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DISSERTATION

EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN CHINA: STRATEGIC INFLUENCES, GOVERNANCE, AND REPORTING

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ANNOTATION

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This dissertation investigates the evolution of Corporate Social Responsibility (CSR) practices in China, with a focus on strategic influences, governance structures, and reporting mechanisms. As China's economy has grown rapidly over the past two decades, enterprises have been increasingly expected to address social and environmental responsibilities. The expansion of China's economy has led to significant societal benefits but also created challenges, including environmental degradation, industrial accidents, and declining product quality. These issues underscore the need for Chinese businesses to adopt CSR practices that foster transparency, build trust, and support sustainable growth.

This study systematically examines how CSR has developed within the unique cultural, regulatory, and political context of China, where state policies and socio-cultural values play a significant role in shaping corporate behavior. The dissertation explores CSR through an integrated framework that combines compliance-oriented, stakeholder-centered, strategic, and culturally-embedded approaches, aiming to reveal how Chinese companies align their CSR initiatives with both national priorities and global standards.

The research delves into the influence of political connections on CSR practices, identifying two types of political ties-material and symbolic. It reveals that material connections support a governance-driven CSR approach that aligns closely with regulatory standards and public accountability. In contrast, symbolic connections provide reputational benefits, allowing firms to selectively engage in CSR activities based on strategic image considerations. This distinction advances the understanding of CSR in China, where political affiliations are a unique aspect of the business environment.

Corporate governance is also a central theme of the research, particularly how board characteristics such as independence, diversity, size, CEO duality, and the presence of specialized committees impact CSR decoupling. This study breaks new ground by dissecting these governance elements individually, revealing that while certain factors like board independence and diversity enhance CSR alignment through stronger oversight, others, such as CEO duality, may pose risks by consolidating power and potentially leading to inconsistencies between stated CSR

goals and actual practices. This nuanced approach offers a deeper insight into how governance structures can either support or hinder effective CSR implementation in Chinese enterprises.

Another key aspect explored is the link between CSR quality and the cost of debt capital. By examining the role of executive attributes, especially CEO financial expertise, the dissertation highlights that high-quality CSR reporting can build creditor trust, reducing perceived risks and ultimately lowering the cost of debt. However, it also finds that CEOs with advanced financial expertise may paradoxically raise debt costs due to a preference for more aggressive financial strategies. This finding contributes to the broader understanding of how leadership characteristics influence CSR outcomes and financing conditions, especially in environments where CSR practices are closely scrutinized by stakeholders.

The study further investigates the interaction between CSR commitment, internal control effectiveness, and board gender diversity in the Chinese context. Contrary to some expectations, it finds that female board representation does not uniformly enhance internal controls in high-CSR firms in China, suggesting that the impact of gender diversity on CSR and corporate governance may be shaped by local cultural and institutional factors. This analysis enriches the discourse on CSR by providing insights into how cultural and institutional specifics influence transparency and accountability practices within Chinese companies.

Overall, the dissertation aims to contribute to the development of a robust CSR framework that balances regulatory compliance, stakeholder expectations, and sustainable growth. This work contributes to the academic discourse on CSR practices by providing an empirically grounded analysis of how governance structures, political affiliations, and cultural factors shape CSR engagement in China. By distinguishing between different types of political and governance influences, and by examining their specific effects on CSR alignment and accountability, the study offers a refined perspective that broadens the understanding of CSR dynamics in emerging markets. This approach allows for a more nuanced consideration of CSR's role in balancing regulatory demands and stakeholder interests, especially within socio-political contexts distinct from Western frameworks.

Through these contributions, the study aspires to help shape a future CSR framework in China that supports sustainable corporate growth, ethical governance, and strengthened accountability.

Keywords: Corporate Social Responsibility (CSR); CSR reports; CSR Decoupling; Corporate Governance; Cost of debt capital; Board's composition; ESG; Non-financial reporting; Sustainability Reporting; China; Strategic CSR; Stakeholder Engagement; Political Connections; Internal Control;

АНОТАЦІЯ

Чжан Ян. **Еволюція практик корпоративної соціальної відповідальності в Китаї: стратегічний вплив, врядування та звітність -** Рукопис.

Дисертація на здобуття наукового ступеня доктора філософії (Ph.D.) за спеціальністю 073 – Менеджмент. – Сумський національний аграрний університет, Суми, 2024.

Ця дисертація досліджує еволюцію практик корпоративної соціальної відповідальності (КСВ) у Китаї, зосереджуючи увагу на стратегічних впливах, структурах корпоративного управління та механізмах звітності. У міру стрімкого зростання економіки Китаю за останні два десятиліття, від підприємств очікується посилена увага до соціальних та екологічних обов'язків. Розвиток економіки Китаю приніс значні соціальні вигоди, але також спричинив низку викликів, серед яких екологічне забруднення, виробничі аварії та зниження якості продукції. Ці питання підкреслюють потребу в прийнятті китайськими компаніями практик КСВ, що сприяють прозорості, формують довіру та підтримують стійке зростання.

Це дослідження систематично вивчає розвиток КСВ у культурному, нормативному та політичному контексті Китаю, де державна політика та соціокультурні цінності відіграють важливу роль у формуванні корпоративної поведінки. Дисертація досліджує КСВ через інтегрований підхід, який об’єднує комплаєнс-орієнтований, зацікавлений у стейкхолдерах, стратегічний та культурно вбудований підходи, прагнучи виявити, як китайські компанії узгоджують свої ініціативи КСВ із національними пріоритетами та глобальними стандартами.

Дослідження заглиблюється у вплив політичних зв’язків на практики КСВ, виділяючи два типи політичних зв'язків - матеріальні та символічні. Встановлено, що матеріальні зв’язки підтримують підхід до КСВ, орієнтований на корпоративне управління, тісно пов’язаний із нормативними стандартами та громадською відповідальністю. Навпаки, символічні зв’язки забезпечують репутаційні переваги, дозволяючи компаніям вибірково залучатися до КСВ-діяльності, керуючись стратегічними міркуваннями щодо іміджу. Це розмежування сприяє кращому розумінню КСВ у Китаї, де політичні зв'язки є унікальною складовою бізнес-середовища.

Корпоративне управління є також ключовою темою дослідження, зокрема те, як характеристики ради директорів, такі як незалежність, різноманітність та розмір ради директорів, подвійна роль генерального директора та наявність спеціалізованих комітетів ради директорів, впливають

на роз’єднання у КСВ. У цьому дослідженні аналізуються окремі елементи корпоративного управління, виявляючи, що хоча такі фактори, як незалежність ради та різноманітність, посилюють узгодженість КСВ через посилений нагляд, інші, як подвійна роль генерального директора, можуть становити ризик, консолідуючи владу та потенційно призводячи до невідповідностей між задекларованими цілями КСВ і реальними практиками. Такий нюансований підхід надає глибшого розуміння того, як структури управління можуть як підтримувати, так і перешкоджати ефективній реалізації КСВ у китайських підприємствах.

Іншим ключовим аспектом є зв'язок між якістю КСВ та вартістю боргового капіталу. Досліджуючи роль характеристик керівників, особливо фінансової експертизи генерального директора, робота вказує, що високоякісна звітність з КСВ може зміцнювати довіру кредиторів, знижуючи сприйняті ризики та, зрештою, вартість боргу. Водночас встановлено, що генеральні директори з поглибленими фінансовими знаннями можуть парадоксально підвищувати витрати на борг через схильність до агресивніших фінансових стратегій. Це відкриття сприяє ширшому розумінню того, як характеристики лідерства впливають на результати КСВ та умови фінансування, особливо в умовах, коли практики КСВ ретельно перевіряються зацікавленими сторонами.

Дослідження також розглядає взаємодію між відданістю КСВ, ефективністю внутрішнього контролю та різноманітністю гендерного складу ради директорів у Китаї. Всупереч очікуванням, встановлено, що представництво жінок у раді директорів не завжди підвищує ефективність внутрішнього контролю в компаніях з високим рівнем КСВ у Китаї, що свідчить про те, що вплив гендерної різноманітності ради директорів на КСВ та корпоративне управління може бути зумовлений місцевими культурними та інституційними факторами. Цей аналіз збагачує дискурс про КСВ, надаючи уявлення про те, як культурні та інституційні особливості впливають на практики прозорості та відповідальності в китайських компаніях.

Загалом, дисертація спрямована на розвиток надійної структури КСВ, яка збалансовує нормативну відповідність, очікування стейкхолдерів і стале зростання. Ця робота сприяє науковому дискурсу щодо практик КСВ, надаючи емпірично обґрунтований аналіз того, як атрибути корпоративного управління, політичні зв’язки та культурні фактори формують залучення до КСВ у Китаї. Розмежування різних типів політичного та управлінського впливу та вивчення їхнього специфічного впливу на узгодженість та відповідальність у КСВ надає уточнену перспективу, що розширює розуміння динаміки КСВ на ринках, що розвиваються. Цей підхід дозволяє глибше врахувати роль КСВ у балансуванні нормативних вимог та інтересів стейкхолдерів, особливо в соціально-політичних контекстах, відмінних від західних.

Через ці внески дослідження прагне допомогти формуванню майбутньої структури КСВ у Китаї, яка підтримуватиме стале зростання компаній, етичне управління та посилену соціальну корпоративну відповідальність.

Ключові слова: Корпоративна соціальна відповідальність (КСВ); Звітність з КСВ; Роз'єднання КСВ; Корпоративне управління; Ціна позичкового капіталу; Склад ради директорів; ESG; Нефінансова звітність; Звітність зі сталого розвитку; Китай; Стратегічна КСВ; Взаємодія зі стейкхолдерами; Політичні зв'язки; Внутрішній контроль.

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LIST OF ABBREVIATIONS

Abbreviation	Full Form
CEO	Chief Executive Officer
CG	Corporate Governance
CSR	Corporate Social Responsibility
CSRR	Corporate Social Responsibility Report
ESG	Environmental, Social, and Governance
IC	Internal Control
CSMAR	China Stock Market and Accounting Research Database
CSRC	China Securities Regulatory Commission
SOEs	State-Owned Enterprises
SR	Sustainability Reporting
SASB	Sustainability Accounting Standards Board
SASAC	State-owned Assets Supervision and Administration Commission
RSK	Runlin Global’s Rankings rating

INTRODUCTION

Relevance of the topic. The relevance of this research is underscored by the evolving expectations placed on Chinese enterprises to integrate comprehensive Corporate Social Responsibility (CSR) practices within a rapidly transforming economic and regulatory landscape. Over the past two decades, while China's economic development has produced significant societal wealth, it has simultaneously generated various negative externalities that call for immediate corporate accountability. These include, but are not limited to, environmental degradation, food safety concerns, declining product quality, industrial accidents, labor rights infringements, and instances of misleading financial reporting. Despite notable advancements, China's CSR framework remains underdeveloped, with gaps in understanding, implementing, and managing socially responsible practices within corporate structures.

As CSR practices in China continue to emerge, there is a pressing need for enterprises to navigate a complex landscape where CSR aligns with national sustainability goals and stakeholder expectations. Establishing a robust CSR framework involves not only adopting the foundational principles of social responsibility but also embedding them into core corporate strategies, decision-making processes, and operational practices. Such integration is essential for harmonizing economic ambitions with environmental stewardship and social welfare, moving Chinese enterprises closer to achieving sustainable, long-term value for both the economy and society.

In light of the growing demands for sustainable corporate governance and the trends identified in international CSR literature, this dissertation provides a thorough analysis of CSR practices in China. The research examines CSR through both macro-level influences-such as national policies and cultural expectations-and micro-level factors, including corporate governance structures and organizational behaviors. By dissecting the specific roles of governance elements, political ties, and executive attributes, this study advances our understanding of CSR implementation and its nuanced impact within the unique socio-political framework of China. Additionally, it explores the relationship between CSR quality and financial factors like debt capital, providing insights into how socially responsible practices influence corporate financing conditions.

This dissertation aims to address the current gaps in CSR management by offering empirical insights and forward-looking strategies that will help shape the future of CSR practices in China. By contributing to the growing body of knowledge on CSR's evolution, this research not only highlights the unique challenges and opportunities within China's CSR landscape but also serves as a guide for developing effective CSR management systems that align with global standards while respecting local cultural and political nuances. Ultimately, this study aspires to foster a CSR framework that supports sustainable corporate growth, accountability, and ethical governance across China's business landscape.

Connection of work with scientific programs, plans, topics. This dissertation was conducted as part of the scientific research initiatives of the Department of Accounting and Taxation at Sumy National Agrarian University, specifically within the frameworks of "Development of corporate reporting on sustainability / ESG reporting and its service infrastructure" (0121U100105) and "Development of corporate governance and corporate relations based on sustainable development" (0121U100113). These projects aim to advance the field of corporate governance by fostering sustainable development practices and enhancing transparency in corporate reporting, contributing to the establishment of robust ESG frameworks.

The Aim and Objectives of the study. This study aims to comprehensively elucidate the evolution and strategic influences of CSR practices in China, focusing on the interplay of governance structures, socio-cultural factors, and political affiliations within Chinese corporate settings. It employs a systematic analysis of CSR approaches, governance attributes, and executive influences across Chinese-listed companies, with the overarching goal of identifying robust CSR strategies aligned with China's unique institutional environment. The study also offers evidence-based recommendations for both Chinese policymakers and businesses to foster a sustainable, transparent CSR framework aligned with global standards yet tailored to local nuances.

To achieve the outlined research objectives, this dissertation formulates and addresses the following tasks:

- Exploration of CSR Frameworks and Contextual Influences: Analyze and define CSR as an adaptable and multifaceted construct by examining its core elements-compliance, stakeholder engagement, strategic integration, and cultural relevance-highlighting its distinctive application within China's regulatory and socio-cultural environment.
- Analysis of Political Connections and CSR Dynamics: Examine the differentiated impacts of political ties on CSR engagement, distinguishing between material and symbolic affiliations to elucidate their roles in shaping Chinese CSR practices through regulatory accountability and reputational factors.
- Examination of Governance and CSR Alignment: Investigate corporate governance factors, such as board diversity, independence, and CEO duality, to identify their specific roles in CSR alignment and commitment, revealing governance's influence on enhancing or undermining CSR integrity.
- Assessment of CSR Impact on Debt Capital Costs: Evaluate how CSR quality and executive characteristics, particularly CEO financial expertise, influence debt capital costs and creditor perceptions,

providing an integrated framework that aligns CSR practices with strategic financial outcomes.

- Evaluation of CSR, Internal Control, and Gender Diversity: Explore the interaction of CSR practices, internal control mechanisms, and gender diversity on corporate boards, particularly within high-CSR firms in China, to identify the cultural and institutional factors that shape corporate transparency and accountability.
- Development of a Unified Framework for CSR in China: Establish a cohesive framework that synthesizes compliance-oriented, stakeholder-centered, strategic, and culturally-embedded approaches, positioning CSR as a multidimensional construct that incorporates regulatory compliance, long-term value creation, and cultural adaptation within China's unique landscape.
- Synthesis of CSR Development Strategies for China: Develop evidence-based recommendations and strategic models for enhancing CSR practices within Chinese enterprises, considering macro-level trends and China's socio-political landscape to support sustainable and transparent corporate practices aligned with both local and global standards.

Research methods. This dissertation employs a comprehensive research methodology to investigate the evolution of Corporate Social Responsibility (CSR) practices in China, integrating multiple methods to ensure a thorough analysis and reliable results. The approach combines system analysis, literature review, normative research, and empirical research, complemented by both qualitative and quantitative analyses and supported by specific techniques for examining macro- and micro-level dynamics in CSR. Together, these methods offer a robust framework for understanding the strategic influences, governance structures, and reporting practices that shape CSR within Chinese enterprises.

System Analysis Method: This method enables a holistic view of CSR as a dynamic and interdependent system. In this dissertation, system analysis is applied to examine the roles and relationships among key CSR stakeholders, including enterprises (as implementers), government (as regulators, policymakers, and facilitators), and social or industry organizations (as evaluators and supporters). By treating these entities as a cohesive system, the research delves into the core concepts, mechanisms, and factors influencing CSR practices. It assesses the impact of governance policies, regulatory frameworks, and cultural factors, providing a comprehensive understanding of how CSR strategies evolve and are enacted within the unique socio-political context of China.

Literature Review Method: Conducting an extensive review of both Chinese and international literature, this method forms the foundation for understanding CSR practices and challenges in China. By analyzing over 200 sources, the literature review identifies significant themes, trends, and theoretical perspectives relevant to CSR, including insights from stakeholder theory, signaling theory, and agency theory. This analysis establishes the conceptual and analytical structure of the dissertation, situating the research within the broader CSR discourse and helping to define the specific aspects of CSR that are most relevant to Chinese enterprises.

Normative Research Method: This method is employed to define the theoretical standards and value judgments that inform CSR analysis in this study. Through a normative framework, the dissertation explores CSR from regulatory and corporate governance perspectives, focusing on the progression of CSR in China. The research constructs a theoretical model-"Influencing Factors - CSR Performance - Outcomes"-to systematically analyze the factors impacting CSR practices and outcomes within Chinese corporations. Normative insights are derived from various theories, establishing standards against which CSR practices are evaluated and enabling the formulation of hypotheses regarding CSR's influence on governance and strategic outcomes.

Quantitative (Statistical) Analysis Method: A crucial part of the research, this quantitative approach facilitates an evidence-based examination of CSR dynamics. Using data from Chinese A-share-listed companies rated by the RKS (Rankins CSR Ratings) database, this method applies statistical analyses to data from 2013 to 2018. Employing the STATA 17.0 software, a series of statistical tests-including descriptive, correlation, regression, mediation effect, heterogeneity, and robustness analyses-are conducted to verify hypotheses and uncover meaningful insights. This empirical method enables a detailed understanding of the relationships between CSR, governance structures, executive characteristics, and financial outcomes, shedding light on CSR's influence on internal controls, debt capital costs, and corporate transparency within Chinese enterprises.

Each of these research methods contributes unique insights, reinforcing the dissertation's exploration of CSR as a multifaceted construct shaped by China's distinct institutional context. By integrating theoretical frameworks with empirical analysis, this research not only enhances the understanding of CSR practices but also provides practical recommendations for policymakers and corporate leaders aiming to strengthen CSR's strategic and transparency-driven value within the Chinese market.

The scientific novelty of the obtained results.

***For the first time*:**

- this dissertation presents an integrative and multifaceted framework for understanding the evolution of Corporate Social Responsibility (CSR) practices in China, blending socio-cultural, political, and governance dimensions to capture the unique trajectories of CSR in this context. Through the integration of compliance-oriented, stakeholder-centered, strategic, and culturally-embedded approaches, this research redefines CSR as a dynamic construct that is not only shaped by traditional regulatory and stakeholder expectations but is also profoundly influenced by China's specific cultural and political landscape. This approach reveals the distinct pathways through which CSR practices, governance structures, and reporting standards align to create a unique model of CSR that reflects both local and global expectations, thus providing a comprehensive theoretical and practical contribution to the study of CSR in emerging economies.

Improved:

- The dissertation advances an understanding of Corporate Social Responsibility (CSR) frameworks by refining and expanding the analytical scope to capture unique socio-cultural and regulatory influences specific to China, distinguishing it from prior studies that predominantly focused on Western CSR models. Building upon existing cross-cultural CSR analyses, this research highlights China's CSR emphasis on good faith, employment stability, social harmony, and patriotism, showcasing how these localized dimensions, deeply rooted in Chinese cultural values and government policies, contrast sharply with the profit-centric and shareholder-oriented frameworks observed in the West.
- This dissertation refines the conceptual understanding of how political connections influence Corporate Social Responsibility (CSR) practices by distinguishing between material and symbolic political ties and elucidating the specific pathways through which each type affects CSR engagement, thus expanding upon previous generalized studies of political influence on CSR. Building on prior research, this study reveals that material connections foster a governance-driven CSR approach aligned with regulatory and public accountability, while symbolic connections serve as a reputation

buffer, allowing selective CSR engagement, which clarifies the nuanced impacts of political affiliations on CSR within China's unique socio-political framework.

- This dissertation significantly advances the conceptual framework of CSR decoupling by intricately mapping the varied roles of corporate governance elements-such as board independence, diversity, size, CEO duality, and specialized board committees-in shaping CSR alignment and commitment. Building upon prior research, which generally aggregated governance factors, this study dissects these attributes individually to reveal that while certain factors (e.g., board independence and diversity) actively bolster CSR alignment through enhanced oversight and stakeholder engagement, others, particularly CEO duality, introduce latent risks of decoupling by consolidating authority, thereby uncovering a complex interplay where governance not only supports CSR objectives but also, under specific conditions, heightens the potential for misalignment, thus presenting a more nuanced and actionable understanding of governance's role in sustaining credible CSR commitments.
- This dissertation deepens the theoretical and practical understanding of the dynamic between Corporate Social Responsibility (CSR) quality and the cost of debt capital, introducing an innovative framework that captures how specific executive attributes, especially CEO financial expertise, shape creditor perceptions and financing conditions. Moving beyond previous studies that approached CSR disclosures and executive traits as isolated factors, this research reveals that high-quality CSR reporting can serve as a trust-building mechanism, reducing perceived risks and thereby lowering debt costs. However, it also uncovers that CEOs with advanced financial expertise may paradoxically increase the cost of debt due to a propensity for

strategic aggressiveness, thus offering an integrated model that bridges CSR and leadership characteristics to explain how firms' strategic choices resonate with creditor expectations, risk assessments, and debt capital pricing.

- This dissertation deepens the understanding of Corporate Social Responsibility (CSR) practices within Chinese corporate settings by elucidating the complex interplay between CSR commitment, internal control effectiveness, and board gender diversity, thereby advancing previous research that treated these factors in isolation. By uncovering that, contrary to expectations, female board representation does not uniformly enhance internal control within high-CSR firms in China, this research reveals a nuanced influence of gender diversity shaped by institutional and cultural specificities, thereby offering valuable insights into how CSR and governance structures uniquely interact to shape transparency and accountability in the Chinese context.

Acquired further development:

- This dissertation advances the understanding of the concept and scope of Corporate Social Responsibility (CSR) practices by establishing an integrated framework that synthesizes four distinct approaches-compliance-oriented, stakeholder-centered, strategic, and culturally-embedded-into a cohesive definition, which contrasts with previous studies that often addressed these dimensions separately. Building on existing frameworks, this comprehensive definition situates CSR practices as a multidimensional construct, systematically combining regulatory compliance, stakeholder engagement, long-term value creation, and cultural adaptation, enabling businesses to adopt CSR strategies that are simultaneously robust, adaptable, and aligned with both global and local standards.

The practical significance of the obtained results. This dissertation provides an in-depth exploration of Corporate Social Responsibility (CSR) practices within Chinese listed companies, specifically addressing the unique interactions between CSR commitments, internal control (IC) effectiveness, and the decoupling effect, where CSR intentions may diverge from actual practices. Through empirical findings, the study demonstrates that high-quality CSR reporting-especially when reinforced by robust governance mechanisms-enhances both CSR integrity and IC effectiveness, essential factors that build stakeholder trust and contribute to sustainable corporate growth. The research reveals that effective IC not only supports transparent CSR reporting but also mitigates the risks associated with CSR decoupling, where discrepancies may arise between declared CSR objectives and implemented practices. These insights emphasize the need for Chinese companies to fortify governance structures that align CSR intentions with operational realities, thereby upholding CSR integrity and transparency.

Moreover, this study underscores the influential role of corporate governance (CG) elements, such as board composition and gender diversity, in shaping CSR alignment. Findings suggest that, while certain governance factors like board independence and oversight can bolster CSR commitment, factors such as CEO duality may introduce decoupling risks by centralizing authority, potentially undermining CSR integrity. This insight guides Chinese corporations to adopt balanced governance structures that encourage ethical management practices, ultimately enhancing CSR authenticity and accountability.

The practical implications of these findings extend to policy recommendations for strengthening CG frameworks, particularly those designed to ensure CSR alignment. This research offers valuable guidance for managers and decision-makers, advocating for the adoption of governance structures that prioritize transparent CSR practices and foster effective internal controls. Additionally, the insights on CSR’s impact on financing reveal that high CSR integrity-achieved through rigorous disclosure and alignment with corporate practices-can reduce debt costs and enhance financing options, presenting a strategic advantage for Chinese enterprises.

In a broader context, this dissertation informs government policy and regulatory bodies by highlighting the benefits of an enhanced CSR disclosure system. Policymakers can leverage these findings to support the implementation of policies that promote authentic CSR practices, thereby advancing capital market transparency and promoting sustainable corporate behavior in China. This research thus contributes not only to the academic understanding of CSR and governance but also to the practical advancement of CSR management and regulatory approaches within China’s evolving business landscape.

Personal contribution of the author. This dissertation embodies an independent scientific effort, thoughtfully and rigorously developed by the author, with all scientific findings being the direct result of the author's engagement and expertise. The author meticulously crafted the research design, starting with a systematic literature review that synthesized foundational and contemporary studies relevant to Corporate Social Responsibility (CSR) practices within the Chinese context. The author was solely responsible for the precise selection of research methodologies, the formation of a representative sample, and the collection and meticulous processing of data, ensuring both accuracy and relevance for the study’s objectives.

Guided by the academic mentorship of the supervisor, the author undertook the comprehensive analysis of CSR's nuanced influences - socio-cultural, political, and governance-oriented - on corporate practices in China, utilizing advanced statistical methods to authenticate the proposed hypotheses. This process included the interpretation of complex data sets and the distillation of meaningful insights, which are central to the dissertation's core contributions. Furthermore, the author diligently translated these insights into clear scientific conclusions, accompanied by practical recommendations aimed at refining CSR strategies for both policymakers and business leaders within China's unique institutional landscape.

The scientific outcomes, conclusions, and strategic proposals presented in this dissertation attest to the depth of the author's academic and empirical efforts. Each aspect of the research, from theoretical formulation to practical application, reflects the author's commitment to advancing CSR research and practice, positioning this work as a significant contribution to the field. All findings and recommendations are prepared for defense, showcasing a journey defined by intellectual rigor, creative inquiry, and a dedication to scholarly integrity.

Approbation of dissertation results. The main findings and theoretical contributions of the dissertation have been actively presented and validated through participation in various academic conferences, seminars, and university gatherings. These include key forums for scholarly exchange, where the research was discussed and well-received among the academic community.

Significant venues of presentation included the III International Scientific-Practical Conference "Modernization of Economy: Current Realities, Forecast Scenarios and Development Prospects" (April 28-29, 2021, Kherson, Ukraine) and the Scientific and Practical Conference "Restoration of the National Economy Under the Conditions of Martial State" (October 6-7, 2023, Dnipro, Ukraine), where the research outcomes were reviewed within the context of broader economic sustainability and resilience frameworks.

Additionally, the dissertation results were presented at various department, faculty, and university-level conferences, allowing for a constructive exchange of ideas within the academic community at Sumy National Agrarian University. Notable among these were the annual scientific conferences and faculty meetings at the Faculty of Economics and Management, where feedback from colleagues and peers contributed to refining the study's conclusions and validating its relevance to contemporary research in corporate social responsibility (CSR) practices.

The comprehensive engagement at both international and university-based events has enriched the research process, ensuring the study's findings are grounded in diverse perspectives and aligned with current scientific discourse on CSR and sustainable governance in corporate settings.

Publications. The author's rigorous theoretical and empirical investigations are effectively distilled into a series of nine scholarly publications, showcasing the comprehensive nature and significance of the research undertaken. This body of work includes three articles published in internationally indexed journals, two of which are listed in Scopus, with one also indexed in Web of Science, thereby affirming the global relevance and academic rigor of the research within the international scientific community.

Further enriching the national academic dialogue, the author has published four articles in recognized scientific journals of Ukraine, highlighting the research's contribution to the country's scholarly discourse on Corporate Social Responsibility (CSR), corporate governance, and sustainable business practices. Additionally, the author's engagement with the academic community is evidenced by two conference abstracts presented at reputable scientific conferences, facilitating a dynamic exchange of ideas and fostering critical feedback from diverse scholarly perspectives.

Together, these publications reflect a dedication to advancing the field of CSR within both local and international contexts, demonstrating a commitment to scholarly impact that bridges academic and applied insights. This strategic dissemination across various platforms underscores the depth and breadth of the research's contributions, enhancing the academic dialogue on CSR practices in emerging markets and contributing to a broader understanding of sustainable corporate governance.

Structure and scope. The dissertation is structured to provide a systematic analysis of Corporate Social Responsibility (CSR) practices within Chinese corporate contexts, integrating theoretical foundations, empirical analysis, and strategic implications. The work comprises an introduction, three main chapters, a concluding section, and a comprehensive reference list. In total, the dissertation spans 245 pages, reflecting a detailed examination of the research topic.

The introduction outlines the research context, problem statement, objectives, and methodology. This section clarifies the study's relevance, identifies key themes, and provides a framework for the following chapters, establishing the scope and focus of the research.

The main body is organized into three chapters, each with four sections covering theoretical background, methodological approach, empirical results, and analysis. The first chapter presents the theoretical basis of CSR and governance practices in China, contextualized within both global and local frameworks. The second chapter explains the methodology, detailing research design, data collection methods, and analytical techniques used to examine CSR within Chinese corporate governance and political contexts. The third chapter interprets the empirical findings, identifying patterns and connections among CSR practices, governance structures, and cultural influences. Together, these chapters form a cohesive narrative, with each section contributing to an overall understanding of CSR evolution in China.

The concluding chapter synthesizes the study's findings, summarizing the key results and examining their theoretical and practical implications. This section also considers the broader impact on the academic discourse around CSR and suggests directions for future research to enhance CSR practices in emerging economies.

The dissertation includes 48 tables and 11 figures that support the analysis, providing clarity and aiding in the interpretation of complex data. These visual aids follow academic standards, enhancing both the depth and accessibility of the research.

The reference list contains 249 sources, including foundational texts, recent studies, and a range of scholarly sources that support the research. This extensive bibliography reflects thorough engagement with existing literature, ensuring that the study is well-grounded in established and contemporary theories.

In summary, the dissertation is organized to provide a comprehensive, analytical contribution to understanding and advancing CSR practices in the specific context of China.

SECTION 1
FOUNDATIONS OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN CHINA: CONTEXTS, PARADIGMS, AND STRATEGIC DIMENSIONS

1.1. The concept of CSR and evolution of CSR practice in China

The concept of Corporate Social Responsibility (CSR) in China has undergone significant transformation over the past few decades, mirroring the country's broader social, political, and economic shifts. In the early stages, CSR in China was virtually non-existent, with companies primarily focusing on economic goals, driven by government policies that emphasized rapid industrialization and economic growth. This initial phase, from the 1980s to the early 2000s, was marked by minimal regulatory oversight and limited awareness of CSR among companies and the public. The state's primary focus was on economic development, with environmental and social considerations largely overlooked (figure 1.1).

The next stage, from the early 2000s to the mid-2010s, saw an increased awareness of CSR as the negative impacts of rapid industrialization became more visible. Environmental degradation, labor rights issues, and social inequities became pressing concerns. During this period, the Chinese government began to introduce laws and policies aimed at improving corporate accountability, such as the 2006 Company Law, which for the first time introduced CSR as a concept within the legal framework. Companies, especially those with international partnerships, started adopting CSR practices to align with global standards and to enhance their reputation domestically and abroad. In this phase, CSR was often reactive, focused on compliance and responding to societal pressure rather than proactive ethical commitments.

The most recent stage, beginning in the mid-2010s, represents a maturing phase of CSR in China, where businesses increasingly recognize CSR as a strategic element integral to sustainable development. This phase reflects a shift from compliance-based CSR to a more integrated approach, where companies consider social and environmental responsibilities as part of their business models. Government initiatives like the "Ecological Civilization" policy and the "Green Finance" agenda have encouraged businesses to adopt sustainable practices. Additionally, the Belt and Road Initiative has emphasized CSR for Chinese companies operating internationally, with a focus on social and environmental impacts in host countries.

This evolution of CSR in China highlights a trajectory from non-existent or limited awareness to compliance-focused practices, and finally to a more strategic and integrated approach. Chinese businesses today increasingly see CSR as essential to long-term competitiveness and alignment with national goals for sustainable development.

Corporate Social Responsibility (CSR) has evolved into a critical pillar of modern business management, reflecting the expanding societal and regulatory expectations placed on organizations across diverse industries (Pasko et al., 2023). Traditionally viewed as supplementary to core business functions, CSR has progressively become embedded within strategic frameworks, where it serves not only as a mechanism for risk mitigation but also as a driver for sustainable growth and competitive advantage. The increasing prominence of CSR is underscored by the evolving pressures from both regulatory bodies and stakeholders, including investors, consumers, and communities, who now demand greater transparency, accountability, and proactive engagement from corporations regarding social and environmental impact.

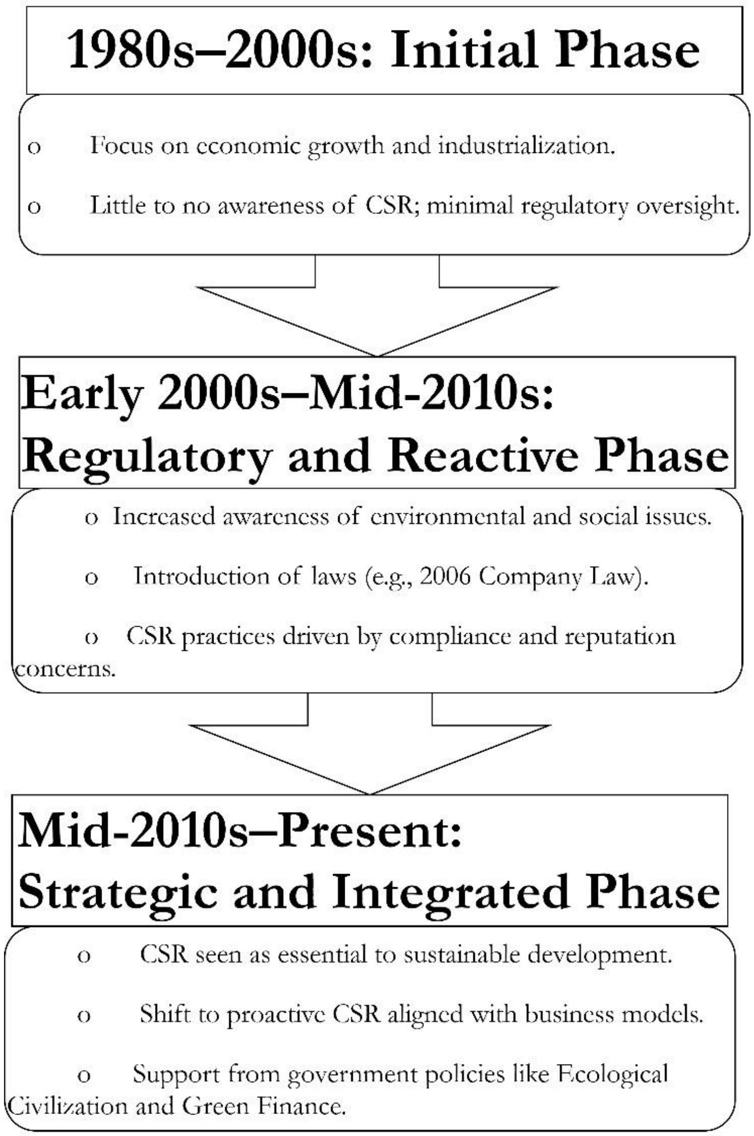

Figure 1.1. The primary stages in CSR evolution in China*

* - compiled and prepared by the author based on literary sources

Despite the widespread adoption of CSR, the concept remains heterogeneous in its definitions, interpretations, and applications. A thorough examination reveals that CSR practices can be generally categorized into four primary approaches: compliance-oriented, stakeholder-centered, strategic value-driven, and culturally embedded (de Graaf, 2016; Huang et al., 2024; Pasko et al., 2021, 2022, 2024; G. Zhang et al., 2024). Each of these frameworks brings distinct operational priorities and outcomes, influenced by varying regulatory requirements, market expectations, and cultural norms. The compliance-oriented approach, for example, prioritizes alignment with legal standards and regulatory mandates, focusing on adherence to established guidelines as a minimum threshold for responsible conduct. Conversely, the stakeholder-centered approach broadens the scope of CSR by placing significant emphasis on addressing the interests and well-being of a wider array of stakeholders, extending beyond shareholders to include employees, customers, suppliers, and communities.

The strategic and value-driven approach to CSR reframes these practices as integral to a company's long-term competitive positioning, where CSR initiatives contribute to brand equity, customer loyalty, and operational resilience. By embedding CSR within business strategy, organizations adopt a proactive stance, viewing social and environmental initiatives not merely as obligations but as essential components that enhance overall corporate sustainability and long-term value creation. Lastly, the culturally embedded approach highlights the importance of local context in shaping CSR practices, acknowledging that CSR frameworks must be adaptable to the cultural, social, and political landscapes in which a corporation operates. This approach is particularly relevant in non-Western markets, where traditional CSR definitions may not align with local values and governmental priorities.

This paper aims to dissect these four distinct CSR approaches, analyzing their foundational principles, operational implications, and areas of overlap and divergence. Through a comparative analysis, this study seeks to clarify how each CSR framework serves different corporate objectives and societal needs, providing insights into how companies can adopt a more holistic and adaptive approach to CSR that not only satisfies regulatory and stakeholder demands but also maximizes strategic and cultural relevance. By addressing the multidimensional nature of CSR, we aim to advance the understanding of CSR as a flexible, integrative concept that accommodates diverse organizational goals and external expectations. Ultimately, the study advocates for an informed approach to CSR, where companies strategically select and blend CSR practices to optimize both corporate value and societal benefit in an increasingly complex and interconnected global landscape.

Corporate Social Responsibility (CSR) has become an integral part of contemporary business practices, reflecting the evolving expectations of society, government regulations, and global sustainability goals. Despite the growing prominence of CSR, there remains considerable variation in how CSR practices are defined, understood, and implemented across different industries and cultural contexts (Nirino et al., 2021). The complexity and diversity of these practices are rooted in the distinct goals and values that each definition seeks to prioritize-whether they emphasize regulatory compliance, stakeholder interests, strategic business value, or alignment with local cultural norms (Hluszko et al., 2024).

This analysis delves into the various approaches to defining CSR practices, examining how each perspective contributes unique dimensions to the broader concept. It first explores a compliance-oriented view, which regards CSR as a framework for aligning with regulatory standards and meeting stakeholder demands. From this standpoint, CSR practices are largely reactive, focused on fulfilling legal obligations and mitigating risks. This view positions CSR as a necessary element of corporate accountability but often lacks the proactive engagement seen in other models (Martielli et al., 2024; Silva et al., 2024).

The stakeholder-centered approach expands the definition of CSR by emphasizing the role of businesses in addressing the needs and expectations of a wider audience. In this context, CSR practices are tailored to create value for customers, employees, investors, and communities, aiming to build trust and foster stronger relationships with all stakeholders. This perspective underscores CSR as an ethical commitment that goes beyond mere compliance, aligning corporate actions with societal expectations and moral obligations (Lyu et al., 2023; Mura et al., 2024).

Additionally, strategic and value-driven approaches frame CSR as an essential component of a company's competitive edge, where practices are designed to enhance brand reputation, foster sustainable growth, and mitigate long-term risks. This proactive model integrates CSR into the company's core strategy, positioning social and environmental initiatives as contributors to business success and resilience. Here, CSR is not merely an obligation or ethical commitment but a strategic asset that drives long-term value for both the company and society (Ko et al., 2020; Nie et al., 2024).

Finally, the culturally-embedded approach recognizes the impact of local values, traditions, and governmental influence on CSR practices, particularly in non-Western contexts like China. In this view, CSR is adapted to reflect the unique socio-cultural and regulatory environment, incorporating elements such as social harmony, national priorities, and local compliance expectations. This approach illustrates that CSR is not universally defined but rather deeply influenced by the cultural and political landscapes in which companies operate (Boukattaya et al., 2022; Chan et al., 2024; Jing Wu & Chee Yoong Liew, 2024; Leitonienė et al., 2024).

Thus, four approaches to defining the practice of corporate social responsibility can be distinguished, namely: Compliance-Oriented CSR Practices, Stakeholder-Centered CSR Practices, Strategic and Value-Driven CSR Practices and Culturally-Embedded CSR Practices (Table 1.1).

Table 1.1. Approaches to definitions of CSR Practices by various frameworks *

Approach	Sources	Core Elements
Compliance-Oriented CSR Practices	Various sources emphasize CSR practices as frameworks for aligning with regulatory	This perspective defines CSR practices as a compliance-oriented strategy focused on ensuring adherence to legal standards and

Approach	Sources	Core Elements
	standards and meeting stakeholder demands	public expectations. Key practices include environmental reporting, labor rights assurance, and transparency in operations. Compliance-driven CSR practices often reflect an organization's response to external pressures rather than voluntary commitment
Stakeholder-Centered CSR Practices	Stakeholder theory suggests that CSR practices are actions organizations undertake to address the interests and expectations of various stakeholders, including customers, employees, investors, and communities	This definition highlights CSR practices as initiatives aimed at creating value for all stakeholders, emphasizing ethical business conduct, employee welfare, and environmental sustainability. Such practices are integrated into business strategies to build trust and strengthen stakeholder relationships
Strategic and Value-Driven CSR Practices	Literature on strategic CSR views these practices as integral components of a firm's competitive strategy, where CSR is used to build brand reputation, mitigate risks, and drive sustainable growth	CSR practices in this context are proactive and embedded in the company's core strategy. They include sustainability initiatives, community engagement, and responsible supply chain management, often with a focus on long-term benefits rather than short-term gains
Culturally-Embedded CSR Practices	Culturally-specific studies, particularly in non-Western contexts like China, reveal CSR practices as shaped by local norms, values, and government policies	This approach defines CSR practices as being deeply embedded in cultural expectations and national priorities. Practices include respect for social harmony, national development goals, and compliance with local environmental policies. This framework reflects a blend of voluntary and mandated responsibilities aligned with socio-political values

* - compiled and prepared by the author based on literary sources

Compliance-Oriented CSR Practices. The compliance-oriented approach to defining Corporate Social Responsibility (CSR) practices offers both significant advantages and limitations. This perspective, centered on adherence to regulatory standards and public expectations, views CSR as a framework for ensuring that companies meet legal requirements and satisfy external demands. Key practices within this model typically include environmental reporting, assurance of labor rights, and transparent corporate operations (Makarenko et al., 2020; Slacik &

Greiling, 2019). While this approach to CSR can establish a foundation for ethical and sustainable business conduct, it also presents certain drawbacks when assessed within broader CSR goals and expectations.

On the positive side, compliance-oriented CSR practices provide a structured, standardized framework for companies to operate responsibly (Eliwa et al., 2023). By focusing on regulatory adherence, these practices encourage businesses to meet clearly defined criteria for responsible behavior, ensuring that minimum standards of environmental, social, and governance (ESG) practices are upheld (Karwowski & Raulinajtys-Grzybek, 2021). This structure helps to mitigate risks by compelling organizations to address potential social or environmental concerns proactively, thereby reducing the likelihood of legal disputes or public backlash. Compliance-driven CSR also establishes accountability within the corporate structure, as meeting regulatory requirements often necessitates clear documentation and periodic reporting (Manita et al., 2018). These measures not only promote transparency but also enhance stakeholder trust, as external audiences are assured that the company is operating within defined legal and ethical boundaries.

Moreover, the compliance-oriented approach serves as an accessible entry point into CSR for companies that may not yet be ready or able to adopt more comprehensive CSR strategies. For smaller organizations or those in the early stages of CSR adoption, compliance-oriented practices can provide a manageable starting point, allowing them to gradually build their capacity for social responsibility while meeting baseline requirements. This incremental approach can be especially beneficial in industries where CSR standards are newly emerging or where regulatory requirements provide much-needed guidance in the absence of well-established practices (Chen et al., 2022; Nirino et al., 2021).

However, the compliance-oriented CSR approach is not without its limitations. One primary drawback is its reactive nature; companies engaging in

CSR solely for compliance purposes are often motivated by external pressures rather than a genuine commitment to social or environmental goals (Chen et al., 2022; Liu et al., 2023). This can result in a "check-the-box" mentality, where the primary objective is to avoid penalties or reputational damage rather than to make a meaningful impact. As such, compliance-driven CSR may lack the proactive, innovative spirit that characterizes more strategic or value-driven CSR models. This approach may thus limit a company's potential to address broader societal needs or to differentiate itself as a leader in social responsibility, as it remains constrained by the minimum standards rather than pushing for more transformative practices.

Additionally, compliance-oriented CSR may foster a narrow focus on meeting specific legal requirements at the expense of a holistic understanding of CSR. Companies that prioritize regulatory adherence may concentrate on certain prescribed areas-such as environmental compliance or labor rights-while neglecting other important aspects of CSR, such as community engagement, ethical supply chain management, or long-term sustainability goals. This segmented approach can lead to uneven CSR efforts, where companies excel in regulatory compliance but fall short in other dimensions of corporate responsibility that stakeholders increasingly value (Gillan et al., 2021; Oprean-Stan et al., 2020).

Another critical limitation of compliance-oriented CSR is its vulnerability to changes in regulatory landscapes. Because this approach is fundamentally reliant on legal standards, it is susceptible to shifts in policy and government priorities. Companies adhering strictly to compliance-driven CSR may find themselves needing to constantly adapt to new regulations, potentially resulting in instability and increased costs associated with compliance adjustments. Furthermore, in regions with weaker regulatory frameworks or less stringent enforcement, a compliance-oriented approach may lead to minimal CSR engagement, as companies are not incentivized to go beyond the low regulatory bar set in these contexts.

Thus, the compliance-oriented approach to CSR provides a reliable, structured framework for responsible business practices that can enhance accountability and reduce operational risks. However, its limitations, including its reactive nature, potential narrowness, and reliance on fluctuating regulatory standards, suggest that it may fall short of fostering a comprehensive, genuine commitment to social responsibility. For companies aiming to establish themselves as leaders in CSR, a compliance-oriented model may serve as an important foundation but is often insufficient on its own. Balancing compliance with a more proactive, value-driven CSR strategy may offer a more effective path toward sustainable, impactful corporate responsibility.

Stakeholder-Centered CSR Practices. The stakeholder-centered approach to Corporate Social Responsibility (CSR) practices is rooted in the belief that businesses should actively consider the interests and expectations of a broad range of stakeholders, including customers, employees, investors, and communities (L. Zhang et al., 2022). This approach, supported by the foundational work of Freeman (1984) (R. E. Freeman, 1984)and more recent studies (Dmytriyev et al., 2021; E. Freeman et al., 2020; R. E. Freeman et al., 2010; Harrison et al., 2020; Parmar et al., 2010; Sulkowski et al., 2018), positions CSR as a framework for creating value that extends beyond shareholders to encompass all individuals and groups impacted by corporate activities. By prioritizing ethical business conduct, employee welfare, and environmental sustainability, stakeholder-centered CSR practices aim to foster trust, improve corporate transparency, and strengthen relationships across various societal sectors. While this approach offers a compelling vision for responsible corporate engagement, it also presents certain limitations and challenges that need careful consideration.

One of the most significant advantages of the stakeholder-centered approach to CSR is its emphasis on inclusivity and ethical responsibility (Sulkowski et al., 2018). By addressing the diverse needs of stakeholders, this approach encourages businesses to adopt sustainable practices that benefit a wider community. Companies that follow this model often implement policies that prioritize employee well-being, such as fair wages, safe working conditions, and opportunities for professional development (R. E. Freeman et al., 2010). Moreover, the focus on environmental sustainability prompts companies to reduce waste, lower emissions, and invest in renewable resources, thus contributing positively to ecological preservation. This commitment to ethical and sustainable practices not only enhances the company's public image but also builds long-term trust among stakeholders, creating a loyal customer base and a supportive workforce (Dmytriyev et al., 2021).

Another advantage is that stakeholder-centered CSR can improve corporate resilience and adaptability. By maintaining a continuous dialogue with stakeholders, companies are better positioned to respond to societal changes, emerging environmental challenges, and evolving consumer preferences. This adaptability can lead to enhanced innovation as businesses actively seek new solutions to meet stakeholder needs. Furthermore, companies that prioritize stakeholder engagement may experience reduced risks related to public backlash or regulatory scrutiny, as proactive CSR efforts can help them address potential criticisms or legal requirements before they escalate (Dmytriyev et al., 2021).

However, the stakeholder-centered approach to CSR is not without challenges. A major limitation is the potential difficulty in balancing conflicting stakeholder interests (Dmytriyev et al., 2021). In practice, the diverse expectations of stakeholders-such as profit expectations from investors, wage concerns from employees, and product affordability demands from customers-can be challenging to reconcile. Companies may face pressure to prioritize one group over another, leading to potential dissatisfaction and accusations of favoritism (Harrison et al., 2020). This conflict can complicate decision-making processes and sometimes hinder the company's ability to act efficiently, especially when addressing urgent or complex social and environmental issues.

Additionally, while this approach emphasizes ethical business practices, it may lack the concrete regulatory or financial incentives that drive compliance-based CSR models. Without stringent regulations, some companies might adopt superficial stakeholder-centered practices that serve more as public relations tools than genuine commitments to stakeholder well-being. This risk of "greenwashing" can undermine the credibility of CSR efforts, as stakeholders may view the initiatives as self-serving rather than genuinely beneficial. As a result, companies could damage trust rather than build it, particularly if stakeholders perceive CSR practices as insincere or inconsistent with the company's core operations (Dmytriyev et al., 2021).

Finally, implementing a stakeholder-centered CSR strategy often requires substantial resources, including time, financial investment, and human capital. Small and medium-sized enterprises (SMEs), in particular, may struggle to meet the financial demands of comprehensive stakeholder engagement and sustainability initiatives. These challenges can make it difficult for smaller companies to adopt stakeholder-centered CSR, potentially limiting the applicability of this model to larger organizations with more resources. Furthermore, the focus on stakeholder engagement can sometimes lead to mission drift, where companies become overly focused on managing external relationships at the expense of their original business objectives (E. Freeman et al., 2020; Parmar et al., 2010; Sulkowski et al., 2018).

Therefore, the stakeholder-centered approach to CSR offers a robust framework for promoting ethical conduct, sustainability, and community engagement within the corporate sector. Its focus on creating shared value aligns with the increasing public demand for businesses to act responsibly and inclusively. However, the approach also presents notable challenges, including balancing competing interests, avoiding superficial engagement, and managing resource demands. For companies to successfully adopt stakeholder-centered CSR, they must carefully navigate these complexities, ensuring that their practices are not only aligned with stakeholder needs but are also sustainable, transparent, and integral to the organization's strategic goals.

Strategic and Value-Driven CSR Practices. The Strategic and Value-Driven CSR Approach to defining Corporate Social Responsibility (CSR) practices positions CSR not merely as a compliance measure but as an integral part of a firm's competitive advantage. This approach, as highlighted in literature by Porter and Kramer (2006) and further supported, views CSR practices as key drivers of brand reputation, risk mitigation, and sustainable growth (Porter & Kramer, 2006).Unlike reactive or compliance-focused CSR, strategic CSR practices are proactive, aligning social and environmental initiatives with business goals to foster long-term value (Carroll & Shabana, 2010; Graafland & Smid, 2019; HESLIN & OCHOA, 2008; Nandi et al., 2022; Porter & Kramer, 2006; Rubio-Andrés et al., 2022; Taghipour et al., 2022; Werther & Chandler, 2005). This perspective on CSR has clear advantages as well as potential limitations that merit careful examination.

A significant advantage of the strategic and value-driven approach is that it positions CSR as a means to enhance brand reputation and build consumer trust (Werther & Chandler, 2005). By integrating CSR into core business operations, firms demonstrate a commitment to social and environmental issues, which can resonate strongly with increasingly conscientious consumers. Companies that prioritize CSR as part of their identity are often perceived as ethical, responsible, and aligned with societal values, contributing to a stronger and more resilient brand image. This brand positioning not only attracts loyal customers but also differentiates the company from competitors, offering a valuable competitive edge in markets where consumers place high value on corporate responsibility (Graafland & Smid, 2019; Nandi et al., 2022).

Moreover, strategic CSR practices contribute to long-term sustainability by addressing risk factors proactively. For example, companies that invest in sustainable supply chain management or resource conservation are better prepared to navigate regulatory changes and market shifts. By reducing dependencies on non-renewable resources or ensuring fair labor practices in their supply chain, these firms mitigate potential reputational and operational risks. This proactive risk management aligns with the increasing importance of Environmental, Social, and Governance (ESG) standards, which are increasingly scrutinized by investors. Consequently, strategic CSR not only protects companies from reputational damage but also supports investor confidence, potentially leading to better financial performance and access to capital (P. R. Demerjian et al., 2013; Gonçalves et al., 2021; HESLIN & OCHOA, 2008).

Furthermore, a strategic approach to CSR fosters innovation and efficiency within companies, as the alignment with long-term business goals often encourages the development of new sustainable products or services. By embedding CSR into the core strategy, companies are incentivized to explore sustainable innovations that can improve profitability while addressing societal needs. This alignment can yield economic benefits that extend beyond direct financial returns, contributing to industry leadership and setting new standards in corporate responsibility (P. Demerjian et al., 2012; Doukas & Zhang, 2020).

However, despite its advantages, the strategic CSR approach has potential downsides. One criticism is that it can lead to “greenwashing,” where companies prioritize the appearance of social responsibility over actual impact. When CSR is used solely as a strategic tool to boost brand image, companies may implement minimal changes or avoid addressing fundamental issues, creating a superficial commitment to social responsibility. This gap between CSR rhetoric and genuine practice can lead to consumer skepticism and ultimately harm a company’s credibility. Greenwashing risks not only erode trust but also attract scrutiny from regulators, especially as standards for transparent and substantive CSR disclosures continue to evolve (Nandi et al., 2022; Taghipour et al., 2022).

Additionally, the focus on long-term strategic gains in CSR may sometimes overlook immediate community needs or social issues that do not directly align with the company's business model. This selective approach to CSR could result in initiatives that prioritize profitability over actual social impact. For instance, companies may choose projects that offer clear reputational benefits rather than addressing complex social challenges that require substantial investment without clear financial returns. This profit-oriented focus, though economically rational, might contradict the ethical principles underpinning CSR, limiting its broader social contribution (Nandi et al., 2022; Taghipour et al., 2022).

Thus, while the strategic and value-driven approach to CSR practices offers distinct benefits in brand enhancement, risk mitigation, and innovation, it is not without challenges. The risk of greenwashing and the tendency to prioritize profitable CSR activities over those with immediate social impact suggest that companies must carefully balance strategic gains with genuine social contributions. For CSR to be truly effective, it must transcend mere brand strategy, embracing initiatives that align with societal expectations and foster authentic, measurable change. This nuanced approach can ensure that strategic CSR not only supports business objectives but also fulfills its intended role as a driver of positive societal and environmental outcomes.

Culturally-Embedded CSR Practices. The culturally-embedded approach to defining Corporate Social Responsibility (CSR) practices offers a distinct perspective by anchoring CSR within the specific cultural, social, and political environment of a region. This approach emphasizes the adaptation of CSR to reflect local norms, values, and government policies, making it particularly relevant in non-

Western contexts like China, where national priorities, social harmony, and environmental policies play a significant role in shaping corporate actions (Komori, 2015; Steindl, 2021). While this perspective provides valuable insights into the integration of CSR within culturally distinct environments, it also brings forth both advantages and limitations, which warrant careful consideration.

One of the main advantages of the culturally-embedded approach is its sensitivity to local values and priorities, which can foster greater public acceptance and support for CSR initiatives (Steindl, 2021). In societies with strong collectivist values, such as China, where Confucian principles emphasize social harmony and respect for authority, CSR practices aligned with these values may resonate more deeply with the public and stakeholders (Cao et al., 2023; Fu et al., 2022; Huang et al., 2024). This alignment not only enhances the perceived legitimacy of CSR initiatives but also facilitates smoother implementation, as the practices are attuned to the cultural expectations of the community. By incorporating elements such as national development goals and local environmental policies, culturally-embedded CSR can strengthen a company's relationship with its local community, potentially leading to a stronger corporate reputation and enhanced trust from the public (Cao et al., 2023; Fu et al., 2022; Huang et al., 2024).

Moreover, the culturally-embedded approach enables companies to align their CSR strategies with government priorities, which is particularly advantageous in countries where the government plays a central role in economic and social policies. In China, for example, CSR initiatives that support national objectives, such as environmental sustainability or social stability, may receive favorable treatment or support from authorities (Nord et al., 2022). This alignment can also safeguard companies against potential regulatory challenges, as CSR practices designed in accordance with national goals may be more resilient to policy shifts (Biswas & Tortajada, 2020). Thus, culturally-embedded CSR practices can provide companies with a strategic advantage by fostering a cooperative relationship with the government and promoting a stable operating environment.

However, this approach also presents certain limitations. A key challenge lies in the risk of CSR becoming overly reactive to government agendas, which may limit the scope of corporate responsibility to those areas prioritized by the state rather than broader societal needs (China Briefing Magazine, 2020). In such cases, companies may prioritize government-aligned CSR initiatives over other important issues, potentially neglecting areas like labor rights or human rights, which may not be emphasized by national policies (Ervits, 2021). This alignment could inadvertently narrow the focus of CSR practices, reducing the breadth of corporate responsibility to fit within the confines of state-driven objectives. As a result, CSR might be perceived as a tool for compliance rather than as a genuine commitment to social welfare and ethical business conduct.

Another limitation of the culturally-embedded approach is the potential for CSR practices to serve as symbolic gestures rather than substantive contributions to societal well-being (Wan et al., 2024; Z. Zhang et al., 2021). In contexts where CSR is closely linked to compliance with government mandates, there is a risk that companies may adopt CSR initiatives primarily for reputational or regulatory purposes, without a strong commitment to their underlying social or environmental goals. This phenomenon, often referred to as "symbolic CSR," can undermine the credibility of CSR practices and diminish public trust, particularly if stakeholders perceive these actions as superficial or insincere (Emma & Jennifer, 2021; Meng et al., 2019). Additionally, in highly politicized environments, culturally-embedded CSR practices may reflect the government’s priorities more than the broader public’s interests, which could further weaken their social impact (Pret et al., 2016).

Lastly, the culturally embedded approach can create challenges for multinational corporations (MNCs) operating across diverse cultural and regulatory environments. While adopting local CSR practices may enhance acceptance in one region, it may conflict with global CSR standards or the company's values in other locations. For instance, an MNC that supports social harmony and national stability as part of its CSR strategy in China may face criticism from international stakeholders if these priorities conflict with human rights or transparency expectations in other countries (Kolk, 2010). Balancing culturally-specific CSR with a cohesive global strategy requires careful navigation, as divergent practices can lead to inconsistencies in corporate values and complicate efforts to build a unified brand identity.

Therefore, the culturally-embedded approach to CSR practices offers a valuable framework for understanding how local norms, values, and government policies shape corporate responsibility, particularly in non-Western contexts (Abeydeera et al., 2016). This approach enables companies to build trust and legitimacy within local communities by aligning with cultural expectations and national objectives. However, it also poses challenges, including potential limitations in addressing broader social needs, the risk of superficial CSR efforts, and difficulties for MNCs in maintaining consistent practices across regions. While the culturally-embedded approach provides important insights into the role of culture in CSR, companies must carefully balance local adaptation with substantive, globally aligned CSR commitments to ensure both authenticity and efficacy in their social responsibility efforts.

In defining CSR practices, it is essential to incorporate elements from all four approaches-compliance-oriented, stakeholder-centered, strategic, and culturally-embedded-as each provides unique insights that enrich the concept. A comprehensive definition should reflect the regulatory alignment and accountability emphasized by compliance, address the ethical obligations to stakeholders that foster trust and engagement, integrate the strategic value that drives sustainable growth and resilience, and adapt to cultural and regional specifics that enhance local relevance and legitimacy. By merging these perspectives, CSR practices can be more holistically defined as a balanced framework that meets legal standards, fulfills societal expectations, strengthens corporate reputation, and aligns with cultural values, ensuring a robust, adaptable model for responsible corporate conduct across diverse environments.

Therefore, we believe that Corporate Social Responsibility (CSR) practices refer to the set of systematic, strategic, and culturally-sensitive actions (policies, and commitments) that organizations undertake to address their ethical, social, and environmental responsibilities (figure 1.2).

Corporate Social Responsibility (CSR) practice is the set of systematic, strategic, and culturally-sensitive actions (policies, and commitments) that organizations undertake to address their ethical, social, and environmental responsibilities.

Figure 1.2. The working definition of CSR PRACTICE, which is proposed in the work

CSR practices encompass a compliance-oriented approach that ensures alignment with legal and regulatory standards, a stakeholder-centered approach that addresses the needs and expectations of diverse groups, and a value-driven orientation that integrates these actions into the core strategic framework of the organization. In culturally distinct contexts, such as China, CSR practices may also reflect specific societal values and government priorities, ensuring that these responsibilities resonate with local norms and contribute to sustainable national development. We believe, that this comprehensive definition underscores CSR practices as a dynamic and multi-dimensional framework, integrating regulatory compliance, stakeholder engagement, strategic value creation, and cultural alignment to support sustainable corporate conduct.

The findings of this study underscore the multifaceted nature of Corporate Social Responsibility (CSR) and the importance of a comprehensive approach that integrates compliance, stakeholder engagement, strategic value, and cultural sensitivity. Through examining four primary CSR approaches-compliance-oriented, stakeholder-centered, strategic value-driven, and culturally embedded-this research contributes a nuanced framework that captures the diversity of CSR practices in corporate environments.

Thus, each CSR approach provides distinct insights and value. The compliance-oriented model highlights the foundational role of regulatory adherence, underscoring CSR as a means of ensuring minimum legal standards and mitigating risks. This model is especially pertinent in heavily regulated industries, where compliance serves as a fundamental baseline for corporate responsibility. However, its limitations are evident in its reactive nature, as firms may lack proactive engagement and innovation, which are increasingly demanded by stakeholders seeking authentic commitment to social and environmental impact.

The stakeholder-centered approach broadens CSR by emphasizing the ethical obligations businesses have toward various stakeholders. By fostering trust and building relationships, this approach supports long-term corporate resilience. Yet, challenges arise from the complexity of balancing diverse and, at times, conflicting stakeholder interests. This complexity can complicate decision-making, especially when resources are limited or when conflicting priorities must be addressed simultaneously.

The strategic value-driven approach reframes CSR as an integral part of a company’s competitive advantage, where CSR initiatives are directly aligned with core business objectives. This model offers distinct advantages in enhancing brand reputation, fostering customer loyalty, and attracting investment. However, strategic CSR also faces the risk of "greenwashing," where companies may overemphasize the appearance of responsibility while making minimal actual impact. The credibility of CSR thus depends on an organization's ability to align its strategic CSR efforts with genuine social contributions that yield measurable outcomes.

Finally, the culturally embedded approach brings a unique perspective by adapting CSR practices to reflect local cultural norms and values. This is particularly relevant in non-Western contexts, where national policies and societal values may diverge from standard Western CSR frameworks. Although culturally embedded CSR enhances community acceptance and relevance, it poses challenges for multinational corporations (MNCs), which must balance local adaptation with global consistency in CSR standards. Furthermore, this approach risks becoming overly aligned with government agendas, potentially limiting the scope of CSR to state-driven priorities rather than broader societal needs.

Conclusions. This study concludes that a holistic approach to CSR, one that integrates elements from all four models, is essential for fostering genuine and impactful corporate responsibility. By combining compliance with stakeholder engagement, strategic alignment, and cultural sensitivity, companies can develop CSR strategies that not only satisfy regulatory and stakeholder expectations but also contribute to long-term organizational resilience and societal impact. Such a balanced approach allows for flexibility, enabling firms to adapt their CSR practices to meet both internal and external demands effectively.

Moreover, as global challenges and societal expectations continue to evolve, companies must avoid a "one-size-fits-all" approach to CSR. Rather, organizations should prioritize adaptive CSR strategies that are responsive to the specific needs of their operating environments, while remaining aligned with overarching principles of sustainability and ethical responsibility. Future research may benefit from exploring how companies in various sectors implement and integrate these CSR models and examining the empirical outcomes associated with different combinations of CSR practices.

In sum, this study provides a multidimensional framework that encourages companies to approach CSR not as a single entity but as a dynamic, adaptable concept. By embracing a comprehensive, integrative model of CSR, companies can better navigate the complexities of modern business environments, achieving both social legitimacy and competitive advantage while contributing positively to global sustainability goals.

1.2 The features of social responsibility in China: contrasting paradigms in China and the west

Corporate Social Responsibility (CSR) has emerged as a vital concept in the global business environment, shaping how corporations engage with their stakeholders and contribute to societal well-being. While Western perspectives on CSR have been extensively studied, the unique characteristics of CSR in China have garnered increasing academic attention. China's rapid economic growth, coupled with its distinct cultural, historical, and regulatory contexts, has resulted in a CSR paradigm that differs significantly from Western models (Du et al., 2014; Huang et al., 2024; Zhang et al., 2024).

This study aims to explore the indigenous characteristics of Chinese CSR, highlighting how cultural values, government policies, and social dynamics shape corporate behavior in China. Unlike the primarily profit-driven motives seen in many Western corporations, Chinese companies often integrate broader social and national goals into their CSR strategies. This integration reflects China's unique socio-economic landscape, where issues such as employment, social stability, and national development play pivotal roles.

One of the key dimensions of Chinese CSR is the emphasis on good faith, which requires corporations to operate with integrity, honor contracts, and provide genuine products at fair prices. This dimension underscores the importance of business ethics and trustworthiness, which are deeply rooted in Chinese cultural values. Additionally, the focus on employment, social stability, and progress highlights the societal responsibilities that Chinese corporations are expected to fulfill, reflecting the government's role in addressing social issues through corporate actions (Ali et al., 2024; Beugelsdijk et al., 2018; Chua, 2013; Luo et al., 2024; Sun, Lin, et al., 2023).

Furthermore, the distinct focus on environmental protection and technological innovation as part of economic responsibility illustrates China's strategic priorities in sustainable development and modernization. Legal compliance in Chinese CSR also includes a strong emphasis on tax contributions, showcasing the government's expectation for corporations to support national fiscal health (Mao et al., 2024; Su, 2019; Sun, Cao, et al., 2022; Sun, Guo, et al., 2023).

By examining these unique aspects, this study provides valuable insights into the evolving nature of CSR in China and its implications for both Chinese and international businesses. Understanding these indigenous characteristics can help multinational corporations better navigate the Chinese market and contribute to more effective and culturally sensitive CSR practices.

This paper builds on the existing literature and empirical data to offer a comprehensive analysis of Chinese CSR, contributing to the broader discourse on global CSR practices and highlighting the need for localized approaches to corporate responsibility. Through this exploration, we aim to enrich the understanding of CSR in different cultural and regulatory environments, fostering a more nuanced and inclusive view of corporate ethics and social engagement.

The objective of this study is to delve into the distinctive characteristics of Corporate Social Responsibility (CSR) in China and compare them with the established CSR frameworks in Western countries. By employing a cross-cultural analysis, this research aims to elucidate how cultural values, historical contexts, and regulatory environments shape CSR practices in China. Through comprehensive qualitative analysis, including the review of CSR reports and stakeholder interviews, the study seeks to highlight the socio-cultural, economic, and regulatory factors that influence Chinese CSR. Ultimately, this research aspires to contribute to the global understanding of CSR by providing insights into the unique aspects of Chinese CSR and fostering a more nuanced and culturally sensitive approach to international business practices.

This study employs a mixed-methods approach, primarily relying on comprehensive literature reviews and analysis of regulatory frameworks to explore the unique characteristics of Corporate Social Responsibility (CSR) in China. By synthesizing insights from existing academic literature and legal documents, the research aims to identify the distinct dimensions of Chinese CSR and contrast them with Western CSR paradigms.

In addition to the literature review, qualitative data was gathered through interviews with key stakeholders, including corporate executives, CSR managers, and policy makers. These interviews provided deeper insights into the practical implementation and cultural influences on CSR practices within Chinese corporations. The integration of these qualitative insights with the findings from the literature review ensures a robust understanding of how socio-cultural, economic, and regulatory factors shape CSR in China.

Overall, this methodological approach allows for a comprehensive examination of the unique aspects of Chinese CSR, highlighting the interplay between traditional cultural values, modern regulatory influences, and the evolving business landscape. This study contributes to the broader discourse on CSR by elucidating the distinctive characteristics of Chinese CSR and providing a framework for future research and practical applications in both Chinese and international contexts.

With a rich and enduring civilization spanning over five millennia, China boasts a unique sociocultural and philosophical tapestry that has profoundly shaped its worldviews, value systems, and institutional frameworks. At the core of this tapestry lie two of the most influential philosophical traditions in Chinese history: Confucianism and Daoism. These ancient schools of thought have exerted a profound and lasting influence on the social, political, and legal perceptions that have permeated Chinese society for centuries (Carmine & De Marchi, 2023; Sun, Guo, et al., 2022).

Confucianism, with its emphasis on virtues such as filial piety, propriety, and social harmony, has instilled a deep reverence for hierarchical relationships, collective interests, and the maintenance of social order. These values have fostered a strong sense of collectivism and a prioritization of societal welfare over individual rights, shaping the way Chinese society perceives and approaches social responsibilities(Cao et al., 2023; Fu et al., 2022; Huang et al., 2024).

Complementing Confucianism, Daoism's teachings of living in harmony with nature, embracing simplicity, and seeking balance have imbued Chinese culture with a holistic and long-term perspective on human-environment interactions. This philosophical tradition has influenced Chinese attitudes towards sustainable development and the preservation of ecological equilibrium, which are increasingly relevant in the context of corporate social responsibility (CSR) (Huang et al., 2024).

Layered upon these ancient philosophical foundations is the more recent introduction of Communism and Socialism, which further reshaped the nation's socioeconomic and political landscape. The principles of egalitarianism, state-led development, and the primacy of collective interests have been deeply ingrained in Chinese institutions and governance structures, shaping the country's approach to economic and social policies, including those related to CSR (Cao et al., 2023).

This unique amalgamation of philosophical traditions, political ideologies, and institutional frameworks has differentiated China's perceptions and practices from those of the West, where individualism, democratic governance, and market-driven economies have been more prevalent. In the realm of CSR, these contrasting contexts have led to divergent conceptualizations, priorities, and implementation strategies.

As China continues to rise as an economic powerhouse on the global stage, it becomes increasingly important to examine how these deep-rooted sociocultural and philosophical underpinnings influence the country's approach to CSR. Unpacking the nuances and idiosyncrasies of the Chinese CSR paradigm is crucial for fostering cross-cultural understanding, facilitating effective stakeholder engagement, and promoting sustainable and responsible business practices that resonate with the unique Chinese context (Khan, Naiping, et al., 2023; Khan, Zhu, et al., 2023).

Within this intricate tapestry of ancient wisdom, political ideologies, and contemporary realities, an in-depth investigation of China's CSR frameworks becomes a compelling avenue for scholarly inquiry. By contrasting the Chinese approach with its Western counterparts, this study aims to shed light on the multifaceted factors that shape CSR perceptions and practices, ultimately contributing to a more nuanced and globally inclusive understanding of corporate social responsibility (Ervits, 2021).

Scholarly discourse on China's corporate social responsibility (CSR) landscape abounds with examples showcasing unique approaches, distinct from Western CSR practices, in the realm of responsible corporate governance. Chinese companies, as evidenced by these examples, exhibit CSR priorities that diverge from global norms. This deviation can primarily be attributed to the unique institutional context prevailing in China, markedly different from the more established CSR regulatory frameworks observed in the US and Europe. Notably, the pervasive influence of the government across all facets of economic development, including CSR standards, stands out as a crucial national characteristic (Ervits, 2021; Zhao, 2014).

One significant driver shaping CSR in China is the regulatory framework and overarching policies such as the concept of a "Harmonious Society," introduced in 2005. Analysts argue that this concept has evolved into a guiding principle for the Chinese Communist Party, serving as a response to the looming threat of social instability. This instability, often highlighted by local unrest stemming from environmental and social concerns, underscores the imperative for the Party to prioritize CSR initiatives. The government, in its pursuit of a "Harmonious Society," finds a clear incentive in promoting CSR activities, particularly within state-owned enterprises (SOEs), as instruments to bolster state power(Wang & Juslin, 2009).

In this context, it's evident that certain stakeholders, notably the state, wield considerable influence, shaping the overarching patterns of CSR behavior at the national level. Case studies suggest that external pressures from communities, consumers, and peer companies play a relatively minor role as incentive mechanisms for CSR-related activities in China. The dominance of the state in defining CSR practices has led to a lack of multi-stakeholder dialogue, further emphasizing the centralized nature of CSR governance in China (Du et al., 2014; Zhang et al., 2024).

Cultural traditions also play a significant role in shaping CSR practices in China. The concept of the "Confucian Firm," discussed in scholarly works, represents a cultural legacy that may conflict with the profit-driven ethos prevalent in China's rapidly growing economy. Additionally, the intricate social network known as "guanxi" influences economic, social, and ethical dimensions of business conduct, thereby impacting CSR practices (Beugelsdijk et al., 2018; Chua, 2013).

Furthermore, differences in linguistic and stylistic conventions, as highlighted by studies analyzing CSR reports, underscore the distinctiveness of Chinese CSR practices compared to those in the US or EU. China's developmental challenges, characterized by institutional instability, underscore the prominence of (Wang & Juslin, 2009)philanthropy as a CSR practice. Philanthropy often supersedes other CSR initiatives, particularly in the absence of explicit regulations, weak enforcement mechanisms, and prevalent corruption.

Overall, Chinese CSR practices, as reflected in CSR reports, exhibit notable disparities compared to Western counterparts due to the unique regulatory and institutional landscape. The emphasis on philanthropy and the influence of cultural legacies further distinguish Chinese CSR practices, positioning them within a contextually complex framework that warrants careful consideration.

In the comparative study of Corporate Social Responsibility (CSR) between Western and Chinese contexts, several unique dimensions of CSR in China stand out, emphasizing the distinct cultural, economic, and regulatory environment that shapes CSR practices in the region (Ervits, 2021). The highlighted aspects in the table provide a comprehensive view of these differences (table 1.2).

These distinctions highlight how China's CSR practices are deeply intertwined with national priorities such as regional development, technological advancement, resource conservation, and social stability. The government's strong influence and the cultural context shape a unique CSR landscape that, while sharing common goals with Western practices, prioritizes specific national development strategies and social responsibilities.

Table 1.2. Differences in Corporate Social Responsibility (CSR) in China and the west

Feature	Western CSR	China's CSR
1. Economic Responsibility	Focuses broadly on creating wealth and profit, providing valuable products and services, ensuring corporate sustainability, and fostering economic growth and efficiency	While also emphasizing boosting economic benefits, creating wealth, and efficiently providing quality products and services, China uniquely underscores **promoting national and local economic development and emphasizing technology and innovation**. This reflects China's strategic focus on regional development and technological advancement as integral to corporate responsibility
2. Legal Responsibility	Operates within the bounds of the law, ensuring compliance with regulations.	In addition to abiding by laws and regulations, there's a specific emphasis on **paying taxes**, which highlights the government's role in directing corporate contributions to the state's financial health and societal development.
3. Environmental Protection	Generally, it aims to avoid environmental degradation, solve environmental issues, and protect the environment	While sharing these goals, China places a distinct emphasis on **conserving resources and boosting resource utilization rates**, which aligns with national policies aimed at sustainable development and efficient resource use.
4. Customer Orientation	Prioritizes product and service quality, consumer safety, and transparent marketing.	In addition to these, it uniquely values the principle that **quality is the life of the corporation** and emphasizes **genuine goods at fair prices**, underscoring a cultural focus on integrity and consumer trust
5. People Focused (Employees)	Covers health and safety, development opportunities, and fair labor practices.	Highlights specific issues such as **safe production and occupational health**, **staff learning and education**, and **staff's legitimate interests, welfare,**

Feature	Western CSR	China's CSR
		and insurance. Additionally, China explicitly bans child labor and ensures **union and human rights**, reflecting both global standards and localized labor concerns.
6. Charity	**Western CSR:** Encourages charitable activities, supporting underprivileged groups, and fostering education and culture	**China's CSR:** While it also supports charitable causes, it places a strong emphasis on **supporting and participating in social charity** and specifically focuses on **paying attention to underprivileged people and schools of hope**, illustrating a targeted approach to addressing social inequality and educational access.

Source: Author's elaboration based on data from relevant literature

Based on the those, here are ten unique aspects of CSR in China (figure 1.3):

1. Good Faith: This dimension emphasizes operating with integrity, honoring contracts, and providing genuine goods at fair prices, reflecting a strong focus on business ethics and trustworthiness.

2. Employment: Chinese corporations are expected to create job opportunities, reemploy laid-off workers, ease national employment pressure, and provide jobs for the disabled, addressing the country's significant employment challenges.

3. Social Stability and Progress: Ensuring social stability and harmony, promoting social progress, and supporting culture, science, and education are key elements, highlighting the importance of contributing to societal well-being.

4. Patriotism: This dimension involves promoting national prosperity and rejuvenation, reflecting a deep-rooted cultural emphasis on collective national progress and pride.

5. Environmental Protection: While similar to Western CSR, this aspect in China includes a stronger focus on conserving resources and boosting resource utilization efficiency.

6. Technological Innovation: Emphasizing technology and innovation as part of economic responsibility, Chinese CSR underscores the role of technological advancement in driving economic and social development.

7. Legal Compliance: Beyond abiding by laws, there's a specific emphasis on tax compliance, illustrating the government's role in ensuring corporate contributions to state revenue.

8. Union and Human Rights: Ensuring the protection of staff's legitimate interests, welfare, and insurance, and banning child labor, which indicates a focus on improving labor conditions and human rights.

9. Customer Orientation: Besides product quality and safety, Chinese CSR uniquely emphasizes providing genuine goods at fair prices, reinforcing consumer trust and satisfaction.

10. Charity and Social Welfare: Supporting and participating in social charity, paying attention to underprivileged groups, and engaging in public donations are integral, showcasing a commitment to social welfare and community support.

These aspects highlight how China's unique cultural, economic, and regulatory environments shape its CSR practices, distinctively integrating national priorities and societal needs (Chua, 2013; Du et al., 2014; Kim & Koo, 2022; Liang

& Wu, 2022; Luo et al., 2024; Pasko et al., 2023; Song & Jiang, 2022; Wu & Chen, 2023; Yan et al., 2023; Zhang et al., 2024).

The exploration of Corporate Social Responsibility (CSR) in China reveals several unique dimensions that distinguish it from Western CSR paradigms. One significant finding is the emphasis on good faith, which requires corporations to operate with integrity, honor contracts, and provide genuine goods at fair prices. This dimension underscores the importance of business ethics and trustworthiness in Chinese business practices, reflecting deep-rooted cultural values that prioritize moral conduct and cooperative awareness over mere profitability.

Another distinctive aspect of Chinese CSR is the focus on employment. Chinese corporations are expected to create job opportunities, reemploy laid-off workers, and ease national employment pressures. This reflects China's historical context and developmental stage, where addressing joblessness and managing workforce reductions due to state-owned enterprise restructuring are critical societal responsibilities. Unlike in Western contexts, where employment is often seen as a secondary CSR activity, in China, it is a central component, driven by the need to maintain social stability.

Social stability and progress also form a core part of Chinese CSR. Ensuring social harmony, promoting social progress, supporting culture, science, and education, and fostering patriotism are seen as vital corporate responsibilities. This dimension is influenced by Confucian ideals, which emphasize collective well-being and national prosperity. The unique historical and cultural context in China, which values societal harmony and national pride, shapes these CSR practices, differentiating them from the more individualistic and profit-focused approaches seen in the West.

Figure 1.3. Ten unique aspects of CSR in China

Source: Author's elaboration based on data from relevant literature

Moreover, the study highlights the unique role of the Chinese government in shaping CSR practices. Regulatory frameworks and policies like the "Harmonious Society" concept introduced in 2005 play a significant role in directing corporate behavior. The government's strong influence ensures that CSR activities align with national goals, such as social stability and economic development. This centralized approach contrasts with the multi-stakeholder dialogue common in Western CSR practices, where businesses often operate with greater autonomy.

Environmental protection and technological innovation are also prioritized within Chinese CSR. While environmental goals are shared globally, China's CSR places a specific emphasis on conserving resources and boosting resource utilization rates. This reflects national policies aimed at sustainable development and efficient resource use. Technological innovation is seen as a critical driver of economic and social progress, highlighting the strategic importance of technological advancements in China's CSR framework.

In conclusion, the distinct characteristics of CSR in China are shaped by a combination of cultural values, historical contexts, and governmental influences. These unique dimensions, including good faith, employment, social stability, environmental protection, and technological innovation, provide valuable insights into how CSR is conceptualized and implemented in China. Understanding these aspects is crucial for multinational corporations seeking to operate in China, as it allows them to align their CSR practices with local expectations and regulatory requirements. This study contributes to the broader discourse on CSR by highlighting the need for localized approaches that respect and integrate regional cultural and socio-economic contexts.

This study reveals that Corporate Social Responsibility (CSR) in China exhibits unique characteristics that significantly differ from Western CSR practices.

These distinctive features are shaped by China's cultural values, historical context, and regulatory environment.

Firstly, the concept of good faith stands out as a cornerstone of Chinese CSR. This includes operating with integrity, honoring contractual obligations, and providing genuine products at fair prices. Unlike Western CSR, which often focuses on shareholder interests and profit maximization, Chinese CSR emphasizes ethical behavior and trustworthiness.

Secondly, employment is a critical dimension in Chinese CSR. Corporations are expected to create job opportunities, reemploy laid-off workers, and ease national employment pressures. This focus is driven by China's socio-economic landscape, where managing large-scale employment is a priority due to historical and structural factors.

Thirdly, the dimension of social stability and progress is central to Chinese CSR. Corporations are tasked with ensuring social harmony, supporting cultural and educational initiatives, and promoting national prosperity. This reflects the government's influence in guiding corporate activities towards broader social goals.

Moreover, environmental protection in China includes a specific emphasis on resource conservation and efficient utilization. This aligns with national policies aimed at sustainable development, highlighting the strategic role of corporations in addressing environmental challenges.

These findings underscore the importance of understanding localized CSR practices. For multinational corporations operating in China, aligning their CSR strategies with these unique dimensions can enhance their effectiveness and resonance with local stakeholders. This study contributes to the broader discourse on CSR by providing insights into the distinctive features of Chinese CSR, offering a framework for further research and practical applications in diverse cultural contexts.

In conclusion, the study emphasizes the need for a nuanced understanding of CSR that goes beyond the Western paradigm. Recognizing the socio-cultural and regulatory influences that shape CSR practices in different regions can lead to more effective and culturally sensitive corporate strategies, ultimately fostering global corporate responsibility.

1.3. The role of the Chinese government in CSR: the role of political affiliations in shaping CSR practices in China

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, 2024a; 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.

China's rapid industrialization and economic expansion over the past few decades have had significant social and environmental repercussions. Pollution, labor exploitation, and income inequality are among the pressing issues that have sparked calls for more responsible corporate behavior. At the same time, the Chinese government has promoted CSR as part of its broader effort to modernize the economy and improve its global image. However, the implementation of CSR practices in China is often complicated by the political structure, where the lines between business and government are blurred, and firms with political connections enjoy privileges that can alter their approach to CSR.

The political system in China operates under a unique blend of state control and market mechanisms, with the government maintaining significant influence over key industries and firms. Political connections, which are defined as the relationships that firms or their executives have with government officials, can provide firms with access to critical resources, favorable policy decisions, and protection from legal challenges. These connections are particularly valuable in an environment where regulatory frameworks can be inconsistent, and enforcement is often selective. As a result, politically connected firms may face different pressures and incentives when it comes to adopting CSR practices compared to non-connected firms.

Previous research has explored the role of political connections in various aspects of corporate behavior, including financial performance, access to capital, and regulatory compliance (Cho & Patten, 2007; Dickson, 2000; Hou et al., 2017a; Hu et al., 2020a; Jia, 2014; Jia et al., 2019; Otchere et al., 2020; Sun & Yang, 2024). However, there is still a significant gap in the literature regarding the specific impact of political connections on CSR practices in China. While some studies suggest that political connections may lead firms to engage in CSR as a way to gain legitimacy and public approval, others argue that politically connected firms may prioritize profit maximization over social responsibility, using their connections to avoid the financial and operational costs associated with CSR.

This paper seeks to contribute to the existing literature by offering a nuanced understanding of how political connections influence CSR in China. Specifically, we will examine whether political connections encourage or discourage CSR engagement, and under what conditions these connections are most influential.

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 1.3 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.

Table 1.3. 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. This effect is stronger for firms facing high political pressure or lacking alternative political power. Additionally, the increase in value from sustainability disclosures compensates for the loss of politically connected independent directors, indicating a positive value impact of sustainability disclosures» (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. This finding is further supported by various robustness tests. Additionally, this paper probes into the reasons for the positive influence focusing on prerequisite and driving forces. For one thing, de-politicization reduces the rent-seeking expenses of politically connected firms, thereby granting these firms enough financial resources to improve their CSR performance. For another thing, CSR practices can convey positive information, improve financial performance, and enhance competitiveness, which motivates firms to actively participate in CSR issues to alleviate the adverse influence of losing political connection» (Qiu & Zhou, 2024a, p. 3668).

№	Authors	Dependable variables	Independent variables	Sample	Main findings
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. On other hand, CSR engagement in firms with symbolic political connection is associated with agency cost. Large firms in this group are also more likely to use the prestige of political connection as a buffer against the pressure to undertaking CSR activities. The analysis brings a different perspective to the political connection-CSR debate and shows that treating all types of political connection the same will likely results in misleading inferences because of the heterogeneous and offsetting nature of the effects» (Dang et al., 2022a, p. 16).
4	(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. However, the negative effect is weakened when a firms' reputation and competitive CSR implementation pressures are high» (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. Nonstate-owned listed companies that experience the sudden loss of political IDs adapt to the shock and improve their minority shareholder protections by engaging in fewer self-dealing activities and by enhancing investment efficiency….. The study also sheds light on political IDs' roles in facilitating rent-seeking by controlling shareholders» (Hu et al., 2020b, p. 1).

№	Authors	Dependable variables	Independent variables	Sample	Main findings
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. In addition, we find that political connections reduce market competition and increase firms' overinvestments, leading to the crowding out effect with the limited resources insufficiently and inefficiently allocated to corporate innovation in firms. We also find that political connections weaken the impact of corporate innovation on firm future performance» (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. Differences between connected and unconnected firms are more pronounced when political links are stronger» (Faccio, 2010, p. 905)

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.

(Xiao & Shen, 2022a) analyzed how political connections affect companies' environmental performance, focusing on China's Regulation 18, which forbids government officials from holding business roles. Xiao & Shen, 2022 showed that companies that lost political connections because of this regulation showed improvements in their environmental performance.

This positive change is mostly due to the tunneling effect, rather than the sheltering effect. This positive change in environmental performance happened mainly because of the "tunneling effect" instead of the "sheltering effect." The tunneling effect means that, when companies lose political connections, they no longer have powerful people taking resources away for their own benefit, which allows the companies to focus more on improving their environmental practices. On the other hand, the sheltering effect would mean that political connections were protecting the companies from environmental rules, but that was not the main reason for the improvement here. So, it's more about stopping the misuse of resources than losing protection from regulations.

Moreover, Xiao & Shen, 2022 breaked down environmental ratings into strengths and concerns, finding that the impact is stronger on strengths. The environmental improvements are more noticeable in companies with a higher level of tunneling, and these improvements add value to the company. Those results suggest that political connections harm environmental performance and have a negative impact on the environment.

In their study, Ting and Lee (2024) explore the impact of political connections on sustainability disclosure, focusing on the effects of China's Regulation 18. Ting and Lee (2024) use a quasi-experimental design, applying difference-in-difference (DiD) analysis, dynamic DiD, and propensity score matching to examine how politically connected independent directors influence sustainability disclosures after the introduction of Regulation 18. The authors find that firms with politically connected independent directors experience improvements in sustainability disclosures following Regulation 18. This effect is particularly significant for companies under high political pressure or those lacking other forms of political influence. Moreover, the study highlights that the increase in value from better sustainability disclosure compensates for the loss of politically connected directors, showing a positive effect on firm value.

Ting and Lee's (2024) research offers fresh insights into corporate disclosure practices in China by examining the role of political connections in shaping sustainability disclosures. It also discusses the limits of political power within firms and how companies adapt by enhancing transparency and sustainability reporting.

Sun & Yang (2024) in their study explore the relationship between political connections and green innovation in Chinese firms by combining government environmental target data from 2003 to 2015. Their research examines whether government-imposed environmental target constraints can break the "political resource curse" and promote green innovation. The results show that such a political resource curse does exist, negatively impacting green innovation. However, Sun & Yang find that government environmental target constraints can successfully reduce this curse by increasing the number of green innovations in politically connected firms, though this comes at the cost of lowering the quality of these innovations. To ensure the robustness of their findings, Sun & Yang extend their analysis using data from 2003 to 2021, and their conclusions remain stable. They also conduct a mechanism analysis, demonstrating that the government's environmental targets help raise the quantity of green innovation by reducing rent-seeking behaviors and boosting R&D subsidies. At the same time, these constraints exacerbate financial pressures, which in turn reduce the quality of inputs for green innovation, leading to a drop in overall innovation quality. The study also highlights the non-linear effect of the intensity of government environmental regulation on the link between political connections and green innovation. High-intensity regulations push politically connected firms to increase their green innovation output, but again, at the expense of quality. Their heterogeneity analysis further reveals that the impact of government environmental constraints on green innovation varies depending on factors such as the level and type of political connections, industry sectors, regional economic pressures, and market conditions.

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 1.4). 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., 2023; Cho & Patten, 2007; Dickson, 2000, 2003; Faccio, 2006; FACCIO et al., 2006; FAN et al., 2007; 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)

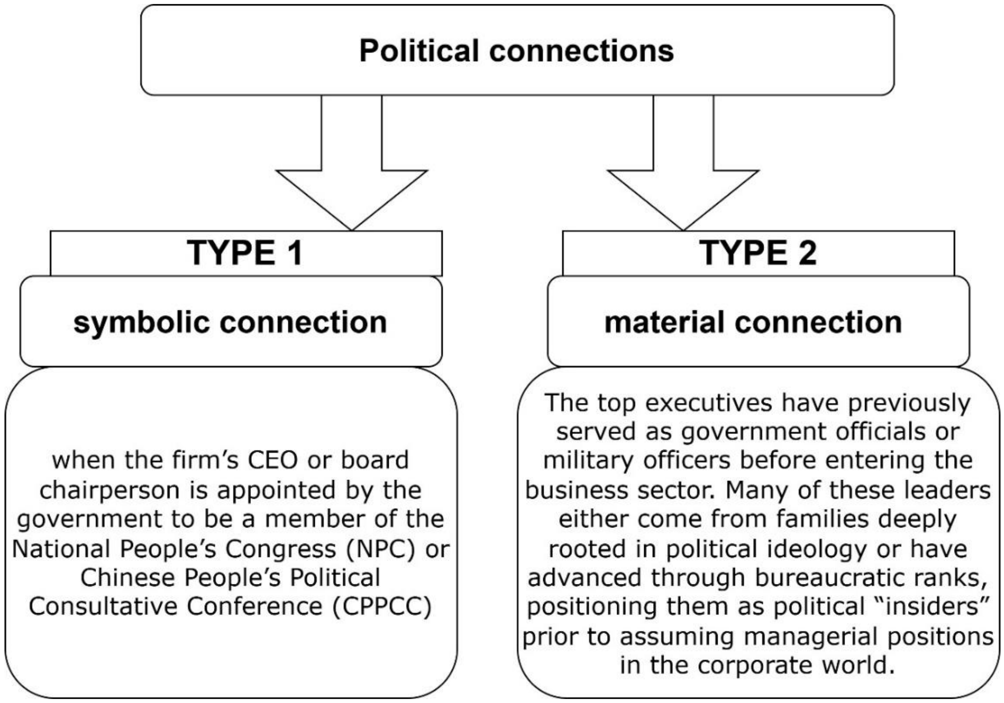

Figure 1.4. Two type of political connection

Source: Author's elaboration based on data from relevant literature

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, Tkal, 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.

Political connections also encompass the influence or "political capital" that a firm gains by being associated with political actors. Political capital refers to the resources or leverage a firm can mobilize through its political relationships. Firms with higher political capital can navigate complex regulatory landscapes, access new markets, and benefit from policies that favor their operations. This capital can enhance a firm's standing in the market, creating competitive advantages that might not be accessible to firms without political affiliations.

In is worth to underscore that political connections shape a firm's approach to corporate governance, CSR, and market positioning. In environments with high government intervention, these connections can be essential for survival and growth. However, they may also create a "political resource curse" effect, where reliance on political influence discourages investment in other areas, such as innovation or sustainability. For firms engaged in CSR, political connections can either promote transparency (to align with state expectations) or reduce CSR engagement (if political backing offers protection from public or regulatory pressure). Understanding these elements and their impact allows for a clearer assessment of CSR practices within politically influenced markets.

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 1.5).

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

Figure 1.5. Mechanism of Political Connections' Influence on CSR Disclosure in the Chinese socio-political context

Source: Author's elaboration based on data from relevant literature

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.

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.

1.4. Corporate social responsibility practices in China through strategic influences, governance, and reporting: literature review

Corporate social responsibility and cost of capital. The cost of capital is fundamentally significant, affecting investment project hurdle rates, corporate capital structure, operations, and profitability, thus playing a crucial role in various corporate decisions. Consequently, global attention has focused on reducing firms' cost of capital through diverse policy interventions (Aleknevičienė & Stralkutė, 2023; Kuo et al., 2021; Li et al., 2022).

Recently, the scrutiny of the cost of debt capital has intensified due to its profound impact on firms' sustainable and stable operations. Contemporary research on the determinants of the cost of debt capital predominantly draws from information asymmetry theory and agency theory. These studies examine the interplay of debt-level, firm-level, market and industry-level, and country-level factors and their collective impact on the cost of debt capital (Aleknevičienė & Stralkutė, 2023; Arora

& Sharma, 2022; Gangi et al., 2021; Gao et al., 2022; Jiawei et al., 2022; Kuo et al., 2021; Li et al., 2022; Magnanelli & Izzo, 2017).

Pressures from the debt capital environment and economic landscape have escalated the cost of debt, prompting companies to mitigate financial risk proactively. Corporate social responsibility (CSR) has become a pivotal consideration, gaining increasing attention as firms seek solutions. Investors in global capital markets scrutinize CSR reports, recognizing CSR information as crucial in shaping investment decisions. CSR report disclosure aims to align with national policies, meet stakeholder needs, and enhance communication between firms and stakeholders. Prior research suggests an inverse relationship between information disclosure quality and a firm's cost of capital, highlighting the potential of stricter disclosure standards to reduce agency and information asymmetry issues, thereby lowering the cost of equity capital (Al-Qudah & Houcine, 2023; Bae et al., 2022; Gong et al., 2021; Oikonomou et al., 2014; Pasko, Zhang, et al., 2021).

Moreover, CSR reports as vital non-financial information help lower the cost of debt capital by mitigating information asymmetry in the disclosure mechanism. The distribution of decision-making power within a corporation, particularly vested in top executives, emerges as a critical dimension. CEO and top executive perspectives significantly influence investment, financing, and strategic decisions, shaping corporate practices and outcomes. However, the literature indicates that a dominant CEO may correlate with declining firm value (Agnihotri & Bhattacharya, 2024; Liu et al., 2024; Qiao, 2024; Z. Wang et al., 2024).

While the Chinese market has seen growing research on the relationship between CSR and the cost of capital, a notable gap remains in assessing how different CSR qualities impact a company's cost of debt capital. Similarly, studies exploring the relationship between executive characteristics and the cost of debt capital are limited, primarily hinging on corporate governance perspectives, necessitating a comprehensive exploration of manager-level characteristics.

The current discourse around CSR and its implications for financial issues is broad and all-encompassing, dealing with diverging perspectives on finance, accounting, and corporate governance. With increasing discernment, stakeholders are looking at CSR reports for indicators of responsible corporate conduct, so the scrutiny of how quality dimensions are ensconced in these disclosures is becoming critical. Against this backdrop, the nexus between CSR report quality and cost of debt capital is placed within the broader context of information signaling theories and agency perspectives so that the veil can be taken off the intricate mechanisms through which these variables are allowed to interact.

CSR disclosure should also act as a signaling mechanism and provide extra non-financial information to a company's lenders regarding its commitment to ethical and sustainable practices. More openness may reduce information asymmetry between the firm and creditors, increase trust, and possibly decrease the perceived risk. As a result, they would demand a lower cost of debt capital. Robust CSR practices in organizations are often associated with a good corporate reputation for that particular entity (Hendijani Zadeh, Magnan, et al., 2023; Hendijani Zadeh, Naaman, et al., 2023; Nguyen et al., 2023). If lenders view a company as socially responsible, such a company would be portrayed as one that potentially does not take high risks or engage in unethical behavior, reducing the perception of financial risk and, therefore, the cost of debt capital (AlKhouri & Suwaidan, 2023; Tarulli et al., 2023). Furthermore, CSR activities aimed at long-term sustainable operations can even create intangible assets related to brand value and customer loyalty (Gao et al., 2022). Such intangibles may serve as indirect collateral because, in this case, creditors are more assured of the firm's ability to generate stabilized cash flows over time (Pittman & Fortin, 2004; Xu & Li, 2020). This, in turn, may be related to a lower debt capital cost. Many countries are moving toward compulsory CSR reporting (Aleknevičienė & Stralkutė, 2023; Gong et al., 2021; Kuo et al., 2021; Pasko et al., 2022). Companies that adhere to this frame are not only exempt from the likelihood of getting punished by the judiciary but, at the same time, send a positive signal that they behave ethically. This adherence to the standards of regulation may increase the respect of lenders toward the company and hence lead to a decrease in the cost of capital concerning debt (Aleknevičienė & Stralkutė, 2023; Gong et al., 2021; Kuo et al., 2021; Li et al., 2022). By contrast, although CSR disclosure can serve as an affirmation of responsible business practices, it may also turn out that the latter makes the firm vulnerable to increased scrutiny. Lenders, armed with such additional information, may set higher expectations from the company; that is, they may demand a higher cost of debt capital to compensate for some increase in risk or uncertainty that their expectations will not be met (Duggal et al., 2024; Yang et al., 2024). In addition, financial resources deployed to conduct CSR activities can be diverted from the means available for servicing debt (Duggal et al., 2024; Yang et al., 2024).

This would indicate to the creditors that a too significant share of resources is invested in the non-core business operations and, for this reason, would be interpreted to the detriment of the company's ability to service its debt, hence raising the cost of debt capital (Hoepner et al., 2016). Furthermore, CSR reporting encompasses numerous subjective measures and has been deficiently standardized. Such subjectivity to such a reporting standard can quickly bring ambiguities to the lenders. Without clear, comparable metrics, creditors will tend to be wary in making CSR disclosure a dependable firm risk profile indicator, which could hurt the cost of debt capital value (La Rosa et al., 2018; Magnanelli & Izzo, 2017). Some studies show that investors and lenders react with a grain of skepticism toward CSR disclosures and consider them to be more than public relations actions rather than genuine intentions related to sustainability practice (Aleknevičienė & Stralkutė, 2023; Pasko, Balla, et al., 2021). If CSR activities are seen to be shallow or greenwashing, the expected decrease in the cost of debt capital may not occur, and lenders may remain skeptical, asking for a higher interest rate (Al-Shaer, 2018; Hendijani Zadeh, Magnan, et al., 2023; Pasko, Chen, et al., 2021). Thus, a linkage between CSR disclosure and the cost of debt capital looks plausible; however, one has to remain aware of how complex these dynamics are. An empirical investigation regarding this issue needs to consider the setting, specifically the industry, and the complexities of the reporting procedure to achieve meaningful inferences.

It can be presumed that CEO financial expertise could also turn out to be a double-edged sword from the creditors' perspective (Fandella et al., 2023). On the one hand, financial expertise is positively linked to effective management; on the other hand, it may reflect a higher level of decision-making concentration in one hand, resulting in overconfidence and risky financial strategy (Qiao, 2024; Z. Wang et al., 2024). This perceived risk may cause creditors to ask for a higher cost of debt capital to compensate for the increased uncertainty related to CEOs. In addition, the financially sophisticated CEO is more inclined to weigh financial metrics versus non-financial in decision-making (Liu et al., 2024). This orientation might, therefore, result in myopic focuses on short-term financial gains while neglecting broader strategic considerations and non-financial risk factors. Creditors who sense this focused interest can view the firm as more at risk to economic shocks, giving them a more significant cost of debt capital (Liu et al., 2024; Qiao, 2024). On the other hand, CEO's financial expertise may have worsened agency problems in a firm. A financially astute CEO may exercise much influence in financial decision-making to the detriment of shareholders' interests, thus increasing the perceived risk even higher for creditors and calling for a cushion of more interest cost of debt capital from them (Agnihotri & Bhattacharya, 2024). Furthermore, while financial acumen is obviously essential, the CEO's other operational expertise potentially matters at least as much to overall firm performance. A CEO absorbed in finance might lack sufficient breadth in different forms of knowledge that are also key for cross-operational practice. Creditors might view this lack of experience concerning the firm's operation as a detriment and consequently demand a higher return on debt. On the other hand, CEO's financial expertise may positively affect the cost of debt capital by enhancing the quality of decision-making. A CEO with financial expertise will likely better handle complex financial landscapes, implement solid financial strategies, and manage financial risks effectively. Creditors are likely to perceive CEO's financial expertise firms as having a reduced credit risk and, therefore, can help lower the cost of debt capital (Agnihotri & Bhattacharya, 2024; Gao et al., 2022; Z. Wang et al., 2024). Besides, CEO's financial expertise can instill confidence among investors and creditors as well (Ampofo & Barkhi, 2024; Dhoraisingam Samuel et al., 2022; Ur-Rehman et al., 2024; S. Wang et al., 2024). A financially knowledgeable CEO will more or less positively influence trust via regular communication about financial strategies and an adequate understanding of the firm's economic health. Greater transparency and communication may reduce concerns over asymmetrical information and, in turn, further reduce associated perceived risks and, hence, the cost of debt capital (Hussain et al., 2024; Liang et al., 2024; Osei Bonsu et al., 2024). This means that the relationship between CEO's financial expertise and the cost of debt capital is not direct but is determined by several contexts. While CEO's financial expertise may come with several risks, it also tends to lead to better financial decisions and risk management to mitigate an excessively costly debt capital. These are considerations that empirical analysis must take painstakingly into account to draw meaning from the proposed relationship.

Therefore, this paper investigates whether stockholders and creditors place a positive value on CSR information disclosure when making decisions about providing financing to the firm, thereby influencing their investment choices. The aim of this study is to address existing research gaps by examining the relationship between corporate social responsibility (CSR) quality and the cost of debt capital, as well as evaluating the impact of CEO's financial expertise on this cost. Utilizing data from China's capital market, the study investigates whether higher CSR quality correlates with a lower cost of debt capital and how CEO's financial expertise influences this relationship. Additionally, the study explores the moderating effects of CEO financial expertise on the CSR-cost of debt capital relationship, while also considering the roles of CSR assurance, engagement with Big 4 accounting firms, and mandatory CSR reporting. This comprehensive analysis aims to extend the literature on CSR and external financing, providing valuable insights for companies in emerging markets, particularly Chinese firms, on enhancing their cost of debt capital.

Corporate social responsibility and internal control. Corporations while being a complex system of interests and influences are embedded in networks of stakeholder relationships (Louche & Baeten, 2006). Indeed modern corporations that concentrate on stakeholder needs instead of solely shareholder interests are involved in more corporate social responsibility (CSR) and environmental, social, and governance (ESG) activities, something companies were not aware of just a few decades ago (Karpoff, 2021; Pasko, Marenych, Diachenko, et al., 2021). Taking into account how more and more the stakeholder model is spreading in the corporate world as opposed to the shareholder model (Dwekat et al., 2022), new activities of companies give rise to new relationships of those new activities to the traditional ones and those associations can be synergistic, neutral or antagonistic and that warrants additional research which could shed a light on those links (Pasko, Chen, Proskurina, et al., 2021; Zaman et al., 2021). Moreover, not only the new element itself should be studied, but also how its perceived quality will contribute to its relationship with the traditional elements of the firm's management (Dwekat et al., 2022). Indeed, it is the identification of synergistic or antagonistic relationships between various elements of management and governance of the firm that can contribute to increasing the efficiency of this activity (Nord et al., 2022; Zaman et al., 2021).

Extant studies were occupied with the question of why specific companies are more effective in their CSR activities than others (Heinberg et al., 2021; Khlif et al., 2020; Pasko, Zhang, Bezverkhyi, et al., 2021; Sokil et al., 2020). And corporate transparency features atop as an answer to the above questions since it is believed that corporate transparency serves as “a boundary condition of the effects of CSR activities on the consumer–brand relationship” (Heinberg et al., 2021, p. 45). Moreover, the very corporate transparency is going to shape “the prospects of corporate social responsibility in the decade of action (2020–2030)” (Sepasi et al., 2021, p. 138).

Given that internal control is often regarded as a proxy for the concreteness of transparency and accountability (Chang et al., 2020) and that the board of directors plays a crucial role in enhancing corporate transparency by extending the disclosure level of CSR information (Gallego-Álvarez & Pucheta-Martínez, 2020; Pasko, Zhang, Tuzhyk, et al., 2021), while especially board gender diversity is heralded as a crucial element in board composition in that respect (Chebbi & Ammer, 2022; Nicolò et al., 2022) this paper proceeds from the assumption that the relationships between these three elements (CSR, IC and board gender diversity), which could be regarded as one of the main drivers of corporate transparency, can reveal new insight valuable as for practitioners, regulators and academics alike, since those relationships are best explored not in a vacuum, but in daily interaction.

The role of CSR in enhancing internal control potency detectable in the quality concern that shareholders esteem the most (Boulhaga et al., 2022; Wang et al., 2021).

The quality is achieved in many ways due to the internal control management which, if well-tuned, lessens the likelihood of fraud and other instances of corporate misconduct (Harjoto, 2017; Rodgers et al., 2015). Moreover, it is assumed that CSR is also "a dominant issue in organizations, especially its relationship to fraud" (Rodgers et al., 2015, p. 871). Therefore, the research on the link between CSR and IC is merited given their potentially synergetic effect. So, the relationship between CSR and internal control, which, despite its weight, remains understudied, but at the same time promising from the point of view of its impact on corporate governance and the firm as a whole.

Given the fact that corporate transparency is a consequence of the public disclosure of information specific to the company by managers, the board of directors and its composition are expected to influence the improvement of the quality of such information (Chebbi & Ammer, 2022). In particular, board gender diversity directly stands out as a key element in the construction of the board of directors, since the presence of women in the highest governance body leads to a better quality of board discussions and deliberations and board's debate on challenging and delicate matters (Adams & Ferreira, 2009; Farooq et al., 2022; Sattar et al., 2022), brings unique perspectives to boards (Adams et al., 2015; Farooq et al., 2022; Tunyi et al., 2023; Yarram & Adapa, 2022), engenders social dynamics and enhances board's monitoring and supervisory function, greater surveillance on managers (Audretsch et al., 2022; Han & Peng, 2022), moreover female directors is perceived by stakeholders as a step toward gender fairness within firm's CSR agenda (Farrell & Hersch, 2005).

Therefore, the virtue and benefits of female representation on the corporate board conjoined with the firms' already solid socially responsible stance would lead to enhanced internal control effectiveness, and thereby dissuades senior management from opportunistic behaviour to the detriment of the firm's stakeholders.

Underscores the indispensability of inquiry into the subject of the exigency from the part of corporate governance and its interconnections to be studied in each separate jurisdiction (Grigoraș-Ichim et al., 2018; Oradi & E-Vahdati, 2021), since it represents a unique set and networks of various levels of regulation, traditions, economic and management paradigm prevailing in the jurisdiction, as well as cultural differences of the country which can transform the same initial specifications into different outputs (Peng et al., 2022).

Thus, produced by this paper evidence is warranted given the relationship between CSR and IC effectiveness and the reinforcing impact on that by female directors is going to substantiate the link between the three elements of corporate transparency within specific institutional settings – China.

The extant literature acknowledges that the risk-reduction effect of CSR (Lu et al., 2021) or insurance-like effect (Chang et al., 2020) largely coincides with what the internal control system aims for and how it functions, which may indicate that these systems complement each other and, therefore, when applied simultaneously, may lead to a synergistic effect. Pasko, Zhang, Tkal, et al. assert that CSR advocates closer engagement of stakeholders and expedites the transformation of management's mentality and way of thinking, thus assisting a more efficient use of resources (Pasko, Zhang, Tkal, et al., 2021, p. 501). Lu et al. argue that CSR has not only an external value, which is manifested in increasing the company's reputation in the eyes of investors but also an internal value, which, although less researched, nevertheless exists and is embodied in an influence on risk management (Lu et al., 2022).

Moreover, CSR and IC are also linked by the concept of "risk". Anticipated expenses indicate the costs of risk that the company incur owning to the risk present out there. Basically, there are five components of the cost of risk: 1) expected cost of losses, 2) cost of loss control, 3) cost of loss financing, 4) cost of internal risk reduction, and 5) cost of residual uncertainty (Lu et al., 2021; Malafry & Brinca, 2022). It is argued that those costs of risk could be curtailed by CSR due to the latter contribution to better risk management, therefore, the prospective advantage of CSR as a risk reduction instrument is a function of firm risk level (Lu et al., 2021, p. 16). Thus, as Lu et al. assert "CSR can mimic or "act like" loss control and therefore reduce expected losses (by reducing the impact of negative events), the cost of loss financing (by reducing the probability of financial distress) and the cost of residual uncertainty (by enabling better terms of trade with stakeholders)" (Lu et al., 2021, p. 16). Therefore, orientation in the same direction, on a similar action should, hypothetically, lead to a synergistic effect of the interaction of CSR and IC.

Chang et al. emphasize that the role of CSR in enhancing internal control potency is installed in the quality concern that shareholders hold most dear (Chang et al., 2020, p. 6162). It follows that internal control is designed and implemented to address identified business risks that threaten the achievement of any of these objectives. Similarly, Mayberry asserts that compensation incentives can motivate managers not to pursue CSR strategies because "CSR reduces firms' risk and provides insurance-like benefits" (Mayberry, 2020, p. 1182).

Furthermore, CSR and IC are also linked by the concept of "strategic decisions". It is believed that in CSR, IS performs a function that is very closely related to "the appropriateness of strategic decisions and the effectiveness of fulfilment" (Wang et al., 2021, p. 4). Moreover, Wang et al. contend that "with the improvement of internal control effectiveness, enterprises will more actively promote the fulfilment of social responsibility" (Wang et al., 2021, p. 13), accordingly, improving the effectiveness of internal control is interrelated, if not guarantee the appropriateness of the decisions made regarding CSR and the resources involved in this activity.

Franco et al. emphasize that CSR is an activity that clearly and unequivocally leads to costs, however, it can also to translated into benefits for the company “when it generates solid relationships between firms and their stakeholders” (Franco et al., 2020, p. 1). Moreover, Yongming & Yini emphasize that companies should embed their CSR into the IC mechanism in order to also include elements of the stakeholders' vision and thus avoid the phenomenon known as "insider control" (Yongming & Yini, 2017, p. 455). Thus, CSR itself must be properly configured and focused on influencing and interacting with stakeholders, but not on a ticking-the-box mentality.

Moreover, the literature also emphasizes the impact of IC on CSR and reporting on it, because, as Jamel Chouaibi & Mounia Boulhaga indicate a low level of forward-looking information disclosure prevents corporate stakeholders from accurately predicting the future performance of the company (Jamel Chouaibi & Mounia Boulhaga, 2020).

As of today, the direction of CSR's impact on IC is obscure as basically this research field branch is still in its infancy. Harjoto on a sample of 152 criminal corporate fraud cases in the U.S. from the US Department of Justice (DOJ) between 2000 and 2010 finds that firms with higher CSR have a lower likelihood and lower severity of corporate fraud (Harjoto, 2017). Yongming & Yini on a sample of Shenzhen’s A-share market-listed manufacturing companies from 2010 to 2014 concluded that “internal control contributes to corporate performance improvement but inclines to be swayed by CSR” (Yongming & Yini, 2017, p. 449). The authors show that “corporate to shareholders, the government's responsibility significantly play a positive role in internal control … [while] corporate to creditors’ responsibility has a negative effect on the internal control” (Yongming & Yini, 2017, p. 449).

Board gender diversity and internal control. Presently, there is much controversy in the literature regarding the impact of board gender diversity on internal control and CSR. The only consensus is that corporate governance should be studied in each separate jurisdiction and this is confirmed by the example of such an element as women directors, because in China their influence is not as noticeable as in Western countries, due to the presence of what is called institutional complementarities (Pasko, 2022) and distinct cultural environment. Adams & Ferreira contend “gender-diverse boards allocate more effort to monitoring” due to female directors who have a significant impact on board inputs and firm outcomes (Adams & Ferreira, 2009, p. 291). It is believed that female directors bring a fresher and independent perspective, thereby strengthening board monitoring and its internal control systems (Farooq et al., 2022; Sri Utaminingsih et al., 2022), increasing the stakeholder management of the board (Peng et al., 2022) and ultimately it should also yield positive associations between our research items. Moreover, female directors have a stronger incentive for better risk management and, therefore, are associated with risk reduction (Sattar et al., 2022, p. 1), while gender board diversity results in lower volatility and better performance (Bernile et al., 2018, p. 588). Audretsch et al. continue the topic of risk, control and corruption finding that women-led firms are distinct from those led by men and that female CEO mitigate the effects of corruption (Audretsch et al., 2022).

Effective internal control is a key to guaranteeing that the company carries out all its operations following standards and legislation, for instance, such as CSR and the proportion of women on the board of directors, so it implies that other things being equal, there is a positive association between these components (Chebbi & Ammer, 2022; Min, 2022; Sattar et al., 2022; Sri Utaminingsih et al., 2022).

Empirical findings are mostly on par with a positive association. Pucheta-Martínez & Bel-Oms with a sample of all nonfinancial firms listed on the Madrid

Stock Exchange during 2004–2011 produce evidence that "female board directorship impacts the demand of internal control mechanisms such as board subcommittees, suggesting that firms should take it into account as a business strategy" (Pucheta-Martínez & Bel-Oms, 2019, p. 301). Mahmood et al. on a sample from the top 100 companies listed on the Pakistan Stock Exchange (PSE) during 2012-2015 concluded that "a large board size consisting of a female director and a CSR committee (CSRC) is better able to check and control management decisions regarding sustainability issues (be they economic, environment, or social) and resulted in better sustainability disclosure" (Mahmood et al., 2018). Oradi & E-Vahdati operating with a sample of companies from the Tehran Stock Exchange over the period 2013 to 2018 find that entities with female representation on board are less likely to experience internal control weaknesses (Oradi & E-Vahdati, 2021). Similarly, Chen et al. operating with an international sample of 4267 year-company observations filtered through Compustat, Audit Analytics, and Board Ex find that females on boards reduce internal control weaknesses, without regard to whether they sit on the audit committee or not (Chen et al., 2016).

Concurrently, bearing in mind the thesis that corporate governance is a country-specific activity, in China and other non-western countries the representation of women on the board of directors does not always work unambiguously. For example, Sri Utaminingsih et al. based on an empirical study from Indonesia find that internal control is not able to moderate the relationship between board gender diversity and tax aggressiveness (Sri Utaminingsih et al., 2022). Ding et al. operating with a sample of Chinese A-share listed manufacturing companies from 2015 to 2020 find that "female directors have only symbolic effect on environmental disclosure on sustainability performance" (Ding et al., 2022, p. 1). In part, those findings prompted Min to suggest that organizational impression management is a potential strategic motivation behind the appointment of female directors (Min, 2022).

However, Khan et al. while investigating the effect of independent directors on carbon information disclosure (CID) in China from 2011 to 2017 study also female independent directors confirm that they enhance the CID (Khan et al., 2022). Khidmat et al. investigating female representations on Chinese listed firm's boards on corporate social responsibility activities find that "firms with the gender-diverse board are socially responsible" (Khidmat et al., 2022, p. 563).

Corporate Social Responsibility decoupling. In recent decades, Corporate Social Responsibility (CSR) has gained significant attention as a core component of corporate strategy, largely driven by increasing societal expectations and regulatory requirements (Pasko et al., 2023; Tang et al., 2012). As stakeholders-ranging from consumers and investors to policymakers-prioritize ethical practices and environmental sustainability, corporations are under growing pressure to adopt CSR policies aimed at addressing these demands (Pasko et al., 2021; Sheehy, 2015). CSR initiatives encompass a broad spectrum of issues, including environmental stewardship, social equity, and community engagement, aligning corporate agendas with global sustainable development goals.

However, while many organizations publicly commit to ambitious CSR objectives, there often remains a substantial gap between these commitments and the practical outcomes of their policies-a phenomenon known as "CSR decoupling" (Gull et al., 2023). This decoupling reflects a misalignment between what companies pledge to achieve through CSR and the real-world impact of their efforts. The causes of CSR decoupling are varied and complex, including resource constraints, lack of genuine organizational commitment, and the challenging nature of implementing CSR practices that generate measurable societal benefits (García-Sánchez et al., 2021; Roszkowska-Menkes et al., 2024). Consequently, the phenomenon of CSR decoupling has emerged as a critical subject of analysis for researchers, policymakers, and business leaders seeking to understand the underlying dynamics that influence the authenticity and effectiveness of CSR.

This study investigates the impact of corporate governance attributes-such as board independence, board diversity, and CEO duality-on CSR decoupling. By exploring the ways in which these attributes either support or hinder the alignment between CSR policies and practices, this research aims to clarify the structural and managerial factors that drive genuine CSR engagement. Understanding these dynamics provides valuable insights into how corporate governance structures can foster meaningful CSR integration, ultimately contributing to the broader goal of achieving sustainable and socially responsible corporate behavior.

This paper seeks to analyze the phenomenon of CSR decoupling, with a specific focus on the corporate governance factors that influence the gap between CSR policies and their practical outcomes. By investigating the motivations, structural challenges, and organizational dynamics underlying CSR decoupling, we aim to offer insights into how companies can bridge this gap to foster greater authenticity and effectiveness in their CSR initiatives. Specifically, this research will address the following questions: What governance structures and managerial practices contribute to CSR decoupling? How do certain corporate governance attributes - such as board independence, diversity, and CEO duality - impact the alignment of CSR policies with tangible outcomes? And what changes can organizations implement to ensure their CSR efforts translate into genuine social and environmental contributions?

The decoupling of Corporate Social Responsibility (CSR) policies from actual practices is a topic that has sparked significant debate within academic and business communities. Decoupling, broadly defined, refers to the disconnect between a company's publicly stated CSR commitments and its actions in practice. While some argue that decoupling undermines the core purpose of CSR, others suggest that it may serve as a necessary and strategic step for organizations facing complex challenges and pressures. This section explores both perspectives, analyzing the arguments for and against CSR decoupling and its implications for corporate transparency, stakeholder trust, and social impact.

Critics of CSR decoupling argue that it compromises the integrity of corporate responsibility initiatives, leading to what is often described as "greenwashing." Greenwashing occurs when companies present themselves as environmentally or socially responsible to enhance their public image while neglecting to make meaningful changes in their operations. According to Lyon and Maxwell (2011), greenwashing damages stakeholder trust by creating a misleading impression of a company's commitments, thus reducing the effectiveness of CSR as a tool for social good. When stakeholders discover the gap between CSR claims and actual performance, they may feel deceived, which can lead to reputational damage and a loss of consumer loyalty.

Moreover, CSR decoupling may reduce the motivation for companies to implement genuine sustainable practices. Some studies suggest that companies engaging in decoupling are primarily driven by the desire to manage public perceptions rather than address the underlying social or environmental issues (Christensen, Morsing, & Thyssen, 2013). This perspective holds that when companies adopt CSR policies only as a form of symbolic compliance, they are less likely to invest in the resources and structural changes needed for genuine impact. Such an approach risks turning CSR into a superficial exercise, weakening its potential to contribute to long-term, sustainable change.

From a broader societal perspective, critics argue that decoupling prevents CSR from addressing the root causes of critical global challenges, such as climate change, inequality, and human rights abuses. According to Banerjee (2008), CSR should function as a transformative mechanism through which corporations assume a proactive role in societal well-being. When CSR efforts are decoupled, they fail to generate the intended social benefits, undermining CSR's purpose and potential to serve as an instrument for positive change.

On the other hand, some researchers view CSR decoupling more favorably, suggesting that it can play a pragmatic role in a complex and dynamic business environment. For instance, Bromley and Powell (2012) argue that decoupling allows companies to signal their intent to address social and environmental issues, even when they face constraints in achieving immediate, measurable outcomes. By publicly committing to CSR, companies may build the internal and external momentum needed to eventually implement substantive changes. In this view, decoupling serves as a first step toward aligning corporate actions with CSR goals, providing organizations with the time and flexibility to adapt.

Furthermore, proponents of decoupling argue that companies often operate under multiple and sometimes conflicting pressures from stakeholders, regulators, and markets. As Hahn, Preuss, Pinkse, and Figge (2014) highlight, businesses frequently confront trade-offs between financial objectives and social responsibilities. In such cases, decoupling may enable companies to navigate these competing demands by maintaining a public commitment to CSR while working to reconcile their internal challenges. This perspective views decoupling as a strategic response to institutional complexity, allowing firms to balance stakeholder expectations without jeopardizing their financial performance.

What is CSR decoupling? For the purposes of further discussion, we will use the following working definition of this concept: CSR decoupling refers to the misalignment within an organization’s corporate social responsibility commitments, where there is a disconnect between the company’s stated CSR objectives and its actual practices or the efficacy of its chosen methods.

In recent years, organizations face mounting pressures to align their policies and practices with various external demands, ranging from environmental protection to enhancing employee satisfaction. Against this backdrop, Bromley and Powell (2012) reexamine the concept of "decoupling" within organizations. Through their review and critique of existing literature, they contend that the common view of decoupling, typically seen as a disconnect between policy and practice, oversimplifies a more critical issue-a disconnect between the means organizations employ and the goals they aim to achieve. The authors argue that «the common understanding of decoupling-as a gap between policy and practice-obscures the rise of a more prevalent and consequential form of decoupling-a gap between means and ends» (Bromley & Powell, 2012, p. 483). They analyze the conditions under which both forms of decoupling-policy-practice and means-ends-are likely to occur, while also identifying key directions for future research. The authors argue that this lesser-recognized form of decoupling has significant consequences. As organizations strive to monitor and evaluate activities where the connection between actions and intended outcomes is unclear, they often experience (a) a surge in internal complexity, (b) a continuous cycle of reforms, and (c) a shift of resources away from essential objectives (Bromley & Powell, 2012).

Therefore, it is important to emphasize that there are several types of decoupling to distinguish between, namely Means–Ends Decoupling and Policy–Practice Decoupling (figure 1.6).

Means–Ends Decoupling and Policy–Practice Decoupling are concepts that reveal discrepancies within corporate social responsibility (CSR) processes. These terms describe instances where a company's actual activities diverge from its stated goals, strategies, or policies, highlighting potential gaps in its commitment to CSR (Luan, 2024; K. Wang, Yu, et al., 2024).

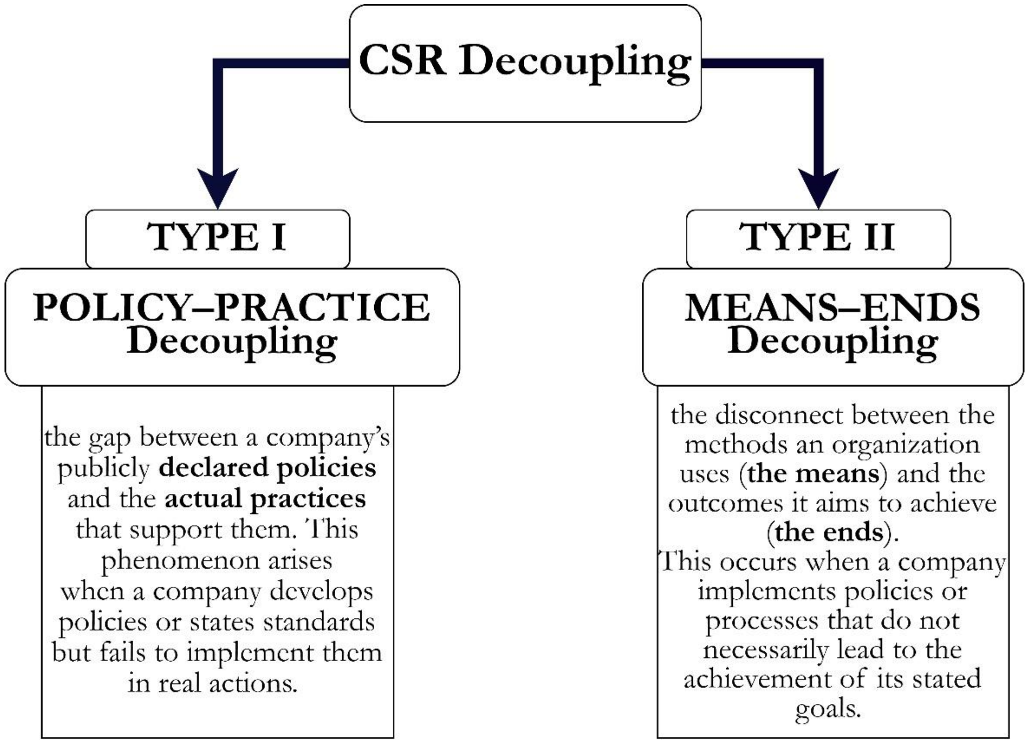

Figure 1.6. Two types of CSR decoupling

Source: Author's elaboration based on data from relevant literature

Means–Ends Decoupling refers to a disconnect between the methods a company uses (the means) and the outcomes it aims to achieve (the ends). In such cases, a company may adopt policies or processes that do not effectively lead to the fulfillment of its intended goals. For instance, a company might set a target to reduce carbon emissions, yet employ methods that are either ineffective or insufficient to achieve this aim. This type of decoupling often arises in environments where innovation is resisted, or certain objectives face significant opposition, creating a conflict between the chosen means and the desired ends (Chang et al., 2017; Crilly et al., 2016; Hong et al., 2024; Luan, 2024; Yu et al., 2024).

Policy–Practice Decoupling describes the gap between a company's publicly declared policies and the actual practices that are meant to support these policies. This type of decoupling occurs when a company sets standards or establishes policies but fails to implement them in practice. For example, a company may publicly stress the importance of labor rights, yet in practice, violate these rights by employing underqualified workers without adequate social protections. This form of decoupling is frequently seen when companies aim to satisfy external demands, such as government regulations or public expectations, without genuinely adhering to the policies they promote (Ali Gull et al., 2022; Eriksson & Svensson, 2016; Wan et al., 2024; Xue et al., 2024; Yang et al., 2024; Yu et al., 2024; Zhang, 2022a).

The essential distinction between these two forms of decoupling lies in their focus. Means–Ends Decoupling centers on the disconnect between the methods (means) used and the outcomes (ends) that are supposed to be achieved, whereas Policy–Practice Decoupling emphasizes the inconsistency between what is publicly declared in policies and what is actually enacted in practice (Crilly et al., 2012; Liu et al., 2023).

Understanding these concepts is critical in analyzing the effectiveness and ethical integrity of an organization's CSR efforts. Recognizing the existence of such gaps sheds light on the ways organizations may fall short of upholding their social responsibility commitments, offering valuable insights into their actual social and ethical conduct.

Corporate Social Responsibility (CSR) decoupling can take on two distinct forms, commonly referred to as *greenwashing* and *brownwashing*. Both involve a disconnect between a company's actions and its CSR claims, but they play out in different ways, each with unique implications for stakeholders (Graafland & Smid, 2019; L. He & Gan, 2024).

Greenwashing occurs when a company promotes itself as environmentally or socially responsible without backing up these claims with genuine actions. This often involves marketing campaigns, public statements, or reports that emphasize sustainability efforts, but the reality behind the scenes may not align with these claims. For instance, a company may advertise its commitment to reducing carbon emissions while continuing to invest heavily in fossil fuels or unsustainable practices. Greenwashing misleads consumers, investors, and other stakeholders by creating a positive but false image of responsibility, ultimately undermining trust when these discrepancies come to light (Delmas & Burbano, 2011; L. He & Gan, 2024; Velte, 2023).

Brownwashing, on the other hand, involves downplaying or even concealing positive CSR efforts. This type of decoupling can happen when companies fear that promoting their genuine efforts might be seen as insincere or driven purely by profit. Some companies may achieve impressive sustainability milestones or community impacts but choose not to publicize these efforts to avoid accusations of exploiting CSR for image benefits. Brownwashing can leave stakeholders unaware of a company’s positive impact, potentially missing out on inspiring or incentivizing other organizations to adopt similar practices(L. He & Gan, 2024).

Both forms of CSR decoupling reflect challenges in balancing transparency with credibility (table 1.4). Greenwashing erodes trust by exaggerating efforts, while brownwashing may prevent valuable CSR initiatives from gaining recognition and momentum. In either case, authenticity and openness are essential to building and maintaining a trustworthy CSR image (L. He & Gan, 2024; Talpur et al., 2024; Yu et al., 2024).

In their study, Crilly et al. (2016) investigate the ways firms may mislead stakeholders by failing to fulfill their commitments to sustainability without being easily detected. Existing theories suggest that due to information asymmetry, stakeholders often face challenges in discerning whether firms are truly implementing sustainable practices.

Table 1.4. Prior studies on CSR decoupling

№	Authors	Dependable variables	Independent variables	Sample	Main findings
1	(L. He & Gan, 2024)	CSR decoupling	public attention	5633 annual observations from Chinese A-share listed firms spanning 2011–2020	„Our results show that firms subjected to heightened public attention tend to engage less in CSR decoupling. …public attention effectively inhabits CSR decoupling through information and supervision channels. … a lower level of CSR decoupling for firms with intensive public attention results in lower reputational crisis and superior financial performance, highlighting the benefits of aligning CSR talk with CSR walk" (L. He & Gan, 2024, p. 1)
2	(Khan et al., 2024)	CSR decoupling	financial expert CEOs	2,513 firms operating in 29 countries from 2006 to 2017	„The result shows that financial expert CEOs reduce the CSR gap. … Overall, the results suggest that CEOs with financial background matter to improve the CSR reporting quality and reduce the information asymmetry between firms and their stakeholders, contributing to the upper echelons theory" (Khan et al., 2024, p. 430).
3	(K. Wang, Wang, et al., 2024)	CSR decoupling	female CEOs and female directors	Chinese listed hospitality and tourism firms spanning 2009–2020	„The results obtained through the cluster-adjusted fixed effects regression method show that female CEOs are negatively correlated, suggesting that firms with a female CEO are unlikely to engage in CSR decoupling, while female directors are positively correlated, indicating that firms with a higher proportion of female directors are more likely to pursue CSR decoupling" (K. Wang, Wang, et al., 2024, p. 1).
4	(Sayari et al., 2024)	CSR decoupling	firm value across firms that understate versus overstate CSR	longitudinal analysis across 20 developed countries for the period 2008–2016 and employing a Bayesian item response theory method to measure CSR performance	"we find that overstating CSR increases firm value whereas understating CSR decreases firm value. Our results also show that firms that overstate their CSR saw a reduction in firm value when the regulatory environment is included as a moderator" (Sayari et al., 2024, p. 264). "When we distinguish between firms that understate and over-state CSR, we find that overstated CSR decoupling increases firm value, while firm value is reduced by understated CSR decoupling" (Sayari et al., 2024, p. 278).
5	(Z. Wang, Kling, et al., 2024)	CSR	executives' different political mindsets	the non-state-owned firms listed on the Shanghai Stock Exchange (SHSE) and Shenzhen Stock Exchange (SZSE) from 2008 to 2017	"This study examines the effects ofexecutives' different political mindsets onCSR.We find that firms led byexecu-tives with a promotion-oriented mindset and those with an ideology-oriented mindset issue more (substantive) CSR reports than their peers without politically involved executives. However, only firms with an ideology-oriented mindset contribute more to society than their peers without such a mindset. By contrast, firms with a promotion-oriented mindset contribute less to society than their peers without such a mindset. This CSR decoupling also exists in firms' CSR activities" (Z. Wang, Kling, et al., 2024, pp. 538–539)

№	Authors	Dependable variables	Independent variables	Sample	Main findings
6	(C. He et al., 2023)	CSR decoupling	financial performance	Chinese listed firms from 2008 to 2020	“that CSR decoupling is negatively associated with firms' financial performance. These findings further suggest that the negative relationship can be suppressed by customer stability and operational slack, but amplified by customer concentration” (C. He et al., 2023, p. 1859)
7	(Ali Gull et al., 2023)	CSR decoupling	board gender diversity (BGD)	9276 firm-year observations for the period 2002–2017	“our results confirm that BGD is negatively associated with CSR decoupling. Analysis of the composition of gender-diverse boards further reveals that this effect is stronger for balanced boards than for skewed and tilted board…. This implies that gender-diverse boards could act as a substitute mechanism for corporate governance that would otherwise be weak” (Ali Gull et al., 2023, p. 2186)
8	(Gull et al., 2023)	CSR decoupling	the presence and composition of a corporate social responsibility (CSR) committee	listed firms drawn from 41 countries	“we found that the presence of a CSR committee on the corporate board is negatively associated with CSR decoupling. … Further analysis of the relationship between the structure of the CSR committee and CSR decoupling shows that larger CSR committee size and a greater independence and longer tenure of its members negatively affect CSR decoupling” (Gull et al., 2023, p. 349)
9	(Zhang, 2022b)	CSR decoupling	analyst coverage	listed firms in China for 2010–2019	“analyst coverage decreases CSR decoupling, and that the negative association is more pronounced for non-state-owned firms and for firms with high information asymmetry” (Zhang, 2022b, p. 620)
10	(Abweny et al., 2024)	CSR decoupling	CSR committees, standalone CSR reports, and CSR contracting	4884 firm-year observations corresponding to 445 UK-based firms listed on the FTSE All-Share Index between 2007 and 2017	«CSR-focused governance mechanisms diminish CSR decoupling and enhance CSR credibility in UK firms. In addition, the simultaneous presence of CSR committees and standalone CSR reports has a complementary effect in mitigating CSR decoupling. Conversely, the combinations of CSR committees and CSR contracting as well as standalone CSR reports and CSR contracting exhibit a substitute relationship» (Abweny et al., 2024, p. 1)

However, Crilly et al. (2016) approach this issue from a cognitive-linguistic perspective, proposing that the deception lies not in the content of firms' communications but in the linguistic properties shaped by managerial perceptions of sustainability. Specifically, they argue that while firms with genuine sustainable practices and those that are merely symbolic may discuss similar topics in their reports, the linguistic style differs: firms genuinely practicing sustainability tend to use a more complex linguistic style compared to firms that decouple their actions from their statements.

Furthermore, Crilly et al. (2016) theorize that not all stakeholders are equally capable of recognizing these linguistic cues. While specialist stakeholders with relevant expertise are more likely to detect subtle differences, generalist stakeholders or those with potential conflicts of interest may struggle to notice these linguistic nuances. The study supports this cognitive-linguistic perspective through a textual analysis of grammatical structures in 261 interviews across 12 multinational corporations and their stakeholders. This perspective enhances our understanding of how firms may engage in deceptive practices and how certain stakeholders are better equipped to recognize such deception, suggesting new directions for research into firm-stakeholder relationships (Crilly et al., 2016).

In their recent study, Hong et al. (2024) introduced the concept of temporal decoupling as a valuable analytical tool for examining and managing complex organizational dilemmas and trade-offs. Temporal decoupling allows organizations to separate conflicting demands over time, providing a practical approach to balance local versus global priorities or social versus economic objectives. By decoupling decisions temporally, Hong et al. (2024) argue, firms can strategically allocate resources and address competing goals without compromising one objective for another in the immediate term.

Hong et al. (2024) illustrate this approach using the example of KBZ, a company that successfully implemented temporal decoupling to make progress toward creating shared value (CSV) within its local context. A notable aspect of this case is that KBZ managed this progress independently, without relying on resource transfers from its headquarters. This independence highlights how temporal decoupling can empower local branches to adapt and respond to local needs effectively while still aligning with broader corporate objectives.

The study by Hong et al. (2024) contributes to the literature by offering a nuanced perspective on how companies can handle dilemmas that are often framed as zero-sum or mutually exclusive. Temporal decoupling allows firms to address both sides of a trade-off by sequencing actions or strategically delaying decisions to a more opportune time. For instance, companies can prioritize social goals locally in the short term while aligning with economic goals in the long term, thereby fulfilling both objectives without immediate conflict.

Overall, Hong et al. (2024) provide a compelling framework for organizations facing multidimensional pressures. Their work emphasizes the potential of temporal decoupling to facilitate balanced decision-making across varying contexts and stakeholders, making it a significant contribution to strategic management literature focused on CSV and organizational adaptability.

The literature generally reveals a limited exploration of the influence that specific corporate governance attributes-such as board independence, board diversity, board size, supervisory board size, management experience, CEO duality, the number of board committees, and the number of senior executives-have on corporate social responsibility (CSR) practices. While highly pertinent to contemporary governance discourse, these attributes have not been comprehensively examined within existing studies, leaving notable gaps in understanding their role and significance.

Acknowledging this gap, our research aims to provide a detailed, systematic analysis of how these governance characteristics influence CSR decoupling. By "CSR decoupling," we refer to the disconnection between a corporation’s stated CSR policies and its actual practices-a phenomenon where organizations may formally adopt CSR policies without fully integrating them into operational practices. Our approach seeks to establish clearer links between corporate governance structures and their potential to either promote or hinder genuine CSR engagement, thereby addressing both theoretical and practical implications for corporate governance and social responsibility alignment.

In undertaking this "generalized analysis," we endeavor to provide a cohesive overview of the effects of various governance attributes, offering new insights into how corporate boards can strategically structure themselves to minimize CSR decoupling and enhance the alignment of their CSR policies with actual performance.

Board independence and CSR decoupling. On the one hand, some studies suggest that board independence can reduce CSR decoupling, as independent directors are less likely to engage in or tolerate unethical behavior (Gerwing et al., 2022; Girella et al., 2022). Independent board members bring diverse perspectives and typically have fewer ties to management, potentially leading to greater accountability and adherence to genuine CSR practices. On the other hand, evidence also indicates that independent board members, while bringing objectivity, may lack deep familiarity with the company’s internal processes and culture, potentially leading to superficial CSR oversight (Karpoff, 2021; Shahrokhi et al., 2022; Stein & Zhao, 2019). Additionally, in cases where independent directors are more concerned with short-term financial results, they may inadvertently allow or even encourage CSR decoupling to maintain profitability (Brochet & Srinivasan, 2014; Masulis & Zhang, 2019).

Considering all these perspectives, we adopt the hypothesis that board independence is indeed negatively correlated with CSR decoupling, meaning that as board independence increases, the likelihood of CSR decoupling decreases.

Board diversity and CSR decoupling. On the one hand, there is evidence suggesting that board diversity can reduce CSR decoupling, as diverse perspectives foster a broader understanding of social and environmental issues, thus encouraging companies to commit genuinely to CSR practices (Bonaparte et al., 2023; Gerwing et al., 2022; Li & He, 2023). Additionally, a varied board may include members with strong personal values aligned with social responsibility, who are less likely to support superficial CSR actions aimed solely at improving corporate image. On the other hand, some studies indicate that the complexities of managing a diverse board can lead to slower decision-making processes, which might detract from the company's ability to fully implement CSR initiatives (Bonaparte et al., 2023; Li & He, 2023). Furthermore, the presence of diverse viewpoints can sometimes lead to conflicts or diluted goals, potentially resulting in a lack of focused commitment to CSR, which could indirectly foster decoupling.

In view of these considerations, our research will proceed on the hypothesis that board diversity indeed has a negative correlation with CSR decoupling, meaning that increased diversity on boards may help to align a company's CSR actions more closely with its stated values and commitments.

Board size and CSR decoupling. On the one hand, larger boards may enhance oversight and decision-making diversity, which can strengthen accountability in corporate social responsibility (CSR) initiatives, thereby reducing CSR decoupling (Boone et al., 2007; Harris & Raviv, 2008; Zaman et al., 2021). Larger boards also tend to have more expertise and resources, potentially leading to more effective implementation of CSR policies across different organizational levels (Guest, 2009). On the other hand, larger boards may face coordination challenges and slower decision-making processes, which could dilute focus and commitment to CSR, ultimately increasing the risk of CSR decoupling(Ozbek & Boyd, 2020).

Additionally, larger boards may sometimes prioritize the interests of certain stakeholders over others, which can lead to inconsistencies in CSR practices.

Given these considerations, our study will adopt the hypothesis that board size is negatively correlated with CSR decoupling, as this perspective suggests that a more substantial board can mitigate the gap between CSR commitments and actual practices.

Supervisory board size and CSR decoupling. On one hand, a larger supervisory board might be more effective in overseeing CSR policies and practices, as it brings a broader range of perspectives and expertise, potentially enhancing accountability and reducing the chances of CSR decoupling (Baldini et al., 2018; O'Regan, 2010). Additionally, increased board size could foster a more comprehensive approach to monitoring and implementing CSR strategies, as there are more individuals who can advocate for ethical practices and uphold corporate social responsibility standards (Avcın & Balcıoğlu, 2017). On the other hand, larger supervisory boards can sometimes lead to inefficiencies and coordination challenges, which might dilute the focus on CSR policies and make it harder to achieve consistent CSR integration (Larcker et al., 2007). Furthermore, a bigger board may increase the likelihood of conflicts and bureaucratic hurdles, which could inadvertently lead to a lack of genuine commitment to CSR practices, thus resulting in decoupling (Dharmadasa et al., 2014).

In view of the above, we base our research on the hypothesis that an increase in supervisory board size is associated with a reduction in CSR decoupling, as the diversity and range of perspectives within a larger board may positively contribute to CSR oversight.

Management experience and CSR decoupling. On the one hand, there is evidence suggesting that management experience can positively influence Corporate Social Responsibility (CSR) decoupling (Ben Amar & Chakroun, 2018).

Experienced managers, often focused on meeting stakeholder expectations and delivering immediate financial results, may strategically adopt CSR practices on paper without fully implementing them to maximize short-term gains (Hillman & Keim, 2001). Additionally, seasoned managers may leverage their knowledge of corporate frameworks to engage in symbolic CSR actions, showcasing a commitment to ethical standards while minimizing actual resource allocation.

On the other hand, experienced managers may also be more aware of the long-term benefits of genuinely implemented CSR, such as reputation enhancement and sustainable stakeholder relationships, which might discourage CSR decoupling (Ehsan et al., 2020). Moreover, managers with extensive experience often face higher scrutiny from both internal and external stakeholders, making it riskier to adopt CSR initiatives superficially, as they understand the potential reputational damage of such an approach (Ehsan et al., 2020).

Given these perspectives, our research will adopt the hypothesis that management experience positively correlates with CSR decoupling, acknowledging the possibility that experienced managers may prioritize strategic image management in CSR practices.

CEO duality and CSR decoupling. On one hand, the dual role of chairman and CEO may facilitate decision-making and enhance the agility of corporate actions, potentially enabling swift responses to external CSR demands without fully integrating these practices (Boyd, 1995). This consolidation of power might also enable the top executive to prioritize financial and strategic goals over deep CSR commitments, leading to a form of decoupling where CSR is more symbolic than substantial (Nahar Abdullah, 2004; Wijethilake & Ekanayake, 2019). On the other hand, having a single individual in both roles might limit the checks and balances necessary to ensure true CSR integration, as the oversight role of the chairman is compromised (Voinea et al., 2022). Furthermore, this concentration of authority can lead to a lack of accountability and transparency, as fewer voices challenge the CEO's actions, possibly resulting in CSR initiatives that are more about public image than meaningful change (Voinea et al., 2022).

In light of these arguments, we adopt in this study the hypothesis that concurrent service as chairman and CEO is positively correlated with CSR decoupling, where CSR is implemented in ways that prioritize appearance over substance.

The number of board committees and CSR decoupling. On the one hand, a greater number of board committees could improve oversight and ensure more rigorous monitoring, thereby reducing the likelihood of corporate social responsibility (CSR) decoupling (Ruigrok et al., 2006). With specialized committees, boards can distribute responsibility more effectively, addressing specific CSR issues with focused expertise and attention (Allegrini & Greco, 2013). On the other hand, having multiple committees may lead to fragmented decision-making, where a lack of unified oversight results in inconsistent or diluted CSR efforts, potentially increasing the risk of decoupling (Orazalin, 2020). Additionally, too many committees could complicate communication and coordination, making it harder to maintain a cohesive approach to CSR policies and practices (Orazalin, 2020).

Given these considerations, we base our research on the assumption that the number of board committees is inversely related to CSR decoupling, positing that a higher number of committees reduces the likelihood of CSR commitments being disconnected from actual practices.

The number of senior executives and CSR decoupling. On the one hand, a greater number of senior executives may strengthen accountability and foster transparency, reducing the likelihood of CSR decoupling(Aliani et al., 2022). With more leaders actively involved, there can be a broader oversight, ensuring CSR initiatives are genuinely implemented rather than superficially adopted (HUANG & HILARY, 2018). On the other hand, an increase in the number of senior executives could lead to conflicting priorities, potentially complicating CSR efforts and inadvertently creating gaps between CSR rhetoric and action (Hussain et al., 2023). Moreover, the diversity of perspectives among executives may slow down decision-making processes, which could hinder the effective integration of CSR into business practices (Hussain et al., 2023).

Given these considerations, we base our research on the hypothesis that the number of senior executives negatively correlates with CSR decoupling, suggesting that more executive involvement may reduce the discrepancy between stated CSR goals and actual practices.

Summary of Section 1

This section explores the foundational concepts, evolution, and strategic frameworks of Corporate Social Responsibility (CSR) in China, emphasizing the interplay between cultural, regulatory, and business practices. Initially, the section outlines the historical progression of CSR in China, from its negligible presence during rapid industrialization phases to its current strategic role within corporate governance frameworks, influenced by governmental policies such as the "Ecological Civilization" initiative and the "Green Finance" agenda.

It highlights four distinct approaches to CSR practices - compliance-oriented, stakeholder-centered, strategic value-driven, and culturally embedded - each reflecting varying priorities and societal expectations. These paradigms demonstrate how Chinese CSR integrates regulatory adherence, stakeholder engagement, and national cultural values into corporate practices. The section also underscores the unique dimensions of CSR in China, such as the emphasis on good faith, employment creation, social stability, and environmental conservation, all tailored to align with China's socio-economic landscape.

Further, it elaborates on the role of philosophical traditions like Confucianism and Daoism, which infuse CSR with a collective and long-term perspective, and how these are intertwined with modern state-driven objectives for sustainable and inclusive growth. The section concludes with a comparative analysis of Western and Chinese CSR paradigms, offering insights into the unique regulatory and cultural factors shaping CSR practices in China. It argues for a balanced and integrative CSR framework that accommodates compliance, strategic goals, and cultural contexts, serving as a model for effective corporate responsibility in diverse global environments.

SECTION 2
CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN CHINA: MECHANISMS, IMPACTS, AND IMPLICATIONS

2.1. The Influence of Corporate Social Responsibility Quality on Debt Financing Costs in China: The Mediating Role of CEO Expertise

This subsection provides a detailed description of the data sources and sample selection criteria used in this study. The analysis focuses on firms listed on the Shanghai and Shenzhen Stock Exchanges, leveraging data from reputable databases to ensure reliability and comprehensiveness. Specifically, CSR disclosure choices were derived from the China Stock Market & Accounting Research Database (CSMAR), while the substantiveness of CSR disclosures was evaluated using data from the HEXUN website. Given that HEXUN began systematically assessing CSR disclosures in 2010, the study includes only firms that issued CSR reports during the 2010–2020 period. Financial and CEO-related variables essential for empirical analysis were also sourced from the CSMAR database. To enhance the robustness of the results and minimize the impact of extreme values, all continuous variables were winsorized at the 1st and 99th percentiles.

Thus, based on a comprehensive review of existing literature in subsection 1.4 and the underlying rationales discussed therein, this research proposes the following hypotheses for examination:

H1: CSR disclosure quality is negatively related to the cost of debt capital (COD).

H2: CEO's financial expertise is positively related to the cost of debt capital (COD).

This study was focused on firms listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The data for CSR disclosure choices were obtained from the China Stock Market & Accounting Research Database (CSMAR), while the data for CSR disclosure substantiveness were sourced from the HEXUN website. As 2010 was the initial year when HEXUN.COM began developing CSR disclosure, only companies that published CSR reports between 2010 and 2020 were included. All financial data and CEO-related information required for empirical analysis were collected from the CSMAR database. To mitigate the influence of potential outliers, all continuous variables were winsorized at the 1st and 99th percentiles.

Table 2.1 reports the details of the sample selection process. From 35,070 observations between 2010 and 2020, samples were restricted to non-financial firms, resulting in the elimination of 398 observations. Additionally, 1,345 observations featuring abnormal operations were excluded. Furthermore, 26,204 observations with missing values for the variables used in the subsequent empirical tests were removed. This selection process resulted in a final sample of 7,123 firm-year observations.

Table 2.1. Sample selection

Sample Selection Process	No. of Observations
Initial firm-year sample from 2010 to 2020	35070
Observations that are financial firms	398
Observations that are ST, *ST, and PT companies	1345
Observations with missing values for variables	26204
Final samples	7123

Note: ST, *ST, and PT denote Special Treatment and Particular Treatment companies.

This study defines its variables as follows. The cost of debt capital is defined as the dependent variable, representing the expenses related to raising and using debt capital, including interest paid on borrowed funds and borrowing-related expenses. The cost of debt capital is proxied by the ratio of interest expenses to total liabilities, given the availability of data.

Comprehensive CSR disclosure scores, sourced from HEXUN, a neutral third-party provider, are used as the independent variable. HEXUN evaluates CSR across five dimensions: shareholder responsibility, employee responsibility, supplier, customer, and consumer responsibility, environmental responsibility, and social responsibility. Scores range from 0 to 100, indicating the quality of CSR disclosure, and are widely utilized in CSR research.

CEO financial expertise is another independent variable, focusing on the impact of high financial expertise on the cost of debt capital. It is defined by holding positions such as Chief Financial Officer, Head of Finance, Chief Financial Officer, and Chief Accountant.

To exclude potential confounding effects, several control variables from prior research are included in the regression model. These are firm size (SIZE), leverage (LEV), profitability (ROE), the ratio of tangible assets (TANG), the age of the listed company (AGE), cash flow (CASH), capital expenditure (CAPITAL), and debt maturity structure (DEBT).

Corporate governance influences are controlled by including proxy variables such as the ratio of shares held by the largest shareholder (SHRCR1), the proportion of independent directors on the board (INDEP), the ratio of shares held by executives (EXESHARE), CEO duality (DUALITY), and annual report audit (AUDIT).

Variables such as age, education, gender, tenure, and MBA education are included to control for other personal characteristics of the CEO. Additionally, industry and year heterogeneity are accounted for. Details of these variables are specified in Table 2.2.

Table 2.2. Variables' definition and proxies

Variable	Symbol	Definition
Dependent variables	COD	The ratio of interest expenses divided by the total liabilities.
Independent variables	CSR	The overall rating score of CSR disclosure substantiveness for a firm i in year t, obtained from the website of HEXUN.
	CEOFIN	1 if the CEO has financial expertise, 0 otherwise.
Control variables	SIZE	The natural logarithm of the company's total assets.
	LEV	The leverage of the company calculated as the ratio of total debt divided by total assets as of fiscal year end.
	ROE	Net Profit/Net Assets.
	TANG	Tangible Assets/Book Assets.
	AGE	The number of years since the firm's listing.
	CASH	Operating cash flow/book assets.
	CAPITAL	Capital Expenditure/Total Assets.
	DEBT	Total long-term liabilities/Total liabilities.
CEO variables	CEOTEN	The tenure of CEO.
	CEOAGE	The age of CEO.
	CEOEDU	1 if the CEO's degree is below junior college, junior college is 2, undergraduate is 3, master is 4, doctor is 5, other is 6, and 7 is MBA/EMBA.
	CEOMALE	1 if the CEO is man, 0 otherwise.
Corporate governance variables	SHRCR1	Number of shares held by the largest shareholder/total number of shares issued by the company.
	INDEP	The proportion of independent directors serving on a board.
	EXESHARE	Number of shares held by executives/total number of shares issued by the company.

Variable	Symbol	Definition
	DUALITY	1 if the same person occupies the CEO and the board chair roles, 0 otherwise.
	AUDIT	1 if the annual report is audited, 0 otherwise.
Additional variables	ASSURANCE	A value of 1 is assigned if the CSR report is audited by the third-party, otherwise 0.
	BIG4	A value of 1 is assigned if the auditor is from the Big Four accounting firm, otherwise 0.
	CSR_MAN	A value of 1 is assigned if the company is subject to mandatory CSR disclosure, otherwise 0.
	SOE	A value of 1 was assigned if the company is state-own company, otherwise 0.
	CSR_RE	Dummy variable that equals 1 if a firm i issues a standalone CSR report in year t, and otherwise 0.
Industry variables	INDUSTRY	Dummy variable that represents industry (CSRC two-digit industry code).
Year variables	YEAR	Dummy variable representing the year.

The testing of H1 and H2 is done holding other determinants of the cost of debt capital constant to parse out potential confounding effects. This paper relied on regression analysis to test the relationship between the quality of CSR disclosure and CEO financial expertise with the cost of debt capital. The main regression model 3 is specified as follows. To check whether CEO financial expertise (CEOFIN) has a mediating effect on COD and CSR, models 2.1, 2.2, and 2.3 were built according to Baron and Kenny (1986).

$$\begin{aligned} COD_{i,t} &= \alpha_0 + \alpha_1 CSR_{i,t} + \alpha_2 SIZE_{i,t} + \alpha_3 LEV_{i,t} + \alpha_4 ROE_{i,t} + \alpha_5 TANG_{i,t} + \alpha_6 AGE_{i,t} \\ &+ \alpha_7 CASH_{i,t} + \alpha_8 CAPITAL_{i,t} + \alpha_9 DEBT_{i,t} + \sum INDUSTRY_{i,t} + \sum YEAR_{i,t} + \varepsilon_{i,t}, \end{aligned} \quad (2.1)$$

$$\begin{aligned} CEOFIN_{i,t} &= \beta_0 + \beta_1 CSR_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 LEV_{i,t} + \beta_4 ROE_{i,t} + \beta_5 TANG_{i,t} + \beta_6 AGE_{i,t} \\ &+ \beta_7 CASH_{i,t} + \beta_8 CAPITAL_{i,t} + \beta_9 DEBT_{i,t} + \sum INDUSTRY_{i,t} + \sum YEAR_{i,t} + \varepsilon_{i,t}, \end{aligned}$$

(2.2)

$$COD_{i,t} = \gamma_0 + \gamma_1 CSR_{i,t} + \gamma_2 CEOFIN_{i,t} + \gamma_3 SIZE_{i,t} + \gamma_4 LEV_{i,t} + \gamma_5 ROE_{i,t} + \gamma_6 TANG_{i,t}$$
$$+ \gamma_7 AGE_{i,t} + \gamma_8 CASH_{i,t} + \gamma_9 CAPITAL_{i,t} + \gamma_{10} DEBT_{i,t} + \sum INDUSTRY_{i,t} + \sum YEAR_{i,t} + \varepsilon_{i,t},$$

(2.3)

where i indexes firm and t indexes time. In model 3, $COD_{i,t}$ is the dependent variable and serves as the proxy for the cost of debt capital, which is measured by the ratio of interest expenses divided by the total debt in the firm i, year t. The independent variable $CSR_{i,t}$ is used to proxy for the quality of CSR disclosure for a firm i in year t. $CEOFIN_{i,t}$ is another independent variable, which is used to proxy for the financial expertise of CEO for a firm i in year t. The specifications of other variables used in the regression model are presented in Table A1. $\sum INDUSTRY_{i,t}$ and $\sum YEAR_{i,t}$ index industry and year, which are controlled for potential industry and year effects. $\varepsilon_{i,t}$ is the firm-year specific error term.

Regressions are then run to check for potential endogeneity bias in CEO financial expertise within the dataset. All variables are lagged by one year to avoid endogeneity in the results. The logistic regression model is specified as follows:

$$CEOFIN_{i,t} = \alpha_0 + \alpha_1 DUALITY_{i,t-1} + \alpha_2 INDEP_{i,t-1} + \alpha_3 TANG_{i,t-1} + \alpha_4 AGE_{i,t-1} + \alpha_5 CASH_{i,t-1}$$
$$+ \alpha_6 CAPITAL_{i,t-1} + \sum INDUSTRY_{i,t} + \sum YEAR_{i,t} + \mu_{i,t},$$

(4)

where $CEOFIN_{i,t}$ is an indicator variable that equals 1 if the CEO in firm i has financial expertise in year t and 0 otherwise, all other variables are defined in Table A1. In model 4, industry and year indicators are also included to control for potential industry and year effects.

Table 2.3 presents the descriptive analysis. The mean value of COD is 0.0226, which indicates that interest expense accounts for only 2.26% of total liabilities in the sampled firms. The standard deviation for COD is 0.0149, and the minimum and maximum values are 0.000124 and 0.0669, respectively, which shows that the cost of debt capital varies greatly among Chinese companies. The average CSR score is

23.73, the maximum is 75.51, and the minimum is –4.090. This suggests that CSR in China is still at an initial stage, and there is significant variance among companies. The standard deviation of the CEOFIN is 0.305, and the mean is 0.104, which means that only 10.4% of CEOs have financial expertise in the samples. Regarding the other control variables, the mean of firm size is 22.62, average leverage is 0.470, average ROE is 0.0607, average tangible assets is 0.924, average AGE is 11.26, average CASH is 0.0389, average CAPITAL is 0.0532. About 18.5% of total liabilities are long-term liabilities.

Table 2.3. Descriptive statistics

Variables	N	mean	sd	min	max
COD	7,123	0.0226	0.0149	0.000124	0.0669
CSR	7,123	23.73	16.38	–4.090	75.51
CEOFIN	7,123	0.104	0.305	0	1
SIZE	7,123	22.62	0.929	20.93	25.38
LEV	7,123	0.470	0.190	0.0901	0.897
ROE	7,123	0.0607	0.133	–0.646	0.358
TANG	7,123	0.924	0.0894	0.517	1.000
AGE	7,123	11.26	6.828	0	30
CASH	7,123	0.0389	0.0701	–0.189	0.227
CAPITAL	7,123	0.0532	0.0505	0.000246	0.244
DEBT	7,123	0.185	0.171	0	0.735

Table 2.4 presents the correlation matrix among all variables. There is a high correlation between the dependent variable COD with CSR and CEOFIN. All coefficients are less than 0.5, and variance inflation factors (VIF) for all variables are lower than 2, suggesting that multicollinearity is not a significant issue in the study.

Table 2.4. Correlations matrix

VARIABLES	COD	CSR	CEOFIN	SIZE	LEV	ROE	TANG	AGE	CASH	CAPITAL	DEBT
COD	1										
CSR	–0.169***	1									
CEOFIN	0.022*	0.022*	1								
SIZE	–0.199***	0.325***	0.029**	1							
LEV	0.174***	–0.037***	0.050***	0.056***	1						
ROE	–0.257***	0.462***	0.00800	0.290***	–0.175***	1					
TANG	0.020*	0.083***	0.030**	–0.103***	0.185***	0.035***	1				
AGE	0.00700	0.00500	0.117***	0.185***	0.319***	–0.075***	–0.0190	1			
CASH	–0.00800	0.158***	0.00700	0.151***	–0.170***	0.216***	–0.071***	0.0130	1		
CAPITAL	0.022*	0.051***	–0.067***	–0.026**	–0.119***	0.100***	0.039***	–0.294***	0.129***	1	
DEBT	0.219***	0.060***	0.0170	0.134***	0.143***	–0.037***	–0.051***	0.214***	–0.0150	0.126***	1

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

The data in this paper are panel data. A reasonable estimation model was selected through the Wald test and the Hausman test, and the test results support the use of a fixed effect model. The results of the model (3) regression analysis, which introduced COD as the dependent variable and CSR and CEOFIN as independent variables while controlling for other determinants of COD identified by previous studies, as well as industry and year fixed effects, are presented in Table 2.5.

Table 2.5. Regression analysis – I

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	COD	COD	COD	COD	CEOFIN	COD
CSR	–0.000***		–0.000***		0.000	–0.000***
	(–8.82)		(–2.98)		(0.87)	(–3.01)
CEOFIN		0.001*		0.001**		0.001**
		(1.87)		(2.16)		(2.19)
SIZE			–0.001***	–0.001***	–0.003	–0.001***
			(–2.62)	(–2.97)	(–0.37)	(–2.61)
LEV			0.007***	0.008***	–0.041	0.008***
			(5.86)	(5.99)	(–1.42)	(5.91)
ROE			–0.013***	–0.014***	–0.022	–0.013***
			(–10.75)	(–12.25)	(–0.78)	(–10.73)
TANG			0.011***	0.011***	0.091*	0.011***
			(4.96)	(4.95)	(1.73)	(4.91)
AGE			–0.000***	–0.000***	0.006***	–0.000***
			(–4.52)	(–4.20)	(3.79)	(–4.62)
CASH			0.016***	0.016***	–0.059	0.016***
			(7.54)	(7.45)	(–1.21)	(7.58)
CAPITAL			–0.038***	–0.038***	0.030	–0.038***
			(–11.44)	(–11.44)	(0.39)	(–11.45)
DEBT			0.010***	0.010***	–0.034	0.010***
			(9.34)	(9.30)	(–1.38)	(9.38)
INDUSTRY	YES	YES	YES	YES	YES	YES
YEAR	YES	YES	YES	YES	YES	YES
Constant	0.021***	0.018***	0.026***	0.027***	0.113	0.026***
	(10.18)	(8.80)	(3.36)	(3.51)	(0.64)	(3.34)
Observations	7,123	7,123	7,123	7,123	7,123	7,123
R–squared	0.082	0.071	0.154	0.153	0.045	0.155
Number of ID	852	852	852	852	852	852
Company FE	YES	YES	YES	YES	YES	YES
F test	0	0	0	0	0	0
r2_a	–0.0554	–0.0680	0.0261	0.0254	–0.0997	0.0267
F	7.196	6.159	13.40	13.34	3.443	13.31

Note: *t*-statistics in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

First, H1, pertaining to a possible correlation between CSR reporting and the cost of debt capital (COD), was tested. The results in columns (1), (3), and (6) demonstrate that the coefficients of CSR (–0.000; –0.000; and –0.000), respectively, all reached the 1% level of significance. This result indicates that the quality of CSR disclosure tends to lower the cost of debt capital, supporting H1.

Next, H2, pertaining to a possible correlation between CEO financial expertise (CEOFIN) and the cost of debt capital (COD), was tested. The empirical results in columns (2), (4), and (6) of Table A2 demonstrate a significant positive association between the cost of debt for companies that utilized CEO financial expertise (coef = 0.01, $p < 0.1$; coef = 0.01, $p < 0.05$; and coef = 0.01, $p < 0.05$), respectively. It may be that a CEO's financial expertise leads to a higher cost of debt capital, or companies with a higher cost of debt capital choose CEOs with financial expertise. Thus, these results support H2.

Based on mediation models, the mediation effect of CEOFIN on CSR and COD was tested empirically, and the results are shown in Table 2.5, columns (3), (5), and (6). In the first step test (column (3)), CSR is significantly negatively correlated with COD at the 1% statistical significance level. In the second step test (column (5)), CSR was positively correlated with CEOFIN, but not significantly. In the third step test (column (6)), CSR and COD are significantly negatively correlated at the 1% significance level. As the effect of CSR and CEOFIN is not significant in the second step test, it is necessary to continue with the Sobel test (Sobel, 1982, 1987). The Sobel test suggests no mediation ($z = 0.9278$, $p = 0.35351542$). The results of the Sobel test indicate that CEOFIN has no significant mediation effect on CSR and COD. This shows that, under the context of China's transition to a new normal economy, CEO financial expertise is not an effective way to lower the cost of debt capital of the company.

In respect of control variables, the results (column (6)) reveal that LEV (coef = 0.008, $p < 0.01$), TANG (coef = 0.011, $p < 0.01$), CASH (coef = 0.016, $p < 0.01$), and DEBT (coef = 0.010, $p < 0.01$) have a positive association with the cost of debt capital (COD), while SIZE, ROE, AGE, and CAPITAL show a negative association. These findings are in line with previous studies.

In Table 2.6, the impact of ASSURANCE, BIG4, and CSR_MAN on the cost of debt capital (COD) in Chinese listed companies is explored. The results in columns (1) and (4) indicate no significant relationship between ASSURANCE and COD, possibly because CSR assurance is not prevalent in China, with only 30 companies in the sample providing CSR assurance. The results for CSR and CEOFIN with COD remain consistent with those reported in model 1, thereby supporting H1 and H2.

Table 2.6 Regression analysis – II

Variables	**(1)**	**(2)**	**(3)**	**(4)**
	COD	**COD**	**COD**	**COD**
CSR	–0.000***	–0.000***	–0.000***	–0.000***
	(–3.00)	(–3.02)	(–3.41)	(–3.40)
CEOFIN	0.001**	0.001**	0.001**	0.001**
	(2.19)	(2.18)	(2.27)	(2.25)
ASSURANCE	–0.000			–0.000
	(–0.11)			(–0.14)
BIG4		0.001		0.001
		(1.15)		(1.13)
CSR_MAN			0.001**	0.001**
			(2.05)	(2.04)
SIZE	–0.001***	–0.001***	–0.001***	–0.001***
	(–2.61)	(–2.64)	(–3.03)	(–3.06)
LEV	0.008***	0.007***	0.007***	0.007***
	(5.90)	(5.87)	(5.78)	(5.74)
ROE	–0.013***	–0.013***	–0.013***	–0.013***
	(–10.73)	(–10.74)	(–10.43)	(–10.44)
TANG	0.011***	0.011***	0.011***	0.011***
	(4.91)	(4.93)	(4.88)	(4.90)

Variables	**(1)**	**(2)**	**(3)**	**(4)**
	COD	**COD**	**COD**	**COD**
AGE	–0.000***	–0.000***	–0.000***	–0.000***
	(–4.61)	(–4.63)	(–4.47)	(–4.48)
CASH	0.016***	0.016***	0.016***	0.016***
	(7.58)	(7.60)	(7.59)	(7.62)
CAPITAL	–0.038***	–0.038***	–0.038***	–0.038***
	(–11.45)	(–11.42)	(–11.46)	(–11.43)
DEBT	0.010***	0.010***	0.010***	0.010***
	(9.37)	(9.34)	(9.35)	(9.32)
INDUSTRY	YES	YES	YES	YES
YEAR	YES	YES	YES	YES
Constant	0.026***	0.026***	0.030***	0.030***
	(3.34)	(3.36)	(3.71)	(3.73)
Observations	7,123	7,123	7,123	7,123
R–squared	0.155	0.155	0.155	0.155
Number of ID	852	852	852	852
Company FE	YES	YES	YES	YES
F test	0	0	0	0
r2_a	0.0266	0.0268	0.0272	0.0271
F	13.15	13.17	13.21	12.92

Note: *t*-statistics in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

The results in columns (2) and (4) do not reveal a significant difference in the cost of debt capital (COD) between companies that used Big 4 accounting firms and those using non-Big 4 firms. There is no evidence to support the assertion that Big 4 firms provide any advantage in reducing the cost of debt capital, as suggested in previous studies (Kuo et al., 2021). The relationship between CSR and COD, as well as CEOFIN and COD, remains consistent with those reported in model 3, thus supporting H1 and H2.

Columns (3) and (4) test the relationship between CSR_MAN and COD, with the coefficient of CSR_MAN being significantly positive in the regression, suggesting that firms with mandatory CSR disclosures have a higher cost of debt capital. The association between CSR and CEOFIN with COD is consistent with the aforementioned results, further supporting H1 and H2. The results of the control variables are qualitatively similar to the baseline results in Table 2.5.

In Table 2.7, several additional tests using classified samples for CSR_RE, SOE, and CSR_MAN were conducted. First, the sample was split between standalone and annual CSR reports based on the source of CSR reports, and the baseline regression was run to understand the impact of ASSURANCE, BIG4, and CSR_MAN on the cost of debt capital (COD) from the CSR reports' source perspective.

Table 2.7. Regression analysis – III

Variables	(1) CSR_RE==1	(2) CSR_RE==0	(3) SOE==1	(4) SOE==0	(5) CSR_MAN==1	(6) CSR_MAN==0
CSR	–0.000***	–0.000***	–0.000***	–0.000*	–0.000	–0.000***
	(–2.64)	(–7.71)	(–3.12)	(–1.80)	(–0.35)	(–3.57)
CEOFIN	0.002*	0.001*	0.000	0.002**	0.000	0.001*
	(1.71)	(1.79)	(0.20)	(2.06)	(0.12)	(1.90)
SSURANCE	0.000	–0.006	0.001	–0.002	–0.001	–0.000
	(0.20)	(–0.58)	(0.43)	(–0.51)	(–0.42)	(–0.05)
BIG4	–0.000	0.003	0.004**	–0.000	0.001	0.001
	(–0.12)	(1.32)	(2.44)	(–0.30)	(0.42)	(0.67)
CSR_MAN	0.003**	–0.000	0.002*	0.001		
	(2.21)	(–0.07)	(1.91)	(0.95)		
SIZE	–0.001	–0.001*	–0.001***	–0.001**	–0.003***	–0.001**
	(–1.51)	(–1.67)	(–2.72)	(–2.16)	(–2.71)	(–2.41)
LEV	0.005*	0.005***	0.006***	0.006***	0.001	0.007***
	(1.91)	(3.53)	(2.75)	(3.61)	(0.19)	(5.08)
ROE	–0.008***	–0.007***	–0.005***	–0.014***	–0.011***	–0.013***
	(–3.50)	(–4.08)	(–2.59)	(–9.20)	(–2.82)	(–9.50)
TANG	0.002	0.012***	0.002	0.013***	–0.030**	0.013***
	(0.29)	(4.43)	(0.33)	(4.93)	(–2.49)	(5.14)
AGE	–0.000***	–0.000**	–0.000***	–0.000***	0.000	–0.000***
	(–3.85)	(–2.53)	(–4.17)	(–2.98)	(0.28)	(–4.42)
CASH	0.011***	0.018***	0.017***	0.016***	0.003	0.017***
	(2.82)	(6.92)	(5.25)	(6.05)	(0.46)	(7.51)
CAPITAL	–0.057***	–0.030***	–0.046***	–0.038***	–0.056***	–0.036***

Variables	(1) CSR_RE==1	(2) CSR_RE==0	(3) SOE==1	(4) SOE==0	(5) CSR_MAN==1	(6) CSR_MAN==0
	(–9.02)	(–7.44)	(–8.11)	(–9.44)	(–5.46)	(–10.03)
DEBT	0.011***	0.009***	0.010***	0.011***	0.006*	0.010***
	(5.69)	(7.03)	(5.24)	(7.95)	(1.90)	(8.61)
INDUSTRY	YES	YES	YES	YES	YES	YES
YEAR	YES	YES	YES	YES	YES	YES
Constant	0.034**	0.025**	0.051***	0.027***	0.118***	0.026***
	(2.16)	(2.49)	(3.87)	(2.60)	(4.27)	(2.95)
Observations	1,868	5,255	2,241	4,882	658	6,465
R–squared	0.203	0.164	0.216	0.161	0.244	0.152
Number of ID	302	735	302	626	158	832
Company FE	YES	YES	YES	YES	YES	YES
F test	0	0	0	0	0	0
r2_a	0.0110	0.00961	0.0614	0.0197	–0.0735	0.0113
F	6.190	10.46	7.580	10.04	4.028	11.52

Note: *t*-statistics in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

The results are presented in column (1) and column (2), respectively. For firms issuing standalone CSR reports, the findings in column (1) exhibit that CSR_MAN (coef = 0.003, $p < 0.05$) is significantly positively related to COD, suggesting that companies with high COD are required to disclose CSR reports mandatorily. The findings for companies issuing CSR reports in their annual reports, shown in column (2), demonstrate that CSR_MAN is insignificant in influencing COD. ASSURANCE and BIG4 are insignificantly related to COD in both standalone CSR reports and annual reports. Additionally, CSR appears to have a significantly negative relationship with COD, and CEOFIN appears to have a positive relationship with COD, supporting H1 and H2. The results for control variables are qualitatively similar to the baseline results in Table 2.5, except for SIZE, which is significantly negatively related to COD in column (2) and insignificant in column (1).

Second, regressions were performed on the classified sample using state-owned and non-state-owned enterprises, as shown in column (3) and column (4) of Table 2.8.

Table 2.8. Regression analysis – IV

Variables	(1)	(2)	(3)
	COD_lag	COD	COD
CSR	–0.000*	–0.000***	–0.000***
	(–1.75)	(–3.03)	(–2.92)
CEOFIN	0.002***	0.002***	0.002***
	(3.25)	(2.73)	(2.92)
SIZE	–0.001***	–0.001***	–0.001***
	(–3.96)	(–2.74)	(–2.58)
LEV	–0.001	0.008***	0.007***
	(–0.49)	(5.94)	(5.23)
ROE	–0.006***	–0.013***	–0.011***
	(–4.80)	(–10.65)	(–8.72)
TANG	0.008***	0.011***	0.012***
	(3.09)	(4.89)	(5.31)
AGE	0.001	–0.000***	–0.000***
	(0.94)	(–4.83)	(–5.79)
CASH	0.016***	0.016***	0.016***
	(6.56)	(7.55)	(7.40)
CAPITAL	–0.028***	–0.038***	–0.037***
	(–7.41)	(–11.49)	(–11.06)
DEBT	0.000	0.010***	0.010***
	(0.28)	(9.25)	(9.37)
CEOTEN		0.000	–0.000
		(0.01)	(–0.33)
CEOAGE		0.000**	0.000**
		(2.19)	(2.27)
CEOEDU		0.000	0.000
		(0.69)	(0.84)
CEOMALE		0.002**	0.002***
		(2.55)	(2.67)
SHRCR1			–0.000***
			(–4.45)
INDEP			–0.002

Variables	(1)	(2)	(3)
	COD_lag	COD	COD
			(–0.61)
EXESHARE			–0.005**
			(–2.39)
DUALITY			0.001**
			(2.08)
AUDIT			–0.004***
			(–5.13)
INDUSTRY	YES	YES	YES
YEAR	YES	YES	YES
Constant	0.035***	0.022***	0.028***
	(2.93)	(2.83)	(3.52)
Observations	6,271	7,123	7,123
R–squared	0.104	0.156	0.164
Number of ID	836	852	852
Company FE	YES	YES	YES
F test	0	0	0
r2_a	–0.0500	0.0282	0.0362
F	7.540	12.88	12.90

Note: *t*-statistics in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

In column (3), the coefficients of BIG4 and CSR_MAN are positive and statistically significant at the 5% and 10% level, respectively, indicating that state-owned enterprises that choose Big 4 accounting firms and those mandated to disclose CSR reports have high COD. Neither BIG4 nor CSR_MAN is significant in non-state-owned enterprises. ASSURANCE is not significant in both state-owned and non-state-owned enterprises. CSR is significantly negatively related to COD in both state-owned and non-state-owned enterprises, supporting H1. However, CEOFIN is not significant in state-owned enterprises and significant in non-state-owned enterprises, reflecting that CEO financial expertise can lead to high COD in non-state-owned enterprises. Regarding the control variables of both state-owned and non-state-owned enterprises, most results are consistent with Table 2.5.

In Table 2.8, column (5), further analysis found that CSR, CEOFIN, ASSURANCE, and BIG4 are not significantly correlated with COD in companies with mandatory disclosure. In column (6), the results for CSR, CEOFIN, and control variables remain the same, as reported in Table 2.5 in companies with voluntary disclosure, still supporting H1 and H2.

To ensure the reliability of the findings, model (1) was rerun with several additional tests, and the results are presented in Table 2.9.

Table 2.9. Endogeneity test

Variables	(1)	(2)	(3)	(4)
	OLS	**RE**	**PSM_OLS**	**Heckman**
	COD	**COD**	**COD**	**COD**
CSR	–0.000***	–0.000***	–0.000***	–0.000***
	(–6.40)	(–4.10)	(–5.07)	(–6.36)
CEOFIN	0.001*	0.001**	0.002***	0.001**
	(1.76)	(2.36)	(3.31)	(2.50)
SIZE	–0.002***	–0.001***	–0.002***	–0.002***
	(–7.58)	(–4.19)	(–5.70)	(–7.45)
LEV	0.014***	0.010***	0.013***	0.014***
	(14.42)	(9.31)	(6.54)	(13.80)
ROE	–0.018***	–0.014***	–0.018***	–0.018***
	(–13.21)	(–11.88)	(–6.68)	(–12.49)
TANG	–0.000	0.006***	0.001	–0.000
	(–0.15)	(2.69)	(0.32)	(–0.16)
AGE	–0.000***	–0.000	–0.000	–0.000
	(–3.84)	(–0.76)	(–1.44)	(–1.57)
CASH	0.013***	0.016***	0.013**	0.013***
	(5.65)	(7.55)	(2.95)	(5.25)
CAPITAL	–0.024***	–0.033***	–0.023***	–0.026***
	(–6.79)	(–10.35)	(–4.02)	(–6.72)
DEBT	0.018***	0.012***	0.019***	0.018***
	(17.82)	(12.07)	(9.86)	(16.66)
IMR				0.002**
				(2.44)
INDUSTRY	YES	YES	YES	YES
YEAR	YES	YES	YES	YES

Variables	(1)	(2)	(3)	(4)
	OLS	**RE**	**PSM_OLS**	**Heckman**
	COD	**COD**	**COD**	**COD**
Constant	0.072***	0.055***	0.079***	0.071***
	(10.61)	(5.05)	(9.28)	(9.71)
Observations	7,123	7,123	6271	6271
R–squared	0.289		0.321	0.303
F test	0	0	0	0
r2_a	0.280	.		0.293
F	31.06	.	.	29.50

Note: *t*-statistics in parentheses *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

In column (1), a robustness test employing lag effects to measure the dependent variable COD with a one-year lag was conducted. The main variables revealed similar findings to the main baseline result in Table 2.5, concluding that the findings are robust across lag effects. To exclude the influence of other characteristics of CEO and corporate governance factors on the main empirical results, additional CEO characteristic variables and corporate governance variables were added in columns (2) and (3) of the main regression. Regardless of whether the CEO characteristic variables or corporate governance variables were controlled, the coefficient β_1 of CSR remained negatively significant at the 1% level, and the coefficient β_2 of CEOFIN remained positively significant at the 1% level, respectively. Its value and significance increased along with those of more control variables, thereby supporting H1 and H2. The results also demonstrated that CEOAGE, CEOMALE, and DUALITY are significantly positively related to the cost of debt capital (COD). These findings indicate that companies with CEO duality offer greater power to one person; as the CEO ages, their experience and knowledge increase, familiarity with the company environment grows, and social relationships widen, which may result in opportunistic behavior by the CEO. In terms of gender characteristics, male CEOs may have a greater tendency to take risks and behave aggressively compared to female CEOs, thereby increasing the company's risk of debt default. However, the coefficients of WSHRCR1, WEXESHARE, and AUDIT are significantly negatively related to the cost of debt capital (COD), indicating that a larger shareholding ratio of the largest shareholder and the executive, as well as a higher quality of the annual report audit, correlate with a lower cost of debt capital, implying that good corporate governance helps to lower the cost of debt capital. Most of the control variables are in line with previous results, suggesting that the main hypothesis remains valid.

Additionally, multiple regression models were utilized to provide more reliable inferences in Table A6 to exclude potential endogeneity bias. To control for potentially omitted variables that may simultaneously influence CSR, CEOFIN, and COD, Pooled OLS regressions and Random Effects Model regressions were performed on the full sample for model (1) in columns (1) and (2). The findings were mostly similar to the baseline results in Table 2.5, indicating that the main diversity results do not differ qualitatively, thereby suggesting that the findings are robust. Given that CEOFIN is likely determined by some omitted variables, the results may suffer from potential endogeneity. To address concerns of potential endogeneity and self-selection of CEOFIN, the Propensity Score Matching (PSM) and Heckman treatment effects model (Heckman) were employed for model (1) and model (2) as shown in columns (3) and (4). In column (3), the result suggests that CEOFIN remains significantly positively and CSR remains significantly negatively related to the cost of debt capital, even after controlling for potential self-selection bias. In column (4), the inverse Mills ratio (IMR) was introduced to the second-stage OLS regression to control for self-selection bias in the Heckman two-stage procedure. The coefficient of the inverse Mills ratio (IMR) was significantly positive at the 5% level, indicating no endogeneity issues. The coefficients of CEOFIN were significantly positive and CSR significantly negative with COD, consistent with previous results, suggesting that the main results are robust to the endogeneity test.

Therefore, H1 suggested a negative relationship between CSR quality and the cost of debt capital. This means that it was expected that higher CSR quality would imply a lower cost of debt capital. This study supports this hypothesis and is consistent with previous studies (Bacha et al., 2021; Kuo et al., 2021). A negative relationship between the cost of debt capital and CSR quality was observed, which implies that companies with higher CSR quality will have lower costs of debt capital. It thus implies that enhanced CSR practices are more likely to allow for greater transparency and reduced information asymmetry, thereby lessening perceived risk to the lender.

H2 suggested a positive relationship between CEO financial expertise and the cost of debt capital, such that more excellent CEO financial expertise would be associated with a higher cost of debt capital. It is found that the hypothesis also holds good. In this respect, the results extend the findings of prior studies (Osei Bonsu et al., 2024; Qiao, 2024). In line with this argument, one possible interpretation is that CEOs with more significant financial expertise adopt more aggressive financial strategies that are perceived as riskier, leading to higher costs of debt capital.

It also evaluated the moderating effect of the CEO's financial expertise on the relationship between CSR quality and the cost of debt capital. However, because of the empirical findings, no proper moderator could be found in this relationship; in other words, the interaction of CSR quality with CEO financial expertise does not significantly affect its impact on the cost of debt capital.

Further, the study has complemented the past literature in contributing toward evaluating the influence of assurance of CSR, engagement with Big 4 accounting firms, and mandatory CSR reporting purposes on debt capital cost. Such studies have presented no effect of CSR assurance and engagement with Big 4 accounting firms on debt capital cost. This is contrary to the expectations and past studies (Kuo et al., 2021; Pasko et al., 2023). These findings imply that, although the assurance of CSRs and the involvement of Big 4 auditors may have some positive implications on the credibility of CSRs, they will not significantly influence the perceptions of risk held by the lenders.

On the other hand, mandatory CSR reporting manifested a robust impact on the cost of debt capital, where those firms that were obligated to report CSR information experienced a lower cost of debt. This finding confirms that regulatory frameworks play intrinsic roles in promoting transparency and reducing information asymmetry, eventually decreasing the cost of capital.

These findings contribute to the existing literature by providing evidence on the role of CSR quality and CEO characteristics in explaining the cost of debt capital. While some factors, such as CSR quality or even mandatory reporting, were proved to be positively related to a reduced price of debt, CEO financial expertise increased this cost. Hence, the study reveals the complicated dynamics among corporate governance, CSR practices, and their respective financial results. It sheds light on an essential lesson for Chinese listed companies willing to make better financial decisions.

The study researched a multifaceted relationship between CSR quality, CEO financial expertise, and the cost of debt capital in the Chinese market. The investigation focused on assessing how these factors correlate and influence corporate financial outcomes.

A lower cost of debt capital was found to be related to higher CSR quality. This evidence points to the role of robust CSR practices in enhancing a firm's transparency and reducing information asymmetry in a way that results in lower perceived risks by lenders and, thus, a reduced cost of debt capital.

Moreover, the study showed that CEO financial expertise displays a tremendously positive relationship with the cost of debt capital. This also serves to show that those CEOs with financial expertise may have more courageous financial strategies; those increase perceived risk, which finally leads to higher costs of debt capital. This finding also shows that the role of executive characteristics in explaining corporate financial outcomes is pretty complicated.

Finally, the moderating role of CEO financial expertise in the relationship between CSR quality and the cost of debt capital was also examined. In the empirical results, however, no proper moderating variable has been found that can firmly determine whether the interaction of CSR quality and CEO financial expertise significantly affects the cost of debt capital.

Further, the study extended the existing literature by deepening the analysis of the effect of assurance of CSR, engagement with Big 4 accounting firms, and mandatory CSR reporting on debt capital cost. It has also been discovered that CSR assurance and engagement with Big 4 accounting firms do not affect debt capital cost significantly. This is to say that while these practices may increase the credibility of CSR reports, they do not significantly affect the risk perception of the lenders.

These arguments cast valuable implications on Chinese firms' financial decision-making while extending the broader arguments on corporate governance and CSR. This paper stresses to practitioners the need to ensure that both structural and functional corporate governance mechanisms are observed to apply CSR logic in financial decision making effectively.

2.2. Gender Diversity and Internal Control Effectiveness in Socially Responsible Chinese Firms

This section introduces the hypotheses and conceptual framework developed based on the preceding literature review and theoretical insights. The study investigates the interconnected roles of corporate social responsibility (CSR) and gender diversity on the effectiveness of internal control (IC). Rooted in the established evidence, the hypotheses posit that firms with higher CSR scores exhibit stronger internal control mechanisms, while female directors are expected to positively influence internal control quality, both directly and in interaction with CSR. These assumptions align with the broader discourse on corporate transparency, governance, and stakeholder accountability, positioning the study within the framework of advancing knowledge in this domain.

The research model employs a comprehensive regression analysis to examine the proposed relationships. By integrating CSR scores, the presence of female directors on boards, and their interaction as key independent variables, the model tests their effects on IC effectiveness. A robust set of control variables—financial indicators, audit characteristics, and year dummies—ensures a comprehensive evaluation of the proposed relationships. The study thereby aims to provide empirical evidence on the nuanced dynamics of CSR, gender diversity, and internal control within the institutional context of Chinese listed companies.

Therefore, based on the aim of this study, analysis of the above-presented literature and established evidence contained therein, the following relevant hypotheses were drafted:

H1. Firms with high social responsibility scores will have stronger internal control mechanisms.

H2. The presence of female directors will strengthen the internal control mechanism.

H3. The presence of female directors in companies with high social responsibility will strengthen internal control.

The paper, therefore, examine the following research question: Does female representation on corporate board boost socially responsible firms' strength of internal control? Hence, the first task of this paper is to investigate the relationship between CSR and internal control effectiveness. The second task of this paper is to female representation on board will strengthen the internal control mechanism and the third – is how female directors in companies with high social responsibility will strengthen internal control.

To study the impact of female directors and corporate social responsibility on internal control, this paper uses the following formula to conduct multiple regression analysis.

$$\begin{aligned}\mathrm{IC}_{i,t} = {} & \beta_0 + \beta_1\mathrm{CSR}_{i,t} + \beta_2\mathrm{GenDiv}_{i,t} + \beta_3\mathrm{CSRxGenDiv}_{i,t} + \beta_4\mathrm{ROA}_{i,t} \\ & + \beta_5\mathrm{EPS}_{i,t} + \beta_6\mathrm{COA}_{i,t} + \beta_7\mathrm{Big4}_{i,t} + \beta_8\mathrm{Loss}_{i,t} \\ & + \beta_9\mathrm{Leverage}_{i,t} + \beta_{10}\mathrm{MB}_{i,t} + \beta_{11}\mathrm{CR}_{i,t} + \beta_{12}\mathrm{AuditFee}_{i,t} \\ & + \beta_{13}\mathrm{ListYears}_{i,t} + \beta_{14}i.\mathrm{Year}_{i,t} + u_{i,t}\end{aligned}$$

Where: *i, t* represent the company and year respectively, IC is the dependent variable, CSR, GenDiv are the independent variables, and CSRxGenDiv is the interactions item. Other variables are control variables, among which i.Year is a year dummy variable. u is the random error.

According to the above formula, this paper uses the following four models to verify the hypothesis of the study.

Model (1): contains only control variables.

Model (2): contains CSR + control variables.

Model (3): CSR+GenDiv+control variables.

Model (4): CSR+GenDiv+CSRxGenDiv+control variables.

Variables selection and measurement. This paper focuses on the impact of female directors on the effectiveness of internal control in companies with a sense of social responsibility, and, thus, selects the following variables.

Dependent variable. As a proxy for internal control this paper utilizes the DIBo internal control index provided by DIB internal control and risk management database (DIB) to measure the effectiveness of internal control, abbreviated as IC. The Dibo internal control index is designed based on the degree of realization of the five major goals of corporate internal control, namely 1) compliance; 2) reporting; 3) asset security; 4) operation, and 5) strategy, and can boast recognition by the academia, practice and regulatory authorities alike since its release in 2011 (Li, 2020). The higher the internal control index of the enterprise, the better the internal control quality of the enterprise. The original value range of Dibo internal control index is 0-1000. Aiming to reduce the magnitude difference between variables, this paper takes a natural logarithm for it.

Independent variable. *1） Corporate social responsibility*. This article uses RKS ESG Ratings (RKS) as a measure of corporate social responsibility, abbreviated as CSR. The RKS evaluation system uses four zero-level indicators: Macrocosm (M), Content (C), Technique (T), and Industry (I) (Pasko, Zhang, Bezverkhyi, et al., 2021). In this indicator system, the weight of M value is 30%, the weight of C value is 45%, the weight of T value is 15%, and the weight of I value is 10%. The resulting evaluation of this indicator has five grades. In this paper, the lowest grade (E grade) is assigned a value of 1, and the value increases by 1 for each grade.

2） Female Director. This paper uses whether there are female directors as a measure indicator, abbreviated as GenDiv. This indicator is 1 if there are female directors on the board, and 0 otherwise.

3） The interaction between corporate social responsibility and female directors. To examine the impact of female directors on the relationship between CSR and IC, this paper introduces the cross-product between CSR and female directors, abbreviated as CSRxGenDiv.

Control variable. This paper introduces financial indicators, audit indicators, and year indicators as control variables to exclude the impact of differences in these indicators. Financial indicators include Return on assets (ROA), Earnings per share (EPS), Cash from operations on assets (COA), Losses (LOSS), Leverage (Leverage), Market to book (MB), Cash to total assets (CR). Audit indicators include Audit Company (Big4), Audit Fee (AuditFee). The year index includes the difference between the year the data belongs to and the year the company was listed (ListYears) and the year the data belongs to (Year). The specific calculation method is shown in Table 2.10.

Table 2.10. Description of the variables used in the study

Name of Variable	Mnemonics	role	Measurement	Unit
Internal Control effectiveness	IC	Dependent	The natural logarithm of Dibo internal control index	number
Corporate social responsibility	CSR	Independent	CSR rankings produced by Rankins (RKS) Inc	number
Board Gender diversity	GenDiv	Independent	If at least one woman is included in board, this variable is equal to 1, and 0 otherwise	dummy variable
Return on assets	ROA	Control	Net income / Total assets	ratio
Earnings per share	EPS	Control	Earnings per share	number
Cash from operations on assets	COA	Control	Cash from operations/Total assets	ratio
Audit Company	Big4	Control	An indicator variable that takes a value of 1 if the firm is audited by CPAs from Big 4 accounting firms, and 0	dummy variable

Name of Variable	Mnemonics	role	Measurement	Unit
			otherwise	
Losses	LOSS	Control	Equal to one if negative net income, and zero otherwise	dummy variable
Leverage	Leverage	Control	Total debt / total assets	ratio
Market to book	MB	Control	Market Capitalization / Net Book Value	ratio
Cash to total assets	CR	Control	Cash to total assets	ratio
Audit Fee	AuditFee	Control	The natural logarithm of the annual auditing fee in thousands	number
List Years	ListYears	Control	Number of years since the company went public	number

Sample selection and data processing. In this paper research sample form companies that first, are listed on the Shanghai and Shenzhen stock exchanges from 2013 to 2018, second, are releasing social responsibility reports during researched time period, and third, are included in the RKS ESG Ratings database form. Moreover, the time period of the sample is restricted due to the fact that the paper relies on the Dibo internal control index, which, although reliable, representative and trusted, is only recently in existence (making it impossible to expand further the lower time threshold of the study) and does not produce data as swiftly as, for example CSMAR.

The erstwhile sample is encompassed 15571 observations, but after conventional exclusion of financial companies' data and those of companies marked as "ST" by the stock exchanges, the final sample is reduced to 15,231 firm-year observations. Table 2.11 demonstrates the sample screening process of the study.

Table 2.11. Sample selection procedure

steps	Explanation	Observations
1	A - share listed company on China's Shanghai and Shenzhen stock exchanges	15571
2	Less: the financial industry companies	330
3	Less: ST * Companies	10
4	Final sample	**15231**

*Note : * - When a company has suffered losses for two consecutive years or its net assets are lower than the par value of the stock, "ST" will be added before the stock name, which means "special treatment", and the daily rise and fall shall not exceed 5%. Used to warn investors to pay attention to investment risks. If in the third year, the company's operations have not improved and it is still in a state of loss, in addition to the "ST" before the stock name, "*" will be added, which means delisting risk.*

In closing the method section, in this paper the data for the research variables come from authoritative Chinese databases: China Stock Market and Accounting Research (CSMAR) (financial, corporate governance, and audit indicators), DIB Internal Control database (internal control data), and the RKS ESG Ratings (CSR details). The statistical software used for processing the data is Stata 17.0.

Table 2.12 represents the industry distribution of the study’s sample. The sample is distributed in 17 industries, and the industry distribution of the sample is basically consistent with the industry distribution of Chinese listed companies (provided the financial industry is excluded). The number of manufacturing sample is 9691, accounting for 63.63%, ranking first, while the number of the information technology industry firms reaches 980, accounting for 6.43% of the sample (ranking second), and finally, there are 856 companies representing wholesale and retail industry (5.62% of the sample, ranking third). Therefore, manufacturing is the mainstay of China's listed companies.

Table 2.12. Industry distribution of the study's sample

	Freq.	Percent	Cum.
Agriculture, forestry, animal husbandry and fishery	235	1.54	1.54
Mining industry	398	2.61	4.16
Manufacturing	9691	63.63	67.78
Electricity, heat, gas and water production and supply	533	3.50	71.28
Construction industry	423	2.78	74.06
Wholesale and retail	856	5.62	79.68
Transportation, storage and postal industry	474	3.11	82.79
Accommodation and Catering Industry	58	0.38	83.17
Information transmission, software and information technology service industry	980	6.43	89.61
Real estate	755	4.96	94.56
Leasing and business services	178	1.17	95.73
Scientific research and technical service industry	106	0.70	96.43
Water conservancy, environment and public facilities management industry	164	1.08	97.51
Education	8	0.05	97.56
Health and social work	34	0.22	97.78
Culture, sports and entertainment industry	209	1.37	99.15
Comprehensive	129	0.85	100.00
Total	15231	100.00	

Table 2.13 shows the annual distribution of samples. According to the Table 2.13 the number of sample is increasing year by year, while the growth rate is getting faster and faster.

Table 2.13. Annual distribution of the sample

Year	Freq.	Percent	Cum.
2013	2347	15.41	15.41
2014	2359	15.49	30.90
2015	2431	15.96	46.86

Year	Freq.	Percent	Cum.
2016	2548	16.73	63.59
2017	2663	17.48	81.07
2018	2883	18.93	100.00
Total	15231	100.00	

The descriptive statistics of variables is presented in Table 2.14. The full score of IC original data is 1000 points, corresponding to the IC value in this table is 10. The average value of IC in Table 2.14 is 6.467, and the median is 6.493, so the internal control scores of most enterprises are not particularly high. The highest value of CSR is 5 points, the mean is 2.114, and the median is 2, indicating that the CSR scores are generally modestly low. The average value of GenDiv is 0.957, and the median is 1, indicating that a large proportion of Chinese listed companies do have the female representation in their corporate board.

Table 2.14. Descriptive statistics

VarName	Obs	Min	Max	mean	Median	SD
IC	14675	4.830	6.812	6.467	6.493	0.155
CSR	15213	1.000	5.000	2.114	2.000	0.576
GenDiv	15231	0.000	1.000	0.957	1.000	0.204
CSRxGenDiv	15213	0.000	2.133	0.386	0.353	0.248
ROA	15230	-1.872	0.669	0.034	0.034	0.079
EPS	15231	-7.486	30.114	0.318	0.242	0.750
COA	15231	-1.938	0.876	0.040	0.040	0.080
Big4	15231	0.000	1.000	0.054	0.000	0.227
LOSS	15231	0.000	1.000	0.112	0.000	0.315
Leverage	15231	0.008	4.026	0.437	0.426	0.217

VarName	Obs	Min	Max	mean	Median	SD
MB	14680	0.001	6.546	0.592	0.583	0.258
CR	15231	-0.017	0.993	0.151	0.118	0.120
AuditFee	15178	4.605	12.495	6.919	6.802	0.710
ListYears	15047	4.000	31.000	16.419	15.000	7.002

Table 2.15 represents the correlation test results of the variables. IC is positively correlated with CSR (coefficient 0.163, p<0.01), and instead negatively correlated with GenDiv (coefficient -0.024, p<0.01), and negatively correlated with CSRxGenDiv (coefficient 0.055, p<0.01).

Table 2.15. Pearson Correlation Test

	IC	CSR	GenDiv	CSRxGenDiv	ROA	EPS	COAs	Big4	LOSS	Leverage	MB	CR	Audit Fee	List Years
IC	1													
CSR	0.163***	1												
GenDiv	-0.024***	-0.020**	1											
CSRxGenDiv	0.055***	0.318***	0.332***	1										
ROA	0.284***	0.252***	0.002	0.138***	1									
EPS	0.255***	0.221***	-0.007	0.086***	0.624***	1								
COA	0.099***	0.099***	-0.023***	0.024***	0.318***	0.229***	1							
big4	0.099***	0.126***	-0.040***	-0.042***	0.041***	0.139***	0.080***	1						
LOSS	-0.264***	-0.286***	-0.010	-0.129***	-0.598***	-0.435***	-0.179***	-0.047***	1					

	IC	CSR	GenDiv	CSRxGenDiv	ROA	EPS	COAs	Big4	LOSS	Leverage	MB	CR	Audit Fee	List Years
Leverage	-0.042***	-0.007	-0.029***	-0.119***	-0.355***	-0.128***	-0.150***	0.103***	0.203***	1				
MB	0.039***	0.070***	-0.059***	-0.120***	-0.105***	0.024***	-0.044***	0.164***	-0.030***	0.369***	1			
CR	0.055***	0.033***	0.032***	0.093***	0.211***	0.154***	0.140***	-0.035***	-0.119***	-0.355***	-0.243***	1		
AuditFee	0.090***	0.142***	-0.045***	-0.082***	-0.029***	0.133***	0.052***	0.457***	-0.018**	0.372***	0.434***	-0.155***	1	
ListYears	-0.062***	0.082***	-0.016*	-0.059***	-0.112***	-0.005	-0.033***	0.082***	0.091***	0.339***	0.147***	-0.094***	0.245***	1

*Notes: *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively.*

Before resorting to regression analysis, in order to determine whether fixed or random effects model should be used, this paper performs Hausman Test to felicitate in judgement on that. The result obtained (the Chi-square test value is 272.088, $p<0.01$) indicates that the regression analysis should use fixed effects.

Table 2.16 demonstrates the results of multiple regression analysis, where Model (1) contains solely control variables.

Model (2) includes CSR variables as well. The results of model (2) show that CSR is significantly positively correlated with IC (coefficient 0.009, $p<0.01$). This shows that the listed companies that fulfil their CSR better have higher internal control quality.

Model (3) includes variables of CSR and female directors. The results of model (3) demonstrate that the relationship between CSR and IC is relatively unchanged (coefficient 0.007, $p<0.01$), and GenDiv is significantly negatively correlated with IC (coefficient -0.02, $p<0.01$). This indicates that companies with female directors have lower internal control quality.

Model (4) includes the variables of CSR, female directors, and the product of the above two items. The results of model (4) attests that the relationship between CSR, GenDiv and IC remained unchanged in the presence of cross-product item, and there is no significant correlation between CSRxGenDiv and IC (coefficient 0.009, p>0.1). The coefficient of the interaction though is positive, indicating that the presence of female directors in the board weakens the positive relationship between CSR and IC.

Table 2.16 Regression Results

	(1)	**(2)**	**(3)**	**(4)**
	Model 1	**Model 2**	**Model 3**	**Model 4**
CSR		0.009***	0.009***	0.007***
		(3.79)	(3.76)	(2.83)
GenDiv			-0.020***	-0.022***
			(-2.90)	(-3.16)
CSRxGenDiv				0.009
				(1.28)
ROA	0.323***	0.318***	0.318***	0.317***
	(10.86)	(10.67)	(10.67)	(10.65)
EPS	0.025***	0.025***	0.025***	0.025***
	(9.46)	(9.41)	(9.40)	(9.41)
COA	-0.004	-0.004	-0.005	-0.005
	(-0.24)	(-0.25)	(-0.30)	(-0.29)
Big4	0.028***	0.027***	0.027***	0.027***
	(3.36)	(3.33)	(3.30)	(3.33)
LOSS	-0.040***	-0.037***	-0.037***	-0.037***
	(-7.86)	(-7.15)	(-7.19)	(-7.19)
Leverage	0.010	0.011	0.011	0.011
	(1.10)	(1.20)	(1.19)	(1.21)
MB	0.043***	0.041***	0.041***	0.041***

	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4
	(5.82)	(5.65)	(5.55)	(5.63)
CR	0.005	0.006	0.006	0.006
	(0.41)	(0.45)	(0.48)	(0.45)
AuditFee	0.010***	0.009***	0.009***	0.009***
	(3.41)	(2.99)	(2.96)	(3.02)
ListYears	-0.003***	-0.003***	-0.003***	-0.003***
	(-9.56)	(-9.70)	(-9.67)	(-9.62)
_cons	6.412***	6.399***	6.419***	6.420***
	(341.35)	(336.00)	(317.64)	(317.66)
Year FE	YES	YES	YES	YES
N	13986	13984	13984	13984

*Notes: *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively***.**

Therefore, CSR is aimed at disclosing information that may not be required by law, that is, it is a conscious step of the company on the way to higher corporate transparency. Female representation often serves as a yardstick for greater openness, expansion of horizons, new connections, and greater openness - characteristics that female directors bring with them to the board of directors. Internal control provided it is effective, contributes to the improvement of the quality of information that the corporation provides to its stakeholders. In today's corporate world, these three elements are considered to be one of the drivers of corporate transparency, or at least the elements that break down corporate secrecy. Corporate transparency is an indicator of the company’s public disclosure of information (García-Sánchez, 2020; Zhong, 2022).

This work aims to look into the effect of CSR and female directors on IC effectiveness and whether female representation on corporate boards in socially high-performing firms boosts the effectiveness of their IC. Thus, this paper examines the relationship between CSR and the effectiveness of IC, and concomitantly addresses board gender diversity to check whether female directors boost corporate transparency or not. This work has the triple objective of evidencing the role CSR, IC and female directors play in enhancing corporate transparency in Chinese institutional settings.

Consistent with the paper's theoretical predictions, the results obtained show that firms with high social responsibility scores indeed have stronger internal control mechanisms. However, the paper's findings contrary to expectations fails to attest positive association between female directors and internal control effectiveness. Moreover, in the studied sample of Chinese listed companies, even the presence of female directors in companies with high social responsibility does not produce a positive effect on IC. Thus, the results of this study confirm the significant role of CSR but do not confirm the role of female representation on the board of directors for internal control, even in CSR-active and high-performing companies.

This study's results concerning female directors' influence are at odds with previous literature on non-Chinese and international settings (Chang et al., 2020; Chen et al., 2016; Oradi & E-Vahdati, 2021; Pucheta-Martínez & Bel-Oms, 2019), however, are on par with preceding studies focused on Chinese institutional environment (Pasko, Zhang, Tuzhyk, et al., 2021). These results once again corroborate the ambiguous and special role of women directors, often different from the one observed in studies of the Western institutional environment.

This paper delivers some insight into the peculiarities of ensuring corporate transparency in the Chinese institutional environment providing managerial and regulatory implications in underscoring the indefinite and indeterminate role of corporate governance, especially with female representation on the board of directors.

Thus, this study investigates the relationship between CSR and the effectiveness of IC and concurrently considers female representation on the board to check whether female directors boost corporate transparency or not. For this, the paper uses a sample of 115,231 firm-year observations of companies listed on the Shanghai and Shenzhen stock exchanges for the period ranging from 2013 to 2018, while the raw data for variables calculation come from authoritative and reputable sources: China Stock Market and Accounting Research (CSMAR), DIB Internal Control database, and RKS CSR score.

This study's findings imply that consistent with the majority of the extant literature CSR strategies might be effective in affecting firms' IC effectiveness even without female members in decision-making. Based on the assumption proven in many previous studies that female representation on the board of directors can be beneficial to the firm in many aspects, and feeling the lack of evidence for this in the Chinese institutional environment, especially in terms of corporate transparency, this study uses internal control as a proxy of a concrete and embodied an element of tangible transparency and accountability and studies the influence of women on board on it.

The results obtained show that socially high-performing companies have more effective internal control mechanisms. However, the study's outcomes counter to anticipations do not attest positive association between female directors and internal control effectiveness. Furthermore, in an investigated sample of Chinese listed companies, even female representation on the board of socially high-performing firms does not generate a positive effect on IC, thus not further reinforcing the positive effect produced by CSR engagement.

The paper provides empirical data to encourage listed companies' accent on active fulfilment of CSR thereby enhancing their internal control effectiveness and corporate transparency, and provides a call for future research to look closer into the effect of female directors in Chinese institutional settings while urging a cautious approach to female representation as an instrument of corporate governance intended to rise corporate transparency in the meantime.

2.3. Corporate Governance Characteristics and CSR Alignment: Addressing the Challenges of Decoupling in China

Based on a thorough review of existing literature (subsection 1.4) and the reasoning outlined within it, this research puts forward the following hypotheses for examination:

Hypothesis 1: Board independence is negatively correlated with CSR decoupling.

Hypothesis 2: Board diversity is negatively correlated with CSR decoupling.

Hypothesis 3: Board size is negatively correlated with CSR decoupling.

Hypothesis 4: Supervisory board size is negatively correlated with CSR decoupling.

Hypothesis 5: Management experience is positively correlated with CSR decoupling.

Hypothesis 6: The chairman concurrently serving as CEO is positively correlated with CSR decoupling.

Hypothesis 7: The number of board committees is negatively correlated with CSR decoupling.

Hypothesis 8: The number of senior executives is negatively correlated with CSR decoupling.

CSR decoupling denotes the gap between a company's stated CSR activities and its actual CSR practices. For Chinese listed companies, CSR disclosure data is sourced from the CSMAR database (hereafter referred to as CSRD), while CSR performance scores are provided by Hexun.com (hereafter referred to as CSRScore). The following formula is used to quantify CSR decoupling:

$$\mathrm{CSR}_{\mathrm{Decoupling}} = \frac{CSRD - mean(CSRD)}{sd(CSRD)} - \frac{CSRScore - mean(CSRScore)}{sd(CSRScore)} \quad (1)$$

To assess the impact of corporate governance structure variables on CSR decoupling, we employ an empirical model that incorporates eight corporate governance variables along with four control variables.

$$\mathrm{CSR\_Decoupling}_{i,t} = \beta_0 + \beta_1 \mathrm{BoardIndependence}_{i,t} + \beta_2 \mathrm{FemaleBoardRatio}_{i,t} + \beta_3 \mathrm{Boardsize}_{i,t} + \beta_4 \mathrm{SupBoardSize}_{i,t} + \beta_5 \mathrm{AverageAge}_{i,t} + \beta_6 \mathrm{CEODuality}_{i,t} + \beta_7 \mathrm{CommitteeNum}_{i,t} + \beta_8 \mathrm{ExecutivesNumber}_{i,t} + \beta_9 \mathrm{LnSize}_{i,t} + \beta_{10} \mathrm{Leverage}_{i,t} + \beta_{11} \mathrm{ListYears}_{i,t} + \beta_{12} \mathrm{IndustryID}_{i,t} + u_{i,t} \quad (2)$$

There, :

The dependent variable, BoardIndependence, is the proportion of independent directors;

FemaleBoardRatio is the proportion of female directors;

Boardsize is the number of board members;

SupBoardSize is the number of supervisory board members;

AverageAge is the average age of management personnel;

CEODuality represents whether the chairman also serves as the CEO;

CommitteeNum is the number of committees;

ExecutivesNumber is the number of senior executives;

LnSize is the natural logarithm of total assets, used to measure company size;

Leverage is the leverage ratio;

ListedYears is the number of years since listing;

IndustryID is the industry code, used to control for industry differences.

Table 2.17 lists the definitions and calculation methods of the variables.

Table 2.17 Variables Definition

Variable	Abbreviation	Definition
Dependent variables		
Account conservatism	CSR_Decoupling	Formula (1)
Independent variables		
Ratio of independent directors	Board Independence	Number of independent directors /Number of board members
Percentage of female directors	FemaleBoardRatio	Number of female directors/board size
Board Size	BoardSize	Number of board members
Size of the Supervisory Board	SupBoardSize	Number of Supervisors
Average age of management	AverageAge	Mean(age of management)
CEO Duality	CEODuality	1 = Chairman and CEO are the same person 0 = Other Situation
Number of committees	CommitteeNum	Number of special committees established by the board of directors

Variable	Abbreviation	Definition
Number of senior management personnel	ExecutivesNumber	Number of senior managers
Control variables		
Firm Size	LnSize	Natural log of total assets
Leverage	Leverage	Total liabilities/total assets
Listed Years	ListYears	Current year-IPO year
Industry No.	IndustryID	Industry No.

Data source: Author's statistics.

This study selected publicly listed companies in China as the research sample, with the initial dataset comprising annual report data for all companies listed on China's A-share market from 2010 to 2022. Given that CSR scores on Hexun.com are available starting in 2010, our analysis spans a 13-year period from 2010 to 2022.

Data on financial indicators and corporate governance attributes were obtained from the CSMAR database, with any missing values supplemented from the annual reports of the listed companies. Obvious errors in the data were removed to ensure accuracy. Following best practices from similar studies, we screened and refined the initial sample. Specifically, we excluded companies from the financial industry, such as banks and insurance firms, as well as companies that had received delisting warnings or ceased trading. To minimize the influence of outliers on regression outcomes, we conducted a manual check for outliers and applied winsorization to continuous variables at the 1% and 99% levels. This final dataset includes 2,676 companies and a total of 22,795 observations.

For data analysis, we employed Stata 18.0 to perform descriptive statistics, correlation analysis, and multiple regression analysis. The regression analysis controlled for variables such as company size, leverage ratio, listing years, and industry classification. Table 2.18 presents the annual distribution of the data, showing a year-by-year increase in observations.

Table 2.18. Descriptive statistics by year

Year	Frequency	Percentage (%)	Cum. (%)
2010	1491	6.54	6.54
2011	1697	7.44	13.99
2012	1838	8.06	22.05
2013	1900	8.34	30.38
2014	1901	8.34	38.72
2015	1966	8.62	47.35
2016	2089	9.16	56.51
2017	2220	9.74	66.25
2018	2506	10.99	77.25
2019	2564	11.25	88.49
2020	2623	11.51	100.00
Total:	**22795**	**100**	

Table 2.19 presents the industry distribution of observations. The largest sector represented is manufacturing, which accounts for 63% of the total observations, followed by wholesale and retail at 6.11%, and real estate at 5.61%.

Table 2.19. Number and Proportion of Firms by Industry Classification

IndustryID	Industry Name	Frequency	Percentage (%)	Cum. (%)
A	Agriculture, forestry, animal husbandry and fishery	313	1.37	1.37
B	Mining industry	635	2.79	4.16

IndustryID	Industry Name	Frequency	Percentage (%)	Cum. (%)
C	Manufacturing	14360	63.00	67.16
D	Electricity, heat, gas and water production and supply	947	4.15	71.31
E	Construction industry	690	3.03	74.34
F	Wholesale and retail	1393	6.11	80.45
G	Transportation, storage and postal industry	893	3.92	84.36
H	Accommodation and Catering Industry	92	0.40	84.77
I	Information transmission, software and information technology service industry	898	3.94	88.71
K	Real estate	1278	5.61	94.31
L	Leasing and business services	290	1.27	95.59
M	Scientific research and technical service industry	146	0.64	96.23
N	Water conservancy, environment and public facilities management industry	239	1.05	97.28
O	Resident services, repairs and other services	15	0.07	97.34
P	Education	26	0.11	97.46

IndustryID	Industry Name	Frequency	Percentage (%)	Cum. (%)
Q	Health and social work	31	0.14	97.59
R	Culture, sports and entertainment industry	274	1.20	98.79
S	Comprehensive	275	1.21	100.00
Total:		**22795**	**100**	

Data source: Author's statistics.

Table 2.20 presents the descriptive statistics for 22,795 observations from 2010 to 2022, detailing the minimum, maximum, mean, median, and standard deviation for each variable. A lower CSR disconnect value indicates a smaller gap between a company's disclosed social responsibility commitments and its actual CSR practices.

Table 2.20. Descriptive statistics

VarName	Obs	Min	Max	Mean	Median	SD
CSR_Decoupling	22493	-4.538	3.602	0.003	0.140	1.201
BoardIndependence	22750	0.125	0.600	0.373	0.333	0.055
FemaleBoardRatio	21645	0.000	0.571	0.147	0.111	0.126
Boardsize	22750	0.000	18.000	8.753	9.000	1.757
SupBoardSize	22778	0.000	15.000	3.684	3.000	1.173
AverageAge	22778	35.600	62.860	49.522	49.590	3.095
CEODuality	22418	0.000	1.000	0.227	0.000	0.419
CommitteeNum	22774	0.000	8.000	3.961	4.000	0.462
ExecutivesNumber	22750	0.000	40.000	6.458	6.000	2.471
LnSize	22794	13.076	28.636	22.361	22.203	1.386

VarName	Obs	Min	Max	Mean	Median	SD
Leverage	22794	0.040	1.994	0.465	0.457	0.222
ListedYears	22795	1.000	30.000	11.962	12.000	7.128

Data source: Author's statistics .

Table 2.20 shows that the mean value of CSR disconnection is 0.003, while the median is 0.14, suggesting that the phenomenon of disconnection is widespread. The fact that the median is considerably higher than the mean indicates a negative (left) skew in the data distribution.

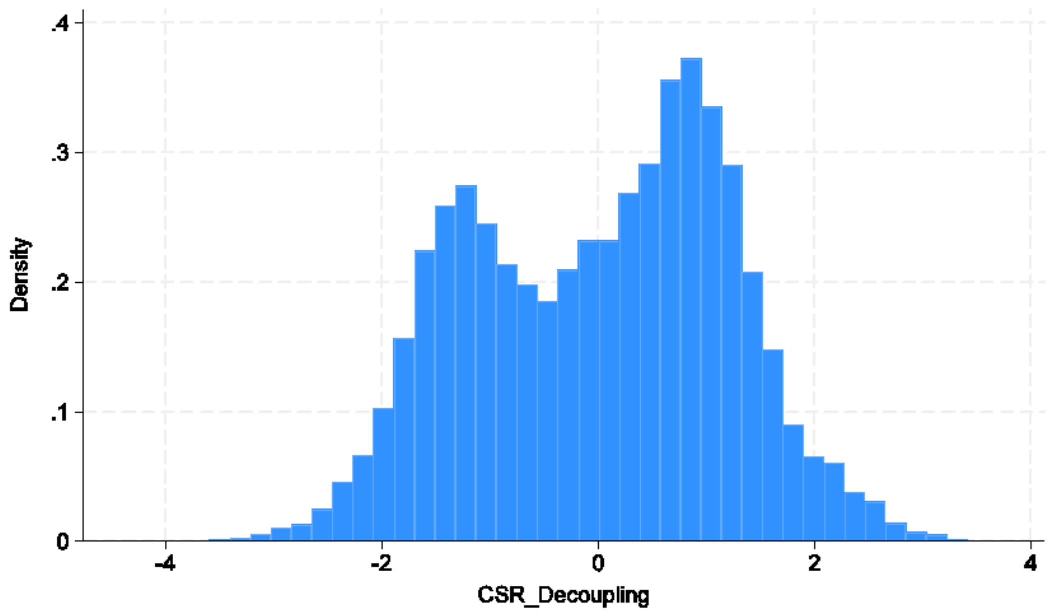

Figure 2.1. Distribution of CSR disconnected data

Figure 2.1 presents the distribution of CSR disconnection data. The data does not follow a normal distribution but instead exhibits a bimodal shape, indicating a clear polarization among companies in terms of CSR disconnection.

Table 2.21. Correlation matrix

	CSR_Decoupling	BoardIndependence	FemaleBoardRatio	Boardsize	SupBoardSize	AverageAge	CEODuality	CommitteeNum	ExecutivesNumber	LnSize	Leverage	ListedYea
CSR_Decoupling	1											
BoardIndependence	0.020***	1										
FemaleBoardRatio	0.011*	0.020***	1									
Boardsize	-0.078***	-0.442***	-0.104***	1								
SupBoardSize	-0.062***	-0.090***	-0.101***	0.356***	1							
AverageAge	0.065***	-0.001	-0.151***	0.195***	0.151***	1						
CEODuality	0.066***	0.110***	0.091***	-0.176***	-0.159***	-0.147***	1					
CommitteeNum	0.043***	0.032***	-0.002	0.021***	0.034***	-0.009	-0.012*	1				
ExecutivesNumber	-0.032***	-0.032***	-0.081***	0.236***	0.152***	0.104***	-0.042***	0.040***	1			
LnSize	0.002	0.043***	-0.150***	0.256***	0.255***	0.355***	-0.137***	0.055***	0.315***	1		
Leverage	0.005	0.008	-0.080***	0.126***	0.159***	0.053***	-0.107***	0.046***	0.108***	0.339***	1	
ListedYears	0.020***	-0.008	-0.075***	0.091***	0.191***	0.220***	-0.195***	-0.019***	-0.019***	0.267***	0.266***	1

Notes: This table gives Pearson's coefficients between each pair of variables. All variables are defined as in Table 1. The p-values are given in parentheses. *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively.

Source: Author's calculations.

Table 2.21 presents the correlation matrix among the variables. The strongest absolute correlation is observed between board size and the proportion of independent directors, with a correlation coefficient of -0.442, indicating a significant negative relationship at the 1% level. This is followed by a significant positive correlation between board size and supervisory board size, with a coefficient of 0.356 at the 1% level. The third strongest correlation is between enterprise size and the average age of management, showing a significant positive relationship with a correlation coefficient of 0.355 at the 1% level.

Table 2.22. Regression Results

	(1) **CSR_Decoupling**	(2) **CSR_Decoupling**	(3) **CSR_Decoupling**	(4) **CSR_Decoupling**
BoardIndependence	-0.638***			-0.930***
	(-3.23)			(-4.65)
FemaleBoardRatio	0.308***			0.353***
	(4.14)			(4.72)
Boardsize	-0.079***			-0.080***
	(-10.76)			(-10.75)
SupBoardSize	-0.096***			-0.093***
	(-8.66)			(-8.36)
AverageAge		0.053***		0.051***
		(14.80)		(14.05)
CEODuality		0.209***		0.155***
		(9.67)		(7.04)

	(1) **CSR_Decoupling**	(2) **CSR_Decoupling**	(3) **CSR_Decoupling**	(4) **CSR_Decoupling**
CommitteeNum			0.132***	0.127***
			(5.78)	(5.40)
ExecutivesNumber			-0.024***	-0.012***
			(-5.82)	(-2.82)
LnSize	0.090***	0.038***	0.079***	0.064***
	(9.26)	(4.03)	(8.34)	(6.27)
Leverage	0.146***	0.090*	0.032	0.207***
	(3.03)	(1.94)	(0.70)	(4.26)
ListedYears	0.063***	0.066***	0.069***	0.057***
	(35.29)	(36.71)	(39.57)	(31.29)
IndustryID	-0.048***	-0.043***	-0.047***	-0.044***
	(-14.07)	(-13.11)	(-14.52)	(-12.80)
_cons	-1.213***	-4.012***	-2.621***	-3.523***
	(-5.50)	(-17.28)	(-12.40)	(-13.15)
N	21359	22120	22443	21020

Notes: All variables are defined as in Table 1. The p-values are given in parentheses. *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively.

Source: Author's calculations.

Result (1) represents the regression analysis outcomes, incorporating characteristics of the board of directors, the supervisory board, and control variables. Result (2) includes the personal characteristics of management along with control variables, while Result (3) reflects regression analysis with the inclusion of professional committee settings and control variables. Result (4) is the outcome of regression analysis that integrates all independent variables alongside control variables. Across these results, only the coefficients have shifted, while consistency and statistical significance remain unchanged.

There is a significant negative correlation between board independence and CSR disengagement (-0.930, $p < 0.01$), suggesting that independent directors typically offer objective and unbiased oversight, reducing the risk of insider control. The presence of independent directors helps ensure that management actions align with the interests of shareholders and other stakeholders, including CSR commitments, thus reinforcing a checks-and-balances system that effectively reduces CSR disconnect.

Board diversity, as measured by the proportion of female directors, is significantly and positively associated with CSR disconnect (0.353, $p < 0.01$). This result suggests that the increase in female directors among Chinese listed companies may reflect formal diversity requirements rather than substantive improvements in board decision-making quality or CSR performance. Consequently, this "symbolic addition" may limit female directors' influence in decision-making, preventing them from effectively promoting CSR improvements.

Board size shows a significant negative correlation with CSR disconnect (-0.080, $p < 0.01$), indicating that larger boards generally bring more expertise and diverse viewpoints, which enhance decision-making quality. With more members, boards can address a wider range of stakeholder needs and consider long-term impacts in CSR decisions, thereby reducing CSR disconnect.

The size of the supervisory board also exhibits a significant negative correlation with CSR disconnect (-0.093, $p < 0.01$), indicating that companies with larger supervisory boards experience less CSR disconnection. This effect parallels that of board size, as larger supervisory boards tend to positively correlate with larger boards of directors, as reflected in the correlation matrix.

Management experience, measured by the average age of executives, has a significant positive correlation with CSR disconnect (0.051, $p < 0.01$). This finding suggests that older managers may be more conservative and inclined toward traditional methods, often lacking the sensitivity or motivation to address emerging social responsibility issues and innovative CSR practices. Such conservatism can lead to a gap between declared CSR commitments and actual performance.

CEO duality—where the chairman concurrently serves as CEO—has a significant positive correlation with CSR disconnect (0.155, $p < 0.01$). This concentration of decision-making power may reduce diversity in perspectives and weaken the checks and balances needed in the decision-making process, leading to inadequate oversight and a potential disconnect between CSR practices and commitments.

There is also a significant positive correlation between the number of special committees and CSR disconnect (0.127, $p < 0.01$), suggesting that the increase in special committees may serve to fulfill regulatory requirements or showcase corporate governance rather than genuinely enhance CSR practices. These committees may lack substantial operational influence, resulting in a disconnect between CSR commitments and actual implementation.

Finally, the number of managers exhibits a significant negative correlation with CSR disconnect (-0.012, $p < 0.01$), indicating that a higher number of managers can bring more specialized knowledge and diverse perspectives. This diversity supports improved CSR decision-making, as managers offer varied insights that contribute to more comprehensive and effective CSR practices.

The analysis confirms six of the eight hypotheses, indicating significant correlations that align with expectations for several corporate governance attributes. Specifically, board independence, board size, supervisory board size, management experience, CEO duality, and the number of senior executives all demonstrate statistically significant relationships with CSR decoupling, supporting hypotheses 1, 3, 4, 5, 6, and 8. These findings suggest that aspects such as a larger board and supervisory board, a higher count of senior executives, and independent directors contribute positively to reducing the disconnect between CSR policies and practices. Conversely, hypotheses related to board diversity (hypothesis 2) and the number of board committees (hypothesis 7) are not supported by the data, indicating that increased diversity and additional committees do not necessarily enhance CSR alignment, potentially due to symbolic or formalistic practices that lack substantial impact.

The findings of this study provide important insights into the relationship between corporate governance attributes and CSR decoupling, shedding light on both supportive and unexpected patterns. Consistent with our expectations, board independence, board size, supervisory board size, management experience, CEO duality, and the number of senior executives demonstrate significant associations with CSR decoupling. These results suggest that governance structures with strong oversight mechanisms—such as independent directors and larger boards—are more likely to bridge the gap between CSR policies and actual practices. The role of experienced management and the presence of numerous senior executives contribute diverse perspectives and a range of expertise, which seem to drive organizations toward genuine CSR engagement, aligning formal commitments with operational outcomes. Additionally, the finding that CEO duality is positively correlated with CSR decoupling underscores the potential risks of concentrated decision-making power, where a lack of checks and balances may limit the board's ability to enforce CSR effectively.

Unexpectedly, the hypotheses concerning board diversity and the number of board committees were not supported. The positive correlation between board diversity, specifically the presence of female directors, and CSR decoupling suggests that formal diversity may not automatically translate into meaningful decision-making influence on CSR matters. This outcome raises questions about the extent to which diversity requirements in corporate governance foster genuine engagement versus symbolic compliance, where diversity's intended impact on CSR practices is not fully realized. Similarly, the finding that a greater number of board committees correlates with CSR decoupling points to the possibility that these committees may exist more for compliance and appearances than for practical influence on CSR practices. This formalistic approach may detract from the committees' potential to provide substantive oversight and enhance CSR alignment.

Overall, these findings highlight the nuanced and complex role of corporate governance in CSR decoupling. While certain attributes clearly support the alignment of CSR policies with practices, others reveal limitations and unintended effects that warrant further investigation. Future research could explore the specific conditions under which diversity and board committees positively impact CSR, potentially addressing structural or cultural factors that might be impeding their effectiveness. These insights contribute to a more refined understanding of how corporate governance mechanisms can either bridge or widen the gap between CSR intentions and outcomes, offering practical implications for organizations aiming to enhance the credibility and effectiveness of their CSR commitments.

In conclusion, this study sheds light on the significant role that specific corporate governance attributes play in reducing or exacerbating CSR decoupling within organizations. Our findings confirm that attributes such as board independence, board size, supervisory board size, management experience, CEO duality, and the number of senior executives are closely linked to CSR alignment, suggesting that well-structured and balanced governance mechanisms can support a more authentic integration of CSR policies into organizational practices. Independent directors, in particular, appear to enhance oversight and ensure that managerial actions align with stakeholder interests, while larger boards and supervisory boards provide diverse perspectives, helping to address a broader range of stakeholder needs and long-term sustainability considerations. Additionally, we find that CEO duality and extensive management experience may contribute to CSR decoupling, perhaps due to concentrated power dynamics or conservative management tendencies that resist progressive CSR initiatives.

Conversely, board diversity and the number of board committees do not show a direct positive impact on reducing CSR decoupling, raising questions about the potential symbolic nature of diversity initiatives and committee structures within corporate governance frameworks. These findings underscore the importance of not only having governance structures in place but ensuring they are meaningfully engaged in promoting CSR commitments. Future research could further explore the nuances of these relationships, particularly in different cultural and regulatory contexts, to refine our understanding of how corporate governance can more effectively bridge the gap between CSR policies and practices. Ultimately, our study suggests that a thoughtful, strategic approach to governance is essential in achieving genuine CSR alignment and minimizing the risks of superficial compliance.

Summary of Section 2

This section focuses on the interplay between Corporate Social Responsibility (CSR) practices and their financial and managerial implications in Chinese enterprises, specifically exploring how CSR quality, CEO financial expertise, gender diversity, and corporate governance characteristics influence various corporate outcomes.

CSR Quality and Debt Financing Costs. The study investigates the relationship between CSR quality and the cost of debt capital (COD) in firms listed on the Shanghai and Shenzhen Stock Exchanges. The results demonstrate a statistically significant negative correlation between CSR quality and COD, confirming that robust CSR practices reduce perceived risks among lenders by enhancing transparency and reducing information asymmetry. Companies with higher CSR scores generally benefit from lower debt financing costs, supporting Hypothesis 1 (H1).

In contrast, CEO financial expertise positively correlates with COD, suggesting that CEOs with strong financial backgrounds may adopt riskier financial strategies that lenders perceive as increasing default risks, thereby raising borrowing costs. This supports Hypothesis 2 (H2). However, the study found no significant moderating role of CEO financial expertise in the relationship between CSR quality and COD, indicating limited interaction effects between these variables.

Gender Diversity and Internal Control Effectiveness. This subsection examines the impact of CSR and gender diversity on internal control (IC) effectiveness. Higher CSR scores correlate positively with stronger IC mechanisms, supporting the notion that socially responsible firms are more likely to implement robust control systems. However, contrary to expectations, the presence of female directors on corporate boards does not significantly improve IC quality in Chinese firms.

Moreover, the interaction between CSR and gender diversity reveals no significant additive effect on IC effectiveness. These findings suggest that while CSR practices directly enhance IC quality, the potential benefits of gender diversity on internal governance require further exploration in the Chinese institutional context.

Corporate Governance Characteristics and CSR Alignment. This subsection addresses CSR decoupling, defined as the disparity between stated CSR commitments and actual practices. The analysis reveals that specific corporate governance characteristics, such as board independence, board diversity, and supervisory board size, are negatively associated with CSR decoupling, thereby enhancing alignment between CSR rhetoric and action.

Conversely, factors such as CEO duality (where the CEO also serves as board chair) and management experience are positively correlated with CSR decoupling, highlighting challenges in aligning corporate governance structures with CSR practices. These findings underscore the critical role of governance reforms in reducing CSR decoupling and enhancing organizational accountability.

This section contributes significantly to understanding how CSR practices and corporate governance influence financial and managerial outcomes in Chinese firms. By identifying the mechanisms through which CSR quality lowers COD and strengthens IC while highlighting areas where governance reforms are needed, the study provides actionable insights for policymakers and corporate leaders.

The findings emphasize the importance of adopting comprehensive CSR strategies and robust governance frameworks to improve corporate performance, accountability, and stakeholder trust in the evolving Chinese market landscape. These insights offer valuable lessons for enhancing transparency and fostering sustainable business practices in global contexts.

SECTION 3
ADVANCING CSR PRACTICES: INTEGRATIVE FRAMEWORK AND STRATEGIC MECHANISMS FOR SUSTAINABLE DEVELOPMENT

3.1. Strategic Applications of CSR in the Chinese Context: Integration of Socio-Economic and Environmental Paradigms

Corporate Social Responsibility (CSR) in China has evolved into a sophisticated framework, integrating strategic considerations with socio-economic and environmental imperatives. This chapter examines how contemporary Chinese businesses leverage CSR as a tool for strategic alignment with national goals, regulatory expectations, and global sustainability standards. Drawing from historical and modern paradigms, this analysis highlights the dual role of CSR as both a compliance mechanism and a driver for innovation and competitiveness(Jian, Li; Zhenghui, Pan; Yang, Sun; Wei, 2024).

Over recent decades, CSR in China has transitioned from a peripheral concern to a central business strategy. This shift mirrors the evolving priorities of the Chinese government, stakeholders, and international market forces. The integration of CSR into corporate strategies is driven by multiple factors:

1. Policies like "Ecological Civilization" (生态文明) and the Belt and Road Initiative (一带一路) have emphasized sustainability, urging companies to adopt CSR practices that align with these goals.
2. As Chinese enterprises expand internationally, CSR initiatives serve as tools to build trust and legitimacy in global markets.
3. Regulations such as the 2006 Company Law and subsequent environmental directives necessitate proactive CSR engagement.

This strategic focus positions CSR not merely as a compliance activity but as a means to create value, enhance resilience, and gain competitive advantage.

This section explores the strategic integration of CSR approaches within the Chinese context, emphasizing the harmonization of socio-economic priorities with environmental imperatives. The analysis draws on key paradigms that define CSR's role in addressing the needs of stakeholders while adhering to cultural and institutional frameworks unique to China. Table 3.1 below provides a detailed comparative analysis of prevalent CSR approaches in China, highlighting their distinctive characteristics and practical applications across various sectors.

Table 3.1. Comparative Analysis of CSR Approaches in China

Approach	Characteristics	Examples in China
Compliance-Oriented	Legal adherence and risk mitigation	Environmental reporting
Stakeholder-Centered	Engagement with broad stakeholder groups	Employee welfare programs
Value-Driven	CSR as a competitive advantage	Investments in green technologies
Culturally Embedded	Adaptation to local values and norms	Support for “Hope Schools” (希望小学)

Source: Author's elaboration based on data from relevant literature

The table underscores the multidimensional nature of CSR in China, ranging from compliance-oriented practices aimed at legal adherence to culturally embedded initiatives reflecting deep-rooted societal norms. By bridging global CSR standards with localized practices, Chinese enterprises demonstrate the dynamic interplay between regulatory expectations and value-driven innovation. This interplay not only enhances corporate competitiveness but also reinforces alignment with China's broader goals of sustainable development and social cohesion.

Table 3.1. illustrates four distinct CSR approaches commonly employed in China, each representing a strategic avenue for businesses to engage with their socio-economic and environmental responsibilities. The compliance-oriented approach is grounded in adherence to regulatory frameworks, such as environmental reporting requirements, which mitigate operational risks and ensure legal conformity. In contrast, the stakeholder-centered approach prioritizes engagement with diverse stakeholder groups, exemplified by employee welfare programs that enhance organizational trust and reputation.

The value-driven approach positions CSR as a source of competitive advantage, with companies investing in green technologies to appeal to environmentally conscious consumers and foster long-term innovation (Ko et al., 2020). Finally, the culturally embedded approach integrates CSR activities with local customs and values, as evidenced by support for "Hope Schools" (希望小学), which align corporate contributions with educational development and social welfare priorities in rural communities. These approaches collectively demonstrate how CSR strategies can be tailored to China's unique socio-cultural and regulatory environment, fostering sustainable growth and societal impact.

The strategic application of CSR in the Chinese context is deeply influenced by the country's unique socio-economic and cultural landscape. As outlined above integrating socio-economic and environmental paradigms is not merely an operational requirement for businesses but a strategic opportunity to align corporate goals with broader societal values (Nie et al., 2024). The approaches highlighted in Table 3.1 reflect how Chinese enterprises leverage CSR to address local and global challenges, embodying a fusion of compliance, stakeholder engagement, innovation, and cultural sensitivity.

The insights provided by Table 3.1 are instrumental in understanding how these diverse CSR strategies contribute to achieving sustainability goals while navigating China's rapidly changing economic environment. For instance, compliance-oriented CSR aligns with governmental priorities, such as carbon reduction and pollution control, under frameworks like the "dual carbon" policy (双碳目标). Stakeholder-centered approaches, on the other hand, resonate with China's collectivist culture by prioritizing employee well-being and fostering community trust. Meanwhile, value-driven initiatives and culturally embedded programs reinforce the integration of CSR into core business strategies, ensuring that economic growth is balanced with long-term social and environmental responsibility.

By aligning CSR activities with these paradigms, Chinese businesses demonstrate how localized practices can serve as a model for sustainable corporate governance. This alignment supports the broader argument of this study, which posits that the successful implementation of CSR in China requires a nuanced understanding of its socio-economic conditions, environmental challenges, and cultural heritage. The strategic flexibility illustrated in Table 3.1 underscores the importance of this integration, showcasing how CSR can act as a bridge between corporate objectives and China's evolving societal needs.

The unique integration of CSR within China's governance structures stems from pivotal policies such as the Ecological Civilization (生态文明), which emphasize sustainability, and the Belt and Road Initiative (一带一路倡议), aimed at fostering socio-environmental collaboration across international borders. These policies drive companies to align their strategies with broader societal goals, creating a synergy between corporate development and national aspirations. Table 3.2 illustrates key policies influencing CSR practices in China and the corresponding corporate responses that reflect these shifts in priorities (Zhang, 2022).

The examples presented in Table 3.2 highlight how regulatory frameworks have prompted companies to adopt strategic approaches to CSR. For instance, the 2006 Company Law (公司法) embeds CSR principles directly into corporate governance structures, encouraging organizations to move beyond compliance toward innovation-driven CSR strategies. By examining these examples, we can better understand how Chinese companies leverage CSR to balance economic growth, environmental stewardship, and social welfare.

Table 3.2. Key CSR Policies and Corporate Responses

Policy/Regulation	Key Requirement	Corporate Response
Ecological Civilization (生态文明)	Sustainability practices	Renewable energy adoption
2006 Company Law (公司法)	CSR integration in governance	Strategic CSR planning
Belt and Road Initiative (一带一路倡议)	Social and environmental impact	Local community engagement abroad

Source: Author's elaboration based on data from relevant literature

Table 3.2 provides a concise overview of three key policies shaping CSR in China and the ways corporations have responded. Each policy underscores a distinct aspect of CSR integration. The concept of Ecological Civilization (生态文明)

emphasizes sustainability, prompting companies to adopt renewable energy and other green technologies. Similarly, the 2006 Company Law (公司法) formalizes CSR in governance, pushing organizations to develop long-term strategies that integrate CSR into their business models. Finally, the Belt and Road Initiative (一带一路倡议) encourages Chinese firms to engage with local communities and assess social and environmental impacts abroad, reinforcing the importance of global CSR leadership.

These corporate responses illustrate how regulatory directives translate into actionable strategies, providing insights into the evolving role of CSR as both a compliance measure and a competitive advantage within the Chinese context.

The policies and corporate responses detailed in Table 3.2 also underscore the alignment between China's national development goals and international sustainability agendas. For instance, the focus on renewable energy adoption under the framework of Ecological Civilization (生态文明) reflects China's commitment to achieving its carbon neutrality goals by 2060. This has incentivized corporations to innovate in areas such as solar, wind, and other renewable energy sectors, positioning them as global leaders in sustainable technology. Such initiatives highlight how CSR in China is not merely reactive but actively shapes industries in line with global sustainability standards.

Moreover, the inclusion of CSR in governance through the 2006 Company Law (公司法) represents a structural transformation in how Chinese businesses operate. By mandating strategic CSR planning, the regulation fosters a culture of accountability and long-term value creation. Companies are increasingly using CSR to strengthen stakeholder relationships, enhance corporate reputation, and gain a competitive edge. These trends indicate a growing recognition of CSR as an essential component of corporate identity and not just an ancillary activity.

Finally, the international scope of the Belt and Road Initiative (一带一路倡议) has brought new dimensions to CSR, particularly in cross-border operations. By engaging with local communities in host countries, Chinese corporations are addressing both social and environmental challenges, creating mutual benefits. These efforts not only contribute to sustainable development in participating regions but also enhance the global image of Chinese companies. This international perspective on CSR demonstrates how China's approach evolves as it integrates into global markets, setting an example for other nations pursuing sustainable development on a transnational scale.

Table 3.3 provides a structured framework for evaluating CSR performance, highlighting key metrics and their relevance to China's unique policy and development landscape. These metrics - environmental impact, social contribution, and economic innovation - serve as foundational pillars in assessing the integration of CSR initiatives with the national agenda(Sun et al., 2022).

Table 3.3. CSR Metrics for Performance Evaluation

Metric	Measurement Criteria	Relevance to Chinese CSR
Environmental Impact	Carbon footprint, resource use	Alignment with green policies
Social Contribution	Employment rates, community impact	Addressing social stability goals
Economic Innovation	R&D spending, tech adoption	Competitive edge in global markets

Source: Author's elaboration based on data from relevant literature

This table offers a practical lens through which businesses can align their operations with China's green development strategies, social stability goals, and aspirations for technological advancement. By utilizing these criteria, firms can not only enhance their reputations but also contribute to national development objectives. As outlined in Table 3.3, these metrics bridge global CSR trends with localized priorities, reflecting a nuanced understanding of the Chinese socio-economic environment.

Table 3.3 provides an essential framework for understanding how CSR practices can be strategically employed to address China's pressing socio-economic and environmental challenges. Each metric represents a critical area of impact and serves as a guideline for businesses operating within the country to align with national goals.

The measurement of environmental impact through metrics such as carbon footprint and resource use aligns closely with China's commitment to achieving carbon neutrality by 2060 (碳中和). This priority is underscored by policies like the "Dual Carbon" goals (双碳目标), which aim to reduce carbon emissions while promoting green energy alternatives. Companies that actively monitor and reduce their carbon footprints not only comply with regulatory expectations but also gain favor with environmentally conscious consumers. Moreover, resource efficiency—another component of this metric—reflects China's emphasis on the circular economy (循环经济), an approach designed to minimize waste and maximize resource use.

In practice, a focus on environmental performance can lead to innovative solutions such as green supply chains, energy-efficient technologies, and sustainable production processes. For instance, firms adopting renewable energy sources can reduce both costs and emissions, demonstrating a commitment to sustainability while maintaining competitiveness.

The social contribution metric focuses on employment rates and community impact, which resonate deeply with China's priority to maintain social harmony (社会和谐). High employment rates are a crucial component of stability, especially in a rapidly urbanizing society where disparities between rural and urban areas remain stark. Companies that prioritize local hiring, fair labor practices, and community engagement play an active role in addressing these issues.

Community impact, another facet of social contribution, extends beyond economic activities to include programs that promote education, healthcare, and cultural preservation. For example, firms involved in rural revitalization initiatives (乡村振兴) often gain governmental support and public trust. Additionally, by engaging in philanthropic activities and contributing to disaster relief efforts, businesses reinforce their roles as responsible corporate citizens, fostering goodwill and long-term loyalty among stakeholders(Sun et al., 2022).

Economic innovation, represented by metrics such as R&D spending and technology adoption, aligns with China's ambition to become a global leader in innovation (创新驱动). By investing in research and development, companies not only enhance their competitive positions but also contribute to national priorities like technological self-sufficiency (科技自立). This focus on innovation is evident in industries such as renewable energy, artificial intelligence, and biotechnology, where Chinese firms are making significant strides.

Technology adoption, particularly in the digital space, also reflects China's drive toward a smart economy (智能经济). Businesses that leverage digital tools, such as big data and the Internet of Things (物联网), can optimize their operations while addressing broader societal needs, such as efficient resource allocation and enhanced public services. This synergy between business innovation and societal benefit exemplifies the potential of CSR to act as a driver of sustainable development.

Although each metric serves a distinct purpose, their combined application creates a holistic approach to CSR. For example, a company that invests in eco-friendly technologies (addressing environmental impact) while engaging in local community development (social contribution) demonstrates a well-rounded commitment to sustainability. Similarly, integrating innovation into these efforts—such as developing technologies that reduce resource consumption while generating employment—can amplify the overall impact of CSR initiatives (Z. Wang et al., 2024).

This integrated approach is particularly relevant in China, where the government actively promotes the alignment of corporate goals with national priorities through policies such as the Corporate Social Credit System (企业社会信用体系). Firms that excel across these metrics not only meet regulatory standards but also position themselves as leaders in the transition toward a more sustainable and equitable economy.

Despite the clear benefits, implementing such a comprehensive CSR framework presents challenges. For instance, accurately measuring environmental impact requires robust data collection systems and consistent reporting standards, areas where many companies still face gaps. Similarly, balancing short-term profitability with long-term societal benefits requires a strategic vision that not all firms have developed.

To address these challenges, businesses should invest in capacity-building efforts, such as training programs for employees on sustainable practices and partnerships with academic institutions to foster innovation. Moreover, adopting international reporting standards, such as the Global Reporting Initiative (GRI), can enhance transparency and accountability, helping firms build trust with stakeholders.

Therefore that approach encapsulates a strategic roadmap for integrating CSR into business practices within the Chinese context. By focusing on environmental, social, and economic dimensions, companies can not only align with China's developmental goals but also contribute to global sustainability efforts. This approach underscores the transformative potential of CSR as a tool for addressing contemporary challenges while fostering long-term growth and stability.

3.2. Advancing the Government's Role in Shaping CSR for a Sustainable Future

Corporate Social Responsibility (CSR) has become a cornerstone of modern business practices, particularly in economies with high state involvement like China. This chapter examines the future role of the Chinese government in enhancing CSR practices. Building on the interplay of political connections and CSR discussed in Chapter 1, we propose strategies for governmental reform and action that can make its role in CSR more effective. Furthermore, the chapter explores how these improvements can drive the next phase of CSR evolution in China, aligning corporate practices with global sustainability goals.

China's government exerts a significant influence over CSR through policies, directives, and partnerships. This influence is mediated by the type of political connections firms maintain - material or symbolic - which shape their motivations for engaging in CSR (J. Wang et al., 2016). While material connections lead to robust governance-driven CSR, symbolic ties often result in selective or superficial CSR efforts. This disparity underscores the need for a coherent and strategic governmental role to harmonize these influences and promote authentic CSR practices.

The role of the Chinese government in shaping Corporate Social Responsibility (CSR) has been pivotal, particularly in a rapidly developing socio-economic landscape. Through a combination of policy reforms, regulatory mechanisms, and technological advancements, the government has provided a framework for businesses to align their practices with societal and environmental priorities. By fostering accountability and encouraging innovation, these efforts have made CSR a strategic pillar of corporate governance in China (Qiu & Zhou, 2024).

Over the years, the government has progressively introduced initiatives to refine CSR standards and ensure transparency (table 3.4). From mandating disclosure practices for listed companies to integrating international frameworks like the UN Sustainable Development Goals (SDGs), the government has demonstrated its commitment to driving sustainable development. This timeline highlights the milestones that have shaped CSR in China, reflecting how policy evolution has aligned corporate actions with both domestic priorities and global expectations.

Table 3.4. CSR Evolution Timeline in China

Year	Milestone	Description	Remarks
2006	Introduction of the “Company Law” (公司法)	The updated law included provisions encouraging corporate responsibility for environmental protection and community welfare.	Laid the foundation for CSR in China.
2008	First CSR Reporting Guidelines by the Shanghai Stock	Issued guidelines requiring listed companies to disclose CSR activities.	Pioneered mandatory CSR disclosure rules.

Year	Milestone	Description	Remarks
	Exchange (上海证券交易所)		
2013	Launch of “Green Credit Policy” (绿色信贷政策)	Banks were encouraged to prioritize lending to environmentally responsible companies.	Linked CSR to financial incentives.
2016	Adoption of the UN Sustainable Development Goals (SDGs)	China officially integrated the SDGs into its national strategy.	Boosted CSR alignment with global goals.
2018	Implementation of “Environmental Protection Tax Law” (环境保护税法)	Firms were taxed based on pollution levels, pushing them to adopt sustainable practices.	Encouraged eco-friendly corporate behavior.
2020	Introduction of Digital Sustainability Reporting Platforms	Online platforms for filing and verifying CSR reports were introduced, ensuring greater transparency.	Increased trust in CSR disclosures.
2022	National Guidelines on ESG (环境、社会及公司治理指导方针)	Government released specific ESG guidelines, encouraging firms to align CSR with environmental, social, and governance principles.	Elevated CSR focus on governance aspects.
2024	Proposed Integration of Blockchain for CSR Verification	Trials began for blockchain-enabled CSR reporting to ensure accuracy and combat greenwashing.	Marks the shift to high-tech CSR reporting.

Source: Author's elaboration based on data from relevant literature

The milestones in this timeline reflect not only the progress achieved but also the growing sophistication of CSR practices under government guidance. Each step demonstrates a commitment to aligning corporate actions with broader societal needs, while leveraging technology and international frameworks to enhance accountability. By integrating sustainability into corporate mandates, the government has positioned CSR as a driver of long-term value creation (Adomako & Nguyen, 2020).

Looking ahead, advancing the government's role in shaping CSR means expanding these efforts to address emerging challenges. Encouraging firms to adopt innovative technologies like blockchain for reporting and creating incentives for small and medium enterprises (SMEs) to participate in CSR will further enrich this landscape. Additionally, fostering deeper public-private partnerships can magnify the impact of these initiatives, ensuring that CSR becomes a defining feature of China’s economic growth. As the government refines its approach, it will continue to bridge the gap between national priorities and global sustainability ambitions, paving the way for a future where business thrives in harmony with society and the environment.

The Chinese government has played an indispensable role in shaping the trajectory of Corporate Social Responsibility (CSR). By leveraging policy reforms, technological advancements, and strategic incentives, the government has created a fertile environment for CSR to flourish. Yet, as China’s socio-economic landscape evolves, so too must its approach to governmental involvement in CSR. The need for adaptive policies that balance global frameworks with local realities has never been more pressing (Jia et al., 2019).

The relationship between government initiatives and CSR outcomes highlights the importance of innovative governance. For instance, aligning CSR efforts with global sustainability goals such as the United Nations Sustainable

Development Goals (SDGs) has strengthened China's position on the world stage. However, the challenges of effective implementation, particularly in industries heavily influenced by political connections, underscore the complexity of driving meaningful change. Material and symbolic political ties remain key factors in determining the depth and authenticity of CSR practices (Xiao & Shen, 2022).

Table 3.5 outlines key pathways for advancing governmental involvement in CSR. These pathways not only address current gaps but also provide actionable strategies for fostering a more sustainable future. From refining policies and regulations to building capacity and encouraging collaboration, each element serves as a building block for a robust CSR ecosystem that integrates economic growth with environmental and social progress.

Table 3.5. Future Pathways for Governmental Involvement

Involvement	Description
Policy Refinement and Incentives	The government must establish clearer, more robust CSR mandates that align with international frameworks such as the United Nations Sustainable Development Goals (SDGs). Offering tax incentives and subsidies for firms that achieve measurable CSR outcomes can motivate deeper engagement. Enhanced transparency requirements, supported by digital monitoring platforms, can also ensure compliance and foster public trust.
Regulatory Evolution	Current regulatory mechanisms need modernization to address the complex dynamics of political connections. For example: o Material Connections**:** The government should institutionalize accountability mechanisms for firms with material ties to ensure CSR initiatives are not merely performative.

Involvement	Description
	○ Symbolic Connections**:** Policies must encourage firms with symbolic ties to elevate their CSR activities beyond reputation management, incorporating substantial societal contributions.
Capacity Building and Knowledge Dissemination	The government can play a pivotal role in equipping firms with the tools and expertise necessary for effective CSR. This includes: ○ Organizing CSR workshops and seminars in collaboration with academic institutions. ○ Establishing platforms for knowledge sharing, such as case studies of successful CSR practices. ○ Supporting partnerships between domestic firms and international organizations to exchange best practices.
Strengthening Public-Private Collaboration	By fostering collaborations between the public and private sectors, the government can bridge resource gaps and align corporate activities with national development goals. Joint projects, such as environmental restoration or rural education programs, exemplify the potential of such partnerships.

Source: Author's elaboration based on data from relevant literature

The strategies outlined in Table 3.5 highlight essential actions that the Chinese government can undertake to enhance its influence on CSR. Below is an expanded discussion of each pathway and its potential impact on fostering a sustainable future.

Policy Refinement and Incentives. Policy refinement is fundamental to ensuring that CSR is integrated into corporate strategies rather than treated as a secondary obligation. The Chinese government has made significant strides by aligning national policies with international frameworks like the SDGs. However, greater clarity and specificity are needed to address industry-specific challenges. For example, introducing tiered incentives based on CSR performance could motivate firms to exceed minimum requirements. Tax relief, subsidies, and recognition programs could further incentivize businesses to adopt sustainable practices.

Additionally, transparency is critical. The government should expand digital monitoring platforms (e.g., 绿色信用平台, “Green Credit Platforms”) to track and verify CSR initiatives. These platforms can reduce instances of greenwashing by requiring real-time data submission, supported by blockchain technology for secure and tamper-proof records. This approach ensures that firms are held accountable while fostering public trust in corporate commitments.

Regulatory Evolution. The regulatory framework governing CSR in China requires modernization to reflect the complexities of political connections. Material political connections often enable firms to access resources and regulatory leniency, which can either facilitate or hinder CSR efforts. Institutionalizing accountability measures, such as third-party audits, can ensure that firms with material ties genuinely contribute to sustainable development. For symbolic connections, the challenge lies in moving beyond superficial compliance. Policies that reward tangible societal contributions—such as community development programs or environmental restoration projects—can encourage firms with symbolic ties to invest in impactful CSR activities. Regular public reporting and stakeholder reviews can further ensure that these efforts are transparent and meaningful.

Capacity Building and Knowledge Dissemination. A well-informed corporate sector is essential for advancing CSR. The government can facilitate this by investing in capacity-building initiatives. For instance, CSR workshops and training programs can help executives understand the long-term benefits of sustainability.

Collaborations with universities and research institutions can provide evidence-based tools and frameworks tailored to industry needs.

Knowledge-sharing platforms are equally important. These platforms can feature case studies, best practices, and benchmarking tools to guide firms in implementing CSR strategies. By partnering with international organizations, China can also exchange ideas and adopt innovative approaches that align with global standards while addressing local priorities.

Strengthening Public-Private Collaboration. Collaboration between the public and private sectors can amplify the impact of CSR initiatives. Joint projects, such as clean energy transitions or rural healthcare programs, offer opportunities to pool resources and expertise. The government can act as a facilitator by creating frameworks for such partnerships, ensuring that they align with national development goals(Dang et al., 2022).

For example, the development of eco-industrial parks (生态工业园区) demonstrates how public-private collaboration can drive sustainability. These parks integrate waste recycling, energy efficiency, and community development, showcasing how coordinated efforts can achieve multiple objectives. Expanding this model to other sectors can create ripple effects, promoting sustainable practices across the economy(Dang et al., 2022).

Vision for a Sustainable Future. As the government refines its approach to CSR, the focus should be on fostering systemic change. This includes addressing structural inequalities, reducing environmental degradation, and promoting inclusive growth. By leveraging technology, policy innovation, and partnerships, the government can ensure that CSR becomes a cornerstone of China’s economic and social strategy.

Therefore, the pathways outlined in Table 3.5 represent a roadmap for enhancing the government's role in CSR. These strategies not only address current challenges but also pave the way for a future where business and society coexist in harmony. Through sustained efforts and adaptive governance, China can emerge as a global leader in CSR, demonstrating how government action can drive meaningful change for generations to come.

Corporate Social Responsibility (CSR) is evolving from a voluntary, company-led initiative into a fundamental pillar of sustainable national development. A critical aspect of this transformation is aligning CSR with national policy frameworks to amplify its impact and relevance. For example, embedding CSR objectives into strategic documents like the 14th Five-Year Plan not only highlights its importance but also situates CSR within a unified vision for economic and social growth. This alignment ensures that CSR efforts are more than just standalone acts of goodwill; they become integral to achieving long-term developmental goals.

Equally important is the role of technology in promoting CSR transparency and trust. Digital tools such as blockchain technology can revolutionize the way CSR activities are reported and verified. These innovations provide a tamper-proof mechanism for authenticating reports, thereby fostering greater confidence among stakeholders. For governments, endorsing and implementing such technologies sets a precedent for accountability and innovation, ensuring that corporate commitments to CSR are both verifiable and credible.

Lastly, meaningful stakeholder engagement lies at the heart of effective CSR implementation. Governments play a pivotal role in creating platforms that bring together businesses, civil society, and the public. Structured dialogues and mandated consultations for significant CSR initiatives ensure inclusivity, addressing diverse perspectives and fostering a shared commitment to sustainable development. The following table summarizes key government interventions for advancing CSR within the broader context of national development priorities.

Table 3.6. Government Interventions for Advancing CSR

Area of Focus	Government Actions	Expected Outcomes
Policy Integration	- Embed CSR into national development plans (e.g., the 14th Five-Year Plan). - Develop sector-specific CSR guidelines.	- Alignment of corporate and national priorities. - Industry-tailored CSR initiatives enhancing impact.
Technological Innovations	- Promote blockchain technology for authenticating CSR reports.	- Increased transparency and trust in CSR disclosures.
	- Establish centralized digital platforms for CSR data sharing.	- Enhanced access to verified CSR information for stakeholders.
Stakeholder Engagement	- Organize public forums for stakeholder dialogue. - Mandate stakeholder consultations for large-scale CSR projects.	- Inclusive participation in shaping CSR initiatives. - Holistic consideration of diverse perspectives and community needs.
Capacity Building	- Provide training programs for corporate leaders on sustainable CSR practices. - Support research and development in innovative CSR models.	- Improved corporate understanding of CSR as a strategic asset. - Introduction of cutting-edge, sustainable CSR practices across industries.
Regulatory Frameworks	- Introduce legal mandates for CSR reporting and compliance (e.g., requiring disclosure of CSR spending).	- Increased corporate accountability and standardized practices.

Area of Focus	Government Actions	Expected Outcomes
	- Offer tax incentives for companies meeting or exceeding CSR targets.	- Encouragement of greater corporate investment in socially and environmentally beneficial initiatives.

Source: Author's elaboration based on data from relevant literature

Policy Integration. The alignment of CSR with national policy frameworks represents a proactive approach to leveraging corporate efforts for sustainable development. By embedding CSR into national development plans, such as the 14th Five-Year Plan, governments signal a clear expectation for corporate participation in achieving strategic goals. This integration not only amplifies the visibility of CSR but also ensures that corporate activities align with broader economic, social, and environmental priorities. Additionally, sector-specific guidelines enable tailored CSR initiatives, recognizing the unique challenges and opportunities within industries such as manufacturing, agriculture, and technology. Such specificity drives impactful action and measurable outcomes.

Technological Innovations. The role of technology in modern governance cannot be overstated, and its application in CSR management is transformative. Blockchain technology, in particular, offers an immutable ledger for recording CSR activities, ensuring that reports are both accurate and tamper-proof. This advancement addresses widespread concerns about the reliability of corporate disclosures, which can sometimes be perceived as overstated or misleading. By promoting blockchain and similar technologies, governments can set new benchmarks for CSR transparency. Moreover, centralized digital platforms for CSR reporting streamline data sharing, enabling stakeholders to access verified information efficiently. For example, these platforms can integrate performance metrics across various sectors, offering a comparative perspective that enhances decision-making for policymakers, investors, and the public. This increased access to reliable data fosters trust and motivates companies to maintain high standards in their CSR practices.

Stakeholder Engagement. Engaging stakeholders meaningfully is fundamental to the success of CSR initiatives. Public forums, as facilitated by governments, serve as platforms for exchanging ideas, addressing concerns, and building consensus among diverse groups. These forums allow businesses to connect with communities, civil society organizations, and policymakers, creating opportunities for collaboration and mutual understanding. By mandating stakeholder consultations for large-scale CSR projects, governments ensure that corporate strategies incorporate local needs and aspirations. This inclusivity not only strengthens community relations but also enhances the effectiveness and sustainability of CSR interventions.

Capacity Building. Governments can further advance CSR by investing in capacity-building initiatives. Training programs for corporate leaders, for instance, provide essential knowledge and tools to implement sustainable practices effectively. These programs often emphasize CSR as a strategic asset, encouraging businesses to view it as integral to long-term success rather than as a peripheral activity. In addition, supporting research and development in innovative CSR models fosters creativity and adaptability. By prioritizing R&D, governments encourage companies to explore new approaches that balance profitability with environmental and social responsibility. These innovations can include circular economy practices, carbon-neutral production methods, and socially inclusive business models.

Regulatory Frameworks. The establishment of clear regulatory frameworks is critical for mainstreaming CSR across industries. Legal mandates for CSR reporting and compliance set a baseline for corporate behavior, ensuring accountability and consistency. For instance, requiring detailed disclosures of CSR spending forces companies to prioritize transparency and strategic allocation of resources. Furthermore, tax incentives for exceeding CSR targets serve as a powerful motivator for companies to deepen their investments in socially and environmentally beneficial initiatives. These incentives recognize and reward corporate efforts, creating a positive feedback loop that drives continuous improvement. When combined with strict compliance measures, such incentives strike a balance between encouragement and enforcement, maximizing the impact of CSR activities.

Therefore, the table outlines a multifaceted approach to advancing CSR through governmental interventions. By integrating CSR into policy agendas, leveraging technology, fostering stakeholder engagement, building capacity, and refining regulatory frameworks, governments can create an enabling environment for sustainable corporate practices. This comprehensive strategy not only benefits businesses but also contributes to the overarching goal of sustainable development, ensuring that economic growth is achieved responsibly and inclusively. The outlined actions highlight the transformative potential of CSR as a collaborative effort between public and private sectors, underscoring the government's pivotal role in shaping a sustainable future.

3.3. Addressing CSR Decoupling in China: A Dual Approach

Corporate Social Responsibility (CSR) decoupling has emerged as a significant challenge in China, where businesses face mounting pressure to align with global sustainability standards while striving to maintain economic growth and competitiveness. CSR decoupling refers to the gap between the CSR commitments companies publicly declare and the extent to which they implement these commitments in practice. This phenomenon highlights discrepancies in the corporate world, raising questions about the authenticity of CSR efforts and the structural challenges behind their effective implementation. This paper investigates the causes, manifestations, and solutions to CSR decoupling in China, advocating for a comprehensive approach to address both Means–Ends Decoupling and Policy–Practice Decoupling.

Corporate Social Responsibility (CSR) decoupling is a phenomenon where a significant disconnect exists between a company's declared commitments and its actual operational practices. This issue is particularly prominent in China, where rapid industrialization and economic transformation have placed immense pressure on companies to showcase socially responsible behavior. However, the reality often reveals inconsistencies between promises and performance, giving rise to two primary forms of CSR decoupling: means–ends decoupling and policy–practice decoupling (He & Gan, 2024).

CSR decoupling refers to a divergence in a company's CSR activities, where there is an apparent commitment to social and environmental goals but insufficient integration into the company's core operations. This divergence can stem from several factors, such as misaligned priorities, resource constraints, or external pressures from stakeholders like regulators, investors, and consumers. Understanding the types and causes of CSR decoupling is essential to address the gap between rhetoric and reality, particularly in contexts like China, where unique socio-economic dynamics exacerbate the issue (Yang et al., 2024).

Table 3.7 represents the primary manifestations of CSR decoupling.

Below are the primary manifestations of CSR decoupling, expanded with detailed explanations, real-world examples, and the implications for businesses and society.

Greenwashing is one of the most prominent forms of CSR decoupling. It involves exaggerating or fabricating CSR achievements to create a misleading impression of environmental and social responsibility.

Table 3.7. Manifestations of CSR Decoupling

Manifestation	Description
Greenwashing	Companies exaggerate or fabricate CSR achievements in their reporting
Tokenistic Initiatives	Launching small-scale CSR projects that do not address core sustainability issues.
Discrepancies in Reporting	Significant differences between reported and actual CSR performance metrics.
Inconsistent Stakeholder Engagement	Engaging selectively with stakeholders to maintain an image of compliance.

Source: Author's elaboration based on data from relevant literature

Companies engaging in greenwashing often prioritize the appearance of sustainability over actual impact. This practice typically involves marketing strategies that highlight minor eco-friendly measures while masking significant unsustainable activities. For example, a company might claim its products are "eco-friendly" based on a single attribute, such as recyclable packaging, while continuing to use environmentally damaging production processes. A notable case is the criticism faced by certain fashion brands that promote "sustainable" clothing lines made from recycled materials while ignoring the broader environmental harm caused by their fast-fashion business models. Such strategies mislead consumers and erode trust when the truth comes to light. The implications of greenwashing are far-reaching. Consumers who genuinely wish to support sustainable businesses may unknowingly fund harmful practices. Moreover, genuine CSR efforts by other companies may be undermined by skepticism, creating a "boy who cried wolf" scenario where stakeholders doubt the authenticity of any CSR claims (Delmas & Burbano, 2011; Yu et al., 2024).

Tokenism in CSR refers to the implementation of small-scale projects or initiatives designed to give the impression of commitment to sustainability without addressing core environmental or social issues. These initiatives are often isolated, lack long-term goals, and fail to align with the company's overall operations or strategy. An example of a tokenistic initiative might include a multinational corporation planting a few thousand trees in a single region while neglecting its role in large-scale deforestation caused by its supply chain practices. Similarly, hosting community charity events while ignoring labor exploitation within the organization exemplifies a lack of genuine commitment to social responsibility. Such tokenistic actions serve primarily as public relations exercises. They allow companies to showcase their "efforts" in glossy reports and advertisements while neglecting the systemic changes required to make a meaningful impact. Over time, this can lead to disillusionment among employees, customers, and partners who expect authentic action on sustainability.

A critical issue in CSR decoupling arises from discrepancies between reported and actual CSR performance metrics. Many companies publish detailed sustainability reports outlining their achievements, but these reports do not always reflect their true practices. These discrepancies may arise due to selective reporting, lack of verification, or intentional manipulation of data to appear compliant with sustainability goals. For instance, a company might highlight reductions in carbon emissions at one facility while failing to disclose increased emissions at another. Alternatively, firms may set ambitious goals, such as achieving carbon neutrality by a specific year, but provide no transparent roadmap or interim progress updates. Without independent audits or external validation, such claims can remain unchecked, fostering skepticism about their accuracy. Discrepancies in reporting undermine the credibility of CSR efforts. They make it difficult for stakeholders, including investors, regulators, and consumers, to assess a company's true commitment to sustainability. Furthermore, they hinder the ability to compare performance across industries, complicating efforts to identify leaders and laggards in CSR(Wan et al., 2024).

Inconsistent Stakeholder Engagement. Engaging stakeholders, such as employees, customers, local communities, and regulators, is a cornerstone of effective CSR. However, companies that engage stakeholders selectively or inconsistently risk decoupling their CSR commitments from reality. This often involves prioritizing relationships with stakeholders who can enhance the company's reputation while sidelining those who might raise inconvenient truths. For example, a corporation might engage actively with NGOs promoting education while ignoring labor unions advocating for fair wages and working conditions. Similarly, a company might invite feedback from investors and regulators but fail to consult local communities affected by its operations. Selective stakeholder engagement creates an incomplete picture of a company's impact and prevents a holistic approach to CSR. By ignoring critical voices, companies miss opportunities to address systemic issues and develop more robust and inclusive CSR strategies. Furthermore, this inconsistency can lead to reputational risks when overlooked stakeholders voice their concerns publicly (Zhang, 2024a).

Corporate Social Responsibility (CSR) decoupling—the gap between a company's proclaimed CSR commitments and its actual practices—has significant consequences for various stakeholders. These impacts extend to companies themselves, society at large, and policymakers, creating a ripple effect that undermines trust, hinders progress, and exacerbates global challenges. Table 3.8 represents impacts of CSR Decoupling for companies, society and policymakers.

First of all, CSR decoupling poses critical risks for businesses, primarily affecting their credibility. When stakeholders, including customers, employees, and investors, perceive a company's CSR efforts as insincere or misleading, trust is eroded. This loss of credibility can lead to reputational damage, making it harder for companies to maintain customer loyalty, attract top talent, or secure investments.

Table 3.8. Impacts of CSR Decoupling

For whom	Description
For Companies	Loss of credibility, legal risks, and reduced competitiveness in global markets.
For Society	Unaddressed environmental and social issues, weakening trust in corporate commitments.
For Policymakers	Challenges in achieving national sustainability goals and international reputation.

Source: Author's elaboration based on data from relevant literature

Moreover, legal risks are a growing concern for companies engaging in CSR decoupling. Regulatory frameworks in many regions are becoming stricter, with governments and international organizations introducing mandatory sustainability reporting and due diligence requirements. Failure to meet these obligations can result in fines, sanctions, or legal action, further tarnishing a company's reputation and financial standing. On a broader scale, CSR decoupling can reduce a company's competitiveness in global markets. In an era where consumers and investors increasingly prioritize ethical and sustainable practices, companies perceived as neglecting their responsibilities may lose market share to more transparent and responsible competitors. This shift is particularly pronounced in industries where sustainability and ethical considerations are key decision-making factors, such as fashion, technology, and food production(K. Wang et al., 2024).

Secondly, the societal impacts of CSR decoupling are profound and far-reaching. When companies fail to deliver on their CSR commitments, critical environmental and social issues remain unaddressed. For instance, promises to reduce carbon emissions, improve labor conditions, or support community development initiatives may go unfulfilled, exacerbating challenges such as climate change, inequality, and poverty. This lack of action weakens public trust in corporate commitments and the broader concept of CSR itself. As more cases of CSR decoupling come to light, skepticism grows, potentially discouraging stakeholders from supporting or engaging with corporate-led sustainability initiatives. This erosion of trust can create a negative feedback loop, where genuine CSR efforts face greater scrutiny and resistance due to the failures of others (Zhang, 2024a).

Thirdly, policymakers also face significant challenges stemming from CSR decoupling. At the national level, unfulfilled corporate promises can undermine efforts to achieve sustainability goals, such as those outlined in the United Nations' Sustainable Development Goals (SDGs). Governments often rely on private sector contributions to complement public policies and initiatives; when companies fail to deliver, progress toward these goals slows, placing additional pressure on public resources. Internationally, CSR decoupling can harm a country's reputation, particularly in regions where companies are seen as representatives of their national identity. Businesses that fail to uphold global standards for sustainability and ethical practices may tarnish their home country's image, making it more challenging to attract international partnerships, investments, or diplomatic goodwill (Hong et al., 2024).

Therefore, the repercussions of CSR decoupling highlight the need for greater transparency, accountability, and alignment between corporate commitments and actions. Addressing these issues requires collaboration among companies, governments, and civil society to create robust mechanisms for monitoring and enforcing CSR practices. By closing the gap between promises and performance, all stakeholders can work together to build a more sustainable and trustworthy global economy (Zhang, 2024a).

Moreover, CSR decoupling has significant implications for businesses, stakeholders, and society at large (table 3.9). When companies engage in practices such as greenwashing, tokenistic initiatives, reporting discrepancies, or inconsistent stakeholder engagement, the following consequences often arise (Zhang, 2024a).

Table 3.9. CSR decoupling implications

Implications	Description
Erosion of Trust	Trust is a fundamental element of any successful CSR initiative. When stakeholders discover that a company's actions do not align with its claims, their trust is eroded. This mistrust can lead to reputational damage, reduced customer loyalty, and challenges in attracting and retaining talent
Regulatory and Legal Risks	Governments and regulatory bodies are increasingly implementing strict guidelines to hold companies accountable for their CSR claims. Companies found guilty of misleading practices may face fines, lawsuits, or restrictions, as evidenced by cases where firms were penalized for false advertising of "sustainable" products.
Missed Opportunities for Innovation	Authentic CSR efforts can drive innovation by encouraging companies to find creative solutions to sustainability challenges. However, when companies focus on superficial actions, they miss opportunities to create long-term value through innovation.
Impact on Global Sustainability Goals	At a macro level, CSR decoupling undermines progress toward global sustainability goals, such as the United Nations Sustainable Development Goals (SDGs). If companies fail to align their practices with these objectives, the collective impact of the private sector on critical issues like climate change, inequality, and biodiversity loss remains insufficient.

Source: Author's elaboration based on data from relevant literature

Several key factors contribute to this phenomenon, rooted in the unique institutional, economic, cultural, and global dynamics of the Chinese context (table 3.10).

Table 3.10. Drivers of CSR Decoupling in China

Drivers	Description
Institutional Pressures	Companies often adopt CSR policies to meet regulatory requirements or enhance their global reputation, without a genuine commitment to sustainable practices.
Economic Priorities	The focus on profit maximization and economic growth frequently overshadows long-term sustainability goals.
Weak Regulatory Enforcement	Despite progressive policies, inconsistent enforcement mechanisms allow companies to bypass actual implementation.
Cultural Factors	Traditional views on business and limited public awareness of CSR can hinder the integration of genuine sustainability practices.
Global Supply Chain Dynamics	Many Chinese companies operate as suppliers for multinational corporations, leading to a focus on meeting immediate client demands rather than prioritizing CSR.

Source: Author's elaboration based on data from relevant literature

It is known that many companies in China adopt CSR initiatives as a response to external pressures rather than a genuine commitment to sustainability. Regulatory requirements often compel businesses to create CSR policies to comply with laws or improve their standing in global markets. However, these policies are frequently designed to meet surface-level expectations, serving as a form of "greenwashing" that prioritizes appearances over substantive action. This focus on compliance rather than intrinsic motivation limits the scope and impact of CSR efforts.

China's rapid economic development has prioritized profit maximization and growth, often at the expense of long-term sustainability. For many businesses, financial performance remains the foremost objective, overshadowing environmental and social responsibilities. This growth-driven mindset, coupled with intense competition, creates a business culture where CSR is perceived as an optional or secondary concern rather than a strategic necessity (Zhang, 2024a).

While China has introduced a range of progressive policies to promote CSR and environmental responsibility, inconsistent enforcement undermines their effectiveness. Regulatory agencies often lack the resources or authority to ensure compliance, leading to a disconnect between policy creation and actual implementation. Companies may exploit these enforcement gaps, adopting CSR policies on paper but failing to integrate them into their operations or supply chains.

Cultural norms and public attitudes also play a significant role in shaping CSR decoupling. Traditional perspectives on business often emphasize profit and hierarchy over community and environmental stewardship. Additionally, limited public awareness of CSR-related issues reduces societal pressure on companies to prioritize sustainability. Without strong cultural or societal demand for genuine CSR practices, businesses may feel little incentive to move beyond superficial efforts.

China's role as a manufacturing hub for multinational corporations further exacerbates CSR decoupling. Many Chinese companies operate within global supply chains that emphasize efficiency and cost reduction. As suppliers, these companies are primarily focused on meeting the immediate demands of international clients, which often prioritize price and delivery timelines over sustainability. This short-term focus leaves little room for the development and implementation of comprehensive CSR strategies.

Therefore, CSR decoupling in China arises from a complex interplay of institutional pressures, economic priorities, regulatory weaknesses, cultural factors, and global supply chain dynamics. Addressing this challenge requires a multi-faceted approach, including stronger regulatory enforcement, greater public awareness, and shifts in both domestic and global business practices. Without addressing these underlying drivers, CSR in China risks remaining a tool for image management rather than a genuine pathway to sustainable development.

This study investigates the causes, manifestations, and solutions to CSR decoupling in China, advocating for a comprehensive approach to address both Means–Ends Decoupling and Policy–Practice Decoupling (Zhang, 2024a).

Means–ends decoupling occurs when companies fail to align their CSR initiatives with their broader strategic objectives. This results in superficial programs or activities that generate minimal impact, often serving as a form of "greenwashing" rather than addressing real societal or environmental challenges. In China, where industrial growth remains a priority, companies may introduce CSR projects to improve their public image or meet regulatory requirements without embedding these initiatives into their long-term strategies. For instance, firms may sponsor community events, plant trees, or donate to charities while continuing to engage in practices that harm the environment or exploit labor.

Several factors contribute to the phenomenon of means-ends decoupling, where organizations pursue corporate social responsibility (CSR) initiatives that are symbolic rather than substantive (figure 3.1). This issue arises when companies appear committed to social or environmental goals but fail to implement practices that achieve meaningful outcomes. Three key factors - limited expertise, external pressures, and resource constraints - frequently drive this behavior.

A significant factor contributing to means–ends decoupling is the lack of awareness or expertise among company leaders regarding effective CSR strategies. Many executives do not have a deep understanding of the complexities involved in implementing impactful CSR initiatives. As a result, they may rely on superficial measures that create the illusion of commitment without delivering tangible benefits. For example, companies may focus on launching high-profile campaigns or publishing glossy sustainability reports rather than engaging in comprehensive efforts to reduce their carbon footprint or improve labor practices.

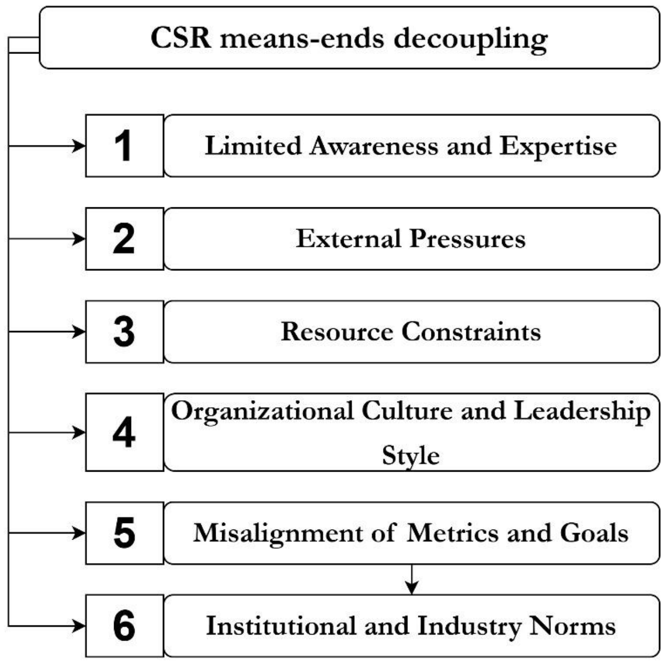

Figure 3.1. Factors contributing to the phenomenon of CSR means-ends decoupling

Source: Author's elaboration based on data from relevant literature

Without a clear understanding of best practices, leadership often misses opportunities to align CSR initiatives with core business operations, rendering these programs less effective. Moreover, inadequate training and limited access to specialized knowledge exacerbate this issue. Companies that lack internal expertise or fail to seek guidance from external consultants are more likely to develop CSR strategies that prioritize appearances over substance. This gap in understanding undermines the credibility and effectiveness of their efforts.

External pressures play a crucial role in shaping a company's approach to CSR, often encouraging symbolic actions over substantive ones. For instance, businesses operating in highly competitive markets may feel compelled to adopt CSR practices that enhance their public image. This motivation is particularly pronounced when companies seek to attract foreign investment or improve brand reputation among consumers and stakeholders. In such cases, organizations prioritize activities that are easily visible and widely recognized, such as donating to charities, sponsoring community events, or joining global initiatives like the United Nations Global Compact. While these efforts may generate positive publicity, they often fail to address systemic issues within the organization or its supply chain. Furthermore, companies operating in regions with weak regulatory frameworks may adopt CSR practices as a means of self-regulation to appease international investors or meet global standards. However, this often leads to the implementation of surface-level solutions that lack the depth needed to drive real change. The focus on maintaining appearances can overshadow genuine efforts to integrate social and environmental considerations into decision-making processes.

Resource constraints represent another major factor driving means–ends decoupling. Many firms, particularly small and medium-sized enterprises (SMEs), face financial, human, and operational limitations that hinder their ability to undertake meaningful CSR initiatives. In such scenarios, organizations often gravitate toward low-cost, high-visibility activities that provide immediate recognition without requiring significant investment. For example, a company with limited resources may opt to participate in tree-planting campaigns or donate a portion of profits to a charitable cause rather than invest in sustainable production processes or implement fair labor practices. While these actions are commendable, they fail to address the root causes of social and environmental challenges, making their long-term impact negligible. Additionally, resource constraints often force organizations to prioritize short-term gains over long-term sustainability. Firms may perceive CSR as a non-essential expense during periods of financial hardship, leading to a reliance on symbolic measures to maintain their public image. This shortsighted approach not only undermines the effectiveness of CSR efforts but also limits the potential for creating lasting value for stakeholders (Zhang, 2024a).

Beyond the three primary factors, organizational culture and leadership style significantly influence the degree to which a company engages in meaningful CSR. In organizations where leadership emphasizes profitability over social responsibility, CSR efforts are often treated as peripheral activities rather than integral components of the business strategy. A lack of commitment from top management can result in fragmented and poorly coordinated initiatives, further contributing to means–ends decoupling. Employees may view CSR as a checkbox exercise rather than a genuine effort to drive positive change, leading to a culture of complacency and superficial compliance. Conversely, organizations with visionary leaders who prioritize long-term sustainability are more likely to invest in substantive CSR efforts. Such leaders understand the strategic value of aligning business operations with social and environmental goals, fostering a culture of accountability and innovation.

Another contributing factor is the misalignment between CSR metrics and organizational goals. Companies often measure the success of their CSR initiatives based on easily quantifiable outputs, such as the number of events held, funds donated, or press coverage received. While these metrics provide a snapshot of activity, they do not necessarily reflect the impact or effectiveness of the initiatives. For instance, a company might claim success in reducing greenhouse gas emissions without considering the broader context of its overall environmental footprint. This focus on narrow, outcome-based metrics encourages a piecemeal approach to CSR, where isolated achievements are celebrated while systemic issues remain unaddressed. To overcome this challenge, organizations must adopt holistic frameworks for evaluating CSR performance. By focusing on outcomes that align with the company's strategic goals and stakeholder expectations, businesses can ensure that their efforts are both meaningful and impactful.

Institutional and industry norms also play a role in perpetuating means–ends decoupling. In some industries, symbolic CSR actions have become the standard, creating a cycle where companies feel compelled to follow suit to remain competitive. This phenomenon is particularly evident in sectors with high public visibility, such as fashion, technology, and consumer goods. For example, companies in the fashion industry often launch "sustainable" product lines or partner with non-profits to promote ethical practices. However, these efforts are frequently overshadowed by systemic issues such as exploitative labor conditions or environmental degradation in supply chains. The prevalence of symbolic CSR within the industry reinforces a culture where superficial measures are accepted as sufficient. Breaking this cycle requires collective action and a shift in industry norms. By setting higher standards for transparency and accountability, stakeholders can encourage organizations to move beyond symbolic gestures and adopt substantive practices that address underlying challenges.

Let's look at a practical example of this type of decoupling using a specific company. The fast fashion industry provides a vivid example of means–ends CSR decoupling, where companies publicly commit to sustainability while often failing to enact meaningful changes in their operations. A well-known brand, such as H&M, illustrates this phenomenon.

H&M has launched numerous initiatives under its "Conscious Collection," promoting sustainability as a core value. These campaigns emphasize the use of organic or recycled materials. However, critics argue that such efforts are superficial because they fail to address deeper issues like overproduction and short product life cycles. While the brand showcases some progress in sustainable materials, it lacks the expertise or commitment to transition to truly circular production models, where waste is minimized, and resources are reused comprehensively.

H&M's CSR actions are also influenced by external pressures to maintain a competitive edge in a socially conscious consumer market. As sustainability becomes a growing concern, the company markets itself as a leader in ethical practices to attract eco-conscious customers. However, this focus on public image results in actions that prioritize visibility—such as recycling programs that collect used garments in stores—without addressing larger supply chain inefficiencies or carbon emissions from global logistics. For instance, while H&M promotes its garment recycling initiative, the actual percentage of textiles reused remains minuscule compared to the volume of new items produced. The external pressure to appear sustainable overshadows substantive changes to reduce environmental harm.

Despite being a global brand, even H&M faces resource allocation challenges when balancing sustainability with profitability. To keep prices low, the company must cut costs elsewhere, often leading to practices such as outsourcing production to regions with lax labor and environmental regulations. This approach undermines meaningful CSR initiatives, as investments in fair labor practices or eco-friendly technologies are deprioritized in favor of maintaining competitive pricing.

H&M’s leadership style focuses heavily on growth and market expansion, often at the expense of sustainability. While the company has made strides in transparency—publishing supply chain reports and collaborating with non-profits—CSR often remains secondary to business goals. Without a fundamental shift in leadership priorities, sustainability initiatives risk being treated as marketing tools rather than strategic imperatives.

The company's success in sustainability is frequently measured by the number of new "green" collections or kilograms of clothing recycled, which are easy-to-track outputs rather than impactful outcomes. For example, creating a single sustainable product line does not address the broader issue of fast fashion's reliance on excessive resource consumption. This misalignment in metrics leads to a piecemeal approach to sustainability rather than a holistic transformation.

The fast fashion industry as a whole perpetuates the cycle of symbolic CSR. Competitors like Zara and Uniqlo also emphasize "green" initiatives, setting a precedent for low-cost, high-visibility sustainability efforts. This norm discourages companies from tackling systemic challenges like labor exploitation or waste management, as they prioritize maintaining parity with their peers.

Thus, H&M's example highlights the challenges of means–ends decoupling in CSR. Addressing this requires: 1) Developing internal expertise to integrate sustainability into core operations; 2) Resisting external pressures for superficial visibility by focusing on long-term impact; 3) Allocating resources strategically to align with substantive environmental and social goals; 4) Shifting organizational culture to view CSR as integral, not auxiliary, to business success.

This case illustrates how companies can fall into symbolic actions without realizing substantive benefits, underscoring the need for more strategic, authentic approaches to CSR.

Policy-practice decoupling, on the other hand, arises when firms adopt formal CSR policies or frameworks but fail to implement them effectively. This is a particularly widespread issue in China, where state-driven CSR mandates often compel businesses to draft comprehensive CSR policies that remain unexecuted in practice. For example, companies might include sustainability commitments in their annual reports but neglect to monitor or report on their actual environmental impact.

Several systemic factors contribute to this form of decoupling (figure 3.2).

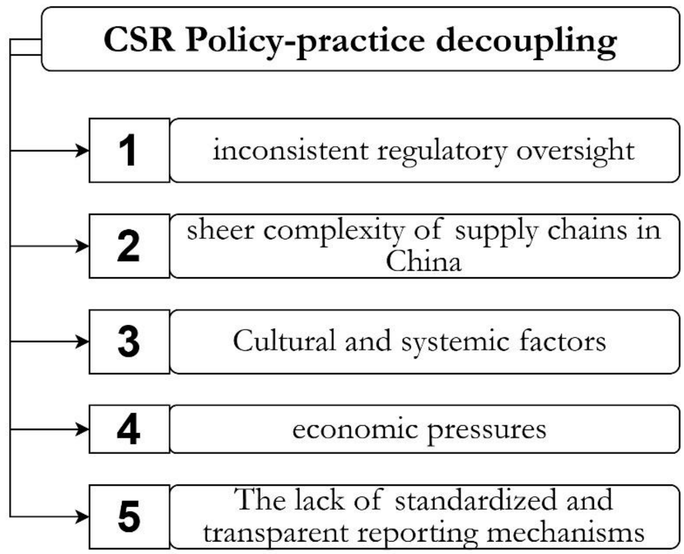

Figure 3.2. Factors contributing to the phenomenon of CSR policy-practice decoupling.

Source: Author's elaboration based on data from relevant literature

Policy-practice decoupling, a phenomenon where stated policies and actual practices diverge, is a significant issue in the realm of Corporate Social Responsibility (CSR). This gap often emerges due to systemic factors that undermine the enforcement and practical application of CSR policies. In the context of China, where regulatory frameworks are evolving and industrial practices are complex, this issue is particularly pronounced. Several interrelated factors contribute to this decoupling, creating challenges for both regulators and companies striving to meet CSR goals.

One of the primary factors driving policy–practice decoupling is inconsistent regulatory oversight. While China has established a comprehensive set of regulations to promote ethical business practices, enforcement remains uneven. This inconsistency is partly due to the limited resources available to regulatory bodies. In many cases, local governments lack the manpower, technical expertise, or financial resources to ensure that companies adhere to CSR requirements. Moreover, regulatory bodies often face competing priorities, such as fostering economic growth or attracting foreign investment, which may lead to leniency in enforcing CSR standards. This creates a situation where companies are not held accountable for failing to align their practices with stated CSR commitments.

Another contributing factor is the sheer complexity of supply chains in China. Many companies operate within extensive, multilayered supply networks that span diverse regions and involve numerous subcontractors. This complexity makes it difficult to monitor and enforce compliance with CSR policies consistently. Suppliers at different tiers may adhere to CSR guidelines on paper to satisfy auditing requirements while simultaneously engaging in unethical practices. For instance, workers might be underpaid, forced to work excessive hours, or subjected to unsafe working conditions. These practices often go undetected due to a lack of transparency and the challenge of conducting thorough inspections across an intricate supply chain.

Cultural and systemic factors within the business environment further exacerbate this issue. In some cases, there is a lack of genuine commitment to CSR values among corporate leaders. Instead of viewing CSR as a fundamental part of their business strategy, some companies treat it as a marketing tool to enhance their public image or attract investors. As a result, they may prioritize superficial compliance over meaningful action. This superficial approach is often sufficient to satisfy external stakeholders, particularly when there is limited scrutiny or awareness of the gap between stated policies and actual practices.

Additionally, economic pressures play a significant role in policy–practice decoupling. Many companies, especially small and medium-sized enterprises (SMEs), operate on tight profit margins. In such cases, adhering to stringent CSR policies can be seen as a financial burden rather than an opportunity for growth and innovation. Suppliers facing intense competition may prioritize cost-cutting measures over compliance, resulting in practices that contradict CSR commitments. For example, some suppliers might resort to hiring underage workers, ignoring safety regulations, or cutting corners in environmental protection efforts to remain competitive.

The lack of standardized and transparent reporting mechanisms also contributes to the persistence of this issue. While some companies publish annual CSR reports, these documents are often self-reported and may lack independent verification. This creates an opportunity for companies to present an idealized version of their practices without being held accountable for discrepancies. Stakeholders, including consumers and investors, may not have access to the information needed to assess whether a company's actions truly align with its stated policies.

Efforts to address policy–practice decoupling in China face several challenges. First, there is a need for stronger regulatory frameworks that emphasize enforcement rather than mere compliance. This includes allocating more resources to regulatory bodies and ensuring that penalties for non-compliance are significant enough to deter unethical practices. In addition, fostering collaboration between the government, businesses, and civil society organizations can enhance the effectiveness of monitoring and enforcement mechanisms.

Improving transparency within supply chains is another critical step. Companies should adopt advanced technologies, such as blockchain, to track and verify compliance across all levels of their supply networks. By providing real-time data on working conditions, wage practices, and environmental impacts, these technologies can help ensure that suppliers adhere to CSR guidelines in practice, not just on paper. Moreover, third-party audits and certifications can play a vital role in promoting accountability and trust among stakeholders.

Building a culture of genuine commitment to CSR within organizations is equally important. This requires educating corporate leaders and employees about the long-term benefits of ethical business practices, such as enhanced reputation, increased customer loyalty, and access to global markets. Companies that integrate CSR into their core values and decision-making processes are more likely to achieve sustainable success while contributing positively to society.

Finally, empowering consumers and investors to demand higher standards of accountability can create additional pressure for companies to close the gap between policies and practices. Public campaigns, media coverage, and social movements can raise awareness about the importance of CSR and expose instances of decoupling. By making ethical practices a key criterion for purchasing or investing decisions, stakeholders can incentivize companies to prioritize meaningful action over superficial compliance.

Therefore, policy-practice decoupling in CSR is a complex issue influenced by systemic factors such as inconsistent regulatory oversight, supply chain complexity, economic pressures, and a lack of transparency. Addressing this challenge requires a multifaceted approach that combines stronger enforcement, technological innovation, cultural transformation, and stakeholder engagement. By bridging the gap between policies and practices, companies can not only fulfill their CSR commitments but also contribute to a more equitable and sustainable business environment.

It is worth noting that China's unique cultural and institutional environment significantly influences the dynamics of CSR decoupling. Traditional Confucian values emphasize harmony and collective responsibility, which align well with the principles of CSR. However, the transition to a market-oriented economy has shifted focus toward profit maximization, often at the expense of ethical considerations.

Additionally, the state's strong influence on business practices can both promote and hinder effective CSR implementation.

State-owned enterprises (SOEs) in China, for example, often adopt ambitious CSR policies to align with government objectives. However, these policies may be poorly executed due to bureaucratic inefficiencies or a lack of genuine commitment from management. In contrast, private firms, particularly small and medium-sized enterprises (SMEs), may struggle to implement CSR initiatives due to resource limitations or a lack of understanding about the business case for CSR.

Another important factor to mention is stakeholder pressure. Stakeholder pressure plays a critical role in driving CSR decoupling in China. On one hand, domestic and international stakeholders demand greater transparency and accountability from businesses. Consumers, particularly younger and more socially conscious demographics, increasingly expect companies to demonstrate genuine commitments to sustainability. Similarly, international investors often impose environmental, social, and governance (ESG) criteria as a condition for investment.

On the other hand, the pressure to meet short-term financial goals can conflict with long-term CSR objectives. In China's highly competitive market environment, many companies prioritize cost reduction and efficiency over sustainability, leading to compromises in CSR implementation. This tension between stakeholder expectations and economic pressures often exacerbates the gap between stated commitments and actual practices(Zhang, 2024a).

Addressing CSR decoupling in China requires a multifaceted approach that involves businesses, regulators, and other stakeholders. Several strategies can help close the gap between CSR rhetoric and reality (table 3.11).

Table 3.11. Strategies to Address CSR Decoupling

Direction	Description
Integrating CSR into Core Business Strategies	Companies must align CSR initiatives with their strategic objectives to ensure they create meaningful impact. This involves identifying CSR goals that complement business priorities and embedding them into decision-making processes at all levels.
Enhancing Transparency and Accountability	Firms should adopt robust reporting mechanisms to monitor and disclose their CSR performance. Third-party audits and certifications can also enhance credibility and ensure compliance with stated policies.
Strengthening Regulatory Oversight	The Chinese government can play a crucial role in reducing policy–practice decoupling by enforcing existing CSR regulations more consistently. This includes providing clear guidelines, improving monitoring systems, and imposing penalties for non-compliance.
Building CSR Expertise	Training programs and knowledge-sharing initiatives can help companies, especially SMEs, understand the value of CSR and how to implement it effectively. Partnerships with academic institutions, non-governmental organizations, and international agencies can support capacity-building efforts.
Fostering a Culture of Sustainability	Promoting a cultural shift toward sustainability requires engaging employees, customers, and other stakeholders in the CSR journey. Companies can achieve this by communicating their CSR vision effectively and celebrating successes to inspire collective action.

Direction	Description
Encouraging Cross-Sector Collaboration	Collaboration between businesses, governments, non-governmental organizations, and international institutions can amplify the effectiveness of CSR initiatives. Public-private partnerships can pool resources, expertise, and networks to address pressing issues such as climate change, labor rights, or poverty alleviation.
Leveraging Technology for CSR	Innovative technologies offer new opportunities to enhance CSR effectiveness and transparency. For instance, artificial intelligence can help companies analyze data on supply chains, customer preferences, or environmental impacts, enabling them to identify areas for improvement.

Source: Author's elaboration based on data from relevant literature

By bridging the gap between CSR rhetoric and actual implementation, organizations can foster meaningful social and environmental impacts while enhancing their credibility and trust among stakeholders. The following strategies offer a roadmap for addressing this critical issue:

Integrating CSR into Core Business Strategies. To achieve authentic CSR, companies must embed their social responsibility initiatives into their strategic goals and day-to-day operations. Instead of treating CSR as a separate or peripheral activity, firms should identify CSR goals that complement their core business objectives. This alignment ensures that CSR efforts are relevant, sustainable, and capable of delivering measurable outcomes. For example, companies in manufacturing might focus on reducing emissions, adopting circular economy principles, or improving labor conditions in their supply chains. Financial institutions could prioritize sustainable investment initiatives or support community development programs. Embedding these objectives into strategic plans, budgets, and performance reviews ensures CSR becomes a fundamental aspect of decision-making at all levels. When employees see CSR initiatives as integral to their work, they are more likely to embrace them, leading to a deeper and more authentic engagement.

Enhancing Transparency and Accountability. Transparency and accountability are critical to closing the gap between CSR rhetoric and reality. Companies should adopt robust mechanisms for monitoring, evaluating, and disclosing their CSR performance. Regular reporting, based on internationally recognized standards such as the Global Reporting Initiative (GRI) or Sustainability Accounting Standards Board (SASB), can provide stakeholders with clear insights into a company's CSR commitments and progress. To enhance credibility, businesses should consider involving third-party auditors to verify their CSR reports and certify compliance with stated policies. Independent evaluations help mitigate the risks of greenwashing or exaggerated claims, fostering trust among customers, investors, and the public. Moreover, technology-driven solutions such as blockchain can enhance transparency by providing real-time, tamper-proof records of supply chain activities, resource usage, and social impact measures.

Strengthening Regulatory Oversight. Governments play a pivotal role in addressing CSR decoupling by establishing a regulatory environment that encourages compliance and discourages superficial commitments. In China, while CSR regulations exist, inconsistent enforcement and vague guidelines have limited their effectiveness. Strengthening regulatory oversight involves several key actions:

- Clarifying Expectations: Regulators should provide clear and detailed guidance on CSR requirements, outlining specific metrics and benchmarks for companies to achieve.

- Monitoring Compliance: Authorities must develop robust systems for monitoring compliance, including periodic audits and site visits to verify the implementation of CSR policies.
- Imposing Penalties**:** Non-compliance should result in meaningful consequences, such as fines, restricted market access, or public disclosure of violations, to deter companies from neglecting their CSR commitments.

Additionally, regulators can incentivize good practices by offering tax benefits, subsidies, or public recognition to firms that demonstrate exemplary CSR performance. This combination of rewards and penalties creates a more balanced framework for promoting responsible corporate behavior.

Building CSR Expertise. A lack of understanding and expertise in CSR implementation is a common barrier, particularly for small and medium-sized enterprises (SMEs). Many businesses struggle to translate abstract CSR concepts into actionable strategies that align with their operations and resources. Addressing this challenge requires targeted capacity-building efforts. Training programs can equip companies with the knowledge and tools needed to design, implement, and evaluate effective CSR initiatives. Collaborations with academic institutions, non-governmental organizations, and international agencies can facilitate knowledge-sharing and expose businesses to best practices from around the world. For instance, CSR workshops can help businesses learn how to measure carbon footprints, implement inclusive hiring practices, or engage with local communities. Case studies and success stories from similar organizations can provide inspiration and practical guidance. Over time, this focus on skill development will enable companies to approach CSR with greater confidence and competence.

Fostering a Culture of Sustainability. Sustainable change requires more than rules and strategies; it demands a cultural shift within organizations and society at large. Companies must actively engage their employees, customers, and other stakeholders in the CSR journey. To foster this culture, businesses should communicate their CSR vision clearly and consistently, emphasizing the shared benefits of sustainability. Employee engagement programs, such as volunteering opportunities or green teams, can inspire staff to contribute actively to CSR goals. Recognizing and celebrating achievements—such as milestones in waste reduction or community outreach—can further reinforce a sense of collective purpose. Externally, businesses can leverage marketing and educational campaigns to raise awareness among customers and suppliers about the importance of sustainability. Partnering with local communities to address social and environmental challenges creates a sense of shared ownership, enhancing the impact and credibility of CSR efforts.

Encouraging Cross-Sector Collaboration. CSR challenges are often too complex for any single organization to tackle alone. Collaboration between businesses, governments, non-governmental organizations, and international institutions can amplify the effectiveness of CSR initiatives. Public-private partnerships can pool resources, expertise, and networks to address pressing issues such as climate change, labor rights, or poverty alleviation. For example, companies in the same industry could join forces to develop sector-specific sustainability standards, reducing the risks of unfair competition or reputational damage. Collaborative platforms, such as industry coalitions or sustainability networks, can facilitate dialogue, knowledge-sharing, and collective action.

Leveraging Technology for CSR. Innovative technologies offer new opportunities to enhance CSR effectiveness and transparency. For instance, artificial intelligence can help companies analyze data on supply chains, customer preferences, or environmental impacts, enabling them to identify areas for improvement. Blockchain, as mentioned earlier, can create immutable records of transactions and supply chain activities, ensuring greater accountability. Social media platforms provide companies with a direct channel to engage stakeholders, share progress, and solicit feedback on CSR initiatives. By embracing technology, businesses can make their CSR efforts more efficient, data-driven, and responsive to emerging challenges.

Therefore, addressing CSR decoupling in China requires a multi-pronged approach that integrates business strategy, regulatory action, capacity-building, and cultural transformation. By embedding CSR into core operations, enhancing transparency, and fostering collaboration, companies can bridge the gap between rhetoric and reality. These efforts not only benefit society and the environment but also strengthen long-term business resilience, competitiveness, and trust.

Table 3.12 provides a concise framework designed to address the issue of CSR decoupling in China. CSR decoupling refers to the disconnect between what organizations claim in their CSR policies and what they actually implement in practice.

Table 3.12. Framework for addressing CSR decoupling in China

Category	Key Actions	Expected Outcomes
Means–Ends Decoupling	Align CSR with business strategy	Sustainable and impactful CSR initiatives
Policy–Practice Decoupling	Strengthen governance and monitoring tools	Improved compliance and accountability
Regulatory Measures	Enhance enforcement and refine policies	Greater adherence to CSR standards
Stakeholder Engagement	Foster transparency and collaboration	Increased trust and community impact

Source: Author's elaboration based on data from relevant literature

This framework outlines key areas of focus and actions required to bridge these gaps, ensuring that CSR efforts are more aligned with organizational strategies and stakeholder expectations. It emphasizes practical steps that businesses, regulators, and communities can take to strengthen accountability, improve compliance, and enhance the overall impact of CSR initiatives. The table also highlights the anticipated outcomes of these actions, offering a clear roadmap for fostering sustainable and meaningful CSR practices.

Addressing Means–Ends Decoupling in CSR requires embedding sustainability initiatives into the core business strategy (table 3.13). Organizations must ensure that CSR efforts are not peripheral but integral to achieving long-term objectives. This alignment strengthens the relevance and impact of CSR activities, positioning them as essential to business success. Actively engaging stakeholders, including employees, customers, and communities, fosters a sense of shared ownership and co-creation of impactful projects. Additionally, robust performance metrics are critical to evaluating outcomes. Transparent reporting and accountability mechanisms build trust, demonstrating that sustainability commitments are genuine and results-oriented (Zhang, 2024a).

To tackle Policy–Practice Decoupling, organizations must enhance internal capabilities and oversight (table 3.13). Comprehensive training equips employees and managers with the skills needed to implement CSR policies effectively. Clear governance structures, such as dedicated committees or sustainability officers, ensure consistent policy execution. Advanced monitoring tools, including blockchain and AI, provide real-time compliance tracking and help identify discrepancies. Furthermore, linking executive compensation to CSR achievements creates incentives for leadership to prioritize sustainable practices. These measures strengthen the connection between stated policies and their practical implementation, ensuring a more authentic and impactful CSR approach.

Table 3.13. Approaches to address CSR Decoupling in China

Tackling Means–Ends Decoupling		Tackling Policy–Practice Decoupling	
Strategic Integration	Align CSR initiatives with core business strategies to ensure that sustainability efforts contribute to long-term goals.	Enhanced Training	Equip employees and managers with the skills needed to implement CSR policies effectively.
Stakeholder Engagement	Foster open dialogue with employees, customers, and communities to co-create impactful CSR projects.	Strengthening Governance	Establish dedicated CSR committees or appoint sustainability officers to oversee implementation.
Performance Metrics	Develop robust frameworks to measure and evaluate the outcomes of CSR activities, emphasizing transparency and accountability.	Improved Monitoring	Deploy advanced tools such as blockchain and AI to track compliance and identify discrepancies.
		Incentive Structures	Link executive compensation and performance reviews to CSR achievements to encourage genuine efforts.

Source: Author's elaboration based on data from relevant literature

Thus, the phenomenon of CSR decoupling in China reflects a complex interplay of institutional, economic, and cultural dynamics that challenge the effective alignment of corporate policies with practical implementation. Addressing both means–ends and policy–practice decoupling necessitates embedding sustainability into core business strategies and operational frameworks. Companies must move beyond superficial initiatives and integrate CSR commitments into their long-term objectives to ensure that their actions produce meaningful societal and environmental impacts. This alignment not only enhances their credibility but also positions them as leaders in a global movement toward sustainability.

Moreover, the role of stakeholders—including governments, employees, and consumers—is critical in fostering transparency and accountability. Strengthening regulatory oversight, leveraging innovative technologies, and encouraging multi-sector collaboration are vital for closing the gap between rhetoric and reality. Through robust monitoring systems and inclusive stakeholder engagement, companies can create trust and demonstrate genuine progress toward fulfilling their CSR promises. In particular, technologies like blockchain and AI can revolutionize compliance tracking, ensuring that companies' sustainability claims are verifiable and impactful.

Ultimately, CSR decoupling presents an opportunity for organizations in China to rethink and reconfigure their approach to social responsibility. By adopting a holistic framework that combines strategic integration, governance, and community involvement, businesses can transform CSR from a compliance-driven activity into a genuine force for change. This transformation not only supports national and international sustainability goals but also enhances business resilience, innovation, and global competitiveness.

3.4. The Future of CSR in China: Challenges, Opportunities, and Pathways

As China continues its journey toward sustainable development, the role of CSR is becoming increasingly important. The country's commitment to achieving carbon neutrality by 2060, for example, provides a strong impetus for businesses to align their operations with national sustainability goals. However, the persistence of CSR decoupling poses a significant challenge to these efforts (Zhang, 2024b).

Overcoming this challenge will require a shift from symbolic compliance to genuine engagement with CSR principles. By addressing the root causes of decoupling and fostering a more integrated approach to CSR, Chinese companies can not only enhance their reputation and competitiveness but also contribute meaningfully to social and environmental well-being. Ultimately, bridging the gap between rhetoric and reality will be crucial for the long-term success of CSR in China.

The future of CSR in China lies in bridging the gap between rhetoric and reality. By addressing systemic challenges, leveraging emerging opportunities, and adopting integrated strategies, Chinese companies can transform CSR from a symbolic gesture into a powerful driver of sustainable development. This transition will not only enhance corporate competitiveness but also contribute meaningfully to China's broader goals of social equity, environmental stewardship, and economic resilience.

CSR in China has experienced significant evolution over the past two decades. Initially influenced by Western practices, it has progressively adapted to China's unique socio-economic context. Regulatory frameworks, such as the Green Finance Guidelines and the Environmental Protection Law, have strengthened the institutional landscape for CSR. Additionally, China's increasing integration into global value chains has encouraged domestic companies to adopt international standards of corporate governance and sustainability.

However, a closer examination reveals substantial discrepancies between corporate claims and actual CSR outcomes. Many firms adopt CSR policies to enhance their public image or comply with government mandates, without genuinely integrating sustainability principles into their core operations. This phenomenon, known as CSR decoupling, undermines the transformative potential of CSR, leaving critical social and environmental issues unaddressed.

Corporate Social Responsibility (CSR) in China is marked by a dynamic interplay of challenges and opportunities (table 3.14). As the world's second-largest economy and a global industrial hub, China provides a unique context for the implementation and evolution of CSR practices. This section explores key barriers that hinder CSR development in the country, as well as the opportunities that can drive meaningful progress.

Table 3.14. Key Challenges and Opportunities for CSR in China

Challenges	**Opportunities**
Weak regulatory enforcement	Evolving policy landscape
Cultural resistance	Technological advancements
Misaligned business strategies	Global market integration
Limited transparency	Rising social expectations

Source: Author's elaboration based on data from relevant literature

One significant challenge for CSR in China is weak regulatory enforcement. Although the government has introduced numerous policies and regulations to promote responsible business practices, their implementation often falls short. Local governments may prioritize economic growth over environmental and social compliance, leading to inconsistent enforcement. This gap undermines efforts to hold corporations accountable for their actions and creates an uneven playing field for businesses trying to adopt robust CSR practices(Zhang, 2024c; Zhang et al., 2024).

Cultural resistance also poses a barrier to the widespread adoption of CSR. Traditional business practices in China often prioritize short-term profits over long-term sustainability, which conflicts with the principles of CSR. Furthermore, some stakeholders perceive CSR as a Western concept, making it less appealing in a country where cultural values and norms influence business behavior. This skepticism can hinder efforts to build trust and align CSR initiatives with local expectations.

Another challenge is the misalignment of business strategies with CSR objectives. Many companies in China view CSR as a peripheral activity rather than an integral part of their core operations. This perception limits the potential for CSR to drive innovation and competitive advantage. Without integrating CSR into their strategic frameworks, businesses risk implementing fragmented or superficial initiatives that fail to deliver substantial impact.

Finally, limited transparency remains a pressing issue. Many companies in China are reluctant to disclose information about their CSR practices, fearing reputational risks or regulatory scrutiny. This lack of openness undermines stakeholders' trust and prevents the public from evaluating corporate efforts objectively. It also hampers the ability of companies to learn from one another, slowing the overall progress of CSR in the country.

Despite these challenges, there are significant opportunities for enhancing CSR in China. The evolving policy landscape offers a promising avenue for change. In recent years, the Chinese government has demonstrated a stronger commitment to sustainability, as evidenced by its goals for carbon neutrality and the promotion of green development. These policy shifts provide businesses with clear guidelines and incentives to adopt CSR practices that align with national priorities.

Technological advancements also present substantial opportunities. Innovations in digital tools, artificial intelligence, and data analytics enable companies to monitor and improve their environmental and social performance. For example, blockchain technology can enhance supply chain transparency, while smart systems can optimize resource use and reduce waste. These technologies make it easier for businesses to implement and track CSR initiatives, thereby driving efficiency and impact.

Global market integration further encourages the adoption of CSR. As Chinese companies expand their operations internationally, they face increasing pressure to meet global standards for sustainability and ethical conduct. Compliance with these standards not only improves their reputation but also facilitates access to foreign markets and investment opportunities. This trend highlights the growing importance of CSR as a competitive advantage in the global economy.

Finally, rising social expectations within China offer a strong impetus for CSR. Consumers, employees, and communities are becoming more aware of environmental and social issues, demanding greater accountability from businesses. Companies that respond to these expectations can build stronger relationships with their stakeholders, enhance brand loyalty, and secure long-term success.

Therefore, the landscape of CSR in China is shaped by both significant challenges and promising opportunities. While issues such as weak regulatory enforcement, cultural resistance, misaligned strategies, and limited transparency hinder progress, evolving policies, technological innovations, global integration, and rising social expectations provide a solid foundation for improvement. By addressing these challenges and leveraging the opportunities, Chinese businesses can contribute meaningfully to sustainable development while achieving long-term competitiveness.

The metrics and indicators used to assess CSR initiatives have undergone significant refinement in response to growing stakeholder expectations, regulatory pressures, and the need for transparent reporting. Table 3.15 illustrates three core categories of CSR - environmental, social, and economic - each with representative indicators that provide measurable insights into organizational performance. This section elaborates on the rationale behind the selection of these indicators and discusses their broader implications for sustainability and corporate accountability.

Table 3.15. CSR Metrics and Indicators

Category	**Indicator**	**Example**
Environmental	Carbon emissions	Reduction in annual emissions (in %)
Social	Community engagement	Number of community projects
Economic	Sustainable revenue growth	Increase in revenue from green products

Source: Author's elaboration based on data from relevant literature

Carbon emissions are a central focus of environmental CSR metrics due to their direct link to climate change and environmental degradation. Organizations are increasingly expected to measure and report their greenhouse gas (GHG) emissions, aligning with international standards such as the Greenhouse Gas Protocol or ISO 14064. The example provided, a reduction in annual emissions expressed as a percentage, reflects an organization's progress in mitigating its carbon footprint. This indicator serves as a benchmark for evaluating the success of various initiatives, such as transitioning to renewable energy, improving energy efficiency, or adopting cleaner production processes. It also underscores an organization's commitment to global efforts such as the Paris Agreement, which aims to limit global warming to well below 2°C above pre-industrial levels.

The social dimension of CSR emphasizes the importance of building strong, mutually beneficial relationships between organizations and their communities. Community engagement, as represented by the number of community projects, provides a tangible measure of an organization's investment in societal well-being. These projects may include educational programs, health and wellness initiatives, or infrastructure development, tailored to address the specific needs of local populations. Tracking the number of such projects not only highlights the organization’s active participation in community development but also provides insight into its strategic priorities and alignment with the United Nations Sustainable Development Goals (SDGs), particularly Goal 11: Sustainable Cities and Communities. Furthermore, this indicator reflects how organizations foster trust, enhance their reputation, and create long-term value for stakeholders.

The economic aspect of CSR underscores the necessity of integrating sustainability into the core business model. The indicator "increase in revenue from green products" exemplifies how organizations can align profitability with environmental stewardship. Green products, characterized by their lower environmental impact and compliance with sustainable design principles, represent an emerging market trend driven by consumer preferences and regulatory requirements. Measuring revenue growth in this segment not only indicates an organization’s ability to innovate and meet market demands but also demonstrates its commitment to achieving long-term economic sustainability. This metric is particularly relevant in sectors such as manufacturing, technology, and consumer goods, where sustainable product development has become a competitive differentiator.

We believe that the refinement of CSR metrics and indicators, as demonstrated in Table 3.15, reflects a broader trend toward evidence-based decision-making and transparency in corporate reporting. These indicators provide actionable insights, enabling organizations to monitor progress, identify areas for improvement, and communicate their achievements to stakeholders. By aligning environmental, social, and economic goals, organizations can demonstrate a holistic approach to sustainability, ensuring resilience in an increasingly complex global landscape. Moreover, these metrics facilitate benchmarking and comparability across industries, promoting accountability and driving collective progress toward sustainable development.

Measuring the impact of CSR is critical for assessing progress and identifying areas for improvement. Companies should adopt a combination of qualitative and quantitative metrics to evaluate their performance across social, environmental, and economic dimensions. Potential indicators include:

- Environmental Impact: Carbon emissions, energy efficiency, and waste reduction.
- Social Impact: Community development, employee satisfaction, and diversity metrics.
- Economic Impact: Financial performance linked to sustainable practices.

Therefore, the metrics outlined in Table 3.15 serve as foundational tools for organizations committed to advancing their CSR agendas. By adopting precise, measurable, and meaningful indicators, companies can not only enhance their operational efficiency but also contribute to broader societal and environmental goals.

Despite the existing challenges, China presents significant opportunities for advancing Corporate Social Responsibility (CSR), driven by progressive policies, technological advancements, global market integration, and evolving societal expectations (table 3.16). These factors collectively create a promising landscape for businesses to enhance their CSR practices, contributing to both sustainable development and long-term competitiveness.

The Chinese government's commitment to sustainability serves as a powerful catalyst for advancing CSR. Policies such as the Belt and Road Initiative's Green Development Framework and ambitious climate goals emphasize sustainable development as a national priority.

Table 3.16. Opportunities for Advancing CSR in China

Opportunities	Description
Policy and Regulatory Evolution	The Chinese government has demonstrated a strong commitment to sustainability, exemplified by its climate goals and initiatives like the Belt and Road Initiative's Green Development Framework. These policies provide a conducive environment for businesses to adopt more robust CSR practices, particularly in areas like clean energy, waste management, and resource efficiency.
Technological Advancements	Innovations in digital technologies, such as big data, blockchain, and artificial intelligence, offer powerful tools for monitoring, implementing, and reporting CSR initiatives. These technologies can enhance transparency, improve resource allocation, and facilitate more effective stakeholder engagement.
Global Market Integration	As Chinese companies expand their presence in international markets, adherence to global CSR standards is becoming increasingly important. Meeting these standards can enhance competitiveness, attract foreign investment, and strengthen brand reputation.
Emerging Social Expectations	Chinese consumers and younger generations are increasingly aware of environmental and social issues, demanding greater accountability from businesses. This shift in societal expectations creates a market-driven incentive for companies to adopt genuine CSR practices.

Source: Author's elaboration based on data from relevant literature

These regulatory frameworks encourage companies to integrate CSR into their core operations, particularly in critical areas such as clean energy, waste management, and resource efficiency. Government-led incentives, including subsidies for green technology and penalties for non-compliance with environmental standards, further motivate businesses to align their practices with national sustainability objectives. By fostering a supportive policy environment, the government provides the foundation for businesses to adopt innovative CSR strategies and contribute to a sustainable economy.

Rapid technological progress in China offers unparalleled tools for enhancing CSR implementation. Emerging technologies such as big data, blockchain, and artificial intelligence enable businesses to track and report CSR activities with unprecedented accuracy. For example, blockchain technology can enhance supply chain transparency, ensuring ethical sourcing and reducing environmental impact. Similarly, artificial intelligence applications in energy management systems optimize resource use, lowering carbon footprints and operational costs. These technologies also facilitate real-time communication with stakeholders, strengthening trust and accountability. By leveraging these innovations, Chinese businesses can achieve greater efficiency in resource allocation and set new standards for CSR practices globally.

China’s increasing integration into the global economy underscores the importance of aligning with international CSR standards. As Chinese companies expand their operations abroad, adherence to global norms such as the United Nations Global Compact or ISO 26000 has become essential. Compliance with these standards not only strengthens competitiveness but also enhances brand reputation in international markets. Furthermore, demonstrating a commitment to ethical and sustainable practices can attract foreign investment and establish long-term partnerships with multinational corporations. This alignment with global CSR benchmarks positions Chinese companies as responsible actors on the world stage, capable of meeting the expectations of a diverse range of stakeholders.

The rise of environmentally and socially conscious consumer groups in China marks a transformative shift in societal expectations. Younger generations, in particular, are demanding higher levels of corporate accountability, emphasizing the need for authentic and transparent CSR initiatives. Businesses that proactively address these concerns by promoting environmental stewardship, fair labor practices, and community engagement gain a competitive edge in a rapidly changing market. This growing public awareness also extends to employees, who increasingly value workplaces that prioritize social and environmental responsibility. As businesses respond to these evolving expectations, they not only foster customer loyalty but also attract and retain top talent, reinforcing their capacity for sustainable growth.

Therefore, China's unique combination of progressive policies, technological innovation, global market integration, and shifting social dynamics creates a fertile ground for advancing CSR. Companies that seize these opportunities can significantly enhance their operational resilience, reputation, and contribution to sustainable development. By integrating CSR into their business models, Chinese enterprises can lead the way in addressing global challenges while ensuring long-term success in an increasingly interconnected and sustainability-focused world.

We also stress that collaborative partnerships play a pivotal role in enhancing the effectiveness and reach of Corporate Social Responsibility (CSR) initiatives (table 3.17). By joining forces with governments, non-governmental organizations (NGOs), academic institutions, and local communities, companies can amplify their impact through shared expertise, resources, and networks. These partnerships not only enable organizations to address complex social and environmental challenges more efficiently but also foster innovation and long-term sustainability in their CSR efforts.

Table 3.17. The Role of partnership s in Advancing CSR in China

Partnership	Description
Public-Private Partnerships (PPPs)	These can facilitate large-scale sustainability projects, such as renewable energy installations or infrastructure development.
Industry Alliances	Collaborating with industry peers can drive the adoption of best practices and create shared value across sectors.
Community Collaborations	Partnering with local communities can help companies design CSR initiatives that are context-specific and culturally relevant.

Source: Author's elaboration based on data from relevant literature

Public-Private Partnerships are a powerful mechanism for advancing large-scale sustainability initiatives. By uniting the resources and capabilities of private companies with the regulatory and infrastructural support of public entities, PPPs create opportunities to undertake projects that would be otherwise unattainable. For instance, partnerships between corporations and municipal governments have facilitated the development of renewable energy systems, such as wind farms or solar power installations, which require significant initial investment and policy alignment. Similarly, joint efforts in infrastructure development, such as improving access to clean water or modernizing transportation systems, illustrate how PPPs contribute to both societal well-being and environmental goals.

Moreover, PPPs often serve as a platform for policy dialogue, enabling private-sector actors to advocate for sustainable practices and regulatory frameworks. This collaboration ensures that CSR initiatives align with broader policy objectives, thereby enhancing their scalability and long-term viability.

Collaboration among industry peers is another key driver of successful CSR implementation. Industry alliances allow companies to share best practices, standardize sustainability measures, and collectively address sector-specific challenges. For example, partnerships within the textile or electronics industries have led to the adoption of more sustainable production methods, such as reducing water consumption or minimizing waste. These alliances not only reduce individual costs for research and innovation but also promote a unified approach to achieving common goals, enhancing the credibility and impact of CSR efforts across the sector.

Furthermore, industry alliances often establish benchmarks and certifications that encourage accountability and transparency. Programs such as fair trade certifications or environmental performance standards illustrate how collective action can raise the bar for ethical and sustainable business practices. By working together, companies can generate shared value that benefits both the industry and society at large.

Engaging with local communities is a cornerstone of effective CSR initiatives. By building partnerships with community groups, companies can ensure their efforts are context-specific and culturally appropriate. This collaboration helps organizations identify pressing local needs, such as improving education, healthcare, or infrastructure, and design programs that resonate with the communities they aim to serve. For instance, partnering with local schools to enhance STEM education or supporting small-scale farmers through training and access to markets are examples of CSR projects that create tangible, lasting impacts.

Community collaborations also foster trust and goodwill, which are critical for the long-term success of CSR initiatives. When companies actively involve community members in the planning and execution of projects, they not only strengthen their social license to operate but also build stronger relationships that can lead to future opportunities for cooperation and mutual growth.

The synergy generated through collaborative partnerships creates a multiplier effect that extends the reach and effectiveness of CSR initiatives. By leveraging the strengths and resources of diverse stakeholders, companies can address complex challenges that no single entity could tackle alone. Partnerships enable the integration of diverse perspectives, fostering innovative solutions that are both effective and inclusive. Ultimately, these collaborations demonstrate that CSR is not just a corporate obligation but a shared responsibility that requires the collective efforts of businesses, governments, and communities to achieve meaningful and sustainable change.

By prioritizing partnerships, companies can ensure that their CSR strategies are impactful, resilient, and aligned with the broader goals of sustainable development.

Corporate Social Responsibility (CSR) in China is evolving to address the unique socio-economic and environmental challenges faced by the country. Table 3.18 provides an analytical framework outlining new directions for CSR in China, reflecting its integration of localized needs with global sustainability imperatives. These directions emphasize the strategic alignment of CSR with national development priorities, such as rural revitalization, digital transformation, and green innovation. Importantly, these initiatives underscore the role of Chinese cultural and regional nuances in shaping CSR strategies, ensuring relevance and long-term impact.

This table highlights the multifaceted nature of CSR in China, with examples that range from renewable energy initiatives to blockchain-enabled supply chain transparency. By focusing on areas such as education, social inclusion, and workforce diversity, these approaches foster a balanced integration of economic, environmental, and social dimensions. The framework underscores how companies operating in China can adopt these strategies to contribute meaningfully to sustainable development while enhancing their own competitive advantage.

The data presented in Table 3.18 offers a structured view of emerging CSR priorities in the Chinese context.

Table 3.18. New Directions for CSR in China

Direction	Focus Areas	Examples
Localized CSR Strategies	Regional needs, cultural values	Tailored rural education programs
Green Innovation	Circular economy, clean technology	Renewable energy R&D initiatives
Education and Capacity Building	Training, academic integration	CSR workshops for corporate leaders
Digital Transformation	AI, blockchain, digital engagement	Blockchain-based supply chain tracking
Social Inclusion	Workforce diversity, rural development	Disability inclusion in corporate hiring

Source: Author's elaboration based on data from relevant literature

The first key direction, Localized CSR Strategies, emphasizes the importance of addressing regional and cultural variations through programs like rural education initiatives tailored to specific community needs. This approach ensures that CSR efforts resonate with local stakeholders, promoting both economic and social development.

The second dimension, Green Innovation, aligns with China's national sustainability goals by focusing on circular economy principles and clean technology. For instance, investments in renewable energy research and development are not only pivotal for reducing carbon footprints but also for maintaining China's competitive edge in global green markets. The integration of such innovations into CSR frameworks represents a forward-thinking shift in corporate priorities.

Finally, the focus on Digital Transformation and Social Inclusion highlights the dual importance of technological advancement and equitable growth. Blockchain technologies in supply chain management increase transparency, while diversity-focused hiring practices, such as disability inclusion, foster social equity. Together, these strategic directions underscore the evolving role of CSR as a tool for addressing the complex interplay of economic, environmental, and societal needs in modern China.

In recent years, the country has made significant strides in embedding CSR principles within its socio-economic framework, aiming to balance rapid industrial growth with environmental stewardship and social equity. Table 3.19 presents an analysis of market-based incentives employed in the Chinese context to encourage CSR adoption. These tools not only reflect the integration of socio-economic and environmental paradigms but also align with the strategic priorities of the Chinese government, such as carbon neutrality and ecological preservation.

The incentives outlined in Table 3.19 - green finance tools, CSR certifications, and consumer campaigns - illustrate a multifaceted approach to fostering responsible business practices. By leveraging financial mechanisms, third-party endorsements, and public awareness campaigns, China is building a robust ecosystem that supports sustainable corporate behaviors while catering to evolving stakeholder expectations. Each incentive serves a unique function, collectively contributing to the overarching goal of sustainable development within the Chinese market.

Table 3.19 offers a concise yet comprehensive overview of three critical market-based incentives that underpin CSR implementation in China. The first incentive, green finance tools (绿色金融工具), includes mechanisms such as bonds, loans, and carbon credits. These instruments are designed to channel investments into environmentally friendly projects, thereby promoting green innovation and reducing the carbon footprint of industrial activities. This approach aligns with China's ambitious carbon neutrality goals and its commitment to fostering a low-carbon economy.

Table 3.19. Market-Based Incentives for CSR in China

Incentive	Description	Expected Outcome
Green Finance Tools	Bonds, loans, carbon credits	Increased investments in green projects
CSR Certifications	Third-party performance verification	Enhanced corporate reputation
Consumer Campaigns	Educating consumers on CSR benefits	Higher demand for responsible products

Source: Author's elaboration based on data from relevant literature

The second incentive, CSR certifications (企业社会责任认证), plays a vital role in verifying corporate performance through independent third-party assessments. Such certifications enhance corporate reputation and credibility, which are essential for building consumer trust and attracting investment. By adhering to rigorous CSR standards, companies can differentiate themselves in a competitive marketplace, thereby securing long-term benefits.

Finally, consumer campaigns (消费者宣传活动) focus on educating the public about the importance of CSR and its impact on sustainable development. These campaigns aim to shift consumer preferences towards products and services that embody responsible practices. As consumer demand for ethical goods increases, companies are incentivized to adopt CSR strategies not only as a moral obligation but also as a market imperative.

Collectively, these incentives demonstrate how China is leveraging its unique socio-economic dynamics to integrate CSR into the fabric of its corporate ecosystem. By aligning business objectives with environmental and social goals, the country is setting a benchmark for other emerging economies striving to achieve sustainable growth.

Corporate Social Responsibility (CSR) in China is undergoing a transformative phase, driven by the need to align business practices with societal priorities and environmental sustainability. While global CSR frameworks provide essential guidance, their effective implementation in China requires innovative, localized strategies. This study explores eight emerging directions for CSR development in China, emphasizing practical solutions to structural and cultural challenges (figure 3.3).

Global CSR standards serve as useful benchmarks; however, the socio-economic and cultural diversity within China necessitates regionally tailored approaches. Companies can enhance the relevance of their initiatives by addressing specific regional issues, such as pollution in industrial zones or poverty in rural areas. Engaging with local communities ensures that CSR programs resonate with stakeholders, building trust and fostering long-term partnerships. Additionally, incorporating traditional Chinese values, such as harmony (和谐) and mutual benefit (共赢), can strengthen the cultural alignment of CSR initiatives, making them more appealing and effective.

Green innovation is a critical driver for achieving sustainability in China's rapidly industrializing economy.

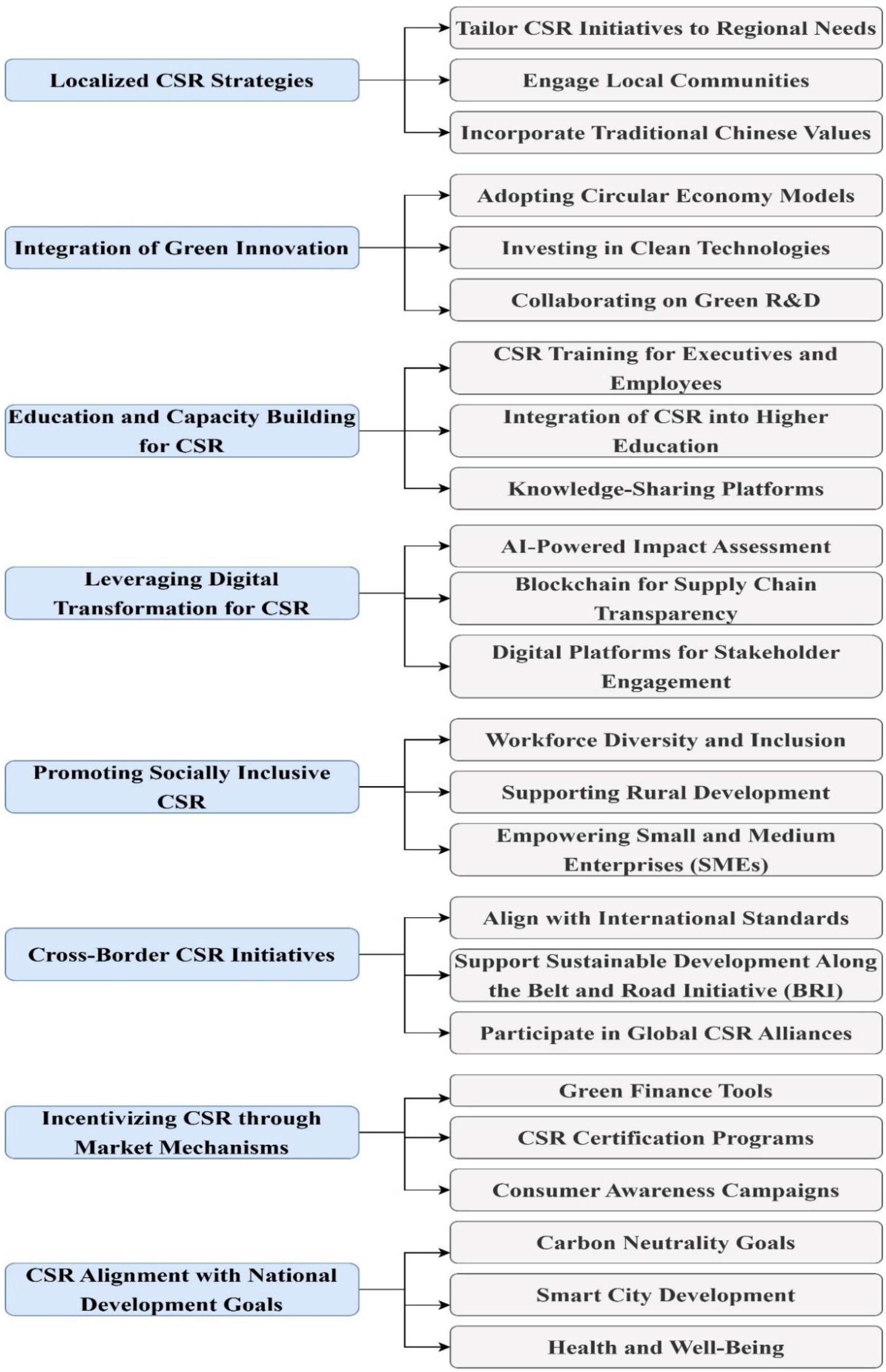

Figure 3.4.1. Emerging Directions for CSR Development in China

Source: Author's elaboration based on data from relevant literature

Companies should focus on adopting circular economy models that prioritize waste reduction, recycling, and sustainable resource management. Investments in clean technologies, such as renewable energy solutions and energy-efficient manufacturing, can significantly reduce environmental footprints. Collaborations between businesses, universities, and research institutions are also crucial for advancing green research and development (R&D), leading to the creation of environmentally friendly technologies. A significant challenge for many Chinese companies is the lack of expertise and resources to implement robust CSR programs. Addressing this gap requires comprehensive education and capacity-building initiatives. Executive training programs can equip corporate leaders with the knowledge and tools to integrate sustainability into business strategies. Additionally, incorporating CSR-focused courses into higher education curricula can cultivate a new generation of socially responsible leaders. Knowledge-sharing platforms, where businesses can exchange best practices and innovative solutions, further enhance collective learning and progress in CSR.

Digital transformation offers innovative tools to enhance the implementation and transparency of CSR efforts. Artificial intelligence (AI) can enable real-time impact assessments of CSR activities, providing actionable insights for improvement. Blockchain technology ensures supply chain transparency, fostering accountability in sustainable sourcing practices. Digital platforms for stakeholder engagement also play a crucial role, enabling interactive collaboration, feedback collection, and shared decision-making.

Social inclusion is an emerging priority in China's CSR landscape, addressing inequality and supporting marginalized groups. Companies can adopt policies to promote diversity and inclusion in the workplace, ensuring equitable opportunities for all employees. CSR initiatives targeting rural development, such as investments in education, healthcare, and infrastructure, can significantly reduce disparities.

Supporting small and medium enterprises (SMEs) by sharing resources and training can further enhance the social impact of CSR programs.

As Chinese businesses expand globally, their CSR responsibilities extend beyond national borders. Aligning with international standards, such as the UN Sustainable Development Goals (SDGs), can enhance global credibility. Sustainable practices along the Belt and Road Initiative (BRI) projects can address environmental and social concerns, mitigating criticisms of "greenwashing." Participation in global CSR alliances allows Chinese companies to contribute to transnational challenges, including climate change and human rights.

Market-based mechanisms can motivate businesses to adopt genuine CSR practices. Green finance tools, such as green bonds and sustainability-linked loans, reward companies prioritizing environmental stewardship. Introducing third-party CSR certification systems enhances transparency and consumer trust. Awareness campaigns can further encourage consumers to support socially and environmentally responsible brands, creating a market-driven demand for ethical business practices.

Aligning CSR initiatives with China’s national priorities can amplify their impact. Companies can support carbon neutrality goals by adopting science-based targets for emissions reduction and renewable energy use. CSR activities promoting smart city development, such as green transportation and digital infrastructure, contribute to sustainable urbanization. Furthermore, initiatives that focus on public health and employee wellness align with national efforts to enhance health and well-being, reinforcing the social relevance of CSR programs.

By exploring these innovative directions, Chinese companies and policymakers can enhance CSR practices, address pressing societal challenges, and foster sustainable development in alignment with both local and global priorities.

The strategic application of Corporate Social Responsibility (CSR) in China necessitates an integrated approach that aligns socio-economic goals with environmental imperatives. Chinese companies are increasingly adopting frameworks that emphasize shared value creation (共享价值创造) as a core tenet of their CSR strategies. This concept underscores the importance of aligning business objectives with societal needs, fostering long-term economic resilience, and enhancing social equity. By addressing issues such as poverty alleviation, rural development, and equitable access to resources, corporations can position themselves as catalysts for sustainable progress, thereby reinforcing their legitimacy and stakeholder trust.

An essential dimension of CSR in the Chinese context involves leveraging technological advancements to address environmental challenges. Technologies such as artificial intelligence (人工智能), blockchain (区块链), and big data (大数据) provide transformative tools for improving transparency, monitoring environmental impacts, and optimizing resource efficiency. For instance, blockchain applications in supply chain management can enhance traceability, ensuring that raw materials are sourced responsibly and sustainably. Similarly, AI-powered systems enable real-time monitoring of carbon emissions, facilitating adherence to China's ambitious carbon neutrality goals. These innovations not only bolster the effectiveness of CSR initiatives but also highlight the strategic interplay between technology and sustainability.

Finally, the integration of CSR with traditional Chinese values offers a culturally resonant pathway for enhancing its acceptance and effectiveness. Core principles such as harmony (和谐) and mutual benefit (共赢) can serve as guiding frameworks for designing CSR initiatives that resonate deeply with local communities. By embedding these values into their CSR strategies, companies can foster a sense of shared purpose, align their efforts with societal expectations, and cultivate stronger community relationships. This culturally aligned approach ensures that CSR transcends superficial compliance and evolves into a meaningful driver of sustainable development, aligning both corporate and national aspirations.

Summary of Section 3

This section investigates the application of Corporate Social Responsibility (CSR) strategies in the Chinese context, focusing on their integration into business operations, governance frameworks, and alignment with socio-economic and environmental objectives. The section provides an in-depth exploration of the strategic role of CSR in advancing corporate competitiveness, addressing CSR decoupling, and adapting to evolving regulatory and cultural landscapes in China.

Strategic Applications of CSR. Chinese businesses leverage CSR to align corporate practices with national policies, global sustainability goals, and stakeholder expectations. Four CSR approaches are identified:

- Compliance-Oriented CSR ensures legal adherence and risk mitigation, driven by regulations like the 2006 Company Law.
- Stakeholder-Centered CSR prioritizes employee welfare, consumer rights, and community engagement.
- Value-Driven CSR leverages green innovation for competitive advantage, such as renewable energy investments.
- Culturally Embedded CSR integrates local values, exemplified by programs like rural educational initiatives.

These strategies reflect a dynamic adaptation of global CSR standards to local socio-economic and cultural contexts, enabling companies to enhance their reputations, build trust, and achieve sustainable growth.

CSR Decoupling: Challenges and Manifestations. The section identifies CSR decoupling as a critical challenge, characterized by gaps between declared CSR commitments and their implementation. Two forms of decoupling are discussed: 1) Means–Ends Decoupling: CSR initiatives fail to align with core business objectives, resulting in superficial or symbolic actions (e.g., greenwashing, tokenistic initiatives); 2) Policy–Practice Decoupling: Formal CSR policies are poorly executed due to weak enforcement, supply chain complexities, and cultural resistance.

Factors driving decoupling include inconsistent regulatory oversight, resource constraints, and economic pressures, compounded by the competitive focus on short-term profitability. Examples highlight the persistence of greenwashing and discrepancies in CSR reporting, which undermine stakeholder trust and the effectiveness of sustainability efforts. Strategies to address decoupling emphasize embedding CSR into business operations and enhancing transparency:

- Strategic Integration: Aligning CSR with corporate goals ensures meaningful impact and long-term sustainability.
- Enhanced Monitoring and Reporting: Using technologies like blockchain and AI for real-time data collection and verification reduces reporting discrepancies.
- Stronger Regulatory Frameworks: Clear guidelines, consistent enforcement, and penalties for non-compliance drive authentic CSR practices.
- Capacity Building: Training programs and partnerships foster understanding and implementation of impactful CSR strategies.
- Stakeholder Engagement: Inclusive dialogues with employees, communities, and regulators enhance accountability and ensure alignment with diverse priorities.

The section concludes with insights into the evolving role of CSR in China, underscoring the potential for businesses to act as catalysts for sustainable development. Opportunities lie in adopting innovative technologies, aligning with national policies such as carbon neutrality goals, and fostering public-private collaborations. These pathways reinforce CSR as a strategic tool for addressing global challenges while maintaining corporate competitiveness in a dynamic market environment.

This section integrates empirical findings from the practice of Corporate Social Responsibility (CSR) in China into a broader theoretical framework, offering a pathway for improving CSR strategies. By analyzing the practical manifestations of CSR initiatives and their alignment with theoretical paradigms, the section bridges the gap between conceptual understanding and real-world application. It highlights how CSR practices in China evolve through the interplay of compliance, stakeholder engagement, innovation, and cultural values, offering insights into their operationalization within unique socio-economic and regulatory environments.

The findings reveal critical mechanisms for addressing challenges like CSR decoupling, including the necessity of embedding CSR into strategic objectives and leveraging advanced technologies to enhance transparency and accountability. By situating these practices within a structured theoretical context, the analysis provides actionable insights for companies and policymakers seeking to align CSR efforts with sustainability goals. The proposed strategies emphasize the importance of capacity building, stakeholder collaboration, and regulatory reform to ensure meaningful and impactful CSR implementation.

By connecting theory with practice, this section contributes to a deeper understanding of how CSR can drive sustainable development in China. It offers a foundation for refining existing frameworks and developing innovative approaches to CSR. This integration not only enhances the credibility and effectiveness of CSR initiatives but also establishes a roadmap for companies to lead in addressing global challenges while fostering economic, social, and environmental progress.

CONCLUSIONS

This dissertation explored the evolution and strategic influences of Corporate Social Responsibility (CSR) practices in China, focusing on their interplay with governance structures, socio-cultural factors, and political affiliations. The research aimed to analyze CSR approaches, governance attributes, and executive influences, proposing evidence-based recommendations for fostering sustainable, transparent CSR frameworks tailored to China's unique institutional environment. The object of the research was the practices of CSR in Chinese enterprises within their socio-political and governance contexts. The subject of the research included the mechanisms, structures, and factors influencing CSR evolution, governance alignment, and reporting standards in China, with particular attention to political connections, board characteristics, and leadership traits. The study employed a range of research methods, including system analysis, literature review, normative research, and quantitative (statistical) analysis. Through these methods, it examined CSR at both macro and micro levels, combining theoretical and empirical insights to derive actionable conclusions. As a result, the following key findings were established.

1. The study comprehensively defined CSR as a multidimensional construct encompassing compliance-oriented, stakeholder-centered, strategic, and culturally embedded approaches. It highlighted how Chinese enterprises adapt these frameworks to address the unique interplay of national policies, market demands, and cultural values. This adaptability underscores the importance of a localized approach, wherein CSR practices not only align with global standards but also resonate with the socio-economic realities of China.

2. The research advanced understanding of how material and symbolic political ties shape CSR engagement in China. Material connections drive compliance with governance-driven CSR models, ensuring alignment with state-

defined regulatory expectations. Conversely, symbolic ties enhance corporate reputation, allowing firms to selectively engage in CSR initiatives that bolster their public image without necessarily meeting broader accountability standards. This duality sheds light on the nuanced role of political affiliations in navigating CSR in a heavily state-influenced economy.

3. The analysis demonstrated that board composition significantly influences CSR alignment. Independent boards and diverse representation foster stronger oversight, enhancing the consistency and effectiveness of CSR initiatives. However, the risks associated with CEO duality, where power consolidation can lead to CSR decoupling, highlight governance reforms as essential for improving accountability. These findings emphasize that effective governance structures are critical to translating CSR commitments into meaningful outcomes.

4. The study confirmed that high-quality CSR practices can significantly reduce the cost of debt capital by improving transparency and minimizing perceived risks for creditors. It also revealed a paradoxical dynamic wherein CEO financial expertise may elevate debt costs due to the preference for aggressive financial strategies. This underscores the need for balance in leadership attributes, where financial acumen supports CSR rather than undermines its financial advantages. These findings provide insights for firms seeking to leverage CSR as a strategic asset for financial optimization.

5. The research explored the relationship between CSR commitment, internal control effectiveness, and board gender diversity, finding that the anticipated universal benefits of gender diversity are not consistently realized in China. This outcome points to the role of cultural and institutional factors, which may moderate the impact of diversity on corporate governance. The findings highlight the need for broader reforms to ensure that diversity becomes an integral driver of effective internal control and enhanced CSR practices.

6. A key contribution of this research is the development of an integrated CSR framework tailored to China's socio-political and cultural landscape. This framework synthesizes compliance-focused measures, stakeholder engagement, strategic value-driven initiatives, and culturally sensitive practices. By accommodating the distinct priorities of the Chinese context, such as national development goals and social harmony, the framework offers a model that can guide firms in aligning CSR efforts with both local expectations and global sustainability standards.

7. The study proposed actionable strategies to advance CSR practices, emphasizing the importance of integrating CSR into core business objectives and leveraging technological innovations to improve transparency. Strengthening regulatory frameworks and fostering multi-stakeholder collaborations were identified as essential for mitigating CSR decoupling and enhancing accountability. By addressing gaps between CSR commitments and practices, these strategies provide a roadmap for building robust, credible CSR systems that drive long-term corporate resilience and societal trust.

This dissertation bridges theoretical constructs and empirical findings, integrating insights from Chinese CSR practices into a refined theoretical mechanism. By contextualizing CSR within China's unique governance, cultural, and regulatory landscape, the study provides actionable frameworks for improving CSR practices. These findings contribute to the broader discourse on CSR by offering a roadmap for aligning strategic CSR efforts with sustainable development goals, positioning CSR as a transformative force in fostering economic, social, and environmental progress.

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