Original Research Article

The impact of the new type of close and clean government-business relationship on charitable donations by private enterprises

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Abstract: The government-business relationship is the core of the business environment and serves as a crucial institutional guarantee for promoting high-quality economic development and the modernization of national governance. This study constructs an indicator system for the government-business relationship encompassing two dimensions: closeness and cleanliness. Using data from private listed companies on the Shanghai and Shenzhen A-share markets from 2016 to 2021, it examines the impact of the "close and clean"government-business relationship on corporate charitable donations. The findings reveal that the "close and clean" relationship significantly enhances the level of charitable donations by private enterprises, with both "closeness" and "cleanliness" dimensions playing a positive role.

Keywords: Close and clean government-business relationship; Charitable donations; Private enterprises

1. Introduction

In China, government-business relations, embodying state-enterprise interactions, constitute critical institutional environments while being perceived as informal "instrumental friendship" patronage systems. Such personalized interactions foster rent-seeking, necessitating institutionalized frameworks. Post-18th CPC Congress, the "proactive and clean" governance model established ethical boundaries—closeness with boundaries and cleanliness with purpose—laying foundations for high-quality development.

Studies show this model enhances strategic transformation, reduces non-productive costs, and boosts green innovation, yet its impact on corporate philanthropy remains underexplored. Philanthropy serves dual roles: social responsibility fulfillment and political resource-seeking strategy, indicating institutionalized government-business relations profoundly shape donation decisions. Existing research predominantly focuses on productive activities, neglecting institutional drivers of philanthropy.

Using Shanghai/Shenzhen-listed private firms, this study reveals: the "proactive and clean" model significantly increases philanthropic donations, particularly in media-exposed firms. Contributions are threefold: 1) Developing dual-dimensional metrics (enterprise-government closeness and government service) surpassing unidimensional measures; 2) Expanding research scope to corporate social responsibility, revealing institutional shaping of non-productive activities; 3) Elucidating philanthropy's institutional logic through government-business relations, transcending economic rationality frameworks. These findings offer novel institutional perspectives on Chinese corporate philanthropy.

2. Theoretical analysis and research hypotheses

(I)This study examines the impact of "closeness" and "cleanliness" dimensions in government-business relationships on private enterprises' charitable donations:

(1) closeness dimension: Through institutionalized communication, it clarifies governmental expectations

for corporate social responsibility. Drawing on institutional theory (North, 1990)[] and resource-based view , enterprises respond to policy directives via charitable donations while leveraging signaling effects (Kleer, 2010)[] to enhance reputation, alleviate resource constraints, and obtain policy support.

(2) cleanliness dimension: By optimizing institutional incentive structures (Baumol, 1990)[] and reducing rent-seeking expenditures, it redirects resources toward compliant competitive strategies like charitable donations, achieving "public welfare empowerment" in fair market environments.

Hypotheses:

H1: closeness-cleanliness relationships significantly promote corporate charitable donations (H1a: closeness; H1b: cleanliness).

3. Research design

3.1. Sample selectionUsing 2016–2021 China A-share private listed firms, excluding financial firms, ST/PT companies, and incomplete data. Continuous variables are winsorized at 1% and 99%. Final sample: 5,217 firm-year observations (CSMAR/WIND databases; Stata16.0).

3.2. Closeness-cleanliness relationships measurement

closeness: "Firm-government closeness" (political ties, government subsidies/tax rebates) and "government service" (subsidies/tax incentives).

cleanliness: "Clean governance" (business hospitality expenses) and "lawful operations" (tax credit ratings, penalty amounts).

Weighting: Entropy weight method for objective indicator weighting.

Table 1. Closeness-cleanliness index system.

Closer relations		
Business is close to government	Political connection	If the chairman or general manager is a government official or has been a government official, the value is 1; otherwise, it is 0 Political affiliation rating of the chairman or general manager ①
Government service enterprise	Government subsidy	Political affiliation rating of the chairman or general manager ①
	Tax incentives	The total amount of tax refunds received by the tax-favored enterprise in the year
Clean up the relationship		
Honest and honest	Clean operation	The total amount of annual business hospitality expenses of clean and honest enterprises
Clean operation	cleanliness	Whether the tax credit rating of the enterprise in that year is A, 1 is taken, and 0 is taken
	Abide by the law	The total amount of money that law-abiding enterprises were punished for violations in the year

① : The chairman or general manager of an enterprise who is a deputy to the National People's Congress, a member of the National Committee of the Chinese People's Political Consultative Conference, or an official at the provincial or ministerial level or above is divided into 4, the provincial People's Congress, a CPPCC member, or a prefectural department level official is divided into 3, the municipal People's Congress, a CPPCC member, or a county department level official is divided into 2, the county people's Congress, a CPPCC member, or a science bureau level official is divided into 1. Zero for having no political experience

3.3. Variables

(1) Charitable Donation (Don): Log of disclosed donations.

(2) Media Attention (MEDIA): Log of annual news mentions (CNRDS database).

(3) Controls: ROE, DUALITY, PER, SIZE, INDR, EPS, BIG4, AGENCY, YEAR/IND dummies (**Table 2**).

Table 2. Variable definitions.

Law-abiding variable type	Name	symbol	Variable definition
Explained variable	Charitable giving	Don	The natural logarithm of the amount of charitable giving by a business
Explanatory variable	CLose and Clean	Score	The sum of the index of friendly and clean political and business relations
	Close	Score-Qin	The index of close relationship between government and business calculated by entropy method
	Clean	Score-Qing	The index of clean relations between government and business calculated by entropy method
Controls	ROE		Net profit/average net assets
	DUALITY		Whether the chairman and the general manager are the same person, the value is 1, and the value is 0
	PER		Stock price/earnings per share
	SIZE		The natural log of the number of employees
	INDR		Number of INDR independent directors/Board size
	EPS		After-tax profit/total share capital
	BIG4		Whether it is audited by a Big Four accounting firm, the value is 1 and the value is 0
	AGENCY		Administrative expenses/revenue
	YEAR		Annual dummy variable
	IND		Industry dummy variable

3.4. Model

Baseline regression:

$$Don=\beta_0+\beta_1 Score_{i,t}+\sum\beta_2 Controls_{i,t}+\sum IND+\sum YEAR+\varepsilon_{i,t} \quad (1)$$

Expected: $\beta 1>0$. Clustered robust standard errors (OLS).

4. Empirical Analysis

4.1. Descriptive statistics

Key variables show significant variation (**Table 3**):

Don (charitable donations) has a mean of 9.77 (SD=5.76), indicating skewed distribution.

Score (closeness-cleanliness relationship) averages 0.19 (SD=0.18), with greater dispersion in closeness (Score-Qin: SD=0.17) than cleanliness (Score-Qing: SD=0.06).

Table 3. Descriptive statistics.

	N	MEAN	SD	MIN	MEDIAN	MAX
Don	5217	9.77	5.76	0	12.08	17.24
Score	5217	0.19	0.18	0.00018	0.13	0.72
Score-Qin	5217	0.11	0.17	0	0.01	0.59

	N	MEAN	SD	MIN	MEDIAN	MAX
Score-Qing	5217	0.07	0.06	0.000096	0.13	0.13
ROE	5217	0.09	0.06	0.0002	0.08	0.33
DUALITY	5217	0.37	0.48	0	0	1
PER	5217	0.79	1.29	0.06	0.39	9.10
SSIZE	5217	7.56	1.09	4.88	7.48	10.43
INDR	5217	0.38	0.06	0.17	0.36	0.75
EPS	5217	0.53	0.63	0.0005	0.32	3.66
BIG4	5217	0.04	0.19	0	0	1
AGENCY	5217	0.08	0.06	0.009	0.06	0.40

Table 3. *(continued)*

4.2. Regression results

4.2.1. Baseline regression

closeness-cleanliness relationships significantly boost donations (**Table 4**):

Score: β=1.826*** (p<0.01).

Score-Qin (closeness): β=1.730*** (p<0.05).

Score-Qing (cleanliness): β=2.694** (p<0.10).

Table 4. Main regression results.

	Don			
Score	1.706*** (3.23)	1.826*** (3.56)		
Score-Qin			1.730*** (2.86)	
Score-Qing				2.694** (2.06)
ROE		-1.276 (-0.55)	-1.338 (-0.58)	-1.411 (-0.61)
DUALITY		-0.410 (-1.13)	-0.406 (-1.11)	-0.412 (-1.12)
PER		-0.077 (-0.80)	-0.079 (-0.083)	-0.080 (-0.85)
SSIZE		0.154* (1.64)	0.155 (1.64)	0.172* (1.85)
INDR		4.322*** (2.89)	4.307*** (2.86)	4.282*** (2.86)
EPS		-0.105 (-0.49)	-0.100 (-0.47)	-0.102 (-0.47)
BIG4		-0.657 (-1.22)	-0.664 (-1.23)	-0.640 (-1.17)
AGENCY		-0.038 (0.02)	0.067 (0.04)	0.199 (0.11)
IND	NO	YES	YES	YES
YEAR	NO	YES	YES	YES
N	5217	5217	5217	5217
CONSTANT	9.455*** (65.78)	6.527*** (3.81)	6.663*** (3.90)	6.548*** (3.88)
R^2	0.0030	0.0593	0.0587	0.0569

5. Robustness tests

5.1. Endogeneity checks

5.1.1. Instrumental variable (IV) approach

Constructed IV using cubic terms of demeaned closeness-cleanliness scores.

2SLS results (**Table 5**):

First stage: IV significantly predicts Score (β=9.377***, F>10).

Second stage: Score (β=1.825***), Score-Qin (β=1.916***), and Score-Qing (β=2.467*) remain positive, confirming baseline results.

Table 5. 2SLS regression results.

	First stage			**Second stage**		
	Score	Score-Qin	Score-Qing	Don	Don	Don
Score-Lew	9.377*** (4.47)	12.286*** (74.74)	207.820*** (25.34)			
Score				1.825*** (3.88)		
Score-Qin					1.916*** (3.96)	
Score-Qing						2.467* (1.90)
CONSTANT	0.107*** (4.47)	0.112*** (4.32)	0.115** (2.09)	6.706*** (4.21)	6.696*** (4.20)	6.631*** (4.12)
CONTRALS	YES			YES		
N	5217			5217		
Adj-R^2	0.8009	0.7832	0.1673	0.0721	0.0721	0.0718
F	87.43	96.98	559.44			
Wald chi2				32396.85	32203.85	31106.01

5.2. Alternative measures

Replaced Score with the China City Government-Business Relations Index (RDCY):

closeness (ZS-Qin): β=0.017*** (p<0.05).

cleanliness (ZS-Qing): Insignificant (**Table 6**). Conclusions remain robust.

Table 6. Alternative variable results.

	Don		
ZS	0.014** (2.42)		
ZS-Qin		0.017*** (2.83)	
ZS-Qing			0.006 (1.22)
CONTRALS	YES	YES	YES
CONSTANT	7.084*** (4.33)	7.222*** (4.47)	7.373*** (4.24)
N	2773	2773	2773
R^2	0.0751	0.0754	0.0737

Table 6. *(continued)*

6. Conclusions

(I)closeness-cleanliness relationships significantly boost private firms' charitable donations, with closeness (government-firm ties) and cleanliness (anti-corruption) both showing positive effects.

Policy implications

(I)Governments should foster transparent political environments and institutionalized firm-government interactions.

(II)Firms should engage in policy-aligned social responsibility and leverage formal channels (e.g., political participation) for governance.

(III)cleanliness-building requires sustained anti-corruption efforts and clean governance culture.

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