

# Theoretical evolution and practical enlightenment of the relationship between corporate charitable donation and government subsidies

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**Abstract:** In the context of global economic governance and social transformation, the interaction mechanism between corporate charitable donations and government subsidies has become a central issue in analyzing the relationship between government and business. Based on the social exchange theory, this paper integrates domestic and foreign literature to reveal the internal logic and institutional constraints of government-enterprise resource exchange. The results show that charitable donation is a strategic tool for enterprises to obtain policy support and an important way for governments to reallocate social resources. The effect of charitable donation is moderated by factors such as property rights, industry characteristics, and political connections. Non-state-owned enterprises break through the institutional barriers through donation to obtain financial favors, while environmental protection enterprises strengthen their alignment with green policies through donation. Although the donation scale of state-owned enterprises is relatively low, they undertake unique public functions through non-monetary forms such as volunteer service. This paper proposes a policy framework to optimize the interaction between government and enterprise, including establishing a dynamic evaluation system of donation performance, improving the design of inclusive policies and promoting charity legislation, which provides theoretical and practical basis for the institutionalization of the third distribution and the collaborative governance of government, enterprise and society.

**Keywords:** Corporate philanthropic giving; Government grants; Social exchange theory; Social governance innovation; Third allocation

## 1. Introduction

In the context of globalization and the deepening of the market economy, corporate philanthropy has gradually evolved beyond the scope of simple social responsibility and evolved into an important strategic tool for government-enterprise interaction. The 20th National Congress of the Communist Party of China (CPC) clearly proposed to build an institutional system of “coordinated distribution of the three distributions”, emphasizing the positive role of philanthropy in promoting common prosperity. In this context, enterprises increasingly obtain government subsidies through charitable donations, reflecting both their proactive pursuit of policy resources and the government’s guidance for social governance. Most of the existing studies focus on the financial motivations of donation, but there is a lack of systematic explanation of the mechanism, institutional differences and social effects of government-enterprise resource exchange. The purpose of this paper is to integrate the theoretical context and empirical conclusions, reveal the interaction logic between charitable donations and government subsidies, and expand the understanding of the practice of state-owned corporate social responsibility.

## 2. Theoretical framework and literature controversies

Social exchange theory provides a core paradigm for analyzing the interaction between government and enterprises. According to this theory, enterprises and the government achieve reciprocity through resource exchanges<sup>[1]</sup>. Enterprises send responsible signals through charitable donations in exchange for policy support, while the government compensates enterprises for their social contributions in the form of subsidies. This mechanism varies significantly in different institutional contexts. Dong<sup>[2]</sup> have shown that non-state-owned

enterprises tend to establish political connections through charitable donations to obtain government resources due to stronger financing constraints and market competition pressures. State-owned enterprises are subject to the nature of property rights and administrative supervision, and their donation behavior is more reflected in institutional obligations than market-oriented strategies.

There are two types of views on the economic consequences of charitable giving. Proponents emphasize that the “advertising effect” of donations can reduce financing costs and enhance corporate value, and SHLEIFER<sup>[3]</sup> have found that charitable donations have a significant effect on the debt financing ability of private enterprises. Opponents argue that it may exacerbate inequality in the distribution of resources, especially when donations are highly tied to political connections, and this exchange of resources can be alienated into a rent-seeking tool. It is worth noting that in recent years, research has begun to focus on the role of non-monetary donations, and some scholars noted that state-owned enterprises compensate for financial donation limitations through long-term social investments (e.g., volunteer services), thereby fulfilling unique public functions in social governance.

### **3. Institutional differences and practice differentiation**

The nature of property rights and industry attributes constitute the key moderating variables of corporate donation strategy. Previous studies have shown that non-state-owned enterprises are more inclined to use charitable donations as a tool to break through institutional barriers due to their market-oriented survival pressure, especially in policy-sensitive fields such as environmental protection and science and technology, and the correlation between donation behavior and government subsidies is more significant. On the contrary, SOEs are subject to strict donation approval procedures and state-owned asset supervision requirements, and although the overall donation scale is low, they have shown significant advantages in the field of volunteerism. This difference stems from divergent governance objectives: private enterprises prioritize efficiency-driven resource exchange, while state-owned enterprises must balance economic efficiency with social responsibility. Additionally, sector-level differentiation merits attention. Through empirical analysis, some scholars have found that the efficiency of subsidy acquisition is significantly higher than that of enterprises in traditional industries through charitable donations to strengthen their green governance cooperation with the government. This phenomenon reveals the shaping effect of policy orientation on donation behavior, which is why enterprises respond to the government’s strategic needs through donation behavior, and then obtain policy preferences, which Zhang Min and other scholars have discussed in depth.

### **4. Policy optimization and social governance innovation**

At present, the interaction mechanism between government and enterprises still faces multiple challenges. First of all, it is necessary to establish a dynamic evaluation system for donation performance to avoid the alienation of public resources into rent-seeking tools. Second, it is necessary to improve the design of inclusive policies, reduce the interference of political connections on resource allocation, and ensure equal opportunities for small and medium-sized enterprises and private enterprises to participate. For state-owned enterprises, it is necessary to innovate the social responsibility assessment mechanism, and incorporate non-monetary contributions such as volunteer service into the evaluation system to stimulate their long-term social governance effectiveness.

From a more macro perspective, the optimization of charitable donation policy should serve the institutionalization of the third distribution system<sup>[4]</sup>. Through policy tools such as tax reductions and interest discounts, we will guide enterprises to deeply integrate philanthropic behavior with sustainable development

goals. At the same time, it is necessary to strengthen cross-departmental collaborative supervision, establish a transparent platform for donation information, and enhance public trust and social participation.

Under the existing policy framework, the application of digital technology has become a crucial driver for optimizing the interaction between government and enterprises. The promotion of block chain technology has significantly improved the transparency of charitable donations, realized the full traceability of capital flows, and effectively compressed the space for rent-seeking. Big data analysis provides technical support for the accurate allocation of government subsidies, and by building a digital portrait of corporate social responsibility fulfillment, policymakers can more efficiently identify high-potential beneficiaries. The application of AI algorithms in public opinion monitoring has further strengthened the public opinion guidance function of charitable donations—enterprises can expand their social influence through digital communication, and governments can dynamically adjust their subsidy strategies based on public feedback. However, discrepancies in digital adoption capabilities between private and state-owned enterprises may lead to policy benefits disproportionately favoring technologically advanced firms. To this end, it is necessary to narrow the technology adoption gap of enterprises with different ownership systems by establishing inclusive digital infrastructure.

## 5. Conclusions and suggestions

This paper shows that the interaction between charitable donations and government subsidies is essentially a practical mapping of social exchange theory at the micro level. Non-state-owned enterprises and environmentally-friendly enterprises show a stronger donation-subsidy correlation due to their institutional environment and strategic needs. State-owned enterprises have achieved institutional innovation in the fulfillment of social responsibilities through voluntary services and other forms. In the future, policy design needs to take into account efficiency and fairness, and build an incentive mechanism that combines market-oriented and administrative means. It is recommended that the government: (1) Improve preferential tax policies for charitable donations to reduce enterprise participation costs ; (2) Establish a volunteer service certification system, and include the human capital investment of state-owned enterprises in the scope of financial subsidies; (3) Promote the process of charity legislation, and clarify the legal boundaries and social benefit assessment standards of donations. The optimization of charitable donation policy is not only an issue of economic governance, but also an important part of the modernization of the social governance system. By building a new cooperation mechanism guided by the government, taken by enterprises, and coordinated by society, philanthropy is expected to become an important practical path to promote high-quality development and achieve common prosperity. This process needs to be driven by theoretical innovation and institutional reform, and finally form a collaborative governance paradigm with Chinese characteristics.

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