

UDC 330.1 330.4 303 338.2

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UNPACKING THE ROLE OF POLITICAL AFFILIATIONS IN SHAPING CSR PRACTICES IN CHINA

Purpose: This study examines how political connections influence corporate social responsibility (CSR) practices in China, aiming to shed light on the interplay between political affiliations and CSR engagement in a distinct socio-political landscape. **Design/methodology/approach:** The research combines a comprehensive review of literature with empirical data analysis of Chinese firms to understand the impact of various types of political connections on CSR activities. The study distinguishes between material and symbolic political ties, assessing their influence on CSR disclosure, governance, and stakeholder engagement. A unique mechanism illustrating how political connections shape CSR practices is also developed as part of this analysis. **Findings:** The study reveals that material political connections, characterized by close alignment with government directives, foster a governance-oriented approach to CSR, motivated by regulatory expectations and public accountability. In contrast, firms with symbolic connections often engage in CSR selectively, using these ties as a buffer against regulatory and reputational pressures rather than as a consistent driver for social responsibility. The mechanism developed in this study clarifies the pathways through which these political ties influence CSR outcomes, underscoring the heterogeneous nature of political impact on CSR in China. **Research limitations/implications:** This research focuses on CSR practices in Chinese firms with distinct types of political connections, which may not generalize across other emerging markets. Future studies could examine these dynamics across different institutional contexts or sectors within China to validate and expand these findings. **Practical implications:** For multinational corporations and stakeholders working with Chinese firms, understanding the type of political connection can aid in developing CSR strategies that align with local socio-political norms, enhancing CSR impact and regulatory compliance. **Social implications:** The findings underscore the dual role of political connections in promoting or hindering CSR efforts, based on connection type. This insight is valuable for policymakers and regulators seeking to encourage sustainable and transparent corporate practices in politically influenced environments. **Originality/value:** This research enriches the global CSR discourse by introducing a mechanism that illustrates how political connections shape CSR motivations and practices in China, highlighting the necessity of context-specific approaches to CSR in politically connected business settings.

Keywords: Corporate Social Responsibility (CSR), political connections, material and symbolic ties, China's socio-political environment, CSR disclosure, government influence, stakeholder engagement.

Introduction. The relationship between political connections and corporate social responsibility (CSR) has become an important area of research, especially in rapidly growing economies like China. In this unique context, political ties play a significant role in shaping business strategies and CSR practices. While CSR is often seen as a voluntary corporate effort to promote social welfare, in China, it reflects a blend of regulatory expectations, government alignment, and cultural values (Qiu & Zhou, 2024; Wang et al., 2016a).

China's political environment is characterized by a high level of state influence over the private sector. Politically connected firms frequently benefit from preferential policies, regulatory leniency, and access to resources. These advantages shape how these firms engage with CSR, leading to distinct CSR practices that differ from those observed in less politically influenced markets. However, not all political connections in China have the same impact on CSR. Some firms maintain material political connections, closely aligning with government priorities and often receiving more direct oversight. Others possess symbolic ties, which are less embedded and act more as a source of legitimacy without strong government intervention.

This study explores how different types of political connections affect CSR engagement among Chinese firms. By analyzing both material and symbolic connections, it seeks to clarify how these affiliations shape CSR motivations and practices. Furthermore, the research develops a mechanism that illustrates the pathways through which political

ties influence CSR outcomes. This model offers a structured view of the influence process, providing insights for understanding the varying effects of political connections on CSR.

Understanding these dynamics is crucial, especially as China's integration into the global economy continues. Firms must balance their local political affiliations with international expectations for social responsibility and transparency. For multinational companies and investors, recognizing the nuances of political connections in China can help in developing CSR strategies that align with local norms while meeting global standards. This study contributes to the ongoing discourse on CSR in politically influenced economies by emphasizing the importance of differentiating between types of political ties and understanding their specific impacts on CSR.

Literature Review. The concept of CSR has been widely studied in Western economies, where it is often framed within the context of corporate governance, stakeholder theory, and ethical business practices. In these contexts, CSR is seen as a means for firms to enhance their reputation, gain consumer trust, and ensure long-term sustainability. However, the application of CSR in China presents unique challenges due to the country's political and institutional environment.

Several studies have examined the relationship between political connections and corporate behavior in China. Huang and Zhao (2016) found that politically connected firms are more likely to engage in CSR activities as a way to signal legitimacy and

gain public support. They argue that in the Chinese context, where the government plays a central role in shaping market conditions, firms use CSR as a strategic tool to align themselves with government priorities and social expectations.

On the other hand, Zhang (2017) presents a contrasting view, suggesting that politically connected firms may be less motivated to engage in CSR because they can rely on their connections to secure government support, thus reducing the need to invest in CSR as a form of risk management. Zhang's study highlights the potential for political connections to create moral hazards, where firms prioritize short-term profits over long-term social and environmental sustainability.

Another key study by Luo (2006) explores the role of social capital in shaping CSR practices in China. Luo argues that firms with strong political ties are more likely to engage in CSR as a way to enhance their social capital and build stronger relationships with stakeholders, including government officials, consumers, and local communities. This social capital, in turn, provides firms with a competitive advantage in terms of market access, regulatory leniency, and public trust.

While these studies provide valuable insights into the relationship between political connections and CSR, they also highlight the complexity of this relationship and the need for further research. The mixed findings in the literature suggest that the impact of political connections on CSR may vary depending on a range of factors, including the nature of the firm's industry, the strength of its political ties, and the level of competitive pressure it faces.

In recent years, corporate social responsibility (CSR) has been gaining traction in China, driven by a combination of government initiatives for sustainable development and the nation's deepening integration into the global economy (Teets & Hasmath, 2020). While CSR awareness and activities are relatively new in China's corporate sector, they have been expanding swiftly. Nevertheless, ongoing debate persists around the role and integration of CSR within corporate mandates, especially as it pertains to management's incentives. In this context, Dang et al. (2022) explore how political connections among top managers influence CSR engagement, highlighting the unique dynamics of China's political environment where two main types of political ties exist – symbolic and material.

Dang et al. (2022) reveal that material political connections – characterized by strong government alignment, extensive networks, and direct government oversight – positively impact CSR engagement in ways that reflect good governance. Firms with material connections, especially larger ones, tend to engage in CSR activities not merely for reputation-building but as a genuine governance practice influenced by their close ties with the state. In contrast, firms with symbolic political connections, which are more superficial and less embedded, often display a different approach. These firms may rely on the prestige of their political ties as a protective layer, which can act as a substitute for proactive CSR engagement, potentially incurring agency costs.

The findings of Dang et al. (2022) emphasize the need to differentiate between types of political ties when evaluating CSR motivations and outcomes. Treating political connections uniformly, the study suggests, risks overlooking significant variations

in how political affiliations influence corporate behavior. Additionally, the study broadens the CSR discussion by considering the implications of government-corporate relationships in nations with prominent state influence. This nuanced perspective underscores the necessity of tailored policy and corporate governance strategies that recognize the complexity of business-government relations in settings like China.

Table 1 summarizes key studies on the relationship between political connections and sustainability disclosure across various contexts, with a focus on Chinese firms. The table highlights the dependent and independent variables, sample populations, and main findings of each study. These studies collectively underscore the complex ways in which political affiliations influence firms' CSR activities, particularly in terms of sustainability disclosures. By providing insights into different political and institutional frameworks, these studies contribute to a nuanced understanding of the motivations and outcomes associated with politically connected firms' CSR practices.

Following the table, a brief discussion can clarify the significance of these findings. Specifically, while some studies suggest that political connections enhance CSR engagement to align with governmental expectations, others reveal that such connections may serve as a substitute for proactive CSR, driven by agency costs and reputation management. This variance highlights the necessity of distinguishing between types of political ties, as they lead to different CSR motivations and disclosure practices. Understanding these distinctions can improve the analysis of CSR in politically embedded business environments and inform policymakers on how to tailor CSR regulations to reflect the diversity of political connections.

This study aims to provide a comprehensive understanding of how political connections shape CSR practices in China, offering valuable insights for policymakers, business leaders, and scholars interested in the intersection of politics and corporate responsibility.

Thus, in this study, *political connections* refer to the relationships and affiliations that companies or their leaders establish with government officials, state agencies, or political institutions. These connections can be formal or informal, direct or indirect, and vary in intensity depending on the nature of the affiliation. Political connections often grant firms certain advantages, such as access to resources, regulatory leniency, or favorable treatment in the marketplace.

We distinguish between two types of political connections based on the institutional context in which they develop (Figure 1). The first type, known as a "symbolic connection," occurs when a firm's CEO or board chairperson is appointed as a member of the National People's Congress (NPC) or the Chinese People's Political Consultative Conference (CPPCC), China's primary national legislative and advisory bodies. This type of connection is termed "symbolic" because NPC or CPPCC memberships are not elected positions; instead, they are granted by the government to top executives of influential private firms, often after these firms have achieved significant size and reputation. As political "outsiders," these executives hold positions that carry prestige and legitimacy but limited legislative power, as the roles are largely advisory rather than directly influential in government (Aluchna et al.,

Table 1

Prior studies on firms' political connections and sustainability disclosure

	Authors	Dependable variables	Independent variables	Sample	Main findings
1	(Ting & Lee, 2024)	politically connected independent directors	sustainability disclosure	Chinese public firms in the context of China's Regulation 18.	«Companies with politically connected independent directors show an improvement in sustainability disclosures after Regulation 18» (Ting & Lee, 2024, p. 28)
2	(Qiu & Zhou, 2024a)	de-politicization	CSR performance of firms	Chinese listed companies	«Results indicate that de-politicization significantly enhances the CSR performance of firms. Specifically, de-politicization can lead to a 1.474 increase in CSR scores» (Qiu & Zhou, 2024a, p. 3668).
3	(Dang et al., 2022a)	political connection (two types, namely, symbolic and material connection)	CSR (Hexun) performance rank and CSR disclosure items in CSMAR	firms listed on the Shanghai and Shenzhen stock exchanges from 2008 to 2015	«Our results indicate that CSR engagement in firms with material political connection is associated with good governance because of the strong bond forged between these executives and the government. Large firms in this group are also less likely to use their political connection as a substitute for CSR engagement for reputation building purpose» (Dang et al., 2022a, p. 16).
44	(Adomako & Nguyen, 2020)	political connections	CSR implementation expenditure	data from 473 SMEs in Ghana	«Using data from 473 SMEs in Ghana, we find that political connections negatively influence CSR implementation expenditure» (Adomako & Nguyen, 2020, p. 2071)
5	(Hu et al., 2020b)	mandated departures of political independent directors	long-term debt financing and government subsidies	Chinese listed companies	«we find that the mandated departures of political IDs lead to reduced long-term debt financing and decreased government subsidies for nonstate-owned listed companies» (Hu et al., 2020b, p. 1).
6	(Hou et al., 2017b)	political connections	corporate innovation	Chinese public firms	«We find that political connections hinder corporate innovation activities and reduce innovation efficiency, suggesting the existence of political resource curse effect on corporate innovation in Chinese firms» (Hou et al., 2017b, p. 158)
7	(Faccio, 2010)	political connections	leverage and market share	firms in 47 countries	«Evidence from firms in 47 countries shows that companies with political connections have higher leverage and higher market shares, but they underperform compared to nonconnected companies on an accounting basis» (Faccio, 2010, p. 905)

2023; Cho & Patten, 2007; Dickson, 2000, 2003; Faccio, 2006; Hu et al., 2020a; Li & Zhang, 2007; Lu, 2014; Otchere et al., 2020; Qiu & Zhou, 2024b; Sun & Yang, 2024; Teets & Hasmath, 2020; Wu et al., 2018; Xiao & Shen, 2022b).

The second type of political connection, referred to as a "material connection," arises when a firm's senior executives have prior experience as government officials or military officers before transitioning to the corporate sector. These executives are typically political "insiders," either through their familial background rooted in political ideology or through their rise within the bureaucratic hierarchy. Material connections provide firms with a deeper level of political integration, a more extensive and cohesive network, and a closer alignment of interests with the government. These executives bring established political ties, enabling the firm to benefit from stronger governmental monitoring and greater resource access (Aluchna et al., 2023; Dang et al., 2022b; Hu et al., 2020a; Pasko, Chen, et al., 2022; Pasko et al., 2023; Pasko, Yang, et al., 2022; Pasko, Zhang, Bezverkhyi, et al., 2021; Pasko, Zhang, Tkali, et al., 2021; Qiu & Zhou, 2024b; Sun & Yang, 2024; Wang et al., 2016b; Xiao & Shen, 2022b)

In sum, while symbolic connections confer benefits in terms of legitimacy and public prestige, material connections offer substantial, tangible advantages through embedded political networks and influence.

These distinctions are critical in understanding how different types of political affiliations shape a firm's strategies and practices, particularly in relation to CSR and regulatory engagement.

The influence of political connections on Corporate Social Responsibility (CSR) disclosure in China operates through a complex mechanism that intertwines corporate governance, managerial incentives, regulatory pressures, and reputational motivations. In the Chinese socio-political context, political connections offer firms access to valuable resources and advantages that shape their approach to CSR disclosure. Below is a detailed mechanism illustrating how (as we see it) political connections affect CSR disclosure in China, with each component building upon the next (Figure 2).

1. Access to Government Resources and Regulatory Favors. Political connections often provide firms with privileged access to government resources, including subsidies, permits, and preferential treatment in procurement or licensing processes. This access reduces the financial constraints that might otherwise limit CSR activities and increases the likelihood of a firm being able to afford comprehensive CSR initiatives. Furthermore, regulatory favors, such as relaxed compliance scrutiny, allow firms to channel resources toward CSR reporting, as they can reallocate resources that would otherwise go into regulatory compliance costs.

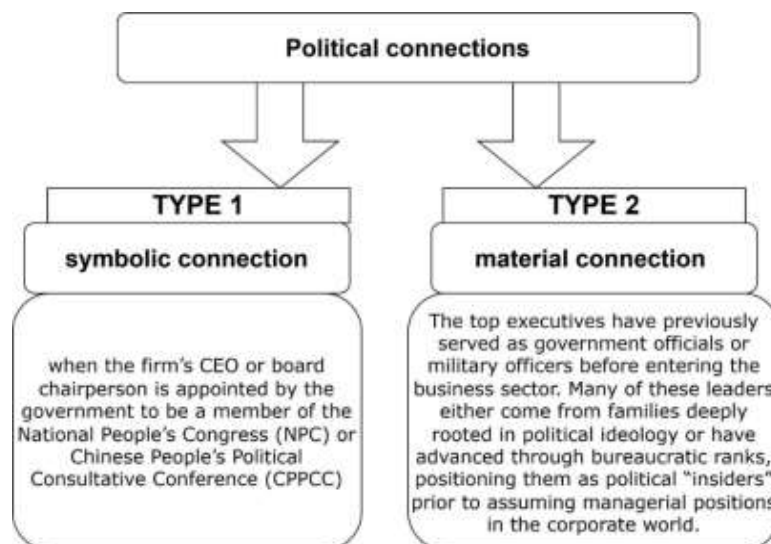


Figure 1. Two type of political connection

2. Government Expectations and Alignment with Policy Agendas. In China, the government actively promotes sustainable development and social responsibility as part of its national policy agenda. Firms with political ties are more aware of, and aligned with, government expectations regarding CSR. Political connections foster a sense of obligation to comply with or exceed the government's CSR goals. Consequently, politically connected firms are more likely to disclose CSR activities proactively as a demonstration of their alignment with the government's priorities, reinforcing their status as socially responsible entities and committed partners in achieving national goals.

3. Enhanced Monitoring and Accountability. Political connections often bring heightened government oversight, as officials expect these firms to exemplify responsible practices. This monitoring mechanism incentivizes firms to maintain transparency in CSR efforts, as failing to meet expectations could jeopardize their standing with governmental bodies. Thus, politically connected firms are more likely to invest in thorough and detailed CSR disclosures to demonstrate accountability and fulfill the implicit contract of responsibility associated with their government ties.

4. Reputation Building and Risk Mitigation. For firms in China, political connections can be a double-edged sword, enhancing both prestige and scrutiny. Politically connected firms are subject to public and media attention, as stakeholders expect them to uphold high standards of social responsibility. Consequently, these firms use CSR disclosure as a reputation-building tool, aiming to mitigate any potential negative perceptions associated with their privileged status. Transparent and consistent CSR reporting helps safeguard their public image, ensuring that their political connections are seen as complementary to, rather than a substitute for, ethical corporate behavior.

5. Managerial Incentives and Career Advancement. Executives with political backgrounds often bring a governance style that emphasizes public accountability, aligning corporate objectives with broader societal goals. These managers are incentivized to advance CSR as a way to reinforce their public-oriented reputation and enhance career

mobility, especially given that government officials may evaluate corporate leaders based on their contributions to social and environmental welfare. Political connections therefore influence managers to prioritize CSR disclosures, not only to fulfill corporate mandates but also as a way to maintain favorable relationships within their political networks, which can enhance their influence and career prospects.

6. Competitive Differentiation and Market Positioning. In sectors where government regulation is stringent, political connections offer firms a competitive edge, which they leverage by differentiating themselves through CSR engagement. CSR disclosure serves as a tool for these firms to emphasize their commitment to sustainable practices, differentiating them from competitors and appealing to customers and investors seeking socially responsible options. This differentiation is especially relevant in industries like energy, manufacturing, and technology, where sustainability is increasingly scrutinized, and political connections allow for CSR reporting that highlights a firm's adherence to, or even leadership in, ethical standards.

7. Signal of Stability to Investors and Financial Markets. For politically connected firms, robust CSR disclosure acts as a signal of stability and low-risk to investors, particularly in China, where the government's support is viewed as an indicator of financial security. By disclosing CSR initiatives, these firms not only comply with regulatory expectations but also reassure investors that they are stable, well-connected, and compliant with the national development agenda. This signaling effect can attract investment, as investors perceive these firms as low-risk due to their political ties and proactive disclosure of socially responsible practices.

8. Influence on Industry Standards and Peer Pressure. Politically connected firms, especially large or state-affiliated corporations, often set industry standards that their peers follow. Their CSR disclosure practices create a benchmark that other firms in the industry may feel pressured to meet. This phenomenon of peer influence means that politically connected firms indirectly drive broader adoption of CSR reporting within their sectors, as



Figure 2. Mechanism of Political Connections' Influence on CSR Disclosure in the Chinese socio-political context

competitors strive to meet or exceed these established standards, creating a ripple effect that enhances the overall CSR disclosure landscape.

The influence of political connections on CSR disclosure in China is a multi-layered mechanism driven by government alignment, regulatory incentives, reputational needs, managerial motives, competitive differentiation, and industry standards. Political ties create an environment where firms are encouraged or compelled to disclose CSR activities in ways that align with governmental expectations and satisfy public and market demands for transparency. This mechanism highlights that political connections not only enable firms to engage in CSR but also incentivize them to disclose these activities as a strategic move to secure long-term benefits and maintain favorable relationships within the socio-political landscape of China.

Discussions and conclusions. The findings of this study contribute significantly to the literature on corporate social responsibility (CSR) by highlighting two essential insights. First, the results emphasize the strategic importance of a firm's relationship with the government in shaping CSR engagement, which ultimately affects a broad range of stakeholders,

including employees, consumers, and the wider community. In China's unique socio-political context, characterized by an active state role in market activities and a system of state capitalism, political connections among top management serve as valuable and impactful assets. These connections embed firms within governmental priorities, shaping behavior that extends beyond traditional business considerations and steering CSR-related decisions in line with state expectations and social mandates. Consequently, CSR in China cannot be fully understood without accounting for political ties that influence managerial decision-making, resource allocation, and reputation management. Incorporating political affiliations into CSR analysis is therefore crucial for understanding the motivations and depth of CSR commitments in such a context.

Second, this study underscores the critical need to differentiate between types of political connections, as these connections arise from distinct institutional backgrounds and yield varied effects on managerial incentives and CSR outcomes. Specifically, the research shows that material and symbolic political connections do not exert uniform influences on CSR practices. Material connections, which align deeply with government oversight, are associated with robust, governance-driven CSR initiatives. Conversely, symbolic connections, which lack the depth of direct government alignment, may lead to CSR engagements that are less thorough and more vulnerable to agency costs, as firms may use their symbolic ties to mitigate pressures for CSR without committing fully to social responsibilities. Treating political connections as a single, homogeneous variable risks masking these nuanced differences, potentially leading to inaccurate conclusions about the role of political embeddedness in CSR engagement.

This study also presents a mechanism that elucidates how political connections influence CSR practices in China. This mechanism, developed through the analysis of firms with different types of political affiliations, clarifies the pathways through which political connections impact CSR. It shows that material connections foster CSR by embedding firms within governmental structures, aligning their activities with state goals, and providing resources and protection that allow for sustained CSR efforts. Symbolic connections, on the other hand, mainly contribute legitimacy and public prestige, offering reputational benefits but less robust support for CSR engagement. The mechanism thus provides a structured understanding of how political connections influence firms' CSR strategies and engagement levels.

These insights have broader implications for corporate governance, particularly in economies with high levels of state intervention. A one-size-fits-all approach to analyzing political ties in CSR can obscure the true nature of business-government relations in such settings. This nuanced understanding of political affiliations is especially relevant for policymakers and corporate strategists, who must consider the heterogeneity of political connections in their development and assessment of CSR policies. By distinguishing between material and symbolic connections, researchers and practitioners can gain a more accurate perspective on the drivers of CSR and better evaluate the social responsibilities and

governance practices of firms in environments heavily influenced by government involvement.

The findings underscore the importance of aligning CSR strategies with the type of political connections a firm holds, enabling companies and regulators alike to foster more authentic and

effective CSR practices that cater to both local and global expectations. This nuanced approach helps capture the complex interplay between political capital and social responsibility, contributing to a more sophisticated understanding of CSR in politically influenced business environments.

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РОЗКРИТТЯ РОЛІ ПОЛІТИЧНИХ ЗВ'ЯЗКІВ У ФОРМУВАННІ ПРАКТИК КОРПОРАТИВНОЇ СОЦІАЛЬНОЇ ВІДПОВІДАЛЬНОСТІ В КИТАЇ

Анотація

Роль політичних зв'язків у сфері корпоративної соціальної відповідальності (КСВ) стає все більш актуальною темою досліджень, особливо у швидкозростаючих економіках, таких як Китай. У цьому унікальному контексті політичні зв'язки відіграють значну роль у формуванні бізнес-стратегій та практик КСВ. Хоча КСВ часто розглядається як добровільна ініціатива компаній, спрямована на просування суспільного добробуту, у Китаї вона відображає поєднання регуляторних очікувань, державної політики та культурних цінностей. Політичне середовище Китаю характеризується високим рівнем впливу держави на приватний сектор. Політично пов'язані компанії часто користуються преференційною політикою, регуляторними послабленнями та доступом до ресурсів. Ці переваги формують їхній підхід до КСВ, що призводить до виникнення унікальних практик КСВ, відрізняючись від тих, які спостерігаються на ринках з меншим політичним впливом. Проте не всі політичні зв'язки в Китаї однаково впливають на КСВ. **Мета дослідження:** Це дослідження аналізує вплив політичних зв'язків на практики корпоративної соціальної відповідальності (КСВ) в Китаї, прагнучи висвітлити взаємозв'язок між політичними зв'язками та залученістю до КСВ у специфічному соціально-політичному контексті. **Методи дослідження:** У дослідженні поєднується всебічний огляд літератури та емпіричний аналіз даних щодо китайських компаній для розуміння впливу різних типів політичних зв'язків на діяльність у сфері КСВ. Зокрема, розрізняються матеріальні та символічні політичні зв'язки, а також оцінюється їхній вплив на розкриття КСВ, корпоративне управління та взаємодію зі стейкхолдерами. Додатково розроблено унікальний механізм, що ілюструє, як політичні зв'язки впливають на практики КСВ. **Результати дослідження:** Результати показують, що матеріальні політичні зв'язки, які характеризуються тісною відповідністю урядовим директивам, сприяють орієнтованому на управління підходу до КСВ, що мотивується регуляторними очікуваннями та публічною підзвітністю. Натомість компанії із символічними зв'язками часто обирають вибірковий підхід до КСВ, використовуючи ці зв'язки як буфер проти регуляторних та репутаційних ризиків, а не як постійний мотив до соціальної відповідальності. Розроблений у цьому дослідженні механізм прояснює шляхи, через які політичні зв'язки впливають на результати КСВ, підкреслюючи різноманітність впливу політичних зв'язків на КСВ у Китаї. **Обмеження дослідження та практичні висновки:** Це дослідження фокусується на практиках КСВ китайських компаній з різними типами політичних зв'язків, що може не бути повністю застосовним до інших ринків, що розвиваються. У майбутніх дослідженнях варто було б дослідити ці динаміки в різних інституційних контекстах або секторах в межах Китаю для підтвердження та розширення цих висновків. Для багатонаціональних корпорацій та стейкхолдерів, які співпрацюють із китайськими компаніями, розуміння типу політичного зв'язку може допомогти у розробці стратегій КСВ, що узгоджуються з локальними соціально-політичними нормами, підвищуючи вплив та дотримання вимог. **Соціальні висновки:** Результати підкреслюють подвійну роль політичних зв'язків у стимулюванні чи стримуванні КСВ залежно від типу зв'язку. Це є цінним для політиків та регуляторів, які прагнуть сприяти сталим і прозорим корпоративним практикам у політично впливових середовищах. **Оригінальність та цінність дослідження:** Це дослідження збагачує глобальну дискусію про КСВ, представивши механізм, що ілюструє, як політичні зв'язки формують мотивації та практики КСВ в Китаї. Це підкреслює важливість контекстуально специфічних підходів до КСВ в середовищах, де бізнес пов'язаний із політикою.

Ключові слова: корпоративна соціальна відповідальність (КСВ), політичні зв'язки, матеріальні та символічні зв'язки, соціально-політичне середовище Китаю, розкриття інформації про КСВ, вплив уряду, взаємодія зі стейкхолдерами.