of culture, background and language can deepen mutual communication and exchange, and people with common traits or experiences are more likely to attract or resonate with each other (Kalmijn and Flap, 2001).

Therefore, the enterprise executives who have Guanxi with local government officials have more opportunities to obtain deeper contact and communication with officials, and there exists a stronger information effect, mainly in the following ways:

- 1) Enterprise executives can transmit more information related to enterprises and markets to officials, improve officials' attention and understanding of enterprises, so as to develop cooperative relationships with affiliated enterprises.
- 2) Enterprise executives can also obtain more private information about social resources from the communication with officials, and minimize the risk of future development of enterprises.

In the process of enterprise executives gaining information advantages through their hometown relations with officials, it enables both government and enterprises to develop a ceding method that is more in line with the wishes of both

parties to cede social resources to already agreed enterprises, thus increasing the possibility of enterprises with hometown relations gaining more and higher quality resources.

On the other hand, from the point of view of benefit swap between government and enterprises, officials, as rational individuals, should have stronger economic motives behind their willingness to cede social resources to enterprises with which they have hometown relations, in addition to their personal emotional ties, i.e., there may be a benefit swap effect between government and enterprises.

With both fiscal and political incentives, the government needs to obtain more fiscal revenue to promote economic growth, and existing research suggests that when the government is under pressure of a high fiscal gap, it will increase land concessions to SOEs in order to obtain more tax revenue from increased investment by local SOEs (Wang and Zhang, 2018).

At the same time, because Guanxi between government officials and corporate executives will close the distance between each other, increasing more opportunities for private communication and contact, the close contact between officials and corporate executives can provide a certain space for officials' corrupt behavior. Tao et al (2010) found that the number of land violation cases was relatively higher in areas where land was granted by agreement and listing.

It can be seen that local officials are more likely to gain more extra benefits from corporate executives with hometown connections, and therefore have more incentives to give social resources to companies with hometown connections.

As a Chinese saying goes, "Ten seals are not worth one fellow countryman." Through the analysis, it can be seen that the hometown relationship is a key fulcrum for the executives of listed companies to pry the government resources. If

the executives of listed companies know that they have a unique hometown relationship with local government officials, they will use it to deepen the relationship with government departments to get more resources for the motive of mutual benefit.

For companies, more resources means that they will have a smoother development path, which means that they can focus more on their social responsibility and help build their social identity (Brammer and Millington, 2005), and the building of their social identity also helps them to improve their ability to cope with risks and reduce their operating costs to achieve corporate goals. (Ghoul et al., 2011)

In summary, the exchange of interests between the two parties is the main way to strengthen the hometown relationship, while the transfer of corporate information to officials and obtaining more private information about social resources from them is one of the main channels to increase corporate social responsibility. Therefore, both the information effect and the benefit swap effect are aimed at transforming the hometown relationship between officials and corporate executives into practical actions, which in turn increase the possibility of corporate social responsibility.

Therefore the following hypotheses are proposed based on the above analysis.

H1:The existence of hometown relations between local officials and executives will increase the level of corporate social responsibility

3.2 The Impact of Economic Policy Uncertainty on Guanxi and Corporate Social Responsibility

Since the global financial crisis, international relations have become increasingly

tense, and international events such as the UK referendum on leaving the EU in '16 and the US-China trade war in '19 have increased economic policy uncertainty, especially into 2020, as the Covid-19, the US presidential election in '20, the US technology war against China, and the Russia-Ukraine war have made the global economic policy uncertainty index (Baker et al., 2016) (Economic Policy Uncertainty Index) keeps hitting new record highs.

In a global enterprise, business decisions are generally made by directors and management in a game of chance, with little opportunity for outside participants to participate in the decision making process, and this invisible "gap" makes it necessary to communicate corporate information to the outside world, especially in the face of economic policy uncertainty.

Higher economic policy uncertainty will bring negative demand shocks to the macroeconomy (Xu, 2019), and in order to escape from the dilemma of negative demand shocks to companies, companies will actively fulfill their social responsibility (Bloom, 2014) and will increase the willingness and level of voluntary social responsibility disclosure (Qiu, Jifu, Xie, Lanhui, and Chen, Yihui, 2019).

Meanwhile, based on stakeholder theory, the success of business development is strongly related to whether the firm's behavior can meet the expectations of relevant stakeholders (Gray et al., 1995), during the 2008-2009 financial crisis, compared to firms with lower CSR, firms with higher CSR have greater profitability, higher corporate growth rates and of more more employee sales, while firms with lower CSR receive more debt (Lins K V et al, 2017).

At the same time, under China's promotion appraisal mechanism that focuses on

economic growth, the State Council in 2006 included the level of CSR as one of the performance appraisal criteria for local officials. In 2017, the State Council also put forward new requirements for local officials - to guide enterprises to take the initiative to fulfill their social responsibilities and enhance their sense of honor and mission to fulfill their social responsibilities, and to guide and support them to give love, care for their employees and protect the ecology.

In order to gain promotion opportunities, local officials must not only take a series of measures to improve local economic development, but also complete the political tasks given by higher leaders.

These powers are often concentrated in the hands of party committees at all levels, especially the "head" of party committees (Zhou, 2007), with the result that municipal party secretaries have a decisive role in the allocation of economic resources (Zhang and Wang, 2010) , which in turn leads to rent-seeking behavior of enterprises.

However, the change of municipal party secretaries breaks the government-enterprise relationship established by the original rent-seeking behavior, and coupled with the heterogeneity of the policy preferences, ability level, education level and personal background of the new municipal party secretaries, it further deepens the degree of policy uncertainty and affects the resource allocation and rent-seeking activities of enterprises, further affecting the level of corporate social responsibility.

In an environment of policy uncertainty, CSR, with its unique attributes, becomes an effective tool for political rent-seeking activities by corporations. On the one hand, it is safe to actively fulfill CSR (Li and Xiao, 2011). During the gap in the transition of power in local governments, companies are not yet aware of the governing philosophy of the new municipal party secretary and tend to adopt a

safer margin to cater to the new municipal party secretary than the overly risky way of directly bribing officials with commercial bribes.

On the other hand, the "reputation effect" of CSR can draw the attention of new municipal secretaries, express corporate support for them, and, most importantly, satisfy the political interests of local municipal secretaries to a certain extent during the political transition period when new municipal secretaries are in urgent need of political performance (Park et al., 2017) . Therefore, whether to avoid business risks or gain competitive advantage in a new round of rent-seeking activities, companies have more motivation to actively fulfill CSR.

Therefore, in times of high economic policy uncertainty, in order to escape from negative demand shocks as well as to meet the expectations of relevant stakeholders, firms will actively fulfill their social responsibility to achieve maximum economic benefits, and therefore the following hypothesis is proposed based on the above analysis.

H2: The higher the economic policy uncertainty, the more the social responsibility performed by enterprises.

H3: Official hometown relations strengthen the positive relationship between economic policy uncertainty and corporate social responsibility.

Similarly, according to Contingency Theory, in business management, it is necessary to adapt to the internal and external conditions in which the company is located, i.e., all the resources of the company itself and the external environment in which it is located are not the same, so there is no management practice that is applicable to any scenario and unchanging.

The simple explanation is that a company's own development strategy will change

depending on the external conditions, so according to the Contingency Theory, it is clear that whether a company actively fulfills its social responsibility is not only related to the amount of resources it receives, but also to the external environment in which it is located. Therefore, H4 is proposed.

H4: Under the high shock of economic policy uncertainty, companies will be more active in fulfilling CSR in order to get out of trouble, thus weakening the positive influence of officials' hometown relations on CSR.

4. Study Design

4.1 Data sources

1) Dependent variable

CSR, including corporate social responsibility (CSR) and its five secondary sub-indicators. Drawing on the study of Xingping Jia and Yi Liu (2014), the scores on CSR in Hexun include shareholder responsibility, supplier, customer and consumer rights responsibility, employee responsibility, environmental responsibility, and social public responsibility. Compared with other CSR measurement data, Hexun's data is more comprehensive. The secondary sub-indicators in this paper are shareholder responsibility (SH), supplier, customer and consumer responsibility (SCC), employee responsibility (EM), environmental responsibility (ENV) and social public responsibility (SOC).

2) Independent variables

Guanxi. First, we manually compiled and extracted the birthplace and origin information of all listed A-share companies' incumbent executives (CEOs and chairmen) from their CVs from 2007-2016, which were obtained from the executive CVs in the CSMAR database.

Second, we extracted the birthplace and origin information of government officials (mayors and municipal party secretaries) from the background information of provincial and municipal leaders. Finally, referring to Hu et al, we identify whether listed executives have hometown relationship with local government officials by matching listed executives and government officials in the same year and in the same city one by one.

In addition, the data on China's economic policy uncertainty are selected from the 1949 China Economic Policy Uncertainty Index established by Steven J. Davis, Dingqian Liu and Xuguang S. Sheng in 2019. And to facilitate the calculation

refer to the study of Rao Pingui et al. (2017) on this basis the annual index is obtained by arithmetic averaging of monthly indices.

3) Control variables

The firm-level control variables data in this paper are obtained from the firm research series database in the CSMAR database. City-level control variables are obtained from the National Bureau of Statistics of China.

4.2 Data cleaning

For the above data, we integrate CSR data, guanxi, China Economic Policy Uncertainty Index and related control variables data and make the following processing.

1. excluding the financial industry.
2. excluding all ST companies for the time period.
3. exclude missing samples
4. to eliminate the effect of extreme values, this paper applies a 1% as well as a 99% tail shrinkage to all continuous variable data.

4.3 Empirical model

In order to test the impact of Guangxi on the level of CSR and EPU , the following two regression models are constructed in this paper, as follows.

$$CSR_{it} = \alpha_0 + \alpha_1 Guanxi_{i,t} + \alpha_{i,t} \sum Controls_{i,t} + \sum Year + \sum industry + \varepsilon \quad (1)$$

$$CSR_{it} = \beta_0 + \beta_1 Guanxi_{i,t} + \beta_2 EPU_t + \beta_3 Laoxiang_{i,t} * EPU_t + \beta_{i,t} \sum Controls_{i,t} + \sum Year + \sum industry + \varepsilon \quad (2)$$

In model (1), CSR indicates the level of corporate social responsibility performed by the enterprise, and Guanxi indicates whether the enterprise executive has a hometown relationship with the government official in year t . The enterprise executive refers to the "head" of the enterprise, i.e., the CEO and chairman of the enterprise. Similarly, government officials refer to the "head" of the place, i.e. the mayor and municipal party secretary of the place, and the value is 1 when the birthplace of any two executives (CEO or chairman) and government officials (mayor and municipal party secretary) is the same, otherwise it is 0.

Meanwhile, to verify H4, a new dummy variable DEPU is set, when DEPU is greater than the median of the selected sample time series, $DEPU = 1$, otherwise $DEPU = 0$ (when $DEPU = 1$, this paper considers the period as being in a period of high economic policy uncertainty, and vice versa as a period of low economic policy uncertainty) and thus serve as two groups to investigate the impact of official hometown relations on CSR under the shock of high and low economic policy uncertainty.

In model (2) CSR denotes the level of social responsibility performed by the firm, EPU is economic policy uncertainty, and the interaction term between Guanxi and EPU is used to verify H2 and H3.

In model (1) and model (2), this paper summarises a set of control variables by referring to different literature. The control variables include: Dual (refers to someone being both the managing director and chairman), Independent (refers to the proportion of independent directors. SIZE refers to the size of the firm), SOE (refers to the nature of the firm), OpeLevel (refers to the proportion of fixed assets of the firm), SHARE (refers to the proportion of shares held by the largest shareholder), LEV (refers to the loan to equity ratio), ROA (refers to the return on assets), the Mb_inc (refers to the growth rate of main business revenue), and the firm's TobinQ value.

In addition, the paper controls for the relevant variable at the city level: Lnagdp (refers to city GDP per capita taken as logarithm). Finally, in addition to controlling for industry effects and time fixed effects, we also control for province effects. The reason for this is that different provinces may exhibit different strengths of 'GuanXi' identification. This is because different provinces may exhibit different strengths of 'hometown' identity, or some regions of the country may be more traditionally oriented towards 'GuanXi' relations.

Table 4-1 : Variable definitions

| Variable | Symbol | Definition of variables |
|-----------------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Dependent variable | CSR | Corporate Social Responsibility |
| | SH | Shareholder Responsibility |
| | EM | Employee Responsibility |
| | SCC | Supplier, Customer and Consumer Responsibility |
| | ENV | Environmental Responsibility |
| | SOC | Social Responsibility |
| Independent variables | Guanxi | The value is 1 if the city of birth is the same between any two corporate executives and government officials (mayor, city secretary), 0 otherwise |
| | EPU | China Economic Policy Uncertainty Index developed by Baker in 2013 |
| | DEPU | Takes a value of 1 in periods of high economic policy uncertainty and 0 otherwise. |
| Control variables | Dual | Takes the value of 1 if a person is both chairman and managing director of a company, 0 otherwise |
| | Ind_ratio | Percentage of Independent Directors |
| | SIZE | Enterprise size |
| | SOE | Nature of the enterprise, if the enterprise is a |

| | |
|----------|-----------------------------------------------------------------------------------------------------------------|
| | state-owned enterprise, the value is 1, otherwise it is 0 |
| OpeLevel | Percentage of fixed assets of the enterprise, i.e. fixed assets/total assets |
| SHARE | Shareholding ratio of the largest shareholder |
| LEV | Assets and liabilities ratio |
| ROA | Return on assets |
| Mb_inc | Growth rate of main business income |
| TobinQ | Tobin's Q = (market value of the firm's shareholders' equity + book value of debt) / book value of total assets |
| Lnagdp | Logarithm of urban GDP per capita |

4.4 Descriptive statistics

Graph 4-1 EPU in China

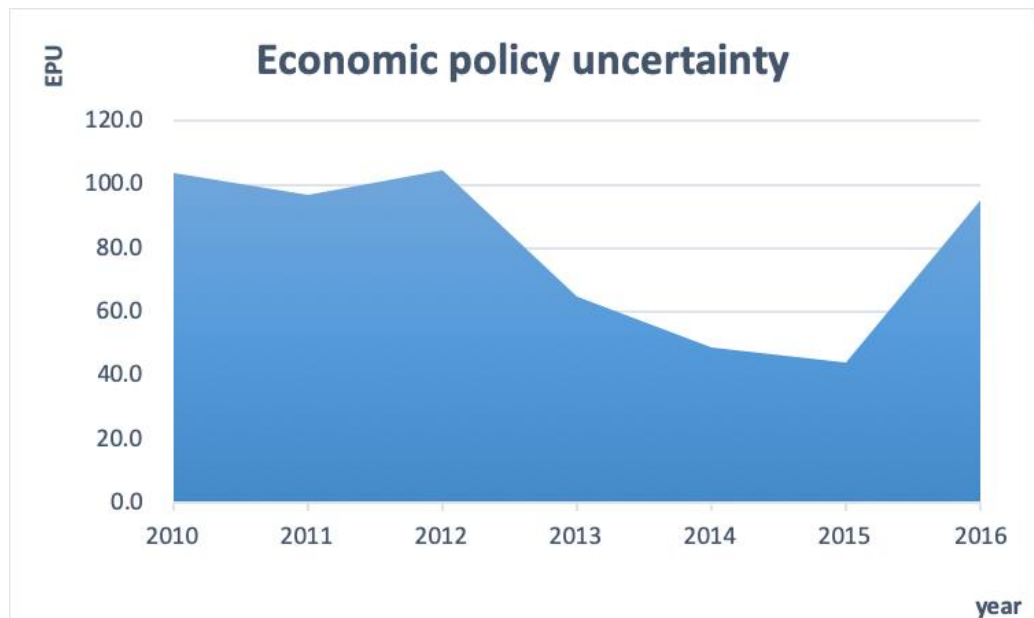


Table 4-2 Descriptive statistics

| variable | N | mean | p50 | sd | min | max |
|----------|-------|-------|-------|-------|-------|-------|
| CSR | 11951 | 29.64 | 23.39 | 17.95 | 6.250 | 77.24 |
| SH | 11951 | 14.83 | 14.94 | 5.195 | 0 | 28.19 |
| EM | 11951 | 3.405 | 1.880 | 3.786 | 0 | 15 |

| | | | | | | |
|-----------|-------|--------|--------|--------|---------|-------|
| SCC | 11951 | 2.781 | 0 | 5.727 | 0 | 20 |
| ENV | 11951 | 2.847 | 0 | 6.155 | 0 | 30 |
| SOC | 11951 | 5.783 | 4.930 | 4.114 | 0 | 30 |
| Guanxi | 11951 | 0.310 | 0 | 0.462 | 0 | 1 |
| EPU | 11951 | 78.24 | 95.03 | 24.23 | 44.28 | 104.5 |
| Dual | 11951 | 0.241 | 0 | 0.428 | 0 | 1 |
| Ind ratio | 11951 | 0.373 | 0.333 | 0.0530 | 0.333 | 0.571 |
| LEV | 11951 | 0.428 | 0.423 | 0.214 | 0.0460 | 0.887 |
| SHARE | 11951 | 0.358 | 0.339 | 0.153 | 0.0880 | 0.757 |
| SIZE | 11951 | 113.7 | 32.62 | 283.5 | 3.346 | 2101 |
| SOE | 11951 | 0.412 | 0 | 0.492 | 0 | 1 |
| OpeLevel | 11951 | 0.260 | 0.221 | 0.192 | 0.00200 | 0.806 |
| ROA | 11951 | 0.0700 | 0.0590 | 0.0510 | -0.0340 | 0.268 |
| TobinQ | 11951 | 2.326 | 1.708 | 2.125 | 0.204 | 12.39 |
| Mb inc | 11951 | 0.236 | 0.124 | 0.588 | -0.493 | 4.370 |
| Lnagdp | 11951 | 10.95 | 10.99 | 0.428 | 9.482 | 11.68 |

The above table shows the descriptive statistics, where the mean value of EPU is 78.24, which is relatively stable and low uncertainty in 2010 and 2012-2014, and the calculation shows that the three years are the years with low economic policy uncertainty, which means DEPU=0, and the other four years DEPU=1.

The mean value of CSR is 29.64, and the standard deviation is 17.95, the overall CSR scores in the sample are low and there are large differences between individual companies. The mean value of Guanxi is 0.310, which means that 31% of corporate executives in the sample have hometown relations between Corporate Executives and government officials, the standard deviation is 0.462, which indicates that there is a large gap between different corporate individuals. Other financial characteristics are not the focus of this paper and therefore will not be elaborated here.

4.5 Correlation Analysis

Table 4-3 Correlation Analysis

| | CSR | SH | EM | SCC | ENV | SOC | EPU | Guanxi |
|--------|----------|----------|----------|----------|----------|----------|-------|--------|
| CSR | 1 | | | | | | | |
| SH | 0.488*** | 1 | | | | | | |
| EM | 0.879*** | 0.242*** | 1 | | | | | |
| SCC | 0.912*** | 0.235*** | 0.831*** | 1 | | | | |
| ENV | 0.875*** | 0.198*** | 0.862*** | 0.867*** | 1 | | | |
| SOC | 0.386*** | 0.047*** | 0.179*** | 0.251*** | 0.090*** | 1 | | |
| EPU | 0.116*** | 0.017* | 0.118*** | 0.126*** | 0.126*** | 0.0120 | 1 | |
| Guanxi | 0.062*** | 0.044*** | 0.040*** | 0.052*** | 0.049*** | 0.039*** | 0.004 | 1 |

From the above table, we can see that the correlation between CSR and five sub-dimensions is very significant, which indicates that CSR is calculated by five sub-dimensions. The correlation coefficient between Guanxi and CSR is 0.062 and is significantly positive at 1% significance level, which indicates that Guanxi has a positive effect on CSR. The correctness of H1 was tentatively verified.

Also, The correlation coefficient between EPU and CSR was 0.116 and was significantly positive at 1% significance level, which also tentatively verified the correctness of H2.

5. Regression results and analysis

5.1 Guanxi and Corporate Social Responsibility

The effect of Guanxi on CSR and its five sub-dimensions is shown in Table 5-1, where column (1) indicates that the coefficient of Guanxi is 1.290, which is significantly positive at the 1% level after controlling for the relevant variables, time effect, industry effect, and province effect. In addition to this, the results of the remaining columns, except for column (5) environmental responsibility, indicate that Guanxi on the fulfillment of shareholder responsibility, employee responsibility, customer responsibility and social public responsibility is positive and significant at least at the 10% level. That is, official hometown relations have a positive influence on the fulfillment of social responsibility by enterprises, thus verifying H1.

However, its responsibility for the environment is not significant, probably because since the 1990s, with the promotion of the concept of sustainable development, the government has long been specific as well as legalized environmental protection, so the concept related to protecting the environment has been deeply rooted, and compared with other responsibilities, protecting the environment has the characteristics of deep-rooted people's hearts and minds, which usually does not change with the change of Guanxi.

Table 5-1 Guanxi and Corporate Social Responsibility

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| VARIABLES | CSR | SH | EM | SCC | ENV | SOC |
| Guanxi | 1.290*** (3.78) | 0.247*** (3.41) | 0.137* (1.85) | 0.375*** (3.20) | 0.174 (1.42) | 0.409*** (5.68) |
| Dual | -0.981*** (-3.04) | 0.136* (1.75) | -0.267*** (-3.82) | -0.292*** (-2.63) | -0.357*** (-3.16) | -0.223*** (-2.90) |
| Ind_ratio | -0.182 (-0.06) | -2.458*** (-4.09) | 0.310 (0.50) | 0.157 (0.17) | 0.344 (0.34) | 1.475** (2.34) |
| LEV | -0.731 | -6.640*** | 1.309*** | 1.270*** | 1.538*** | 1.701*** |

| | | | | | | |
|------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|
| | (-0.88) | (-31.49) | (7.44) | (4.73) | (5.38) | (8.35) |
| Share | 1.595 | 2.858*** | -0.303 | -0.498 | -0.191 | -0.281 |
| | (1.56) | (12.52) | (-1.41) | (-1.42) | (-0.53) | (-1.24) |
| SIZE | 0.014*** | 0.003*** | 0.003*** | 0.004*** | 0.004*** | 0.001*** |
| | (17.75) | (22.07) | (14.70) | (14.24) | (13.75) | (5.34) |
| SOE | 4.239*** | -0.067 | 1.310*** | 1.356*** | 1.601*** | 0.040 |
| | (11.49) | (-0.88) | (16.25) | (10.64) | (12.29) | (0.49) |
| OpeLevel | -3.932*** | -3.284*** | -0.612*** | 0.364 | 1.284*** | -1.753*** |
| | (-4.03) | (-15.00) | (-2.88) | (1.15) | (3.51) | (-8.47) |
| ROA | 106.148*** | 68.332*** | 8.774*** | 14.624*** | 11.807*** | 4.370*** |
| | (32.61) | (72.38) | (13.37) | (13.30) | (10.53) | (5.71) |
| TobinQ | -0.999*** | -0.580*** | -0.065*** | -0.137*** | -0.146*** | -0.088*** |
| | (-13.47) | (-24.51) | (-4.16) | (-5.75) | (-6.13) | (-4.05) |
| Mb_inc | -1.865*** | -0.779*** | -0.198*** | -0.484*** | -0.336*** | -0.085 |
| | (-8.51) | (-10.72) | (-4.06) | (-7.15) | (-4.70) | (-1.27) |
| Lnagdp | 4.687 | -0.722 | 1.115 | 1.507 | 2.074 | 0.743 |
| | (1.35) | (-1.00) | (1.41) | (1.24) | (1.61) | (0.99) |
| Year | YES | YES | YES | YES | YES | YES |
| Industry | YES | YES | YES | YES | YES | YES |
| Province | YES | YES | YES | YES | YES | YES |
| Constant | -34.188 | 19.851** | -11.097 | -15.365 | -22.879 | -5.156 |
| | (-0.89) | (2.46) | (-1.26) | (-1.13) | (-1.60) | (-0.62) |
| Observations | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 |
| R-squared | 0.254 | 0.573 | 0.199 | 0.160 | 0.180 | 0.317 |
| adj_R2 | 0.313 | 0.313 | 0.313 | 0.313 | 0.313 | 0.313 |
| F | 59.22 | 59.22 | 59.22 | 59.22 | 59.22 | 59.22 |
| Robust t-statistics in parentheses | | | | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | |

5.2 Economic Policy Uncertainty, Guanxi and Corporate Social Responsibility

Is the effect of economic policy uncertainty significant in relation to CSR? The regression results in Table 5-2 indicate that economic policy uncertainty has a positive effect on total corporate social responsibility as well as on the other three dimensions of social responsibility at least at the 5% level of significance, except for social responsibility and shareholder responsibility, possibly because:

(a) In the face of economic policy uncertainty, shareholders usually do not invest in order to maximize their own interests in the face of risk.

(b) As we all know, the payment of taxes is mandatory, and enterprises are required to pay certain amount of taxes in any period of time, so the impact of economic policy uncertainty on social responsibility is not significant. Therefore, the impact of economic policy uncertainty on social responsibility is not significant.

Table 5-2 EPU, Guanxi and CSR

| | (1) | (2) | (3) | (4) | (5) | (6) |
|------------------------------------|----------|-----------|----------|----------|-----------|----------|
| VARIABLES | CSR | SH | EM | SCC | ENV | SOC |
| Guanxi | 1.290*** | 0.247*** | 0.137* | 0.375*** | 0.174 | 0.409*** |
| | (3.78) | (3.41) | (1.85) | (3.20) | (1.42) | (5.68) |
| EPU | 0.210** | -0.144*** | 0.072*** | 0.113*** | 0.137*** | 0.030 |
| | (2.39) | (-7.85) | (3.60) | (3.69) | (4.24) | (1.51) |
| Control | YES | YES | YES | YES | YES | YES |
| Year | YES | YES | YES | YES | YES | YES |
| Industry | YES | YES | YES | YES | YES | YES |
| Province | YES | YES | YES | YES | YES | YES |
| Constant | -57.502 | 35.780*** | -19.107* | -27.890* | -38.093** | -8.496 |
| | (-1.20) | (3.57) | (-1.75) | (-1.66) | (-2.15) | (-0.81) |
| Observations | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 |
| R-squared | 0.254 | 0.573 | 0.199 | 0.160 | 0.180 | 0.317 |
| Robust t-statistics in parentheses | | | | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | |

As can be seen from Table 5-3, H3 is not supported because the interaction term between officials' hometown relations and economic policy uncertainty is not significant for corporate social responsibility. This paper suggests that the possible reason for this is that in the context of economic policy uncertainty, firms focus more on their own situation to fulfill their social responsibility than on their

Guanxi.

Table 5-3 EPU, Guanxi and CSR

| | (1) | (2) | (3) | (4) | (5) | (6) |
|------------------------------------|---------|-----------|----------|----------|-----------|---------|
| VARIABLES | CSR | SH | EM | SCC | ENV | SOC |
| Guanxi | -0.218 | 0.465 | -0.264 | -0.724 | -0.401 | 0.841 |
| | (-0.09) | (0.87) | (-0.49) | (-0.89) | (-0.47) | (1.64) |
| EPU | 0.223** | -0.143*** | 0.076*** | 0.116*** | 0.142*** | 0.031 |
| | (2.53) | (-7.83) | (3.78) | (3.76) | (4.36) | (1.55) |
| Guanxi*EPU | 0.014 | -0.002 | 0.004 | 0.010 | 0.005 | -0.004 |
| | (0.63) | (-0.41) | (0.75) | (1.33) | (0.67) | (-0.85) |
| Control | YES | YES | YES | YES | YES | YES |
| Year | YES | YES | YES | YES | YES | YES |
| Industry | YES | YES | YES | YES | YES | YES |
| Province | YES | YES | YES | YES | YES | YES |
| Constant | -57.160 | 35.807*** | -18.990* | -27.885* | -37.964** | -8.418 |
| | (-1.19) | (3.57) | (-1.72) | (-1.65) | (-2.12) | (-0.81) |
| Observations | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 |
| R-squared | 0.244 | 0.573 | 0.179 | 0.151 | 0.169 | 0.317 |
| Robust t-statistics in parentheses | | | | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | |

5.3 Comparative analysis

In order to further verify the effects of economic policy uncertainty, Guanxi and corporate social responsibility, this paper divides economic policy uncertainty into two high and low control groups. The empirical evidence finds that the significant impact of Guanxi on CSR when economic policy uncertainty is high is less than that when economic policy uncertainty is low. The reason is that when economic

policy uncertainty is high, individual firms will make more efforts to make themselves fulfill CSR in order to convey good corporate dynamics to the outside world than when economic policy uncertainty is low in order to get rid of the negative demand impact.

Table 5-4 Comparative analysis

| | (1) | (2) |
|------------------------------------|---------|----------|
| | DEPU=1 | DEPU=0 |
| VARIABLES | CSR | CSR |
| Guanxi | 1.145** | 1.356*** |
| | (2.13) | (3.11) |
| control | YES | YES |
| Year | YES | YES |
| Industry | YES | YES |
| Province | YES | YES |
| Constant | -15.185 | -88.053 |
| | (-0.27) | (-1.53) |
| Observations | 5,403 | 6,548 |
| R-squared | 0.255 | 0.254 |
| adj_R2 | 0.247 | 0.248 |
| F | 28.14 | 33.29 |
| Robust t-statistics in parentheses | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | |

6. Further Research

6.1 Mechanism of Guanxi and CSR

Among the above research hypotheses, there is a hidden assumption in the logic of this paper: local officials have absolute power to control local resources, making it easier for firms with hometown relations to gain access to government resources. On this base, this paper argues that the main mechanism of the Guanxi and the level of CSR fulfillment stems from the benefit swap effect. As the above hypothesis and literature analysis, officials are more willing to give resources to corporate executives who have the Guanxi relationship in exchange for the corporate actively fulfilling its social responsibility, which will lead to the officials' performance enhancement.

Therefore, to further verify the above logic, we obtained the total number of employees (*Staffnum*) and the tax revenue (*TAX*) of the company from the CSMAR database, in accordance with model (3) to verify whether there is a swapping of interests between officials and corporate executives.

$$Staffnum/TAX = \alpha_0 + \alpha_1 Laoxiang_{it} + \alpha \sum Controls_{i,t} + \sum Year + \sum industry + \varepsilon \quad (3)$$

According to Table 6, we still divide economic policy uncertainty into two groups, where we can find that when economic policy uncertainty is high, Guanxi is significantly positive with the total number of firms at the 5% level, and when economic policy uncertainty is low, Guanxi is significantly positive with the total number of firms at the 10% level.

The results show that firms with hometown relations hire more local employees when economic policy uncertainty is high, implying that there is a relationship of benefit swap between government and corporate executives, and when economic

policy uncertainty is low, firms' plans for their future are clearer than when economic policy uncertainty is high, so the relationship of benefit swap between officials and corporate executives is weaker in significance than in periods of high economic policy uncertainty.

To further verify the above statement, we also chose to do a robustness test using the current tax burden of enterprises, the regression results show consistent results with those of the total number of enterprises, i.e., they prove the existence of a relationship of benefit swap between corporate executives and local officials.

Table 6-1(1) Mechanism of Guanxi and CSR

| | All sample | DEPU=1 | Depu=0 |
|------------------------------------|----------------------|------------------------|------------------------|
| VARIABLES | Staffnum | Staffnum | Staffnum |
| Guanxi | 962.1273** (2.25) | 1,174.447* (1.76) | 800.596 (1.44) |
| Control | YES | YES | YES |
| Year | YES | YES | YES |
| Industry | YES | YES | YES |
| Province | YES | YES | YES |
| Constant | -18935.31 (-0.56) | -18,860.016 (-0.50) | -15,975.443 (-0.25) |
| Observations | 11837 | 5,354 | 6,483 |
| R-squared | 0.469 | 0.447 | 0.487 |
| adj_R2 | 0.466 | 0.441 | 0.482 |
| F | 34.07 | 16.07 | 21.50 |
| Robust t-statistics in parentheses | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | |

Table 6-1(2) Robustness test for Mechanism of Guanxi and CSR

| | All sample | DEPU=1 | DEPU=0 |
|-----------|------------|--------|--------|
| VARIABLES | Tax | Tax | Tax |
| | | | |

| | | | |
|------------------------------------|---------|---------|---------|
| Guanxi | 0.143** | 0.181* | 0.111 |
| | (2.34) | (1.96) | (1.37) |
| Control | YES | YES | YES |
| Year | YES | YES | YES |
| Industry | YES | YES | YES |
| Province | YES | YES | YES |
| Constant | -4.543 | -6.068 | -0.348 |
| | (-0.72) | (-0.66) | (-0.04) |
| Observations | 11,848 | 5,358 | 6,490 |
| R-squared | 0.664 | 0.647 | 0.680 |
| adj_R2 | 0.662 | 0.643 | 0.677 |
| F | 55.34 | 26.06 | 35.83 |
| Robust t-statistics in parentheses | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | |

6.2 Heterogeneity test

Considering that most executives of SOEs(state-owned enterprises) are politically connected, Yu Minggui and Pan Hongbo (2008) argue that politically connected firms can obtain more bank loans and longer loan terms compared to non-politically connected firms. Luo, Danglian and Zhen, Liming (2008) find that private firms with political connections are subject to fewer financing constraints in their external financing compared to private firms without political connections. Luo Danglian and Liu Xiaolong (2009) argue that the better the relationship between private enterprises and the government, the more likely they will enter high-barrier industries, and the economic benefits of enterprises that enter high-barrier industries and the greater the degree of entry are significantly higher than those of other enterprises.

Based on the above analysis, the more politically connected state-owned enterprises receive a greater positive effect of official hometown relations, so we divide the research sample into state-owned enterprises and non-state-owned

enterprises and conduct group experiments to verify the link between the level of corporate social responsibility fulfillment and the presence of Guanxi in the scenario with high economic policy uncertainty and the scenario with low economic policy uncertainty.

According to Table 6-2 when analyzing the full sample, SOEs have a positive relationship with official hometown relations on CSR at the 5% significance level compared to non-SOEs because of the natural political affiliation factor, i.e., Guanxi in SOEs are more able to help companies fulfill their social responsibility compared to non-SOEs.

At the same time when economic policy uncertainty is high, neither SOEs nor non-SOEs officials hometown relations are significant for CSR, probably because firms try to escape from the dilemma caused by high economic policy uncertainty by other means. However, when economic policy uncertainty is low, SOEs with political connections are more likely to use their advantages to fulfill their corporate social responsibility. The reason for this is that non-SOEs are less politically connected and have fewer official hometown connections compared to SOEs.

Table 6-2 Heterogeneity test

| | ALL SAMPLE | ALL SAMPLE | DEPU=1 | DEPU=1 | DEPU=0 | DEPU=0 |
|-----------|---------------|---------------|---------|--------|--------|-----------|
| VARIABLES | CSR | CSR | CSR | CSR | CSR | CSR |
| | SOE=0 | SOE=1 | SOE=0 | SOE=1 | SOE=0 | SOE=1 |
| Guanxi | 0.567 | 1.380** | 0.686 | 1.206 | 0.387 | 1.655** |
| | (1.41) | (2.35) | (1.08) | (1.29) | (0.75) | (2.20) |
| control | YES | YES | YES | YES | YES | YES |
| Year | YES | YES | YES | YES | YES | YES |
| Industry | YES | YES | YES | YES | YES | YES |
| Province | YES | YES | YES | YES | YES | YES |
| Constant | -6.721 | -45.948 | -44.139 | 27.534 | 40.472 | -153.273* |
| | (-0.14) | (-0.76) | (-0.66) | (0.29) | (0.52) | (-1.88) |

| | | | | | | |
|------------------------------------|-------|-------|-------|-------|-------|-------|
| | | | | | | |
| Observations | 7,024 | 4,927 | 3,202 | 2,201 | 3,822 | 2,726 |
| R-squared | 0.255 | 0.258 | 0.251 | 0.246 | 0.263 | 0.270 |
| adj_R2 | 0.248 | 0.248 | 0.226 | 0.226 | 0.254 | 0.254 |
| F | 31.46 | 31.46 | 14.64 | 14.64 | 18.77 | 18.77 |
| Robust t-statistics in parentheses | | | | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | |

7. Robustness test

7.1 Bootstrap Test

In order to reduce the problem of sample selection bias, this paper first used bootstrap to regress the original sample again after 1000 times of sampling and found that the results did not change from the main effects regression, that is, the regression results of bootstrap also indicated that the higher the corporate social responsibility of companies that have relations with local officials.

Table 7-1 Bootstrap Test

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
| VARIABLES | CSR | SH | EM | SCC | ENV | SOC |
| Guanxi | 1.290*** (3.73) | 0.247*** (3.37) | 0.137* (1.78) | 0.375*** (3.26) | 0.174 (1.36) | 0.409*** (5.74) |
| Dual | -0.981*** (-3.07) | 0.136* (1.78) | -0.267*** (-3.93) | -0.292*** (-2.67) | -0.357*** (-3.20) | -0.223*** (-2.89) |
| Ind_ratio | -0.182 (-0.06) | -2.458*** (-4.12) | 0.310 (0.51) | 0.157 (0.16) | 0.344 (0.35) | 1.475** (2.35) |
| LEV | -0.731 (-0.85) | -6.640*** (-30.57) | 1.309*** (7.39) | 1.270*** (4.54) | 1.538*** (5.33) | 1.701*** (8.19) |
| SHARE | 1.595 (1.54) | 2.858*** (12.38) | -0.303 (-1.35) | -0.498 (-1.37) | -0.191 (-0.56) | -0.281 (-1.24) |
| SIZE | 0.014*** (18.28) | 0.003*** (22.17) | 0.003*** (15.02) | 0.004*** (14.64) | 0.004*** (14.03) | 0.001*** (5.29) |
| SOE | 4.239*** (11.24) | -0.067 (-0.88) | 1.310*** (16.37) | 1.356*** (10.75) | 1.601*** (12.26) | 0.040 (0.49) |
| OpeLevel | -3.932*** (-4.10) | -3.284*** (-14.74) | -0.612*** (-2.92) | 0.364 (1.14) | 1.284*** (3.49) | -1.753*** (-8.23) |
| ROA | 106.148*** (32.86) | 68.332*** (68.37) | 8.774*** (13.44) | 14.624*** (13.08) | 11.807*** (10.64) | 4.370*** (5.85) |
| TobinQ | -0.999*** (-13.33) | -0.580*** (-24.82) | -0.065*** (-4.13) | -0.137*** (-5.74) | -0.146*** (-6.04) | -0.088*** (-4.14) |
| Mb_inc | -1.865*** (-8.81) | -0.779*** (-11.08) | -0.198*** (-3.99) | -0.484*** (-7.39) | -0.336*** (-4.80) | -0.085 (-1.24) |
| Lnagdp | 4.687 (1.35) | -0.722 (-1.00) | 1.115 (1.40) | 1.507 (1.26) | 2.074 (1.58) | 0.743 (1.00) |
| Year | YES | YES | YES | YES | YES | YES |
| Industry | YES | YES | YES | YES | YES | YES |
| Province | YES | YES | YES | YES | YES | YES |

| | | | | | | |
|--------------------------------|---------|----------|---------|---------|---------|---------|
| Constant | -34.188 | 19.851** | -11.097 | -15.365 | -22.879 | -5.156 |
| | (-0.88) | (2.46) | (-1.26) | (-1.15) | (-1.56) | (-0.62) |
| Observations | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 |
| R-squared | 0.254 | 0.573 | 0.199 | 0.160 | 0.180 | 0.317 |
| adj_R2 | 0.313 | 0.313 | 0.313 | 0.313 | 0.313 | 0.313 |
| z-statistics in parentheses | | | | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | |

7.2 Changing the 'Guanxi' metric

To ensure the robustness of the results, we also verify the regression of the main effect in this paper by changing the measure of Guanxi. We refer to the study of Hu et al. (2017), where we use whether the local officials are of the same native place as the corporate executives instead of the variable 'Guanxi', specifically that we assign the variable Guanxi_N to 1 when the corporate executives are of the same native place as the local government officials, and 0 otherwise.

The results show that there is no significant effect of Guanxi_N on employee responsibility (EM), indicating that the previous main effects regression is not robust to employee responsibility, but remains robust to corporate social responsibility as well as the other four dimensions of corporate responsibility with significant effects.

Table7-2 Changing the Guanxi metric

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | test1 | test2 | test3 | test4 | test5 | test6 |
| VARIABLES | CSR | SH | EM | SCC | ENV | SOC |
| Guanxi_N | 1.224*** | 0.196*** | 0.111 | 0.350*** | 0.168 | 0.454*** |
| | (3.51) | (2.63) | (1.47) | (2.92) | (1.33) | (6.18) |
| Dual | -0.988*** | 0.133* | -0.269*** | -0.294*** | -0.357*** | -0.221*** |
| | (-3.07) | (1.70) | (-3.84) | (-2.65) | (-3.17) | (-2.88) |
| Ind_ratio | -0.133 | -2.446*** | 0.316 | 0.172 | 0.351 | 1.486** |
| | (-0.05) | (-4.06) | (0.51) | (0.18) | (0.35) | (2.35) |
| LEV | -0.716 | -6.637*** | 1.310*** | 1.274*** | 1.540*** | 1.706*** |

| | | | | | | |
|------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|
| | (-0.86) | (-31.47) | (7.44) | (4.75) | (5.38) | (8.38) |
| SHARE | 1.580 | 2.854*** | -0.305 | -0.503 | -0.193 | -0.285 |
| | (1.55) | (12.50) | (-1.42) | (-1.44) | (-0.54) | (-1.26) |
| SIZE | 0.014*** | 0.003*** | 0.003*** | 0.004*** | 0.004*** | 0.001*** |
| | (17.77) | (22.11) | (14.72) | (14.25) | (13.75) | (5.33) |
| SOE | 4.236*** | -0.067 | 1.310*** | 1.355*** | 1.601*** | 0.039 |
| | (11.48) | (-0.88) | (16.24) | (10.63) | (12.28) | (0.47) |
| OpeLevel | -3.952*** | -3.286*** | -0.613*** | 0.358 | 1.282*** | -1.762*** |
| | (-4.05) | (-15.01) | (-2.88) | (1.13) | (3.50) | (-8.51) |
| ROA | 106.159*** | 68.356*** | 8.785*** | 14.630*** | 11.807*** | 4.335*** |
| | (32.60) | (72.36) | (13.38) | (13.30) | (10.53) | (5.66) |
| TobinQ | -0.999*** | -0.581*** | -0.065*** | -0.138*** | -0.146*** | -0.086*** |
| | (-13.46) | (-24.54) | (-4.19) | (-5.76) | (-6.14) | (-3.99) |
| Mb_inc | -1.867*** | -0.780*** | -0.199*** | -0.485*** | -0.336*** | -0.084 |
| | (-8.52) | (-10.73) | (-4.07) | (-7.15) | (-4.70) | (-1.26) |
| LnagdP | 4.369 | -0.780 | 1.082 | 1.415 | 2.031 | 0.638 |
| | (1.26) | (-1.08) | (1.37) | (1.17) | (1.58) | (0.85) |
| Year | YES | YES | YES | YES | YES | YES |
| Industry | YES | YES | YES | YES | YES | YES |
| Province | YES | YES | YES | YES | YES | YES |
| Constant | -30.463 | 20.545** | -10.712 | -14.284 | -22.377 | -3.941 |
| | (-0.79) | (2.54) | (-1.22) | (-1.06) | (-1.56) | (-0.47) |
| Observations | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 |
| R-squared | 0.253 | 0.573 | 0.199 | 0.160 | 0.180 | 0.317 |
| adj_R2 | 0.313 | 0.313 | 0.313 | 0.313 | 0.313 | 0.313 |
| F | 59.35 | 59.35 | 59.35 | 59.35 | 59.35 | 59.35 |
| Robust t-statistics in parentheses | | | | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | |

7.3 Change of empirical method

Since there are more zeros in the five sub-dimensions of CSR, using OLS regressions alone may bias the results, so we use a change of measure, the Tobit measure, to validate the regression of main effects in this paper.

The results are shown in the table below: After changing the empirical method, we find that the regression of environmental responsibility becomes significant,

which is not consistent with the main effects regression, and the regression of the results of environmental responsibility is not robust. Similarly employee responsibility is also insignificant, which is not consistent with the main effects regression and is also not robust. The remaining four variables: total corporate social responsibility and all three dimensions are significant at the 1% level, consistent with the main effects regression.

Table 7-3 Tobin Regression for Guanxi and CSR

| | (1) | (3) | (5) | (7) | (9) | (11) |
|--------------------------------|----------|----------|---------|----------|---------|----------|
| VARIABLES | CSR | SH | EM | SCC | ENV | SOC |
| Guanxi | 1.224*** | 0.196*** | 0.115 | 1.485*** | 1.177** | 0.465*** |
| | (3.56) | (2.60) | (1.51) | (2.72) | (2.09) | (6.11) |
| Control | YES | YES | YES | YES | YES | YES |
| Time effect | YES | YES | YES | YES | YES | YES |
| Industry | YES | YES | YES | YES | YES | YES |
| Provincial | YES | YES | YES | YES | YES | YES |
| Constant | -30.463 | 20.539** | -11.618 | -67.198 | -85.307 | -4.323 |
| | (-0.80) | (2.46) | (-1.38) | (-1.13) | (-1.39) | (-0.51) |
| Observations | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 | 11,951 |
| t-statistics in parentheses | | | | | | |
| *** p<0.01, ** p<0.05, * p<0.1 | | | | | | |

Conclusion

This paper uses the informal system of official hometown relations as the entry point, a total of 11,951 observations of A-share listed companies in China from 2010 to 2016 as the sample, Guanxi as the Independent variables of the main effect regression, and uses multiple linear regression, bootstrap regression and Tobit model to study the Government-Enterprise Relations and Corporate Social Responsibility. On this basis, Economic Policy Uncertainty is further incorporated into the regression model and the following conclusions are as follow.

Firstly, the main effect regression shows that Guanxi can enhance the overall level of CSR, and the main effect regression passes the robustness test, which indicates that the companies with 'Guanxi' will actively fulfill their social responsibility for their own good development.

Second, after adding economic policy uncertainty to the main regression model, we found that the higher the economic policy uncertainty, the greater the corporate fulfillment CSR. Also, in the period of high economic policy uncertainty, companies will make more efforts to fulfill their CSR in order to transmit good signals to the outside world due to self-help behavior than in the period of low economic policy uncertainty, so the significance of 'Guanxi' in the period of high economic policy uncertainty is weaker than that in the period of low economic policy uncertainty.

Third, due to stakeholder theory, officials and firm executives have some kind of benefit relationship, and this benefit relationship is more significant in periods of high economic policy uncertainty.

Finally, the heterogeneity test finds that state-owned enterprises have natural political affiliation compared to non-state-owned enterprises, and the Guanxi is

more significant in state-owned enterprises, especially in the case of low economic policy uncertainty.

This paper uses the combined effect of Guanxi and Economic Policy Uncertainty to measure the impact on CSR, although it finds that Guanxi has a positive impact on CSR, especially when economic policy uncertainty is low, it is not to encourage corporate executives to climb among government officials as a way to alleviate the embarrassing phenomenon of low CSR ratings , rather to look at the problem dialectically.

For government officials to actively reduce the "rent-seeking activities" of enterprises, the "rent-seeking activities" of enterprises should be transformed into the motivation of enterprises to assume CSR, that is, to reduce the government's power to allocate local resources and give full play to the decisive role of resources in the market economy.

For enterprises, they should designate strategies for social responsibility in a multidimensional way, actively improve CSR, and make certain contributions to society.

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