The Impact of Equity Structure on Corporate Social Responsibility

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Abstract: Recently, a new type of coronavirus pneumonia has erupted in China, and various industries have done their utmost to provide for the shortage of materials for Wuhan and fulfill the social responsibility of the enterprises. Behind the fulfillment of corporate social responsibility, in fact, it reflects the level of corporate governance. Therefore, this paper studies the impact of corporate ownership structure on corporate social responsibility from the perspective of corporate governance. This paper takes China's non-financial listed companies in 2014-2018 as a research sample to empirically investigate the impact of corporate equity concentration on social responsibility performance. The results show that the more concentrated the equity, the better the corporate social responsibility performance.

Introduction

According to the continuous development of society, the continuous growth of our country's economy and the substantial improvement of national quality, the public demand for enterprises to fulfill their social responsibilities is becoming more and more intense. Corporate social responsibility, in short, is that companies are responsible for the environment on which they depend, including the human, economic and ecological environments. The most typical case of corporate social responsibility is that in the recent new coronavirus, Chinese enterprises donate all kinds of epidemic prevention materials or provide all kinds of their own ability to serve the people and the country. These touching actions are actually behind the corporate governance behind a business. This paper chooses the ownership structure as the entry point to study the impact of equity concentration on corporate social responsibility.

Literature review

What is social responsibility? The concept of social responsibility has experienced different views since it was put forward in the 20th century, most typically traditional enterprise theory and stakeholder theory. The traditional enterprise theory holds that the enterprise has only one goal, that is, to maximize its own interests, and then to maximize the profits of shareholders is only responsible to the shareholders of the enterprise. However, with the development and evolution of stakeholder theory and the separation of ownership and management rights, enterprises begin to understand that if enterprises want to succeed, they must deal well with the relationship with the major related groups, so some scholars have come to the conclusion that the factors that influence enterprises to fulfill their social responsibility are the size of enterprises, the years of business operation, the management ability of enterprises and so on (Yang Chunfang ,2009); the governance system within enterprises, such as board size, the proportion of independent directors, and the external governance system, such as the national legal system, the supervisory body, etc .(Chen Zhi ,2011). In the research on the influencing factors of corporate social responsibility from the perspective of corporate internal governance system, Feng Lili (2011) used the method of empirical regression model to measure the concentration of equity by using HHI (Huffendal-Hichmann index).

Wulun (2015) takes the first largest shareholder's shareholding ratio as the proxy variable of the equity concentration degree, using the panel data of the listed bank in China from 2008 to 2012, the empirical research results show that the first largest shareholder's shareholding ratio has a significant positive correlation with the bank's social responsibility, and Shi Minchao (2010) selects the Shenzhen-Shanghai listed company as the research sample, and the square sum of the top 10 shareholders' shareholding ratio indicates the equity concentration degree, which shows that the equity concentration is related to the corporate social responsibility and is significant. But Zhang Ping and Ma Zhong (2008) in 2006 A sample study of 347 listed companies found that corporate social responsibility was proportional to corporate size and inversely proportional to the degree of equity concentration. Zhang Ping-ting (2011) selected the results of financial data of Shanghai Stock Exchange 180 listed companies from 2007 to 2009. Zhang Yanming (2012) empirical research proved that the ownership structure and corporate social responsibility in different levels of different relationships, the more concentrated equity, but not conducive to the interests of creditors from the above research results found that our scholars in equity concentration on the impact of corporate social responsibility has a certain research results, but the impact of equity concentration on corporate social responsibility conclusion is inconsistent. It may be because there is no uniform standard for the measurement of social responsibility, so this paper uses the evaluation results of the third party rating agency runling global rating (rks), which is generally recognized by scholars at home and abroad, to carry out further relevant empirical analysis, while drawing on woolen (2015) to measure the equity concentration of the enterprise with the largest shareholder ratio, but the sample takes the sample of the whole listed company, not only a single industry.

Theoretical Research and Research Assumptions

From the point of view of corporate internal governance, the complex ownership structure will affect the social responsibility performance of enterprises (Jing Runtian ,2009), while the ownership structure of public enterprises in China is basically centralized, and only a small number of enterprises are decentralized. At the same time, because of the small proportion of individual shareholders, most of them do not have the ability and lack of incentive to participate in corporate governance, so it has little impact on corporate social responsibility performance. The owner who owns the decentralized equity does not care about the long-term interests and future development of the company, so the implementation of social responsibility, from the classical pyramid of social responsibility, the majority of the decentralized equity owners will only fulfill the economic responsibility of the first layer and the legal responsibility of the second layer of the enterprise. However, the big shares of the enterprise will be more willing to perform ethical and charitable responsibilities in addition to economic legal responsibilities. First of all, because the investment of a lot of capital and energy is more focused on the long-term development of the enterprise than the short-term profit, from the perspective of stakeholders, the major shareholders are more inclined to hope that managers also have a good relationship with various stakeholders other than shareholders (such as suppliers, consumers, government, etc.) In order to obtain the resources necessary for the development of the enterprise and achieve sustainable development. Secondly, because the equity is more concentrated, the interests of the large shareholders and the enterprise group are more convergent, and in this competitive society, the large shareholders will also hope that the enterprise will fulfill its social responsibility to improve the competitiveness of the enterprise, establish a good social reputation, and gain the trust and love of consumers. Finally, because large shareholders exist in the enterprise for a long time, when people's material needs are met, they will look for higher-level spiritual needs. Therefore, after the enterprise guarantees long-term profit, the major shareholders are more willing to let the enterprise bear social responsibility and give back to the society.The hypothesis of this paper is summarized above.

Hypothesis 1: The more concentrated the equity, the better the performance of corporate social responsibility.

Research process

The data source of this paper is A-share in Shanghai and Shenzhen in 2014-2018 as a sample, excluding financial and insurance industry companies, ST companies and by ST companies, and finally get a total of 2400 data samples in five years, the data is derived from the CSMAR transaction database, data processing software SPSS 23.

The model is as follows.

$$CSR = \alpha_1 + \alpha_2 Top1 + \alpha_3 Outdir + \alpha_4 Size + \alpha_5 LEV + \alpha_6 State + \alpha_7 ROA + \alpha_8 ROE + \alpha_9 GROW + \varepsilon \quad (1)$$

Measurement of social responsibility

Use the evaluation results of Runling Global Rating (RKS), a third-party corporate social responsibility rating agency.

Measurement of equity concentration

This article draws on the reference of Wu Lun (2015) to measure the concentration of the company's equity with the proportion of the largest shareholder. The reason is that China's capital market has just developed. After 70 years of reform and opening up in the last century, many companies are family-owned companies, so most of the equity is in their own hands.In addition, there are more retail shareholders in our country, and the turnover rate of the stock is also relatively high, so we choose to use the proportion of the largest shareholder to test the equity concentration of the enterprise.

Other control variables

Property rights system, state-owned enterprises accounted for 1, other enterprises accounted for 0, representing the impact of debt financing on the property rights of enterprises; Eq2 on behalf of corporate profitability; the net assets return ratio Eq3 on behalf of The proportion of independent directors is expressed as the number of independent directors compared to the total number of boards; the debt financing ability Eq4is the ratio of total assets of enterprises; Growth in corporate revenue growth is represented by Eq5.

$$\text{the total assets return ratio} = \frac{\text{the net profit}}{\text{the average total assets}} \quad (2)$$

$$\text{the net assets return ratio} = \frac{\text{the net profit}}{\text{the average shareholder equity}} \quad (3)$$

$$\text{the debt financing ability} = \frac{\text{the enterprise total liability}}{\text{the enterprise total assets ratio}} \quad (4)$$

$$\text{the growth rate of the income} = \frac{\text{the operating income of the current year - the operating income of the previous year}}{\text{the operating income of the previous year}} \quad (5)$$

Table 1. Means of variables

Type of variable	Variable name	Definition of variables
Explained variables	CSR	Evaluation results of Runling Global Rating
explanatory variables	Top1	First largest shareholder shareholding ratio
Control variables	State	Property rights system
	ROA	Total return on assets
	ROE	Return on net assets
	Outdir	Proportion of independent directors
	LEV	Debt financing capacity
	Size	Enterprise size
	Grow	Growth

Empirical study

Overall descriptive statistics

Based on the evaluation results of the 2014-2018 corporate social responsibility third-party rating agency Run Ling Global Rating (RKS), the average value of the overall corporate social responsibility score is 41.576, the maximum value is 89, and the minimum value is 15.65 There are great differences that need to be improved. The share of the largest shareholder is generally more than 30% even if the shareholding concentration is concentrated, and the average share of the largest shareholder in China has reached 30%, indicating that China's shareholding is highly centralized. It can be seen from the nature of property rights that the sample of Chinese enterprises accounts for a relatively large proportion.

Table 2. Descriptive statistics of main variables in regression model

	CSR	Top1	State	ROA	ROE	Outdir	LEV	Size	Grow
Mean value	41.706	36.953	0.620	0.038	0.061	0.375	0.496	23.357	0.135
median	39.204	36.170	1.00	0.033	0.067	0.363	0.505	23.255	0.081
Maximum	89.000	86.350	1.00	0.668	1.610	0.800	2.302	28.508	9.973
Minimum	15.650	3.000	0.000	-0.725	-4.690	0.230	0.034	19.781	-1.000
Standard deviation	11.681	15.548	0.485	0.065	0.207	0.057	0.205	1.440	0.435
Deviation	1.065	0.296	-0.501	-1.725	-11.79	1.901	0.193	0.531	8.484
kurtosis	1.132	-0.431	-1.750	27.720	217.26	5.123	1.711	0.213	141.47
Number of samples					2400				

Variable Correlation Statistics

According to the results of the proportion of the relevant statistics, social responsibility scores and the largest shareholder of the variable nature of the property, is proportional to the ratio of the total return on assets, return on equity, net assets in proportion to the independent directors, debt ratio, and company size. The increase in the relationship between relevant statistical data indicates that the positive correlation between the variable coefficient and the negative correlation coefficient is less than 0.6, so the multicollinearity is low.

Empirical Regression Results

From Table 3, we can see the results of the regression results with social responsibility (CSR) as explained variable, the coefficients largest shareholder equity ratio (Top1) is positive and significant at the 5% level, indicating that the enterprise the more concentrated ownership structure, so the more help corporate social responsibility to verify the hypothesis of this paper. At the same time, it can be seen from the regression results that the size coefficient of the company is positive and significant at the level of 1%, indicating that the size of the company is positively related to the fulfillment of corporate social responsibility, and significantly affects the fulfillment of corporate social responsibility.

Table 3. Regression results

	Top1	State	ROA	ROE	Outdir	LEV	Size	Grow
Signific-antness	0.039**	0.046**	0.001	0.008	-0.004	-0.125***	0.507***	-0.004
t value	0.015	0.476	5.293	1.503	3.685	1.375	0.185	0.495

Note :***,**,** means significant at 1%,5%,10% respectively.

Summary

Based on the empirical research on social responsibility, it can be concluded that whether the corporate ownership structure is concentrated will have a certain impact on the implementation of social responsibility. Findings indicate that corporate ownership concentration and corporate social responsibility performance positively correlated, that is more focused on corporate equity, the likelihood of corporate social responsibility is greater. Therefore, it is recommended that individual shareholders, small and medium shareholders or retail shareholders not only pay attention to the current short-term interests, but also converge with the interests of the enterprise. In order to keep the progress and prosperity of the entire social environment.

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