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EXAMINING THE EFFECT OF CSR ON FINANCIAL PERFORMANCE IN CHINA: AGENCY COST AS MEDIATOR

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ABSTRACT

Purpose: The aim of this study is to examinethe relationship between CSR and corporate financial performance, mainly discussing the relationship between CSR and ROA, also use the agency cost as the mediating variable, using a sample of listed companies in China to conduct the study and provide relevant suggestions for the subsequent development of the company

Theoretical framework: As for external social responsibility, the government, the media, the public and corporate governance should strengthen the reporting and monitoring of external social responsibility and establish a multi-governance monitoring system.

Design/methodology/approach: Theresearcher used quantitative analysis to explore the relationship between the independent variable and the dependent variable, to reflect how the independent variable affect the dependent variable, and in turn, how to improve the financial performance of firms in China.

Findings: The results showed that ccompanies should be restrained from fulfilling external social responsibility as a way of giving back to society without compensation, and should not aim to win the market through speculation or malicious collusion, otherwise it will hinder their long-term development and become a double-edged sword

Research, Practical & Social implications: The study is based on heterogeneity and finds that internal social responsibility is conducive to enhancing employee motivation, maintaining the interests of shareholders and internal stakeholders such as suppliers and customers, thus providing a favourable internal environment for green technology innovation. In contrast, an excessive level of external social responsibility fulfilment can lead to companies making the maintenance of external social relations a corporate priority and viewing external social responsibility fulfilment as a tool for speculation to gain access to the market, so that in this way companies may neglect their development.

Originality/value: The value of the study highlighted the economic agents, enterprises should actively fulfil their internal social responsibility and strengthen the maintenance of relationships with internal stakeholders such as employees, shareholders, suppliers and customers.

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EXAMINANDO O EFEITO DA CSR SOBRE O DESEMPENHO FINANCEIRO NA CHINA: CUSTO DE AGÊNCIA COMO MEDIADOR

RESUMO

Objetivo: o objetivo deste estudo é examinar a relação entre a RSC e o desempenho financeiro corporativo, discutindo principalmente a relação entre a RSC e o ROA, e também usar o custo de agência como variável mediadora, usando uma amostra de empresas listadas na China para realizar o estudo e fornecer sugestões relevantes para o desenvolvimento subsequente da empresa.
Estrutura teórica: No que se refere à responsabilidade social externa, o governo, a mídia, o público e a governança corporativa devem fortalecer a divulgação e o monitoramento da responsabilidade social externa e estabelecer um sistema de monitoramento de múltiplas governanças.
Projeto/metodologia/abordagem: O pesquisador usou a análise quantitativa para explorar a relação entre a variável independente e a variável dependente, para refletir como a variável independente afeta a variável dependente e, por sua vez, como melhorar o desempenho financeiro das empresas na China.
Conclusões: Os resultados mostraram que as empresas devem ser impedidas de cumprir a responsabilidade social externa como uma forma de retribuir à sociedade sem compensação, e não devem ter como objetivo ganhar o mercado por meio de especulação ou conluio malicioso, caso contrário, isso prejudicará seu desenvolvimento de longo prazo e se tornará uma faca de dois gumes
Implicações sociais, práticas e de pesquisa: O estudo se baseia na heterogeneidade e conclui que a responsabilidade social interna é propícia para aumentar a motivação dos funcionários, mantendo os interesses dos acionistas e das partes interessadas internas, como fornecedores e clientes, proporcionando, assim, um ambiente interno favorável à inovação tecnológica verde. Por outro lado, um nível excessivo de cumprimento da responsabilidade social externa pode fazer com que as empresas façam da manutenção das relações sociais externas uma prioridade corporativa e vejam o cumprimento da responsabilidade social externa como uma ferramenta de especulação para obter acesso ao mercado, de modo que, dessa forma, as empresas podem negligenciar seu desenvolvimento.
Originalidade/valor: O valor do estudo destacou os agentes econômicos, as empresas devem cumprir ativamente sua responsabilidade social interna e fortalecer a manutenção de relacionamentos com as partes interessadas internas, como funcionários, acionistas, fornecedores e clientes.

Palavras-chave: CSR, Custo de Agência, Desempenho Financeiro, Empresas Chinesas.

EXAMINING THE EFFECT OF CSR ON FINANCIAL PERFORMANCE IN CHINA: AGENCY COST AS A MEDIATOR

RESUMEN

Propósito: El propósito de este estudio es examinar la relación entre la RSC y el rendimiento financiero de las empresas, analizando principalmente la relación entre la RSC y el ROA, y también utilizar el coste de agencia como variable mediadora, utilizando una muestra de empresas cotizadas en China para llevar a cabo el estudio y proporcionar sugerencias relevantes para el posterior desarrollo de la empresa.
Marco teórico: En lo que respecta a la responsabilidad social externa, el gobierno, los medios de comunicación, el público y la gobernanza empresarial deberían reforzar la divulgación y el seguimiento de la responsabilidad social externa y establecer un sistema de seguimiento de la gobernanza múltiple.
Diseño/metodología/enfoque: El investigador utilizó el análisis cuantitativo para explorar la relación entre la variable independiente y la variable dependiente, para reflejar cómo la variable independiente afecta a la variable dependiente y, a su vez, cómo mejorar los resultados financieros de las empresas en China.
Conclusiones: Los resultados mostraron que se debe evitar que las empresas cumplan con la responsabilidad social externa como una forma de retribuir a la sociedad sin compensación, y no deben tener como objetivo ganar el mercado mediante la especulación o la colusión maliciosa, ya que de lo contrario perjudicará su desarrollo a largo plazo y se convertirá en un arma de doble filo.
Repercusiones sociales, prácticas y para la investigación: El estudio se basa en la heterogeneidad y concluye que la responsabilidad social interna favorece el aumento de la motivación de los empleados, el mantenimiento de los intereses de los accionistas y de las partes interesadas internas, como proveedores y clientes, proporcionando así un entorno interno propicio para la innovación tecnológica ecológica. Por otro lado, un nivel excesivo de cumplimiento de la responsabilidad social externa puede hacer que las empresas conviertan el mantenimiento de las relaciones sociales externas en una prioridad corporativa y consideren el cumplimiento de la responsabilidad social externa como una herramienta especulativa para obtener acceso al mercado, de modo que las empresas pueden descuidar su desarrollo por esta vía.

Originalidad/valor: El valor del estudio pone de relieve que los agentes económicos, las empresas deben cumplir activamente su responsabilidad social interna y reforzar el mantenimiento de las relaciones con las partes interesadas internas, como empleados, accionistas, proveedores y clientes.

Palabras clave: RSE, Coste de Agencia, Rendimiento Financiero, Empresas Chinas.

INTRODUCTION

Enterprises play an important role in economic growth in both developing and developed countries. Enterprises help to achieve national and regional sustainable development goals by stimulating sustainable development and innovation, creating job prospects, reducing income inequality in developing countries and promoting sustainable industrial development. Enterprises are growing rapidly and becoming increasingly important and are becoming one of the main tools for driving a country's political, economic, social and financial growth, while there are also many economically disadvantaged regions in developing countries, and enterprises are then a major component of poverty reduction and wealth creation in these regions.

Several studies point out that CSR not only provides companies with a competitive advantage over other companies, but also that by focusing on financial success and social growth, companies can rapidly improve their performance over their competitors (Assaf et al., 2017). CSR can help companies build their corporate image, increase their market share, resist various threats and challenges from society, maximise their profits and promote their long-term development (Barnett, 2016; Choongo, 2017). It also creates a high reputation for these companies in the minds of their customers and stakeholders, many of whom are more concerned about this aspect. It also boosts the self-confidence of employees and increases their productivity, which will lead to better business development (Nyeadi et al., 2018). Thus, some of them have argued that there is a correlation between CSR and corporate financial performance (Barnett, 2016; Nyeadi et al., 2018). However, also some studies have investigated the relationship between CSR and financial performance and the literature has produced mixed results, including some researchers who argue that the relationship between the two is positive, and some others argue that they are negative (Liu et al., 2019a). Meanwhile some researchers did not find any significant relationship between the two concepts (Kaur & Singh, 2020), this study is a new perspective for the study of these two variables in the context of a sample on firms in China.

CSR activities have intensified the issue of additional expenditure of funds by top corporate (McGuinness et al., 2017). Therefore, it is also worth considering the impact of CSR disclosure on firm performance under the moderating influence of firm size. More specifically, it is important to analyse the effectiveness of agency costs in moderating the role between CSR disclosure and firm growth. This study will therefore consider whether the issue of agency costs, adjusted for CSR measures, exacerbates the financial performance of firms (Akram et al., 2020). Many studies have shown that controlling for a large number of corporate characteristics related to dividends and investment policies has a relatively large impact on financial performance, both before and after (Ghosh & Sun, 2014).

An important issue in corporate development is the impact of CSR on financial performance. The traditional view is that CSR comes at a cost, as some social actions incur additional costs. Examples of socially responsible behaviour include contributions to employee welfare programs, donations and sponsorships to communities and environmental investments, to name but a few. Many tend to argue that these costs reduce profitability and thus lead to a competitive disadvantage and not develop healthily (Galant & Cadez, 2017). Some scholars argue that CSR has a positive effect on financial performance. For example, Kim studied that CSR and corporate financial performance have a vital impact (Kim et al., 2019a).

CSR is critical to the financial performance, but how this affects the financial performance remains controversial. As a multidimensional and complex construct, research points out CSR has an impact on Mfee and ultimately both reduce Mfee. This paper considers Mfee as a mediating variable when analysing the impact of CSR on the financial performance of Chinese firms.

LITERATURE REVIEW

The CSR was rooted in the pre-World War II era (CEBC, 2010; Spector, 2008;).Husted (2015) explains that in the nineteenth century companies placed more emphasis on CSR, which at the time was referred to as 'citizenship' and 'service'.Ahen and Zetting state that due to the evolution of the concept, CSR is being defined separately by companies , an emerging concept of practice (Ahen & Zettinig, 2015). The source of CSR is noted in the 4,000 year old Code of Hammurabi, which sets out detailed protections for the common labourer and the common worker (Husted, 2015). The Code of Hammurabi serves as the basis for CSR, stating that CSR enhances the welfare of employees through participation in business practices and social initiatives (Chang et al., 2021).

The CSR was refined in the 1950s as society evolved, and Frank Abrams of Standard Oil has stated that as businesses continue to grow and management improves, companies need to start thinking beyond the profit aspect, such as understanding how they should contribute to their employees and society (Carroll & Shabana, 2010). Carroll and Shabana point out how CSR contributed to society in the 1960s, including philanthropy, environmental protection, civil rights and consumer rights. Corporate executives in several countries were focused on CSR and believed that corporate philanthropy, environmental efforts, etc. would have a very important impact on society.

It has also been noted by researchers that as CSR is gradually embraced by society, companies are contributing to society while increasing their profitability and market share (Lin et al., 2020). Furthermore, Stanisavljevic (2017) explains that some employers develop and use CSR for the purpose of differentiating through the implications of Carroll's (1991). CSR pyramid, which includes the dimensions of CSR (i.e. ethical, economic, environmental, legal and philanthropic). The above literature establishes a foundational understanding of CSR; based on this, the literature lists many sub-categories on CSR (Zhang, 2021).

Some current research has not agreed on a definition of financial performance, but there is a wealth of research on financial performance, including strategic business management, organisational behaviour and corporate governance. Venkatraman and Ramanujam (1986) studied corporate performance and how it is measured, and they concluded that corporate performance can be divided into three areas: corporate effectiveness, operational performance and financial performance. Business effectiveness is the broadest concept, taking into account the internal factors of the business as well as the various impacts of stakeholders. Operational performance is non-financial and is the antithesis of financial performance. Operational performance includes indicators such as product quality, market share and new product development rates that reflect the company's production operations and technology development, which ultimately affect the company's financial performance to some extent. Some scholars have also pointed out that in the field of CSR, the financial performance of enterprises is often confused with corporate performance, but strictly speaking, the scope of corporate performance is larger than that of financial performance, which refers specifically to the achievement of economic goals (Chang et al., 2021b).

Corporate financial performance indicators include market indicators based on capital market transaction data and accounting indicators. Market indicators such as Tobin's Q and stock returns reflect investor expectations, while receiving information on corporate social responsibility and capital market effectiveness, which can lead to changes in a company's stock value. Usually we talk about accounting indicators that mainly including return on net assets, return on total assets and return on main business word length, which all reflect the profitability of enterprises. Accounting earnings indicators are not only limited to the shareholders' perspective when compared to market earnings indicators, but take into account the entire operating performance of the firm (Abedini Koshksaray et al., 2020).

Firms that use market indicators as a measure of corporate financial performance must ensure that the market is efficient, meaning that the capital market is efficient (Kim et al., 2019). Some studies have pointed out that the stock valuation of a firm changes when information about its social responsibility is transmitted to the capital market, which has led many scholars to initiate research on the relationship between CSR and financial performance (Cho et al., 2019). However, the premise of causing a change in corporate valuation is that this information that a company is going to fulfil its social responsibility must be up-to-date and that the company's share price can change in the short term. Therefore, it has been argued that the use of market earnings indicators as a variable study of financial performance is more appropriate in an event study approach to research. Griffin and Mahon's analysis found that the most commonly used market earnings indicators used by academics were the beta coefficient and excess returns. Mc Guire et al. used CSR to develop correlations with contemporaneous and late values of market and accounting earnings indicators respectively. The study found no significant relationship between CSR and market earnings indicators, while CSR was highly correlated with accounting earnings indicators.

Berle and Means (1932) pointed out that the separation of powers is an inevitable product of economic development and the inevitable result of the progress of the times. Shareholders entrust the management of the enterprise to the management with the expectation that the management's professional advantage can achieve the corporate management objective of maximising shareholder value, but this objective may be contrary to the management's objective of maximising its own interests, thus giving rise to agency Agency costs. Agency costs arise as a result of principal-agent problems and include the additional expense of self-interested behaviour by management that is beneficial to itself but not to the company, the conservative strategy of management in foregoing opportunities that may bring high returns to the company, and the time, effort and actual cost to shareholders of monitoring management's behaviour. Agency costs are incurred by resolving the conflicts of interest between bondholders, shareholders and managers of a company. Agency costs are incurred to monitor management by maximizing the shareholders' wealth and protecting bondholders (Dalwai et al., 2021).

Jensen and Meckling (1976) point out that there are three main aspects of agency costs: first, the principal's monitoring costs, i.e. the costs incurred by the principal to strengthen his monitoring of the agent or to provide him with certain incentives in order to ensure that his own objectives are effectively achieved, such as the costs of signing and implementing incentive contracts. Secondly, the agent's guarantee costs, i.e. the guarantee that the agent will do his best to convince the principal that he is working hard to achieve his objectives and that he will not do anything that is detrimental to his interests, and that he will be compensated for any breach of the guarantee. Thirdly, residual loss, i.e. the loss of value caused by the fact that the agent makes the decisions in the day-to-day management of the business, rather than the principal making them directly. However, the traditional principal-agent problem is mainly based on the decentralised shareholding structure of listed companies in the United Kingdom, the United States and other western developed countries, which makes it easier for the management to control the company than the shareholders. Shleifer and Vishny (1997) show that not only the first type of agency problem exists in listed companies with relatively concentrated or highly concentrated shareholdings, but the second type of agency problem also exists and is more prominent, i.e. the agency problem is mainly between the majority or controlling shareholders and the small and medium shareholders. In order to reduce agency costs, i.e. to mitigate agency conflicts, the key lies in aligning the utility functions of principals and agents and reducing information asymmetry between them. This study mainly takes the agency cost as the intermediary variable to carry out the research and provide reference for the development of other enterprises.

METHODOLOGY

CSR has grown rapidly in recent years and has become a common phenomenon worldwide, gaining increasing recognition and attention from academics, business and the general public (Habaragoda BS, 2018). For decades, researchers have been actively exploring the relationship between CSR and financial performance (Shahzad & Sharfman, 2017). The relationship between CSR and financial performance has attracted the attention and controversy of researchers and has been explored and discussed in depth by many researchers, but there is no consensus on the relationship between CSR and FP (Saeidi et al., 2015). Many studies point out that the findings on CSR and financial performance are inconsistent, so many are contradictory and highly misleading (Habaragoda BS, 2018). Although many studies show that the relationship between CSR and financial performance is positive and there is a significant positive impact (Kludacz-alessandri & Cygańska, 2021; van Beurden & Gössling, 2008), there are also scholars who point out the negative relationship and the absence of any statistical relationship between the two (Liu et al., 2019b). For example, Griffin, Mahon, Margolis and Walsh, who conducted a study on CSR and financial performance, argue for a relationship between them while questioning the research methodology, suggesting that there may be other factors that influence the relationship and that their relationship will not be fixed and uniform (Saeidi et al., 2015).

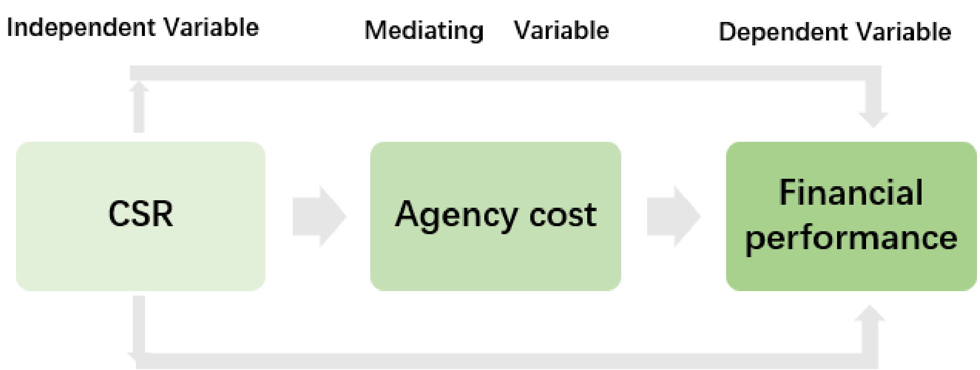
CSR not only provides enterprises with competitive advantages, but also increases their market share by improving their social image. Therefore, some researchers believe that CSR and financial performance are integrally correlated. Although enterprises will pay some economic expenditure, they can grow and develop faster than their competitors, thus rapidly improving their own financial performance (Assaf et al., 2017; Awan and Saeed, 2015). However, Kapoor argued that there was no significant relationship between CSR and financial performance (Kaur & Singh, 2020). To sum up, there is no conclusion on the relationship between CSR and financial performance. Therefore, it is necessary to carry out this study.

Intuitively, pragmatic legitimacy theory assumes that companies have a duty to disclose social responsibility. Influential legitimacy, on the other hand, emphasises the interests of stakeholders (Clarkson, 1995). Thus, it can be summarised that the influential legitimacy theory suggests alleviating agency problems. To be clear, effective corporate mechanisms always aim to alleviate principal-agent problems. The agency cost problem arises when the objectives of the principal and the agent are not aligned. The existing literature demonstrates that the adoption of CSR activities can reduce the agency cost problem (T. Li et al., 2017), which will ultimately improve performance. However, it has also been pointed out that CSR disclosure is not associated with agency costs (Zhou et al., 2018). Meanwhile the firms' performance has a positive impact on the CSR (Erhemjamts et al., 2013), while agency cost mitigates the firms' growth (Anderson et al., 2018). Taken together, CSR activities instigate the problems caused by spending extra money at the top (McGuinness et al., 2017). Therefore, the impact of CSR activities on corporate performance in the context of agency cost issues is also worth considering. The literature demonstrates that by adopting CSR activities, the agency cost problem is reduced (H. Li et al., 2020), which ultimately improves performance. It has also been noted that CSR disclosure is negatively related to agency costs (Chen et al., 2019). Meanwhile, corporate performance has a positive effect on CSR. Therefore, it is possible to assess whether agency costs play a moderating role between performance and CSR, and the result should be negative. In this regard, we can formulate our hypothesis (Akram et al., 2020) It is still worthwhile to examine the issue of Chinese firms in this study, using Chinese firms as a research sample.

A company's agency costs can be measured by two alternative ratios, namely the expense ratio and asset utilisation. In this study, the expense ratio is used as a proxy for agency costs and the expense ratio reflects the discretionary overheads in the use of a company's resources. The higher the discretionary overheads, the higher the agency costs (Faisal 2005). Meanwhile, the total asset turnover ratio measures agency costs on the basis of the asset turnover ratio as an indicator of asset utilisation. The higher the ratio, the more efficiently the assets are being used to create value for shareholders. Overall, these two measures are relative and both reflect high agency costs. Only one of them has been selected for this study. Agency theory states that agency costs are not something that should be minimised by the firm. It is because of the existence of agency costs that agents can derive benefits from shareholders. Therefore, it is the agency costs in a firm that improve financial performance (Savitri, 2018).

The company's high agency costs are indicative of mismanagement of operating costs. It is related to efforts to generate business revenue and may be a result of fraudulent use of operating costs. It follows that this may lead to high agency costs and a decline in the company's performance (Rachmat & Fitriyana, 2014). The conceptual framework of this study was defined by three concepts: （a） the relationship between CSR and financial performance; (b) the mediating role of the agency cost; (c) enhance the financial performance model. In this study, the researcher used quantitative analysis to explore the relationship between the independent variable and the dependent variable, to reflect how the independent variable affect the dependent variable, and in turn, how to improve the financial performance of firms in China. The conceptual framework may be presented as follows:

Figure 1 Conceptual Framework



Source: (Choongo, 2017; Li, Wang, 2009)

And the research hypothesis:

H1: CSR has a positive relationship with financial performance.

H1a: CSR_{inter} has a positive relationship with financial performance.

H1b: CSR_{exter} has a positive relationship with financial performance.

H2 : Agency cost mediates the positive relationship between CSR and financial performance.

H2a: Agency cost mediates the positive relationship between CSR_{inter} and financial performance.

H2b: Agency cost mediates the positive relationship between CSR_{exter} and financial performance.

On this basis, this chapter selects listed companies in China's Shanghai and Shenzhen stock markets from 2010-2021 as the research sample, and the data for the study is obtained from Hexun database and CSMAR database. The CSR indicator data for this study were obtained from the total CSR rating scores of listed companies published by Hexun (http: / / www. hexun. com). As Hexun.com started to publish CSR data in 2010, the sample was selected from 2010 onwards. The number of companies rated by Hexun.com exceeds 1900 per year, which is sufficient to ensure the comprehensiveness of the data, and the first-level indicators are clear enough to clearly identify internal CSR and external CSR, which is consistent with the data collection requirements of this paper. Dividend policy, financial performance and agency cost data were obtained from the CSMAR database. The data collected were processed as follows: (1) exclude financial companies such as banks, securities and insurance; (2) exclude listed companies that were ST/PT during the period; (3) exclude companies that may have undergone mergers based on the growth rate of total assets greater than 100%; (4) exclude companies with abnormal data such as dividend payout ratio, owner's equity and negative balance sheet ratio; (5) conduct a continuous variable analysis at the 1% and 99% quartiles. Finally, a total of 19,032 sample data from 3,376 listed companies were retained. The software stata16.0 was used for statistical analysis.

FINDINGS AND DISCUSSION

CSR is the independent variable and is expressed as CSR. Drawing on the study by researcher Wang Zhanjie et al, the social responsibility ratings of the sample for 2010-2021 were downloaded from the Hexun CSR rating website. The Hexun social responsibility rating system has several indicators under it, including shareholder responsibility, employee responsibility, supplier, customer and consumer rights responsibility, environmental responsibility and social responsibility at five levels. According to Gallo's (2008) classification of internal and external CSR, internal CSR refers to the provision of satisfactory products or services to society, the overall development of employees, the creation of wealth and the promotion of sustainable corporate development, while external CSR refers to the efforts made by companies to rectify the damage caused to society by their economic activities. Therefore, this paper defines shareholder responsibility, employee responsibility, supplier, customer and consumer rights responsibility as internal social responsibility, denoted by CSR_{inter}, and environmental responsibility and social responsibility as external social responsibility, denoted by CSR_{exter}. In this paper, regression analyses were conducted to obtain the total CSR score, internal CSR grading index score and external CSR grading index score.

Agency costs are the mediating variable in this chapter. The management expense ratio (Mfee) was chosen as the mediating variable for this study. The Mfee is the ratio of management expenses to operating income and is used to measure the cost of management's on-the-job spending and improper overheads, etc. The higher the Mfee, the greater the agency costs.

Firm performance is the explanatory variable in this chapter. Variables that measure firm performance typically include return on total assets (ROA) and return on net assets (ROE), etc. ROA and ROE generally refer to the financial performance of the firm, i.e. the firm's operating performance, independent of investor and stock market influences. As this paper examines the impact of dividend policy and CSR on firm performance through agency problems. Therefore, the choice of financial performance is more in line with the research objectives of this study. Therefore, total net asset margin will be used as the dependent variable in this study and is denoted as ROA.

The descriptive statistical analysis of CSR in this study is shown in Table 1. The mean CSR value is 27.58, the standard deviation is 14.76, the minimum value is -6.580 and the maximum value is 90.87, which indicates that there is a great difference in the fulfillment of social responsibility among enterprises, and the social responsibility of Chinese enterprises needs to be improved. Green technology innovation capacity needs to be improved. The mean value of shareholders' responsibility in intra-company social responsibility is 16.29, the standard deviation is 4.308, the minimum value is -2.660 and the maximum value is 28.19, indicating that there is a significant difference in the fulfillment of shareholders' responsibility between enterprises, which needs to be improved. The mean value of employee responsibility in the internal social responsibility of enterprises is 2.747, with a standard deviation of 3.107, a minimum value of -0.160 and a maximum value of 21.84, indicating that there is a significant difference in the fulfillment of employee responsibility between enterprises, which needs to be improved. The fulfilment of internal corporate social responsibility needs to be improved. The mean value of customer responsibility in the internal social responsibility of enterprises is 1.654, the standard deviation is 4.650, the minimum value is 0 and the maximum value is 20, indicating that there is a significant difference in the fulfillment of customer responsibility between enterprises, which needs to be improved. The mean value of environmental responsibility in external social responsibility is 1.672, with a standard deviation of 4.913, a minimum value of -15 and a maximum value of 30, indicating that there are significant differences in the fulfilment of social responsibility between enterprises and that there is room for improvement. The mean value of external social responsibility is higher than that of internal social responsibility. In comparison, the difference between enterprises' external social responsibility is smaller and less discrete than that of internal social responsibility, and enterprises are more inclined to fulfil external social responsibility than internal social responsibility because the fulfilment of external social responsibility can open up markets and form a good corporate image.

Table 1 The descriptive statistical analysis of CSR

VARIABLES	N	Mean	Sd	Min	Max
CSR	19,032	27.58	14.76	-6.580	90.87
Stockholders	19,032	16.29	4.308	-2.660	28.19
Employee	19,032	2.747	3.107	-0.160	21.84
Client	19,032	1.654	4.650	0	20
Environment	19,032	1.672	4.913	0	30
Society	19,032	5.213	3.964	-15	30
Size	19,032	22.30	1.321	19.20	28.64
Lev	19,032	0.404	0.195	0.00708	0.953
Growth	19,032	1.125	108.7	-0.882	14,883
Top1	19,032	0.355	0.150	0.0220	0.894
Year	19,032	2,016	3.060	2,010	2,021
ROA	19,032	0.0594	0.047	1.90	0.880
ROE	19,032	0.101	0.073	4.10	1.280

Source: Authors

The descriptive statistical analysis of agency cost for this study is presented in Table 2 below, Mufee represents the management expense ratio of the firms. The mean value of the firms' overhead rate is 0.0853, the standard deviation is 0.0728, the minimum value is 0.000742 and the maximum value is 1.778. This indicates that the overhead rate varies greatly between firms and that the expenditure of the firms' overhead rate needs to be improved.

Table 2 The descriptive statistical analysis of agency cost

VARIABLES	N	mean	sd	min	max
Mfee	19,032	0.0853	0.0728	0.000742	1.778
Year	19,032	2,016	3.060	2,010	2,021
Size	19,032	22.30	1.321	19.20	28.64
Lev	19,032	0.404	0.195	0.00708	0.953
ROA	19,032	0.0594	0.0471	1.90e-05	0.880
ROE	19,032	0.101	0.0734	4.10e-05	1.280
Growth	19,032	1.125	108.7	-0.882	14,883
Top1	19,032	0.355	0.150	0.0220	0.894

Source: Authors

With reference to Wei et al. (2017) and Wang Guojun et al. (2014), this study also needed to include control variables for the study, mainly controlling for two aspects: company characteristics and equity characteristics. The selected control variables include: firm size (Size), growth (Growth), shareholding of the largest shareholder (Top1), capital structure (Lev) and year (Year), with specific variables calculated with reference to the following table 3.

Table 3 The definition of variables

Variable Codes	Variable Name	Variable Meaning
ROA	Total Return on Assets	Net profit/year out and average year-end total assets
ROE	Return on Net Assets	Net profit/average of net assets at the beginning and end of the year
CSR	Corporate Social Responsibility	Total CSR score
MFEE	Overhead rate	Administrative expenses/operating income
Size	Company size	Natural logarithm of total assets
Lev	Capital structure	Total liabilities/total assets
Growth	Growth	(Total assets for the year - total assets for the previous year)/total assets for the previous year
Top1	Percentage of shareholding of the largest shareholder	Number of shares held by the largest shareholder/total share capital
Year	Year	2010-2021

Source: Wei et al. (2017) and Wang Guojun et al. (2014)

In this study, considering the characteristics of the selected dependent variable, the financial performance of the firm, including ROA, and the characteristics of the independent variable, the Logit model was selected for the validation of CSR and financial performance, and the Tobit model was selected for the validation of the construction of the model, which was constructed as follows.

(a) Based on the study of the impact of CSR on the financial performance of firms, the following model was constructed:

$$\text{ROA}=\alpha_0 CSR + \sum_{n=5}^{n} cv+\varepsilon;$$

ROA=$\alpha_1 CSR_{inter} + \sum_{n=5}^{n} cv$+ε;

ROA=$\alpha_2 CSR_{exter} + \sum_{n=5}^{n} cv$+ε.

In the above model, ROA represents the financial performance of the companies studied in this paper, CSR is Corporate Social Responsibility, divided into internal CSR and external CSR, cv is a control variable and ε is a random disturbance term.

(b) Based on the study of the CSR and agency cost on financial performance, a mediation model was constructed as follows:

The mediating effect model is mainly used to analyse the process and mechanism of action of the influence of the independent variable on the dependent variable. The existing methods for testing mediating effects include: stepwise method, Sobel method, Bootstrap method, Markov chain Monte Carlo method, etc. However, on the basis of these methods, Wen Zhonglin and Ye Baojuan (2014) have since proposed a more systematic model and method for testing mediating effects, called the ground cabinet equation, as follows:

Firstly, a mediating effect test model is established, which consists of three equations, of which equation 4-1 constructs the relationship between the dependent variable and the independent variable; equation 4.2 constructs the relationship between the mediating variable and the independent variable; equation 4.3 constructs the relationship between the dependent variable, the mediating variable and the independent variable.

$Y=CX+e_1$ 4-1

$M=AX+e_2$ 4-2

$Y=C'X+BM+e_3$ 4-3

The test for the three equations or mediating effects consists of a total of five steps. As shown in Figure 4.1.

In the first step, the coefficient C of equation 4.1 is tested and if significant, the argument is made as a mediating effect, otherwise it is made as a masking effect. However, a follow-up test is carried out whether or not it is significant.

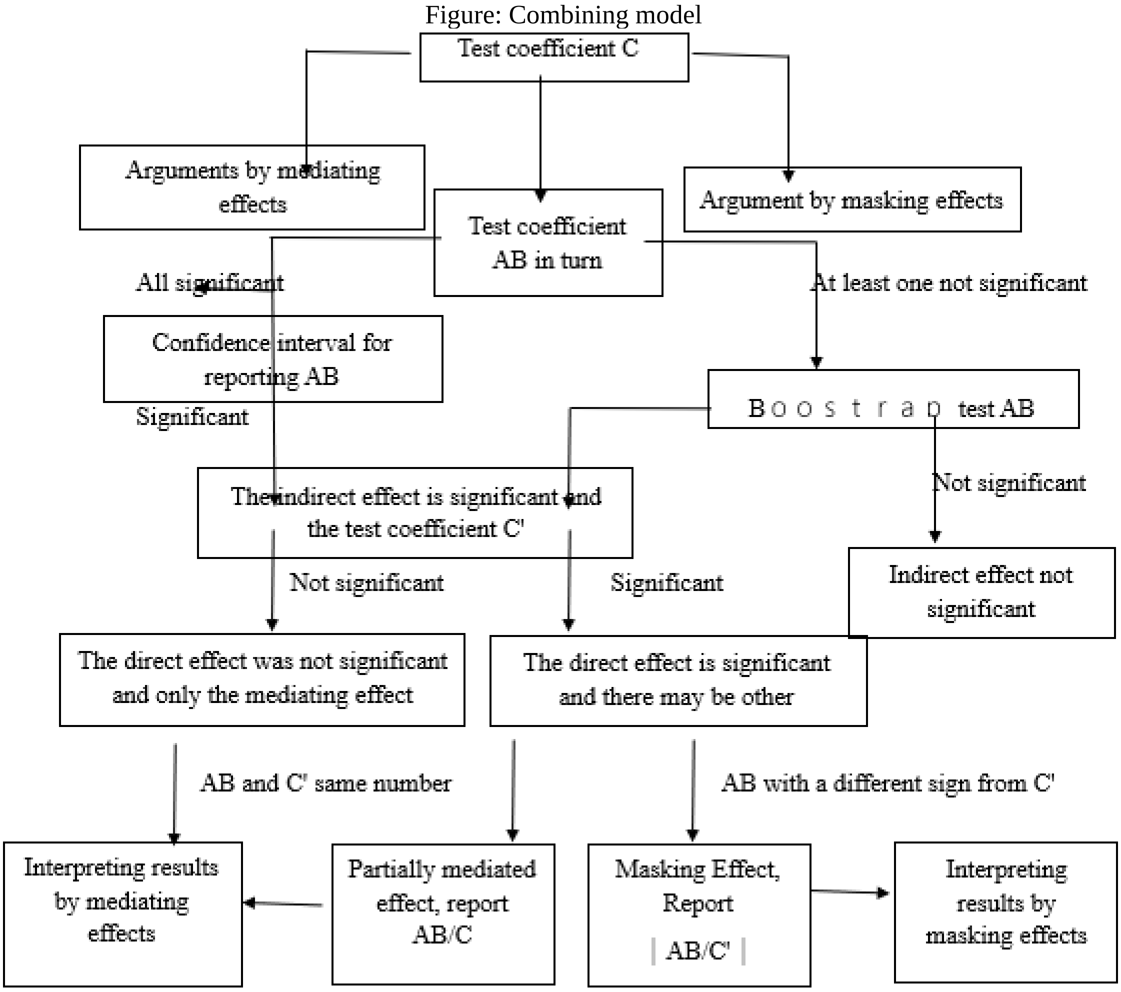
In the second step, the coefficient J of equation 4.2 and the coefficient 5 of equation 4.3 are tested in turn. If both are significant, the indirect effect is significant and the test is carried out in the fourth step; if at least one is not significant, the test is carried out in the third step.

In the third step, use the Bootstrap method to directly test Ho:AB = 0. If significant, the indirect effect is significant and proceed to the fourth step: otherwise, the indirect effect is not significant and the analysis is stopped.

In the fourth step, test the coefficient C' of equation 4.3. If it is not significant, i.e. the direct effect is not significant, indicating that there is only a mediating effect. If significant, i.e. the direct effect is significant, proceed to step 5.

In the fifth step, compare the sign of and C', if the sign is the same, it is a partial mediating effect, report the proportion of the mediating effect to the total effect AB/C. If the sign is different, it is a masking effect, report the absolute value of the proportion of the indirect effect to the direct effect |AB/C'｜.

Figure: Combining model



Source: Author

Combining the screening results of the control variables, the following model was developed with ROA as the dependent variable, the overhead rate (Mfee) as the mediating variable and CSR as the independent variable.

ROA=$C_0 CSR + \sum_{n=5}^{n} cv$+ε;

MFEE=$A_0 CSR + \sum_{n=5}^{n} cv$+ε;

ROA=C ' $_0 CSR + B_0 MFEE + \sum_{n=5}^{n} cv$+ε;

According to stakeholder theory, stakeholders are divided into market stakeholders and non-market stakeholders. Market stakeholders include shareholders, customers, suppliers, employees, etc., who have a defined material interest in the implementation of the enterprise's objectives and are directly linked to the production and operation of the enterprise's products. Non-market stakeholders include government, community, etc., who do not have a clear material interest in the enterprise. External CSR refers to a company's efforts to redress the harm caused to society by its economic activities. This paper therefore defines shareholder responsibility, employee responsibility, supplier, customer and consumer responsibility as internal social responsibility, denoted by CSR_{inter}, and environmental responsibility and social responsibility as external social responsibility, denoted by CSR_{exter}. In this paper, the CSR score is summed up separately to obtain the total internal and external CSR score. Based on the study of the impact of CSR on the financial performance of enterprises, the following model is constructed.

ROA=$\alpha_0 CSR + \sum_{n=5}^{n} cv$+ε;

ROA=$\alpha_1 CSR_{inter} + \sum_{n=5}^{n} cv$+ε;

ROA=$\alpha_2 CSR_{exter} + \sum_{n=5}^{n} cv$+ε.

In the above model, ROA represents the financial performance of the companies studied in this paper, CSR is Corporate Social Responsibility, divided into internal CSR and external CSR, cv is a control variable and ε is a random disturbance term.

Tables 4 show the results of the regression analysis of corporate finance and CSR, where the table below analyses the results of the regression analysis representing the total CSR as the independent variable and the financial performance represented by ROA, from which it can be seen that ROA, an indicator reflecting corporate social responsibility (CSR) and corporate finance, is significantly positively correlated at the 1% level of significance. The regression results indicate that the improvement of CSR can enhance the total net profit ratio (ROA) of listed companies and improve the level of financial performance.

Table 4 The results of the regression analysis of financial performance and CSR

VARIABLES	ROA
CSR	0.001***
	(28.66)
Size	0.019***
	(10.84)
Lev	-0.188***
	(-20.59)
Growth	0.000***
	(10.58)
Top1	0.077***
	(7.60)
Year	-0.001**
	(-2.35)
Constant	1.454*
	(1.94)
Observations	26,406
Number of stkcd	3,611
R-squared	0.239
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** $p<0.01$, ** $p<0.05$, * $p<0.1$
Source: Author

Tables 5 show the results of the regression analysis between corporate financials and CSR, where the table below analyses the results of the regression analysis representing the internal effect of CSR as the independent variable and financial performance as represented by ROA, from which it can be seen that the internal responsibility reflecting CSR, including shareholder responsibility, employee responsibility and supplier, customer and consumer rights responsibility, they are significantly and positively correlated with the indicator of corporate financials, ROA, at The results of the regression analysis show that CSR internal responsibility, including shareholder responsibility, employee responsibility and supplier, customer and consumer responsibility, are significantly and positively correlated with ROA at the 1% significance level. The regression results indicate that an increase in the level of CSR can enhance the total net profit margin (ROA) of listed companies and improve the level of financial performance.

Table 5 The results of the regression analysis of financial performance and internal CSR

VARIABLES	ROA
Stockholders	0.009***
	(64.75)
Employee	-0.001***
	(-3.29)
Client	-0.001***
	(-2.84)
Size	0.005***
	(3.29)
Lev	-0.070***
	(-8.71)
Growth	0.000***
	(5.55)
year	-0.000
	(-1.20)
Top1	0.005
	(0.71)
Constant	0.546
	(0.98)
Observations	26,406
Number of stkcd	3,611
R-squared	0.518
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Author

Table 6 show the results of the regression analysis of corporate finance and CSR, where the table below analyses the results of the regression analysis representing CSR external responsibility as the independent variable and financial performance represented by ROA, from which it can be seen that reflecting CSR external responsibility, including environmental responsibility and social responsibility, they are significantly and positively correlated with ROA, the indicator of corporate financials, at the 1% level of significance. The regression results indicate that an increase in the level of CSR can enhance the total net profit margin (ROA) of listed companies and improve the level of financial performance.

Table 6 The results of the regression analysis of financial performance and external CSR

VARIABLES	ROA
Environment	-0.000***
	(-4.24)
Society	0.003***
	(23.28)
Year	-0.003***
	(-7.40)

Size	0.025***
	(14.00)
Lev	-0.203***
	(-22.35)
Growth	0.000***
	(14.24)
Top1	0.078***
	(7.55)
Constant	5.457***
	(7.00)
Observations	26,406
Number of stkcd	3,611
R-squared	0.200
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Author

Table 7 and Table 8 show the results of the regression analysis of CSR and firm performance. Where the total CSR score is positively correlated with Mfee at 1% level of significance, shareholder responsibility and customer responsibility among CSR internal responsibility are positively correlated with Mfee at 1% level of significance and customer responsibility is positively correlated with Mfee at 5% level. Therefore, because the study results in a negative coefficient, it indicates that CSR can reduce a firm's overhead rate and improve its agency efficiency, indicating that the coefficient A of the CSR variable is valid.

Most of the extant studies have only looked at composite indicators that reflect CSR. This study further explores the impact of social responsibility sub-indicators on this basis, as shown in the fixed effects regression results. However, based on the heterogeneity analysis of CSR, the external responsibility of CSR shows no significant correlation on the overhead rate of the firm in the regression analysis, which means that there is no correlation between them, probably because the external social and environmental responsibility of the firm does not have an impact on the overhead rate of the firm itself, which is the reason for this result.

Table 7 The results of the regression analysis of CSR, agency cost and financial performance

VARIABLES	MFEE	VARIABLES	MFEE
CSR	-0.000**	Stockholders	-0.001***
	(-2.38)		(-6.68)
Year	-0.001	Employee	0.001***
	(-1.32)		(2.76)
Size	-0.008***	Client	-0.000**
	(-3.74)		(-2.19)
Lev	-0.036***	Year	-0.001
	(-5.87)		(-1.37)
Growth	-0.000*	Size	-0.007***
	(-1.67)		(-3.29)

Top1	0.009	Lev	-0.047***
	(1.18)		(-7.32)
Constant	1.684	Growth	-0.000*
	(1.63)		(-1.72)
		Top1	0.015**
Observations	19,032		(1.97)
Number of stkcd	3,376	Constant	1.708*
R-squared	0.146		(1.68)
Company FE	YES		
Year FE	YES	Observations	19,032
		Number of stkcd	3,376
		R-squared	0.153
		Company FE	YES
		Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Author

Table 8 The results of the regression analysis of CSR, agency cost and financial performance

VARIABLES	MFEE
Environment	0.000
	(0.79)
Society	-0.000
	(-0.82)
Lev	-0.036***
	(-5.82)
Size	-0.009***
	(-3.98)
Year	-0.001
	(-1.00)
Growth	-0.000
	(-1.61)
Top1	0.010
	(1.24)
Constant	1.344
	(1.31)
Observations	19,032
Number of stkcd	3,376
R-squared	0.145
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Author

Table 9 and table 10 show the results of the mediation effect analysis for CSR, overhead rate and ROA. In the following columns, the management expense ratio and CSR are both used as independent variables, and the management expense ratio is negatively correlated with ROA at the 1% significance level, indicating that an increase in the management expense ratio in agency costs will reduce the operating performance of the company, and the coefficient B in the second step of the mediation effect test is verified. Both coefficient A and coefficient B have thus far obtained significant results, indicating that there is a significant indirect effect between CSR and the financial performance of the company. The estimated coefficients of CSR, on the other hand, both decrease compared to the estimated coefficients of the model, indicating that there is a partial mediating effect of CSR being able to improve the financial performance of the company by reducing the overhead rate in agency costs. The calculated coefficients AB and C have the same sign, so the mediating effect holds and hypothesis H is tested.

Table 9 The results of the mediation effect analysis for CSR, Mfee and ROA

VARIABLES	ROA	VARIABLES	ROA
CSR	0.001***	Stockholders	0.007***
	(16.10)		(47.62)
Mfee	-0.101***	Employee	0.000*
	(-5.39)		(1.87)
year	-0.001	Client	-0.001***
	(-1.29)		(-4.59)
Size	0.005***	Mufee	-0.061***
	(3.16)		(-5.49)
Lev	-0.073***	year	-0.000
	(-11.68)		(-0.31)
Growth	0.000**	Size	-0.003**
	(2.41)		(-2.36)
Top1	0.020***	Lev	-0.018***
	(2.61)		(-3.62)
Constant	1.004	Growth	0.000***
	(1.29)		(3.04)
		Top1	-0.012**
Observations	19,032		(-2.15)
Number of stkcd	3,376	Constant	0.255
R-squared	0.111		(0.42)
Company FE	YES		
Year FE	YES	Observations	19,032
		Number of stkcd	3,376
		R-squared	0.391
		Company FE	YES
		Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Author

Table 10 The results of the mediation effect analysis for CSR, Mfee and ROA

VARIABLES	ROA
Mfee	-0.165***
	(-5.36)
Environment	0.001***
	(3.47)
Society	-0.000
	(-1.49)
Size	0.015***
	(5.91)

Lev	0.008
	(0.79)
Growth	0.000***
	(10.23)
Top1	0.040***
	(2.84)
Year	-0.003***
	(-4.63)
Constant	5.999***
	(4.55)
Observations	19,032
Number of stkcd	3,376
R-squared	0.063
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Author

In this paper, the robustness of the findings will be verified in terms of sample self selection, the persistence of the financial performance of the firm is re-measured by ROE and regression analysis is conducted again. Table 11 reports the results of the correlation regression analysis, from which it can be seen that the CSR and ROE of the firm are significantly correlated at the 1% significance level, indicating that the CSR of the firm can increase the level of ROE of the firm. Therefore, the above study proves that the previous findings on ROA are robust.

Table 11 The results of the mediation effect analysis for CSR and ROE

VARIABLES	ROE
CSR	0.001***
	(16.70)
year	-0.001**
	(-2.26)
Size	0.012***
	(4.90)
Lev	0.018*
	(1.77)
Growth	0.000***
	(10.62)
Top1	0.040***
	(2.86)
Constant	2.794**
	(2.15)
Observations	19,032
Number of stkcd	3,376
R-squared	0.085
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Author

The researcher will verify the robustness of the findings in terms of sample self selection, re-measure the persistence of firms' financial performance using ROE, and conduct regression analysis again. Table 12 reports the results of the relevant regression analysis, from which it can be seen that firms' CSR, overhead rate and ROE are significantly related at 1% significance level, indicating that firms can improve their financial performance by increasing firms' CSR, reducing overhead This indicates that firms can improve their ROE by increasing their CSR and reducing their overhead rate. Therefore, the above study proves that the results of the previous studies on ROA are robust.

Table 12 The results of the mediation effect analysis for CSR, Mfee and ROE

VARIABLES	ROE
CSR	0.001***
	(16.58)
Mfee	-0.157***
	(-5.48)
year	-0.002**
	(-2.42)
Size	0.011***
	(4.33)
Lev	0.013
	(1.23)
Growth	0.000***
	(10.81)
Top1	0.041***
	(3.00)
Constant	3.060**
	(2.35)
Observations	19,032
Number of stkcd	3,376
R-squared	0.097
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Author

H1：CSR has a significant positive impact on financial performance.

H1a：CSR_{inter} has a significant positive impact on financial performance.

H1b：CSR_{exter} has a significant positive impact on financial performance.

Test of hypothesis 1: In the first hypothesis of this study, it is hypothesised that the total and internal external scores of CSR have a significant positive impact on financial performance. From the table above, it can be concluded that the total score of CSR and the financial performance of the company have a significant impact, and the improvement of CSR can promote the financial performance of the company, therefore, the test hypothesis H1 holds. In the table, it can be concluded that there is a significant influence between the scores of the internal indicators of CSR and the financial performance of the company, and the improvement of the internal CSR of shareholder responsibility, customer responsibility and employee responsibility can promote the financial performance of the company, therefore, the test hypothesis H1a is valid. In the table, it can be concluded that there is a significant influence between the scores of the external CSR indicators and the financial performance of the company, and the improvement of the environmental responsibility and social responsibility in the external CSR can promote the financial performance of the company, so the hypothesis H1b is valid.

H2: Agency costs positively affect the relationship between CSR and financial performance.

H2a : Agency costs positively affect the relationship between $CSR_{inter}$and financial performance.

H2b : Agency costs positively affect the relationship between $CSR_{exter}$and financial performance.

Test of hypothesis 2: In the third research hypothesis of this study, it is hypothesised that agency cost positively affects the relationship between CSR and financial performance. The research on agency cost on affecting CSR and financial performance mainly includes the research on total CSR score, internal CSR score and external CSR score, and the research on agency cost mainly examines the management expense ratio (Mfee) of the company as the research index. From the study, it can be seen that CSR has a significant impact on financial performance through the overhead rate. An increase in CSR can reduce the overhead rate of a company, and a decrease in the overhead rate can improve the financial performance of a company; therefore, the overhead rate positively affects the relationship between CSR and financial performance, verifying that hypothesis H2 holds. Regarding the study of hypothesis H2a, CSR_{inter} has a significant influence on financial performance through management expense ratio, the increase of shareholder responsibility, customer responsibility and employee responsibility in CSR_{inter} can reduce the management expense ratio of enterprises, and the decrease of management expense ratio can improve the financial performance of enterprises, therefore, management expense ratio positively influences the relationship between CSR_{inter} and financial performance. The relationship between CSR_{inter} and financial performance, testing hypothesis H2a is valid. Regarding the hypothesis verification of H3b, through the study of CSR_{exter}, the effect of management expense rate on the relationship between CSR_{exter} and financial performance is not significant, therefore, management expense rate cannot positively affect the relationship between CSR_{exter} and financial performance. Hypothesis H2b does not hold. The reason may be that the external responsibilities of enterprises are mainly environmental input social responsibility donations, etc., which are not significantly related to the management expense rate of enterprises, thus causing external CSR does not affect the financial performance of enterprises through the management expense rate.

CONCLUSION

This study aims to analyse the relationship between dividend policy, CSR, agency costs and firm's financial performance. The sample of CSR research in this study is based on data disclosed by listed companies in China, including total CSR score, internal CSR and external CSR. The findings show that CSR has a positive impact on financial performance and CSR can reduce the agency costs of companies. This paper focuses on the core issues of how CSR affects financial performance, the internal mechanism of the relationship between inward CSR and financial performance, and the conditions for the effect of outward CSR on financial performance and forms the conclusion.

The Chinese business community is still developing ways to engage in CSR (Moon, 2014). Based on this research, employers have discretion to manage the environmental, social, ethical, legal and corporate social responsibility aspects of external and internal stakeholders. However, employers may need to consider CSR parameters in the following areas: (1) commitment, (2) budget expenditure, (3) integration, (4) measurability, (5) management, (6) resource allocation, and (7) internal and external information. As for advice, companies should consider clarifying their goals, encouraging and engaging employees, fulfilling their CSR commitments, being transparent, practicing the "why", and maintaining awareness of the conditional consequences.

The study excluded innovation because of necessity. Patents were the accepted innovation measure, which means that consistent and accepted measures for business model innovation were not yet available (Pedersen et al., 2018). There is an opportunity for future research to explore CSR and dividend policy as a business model innovation once there is an accepted measure.

Exploratory studies are designed to initiate future research (Greener, 2014). The relationship between CSR and financial performance as measured by GAAP. The study has opened many opportunities for future research. The opportunities include a market opportunity study for Chinese companies entering the world. To improve the contribution of the business, a key area for future research is a quantitative causal study with the same variables. Business leaders would then have a better understanding of the business case for CSR and dividend policy adoption. The opportunity for research to include larger multinational companies would expand the sample size and potentially increase validity. The research has opened the door for many options for future research (Macmillan, 2019).

The researcher points out that researchers are called upon to focus their research on the relationship between CSR and financial performance on multiple industries in order for scholars to identify the issues and treatment of the entire corporate quotient. Although each industry is independent, it is important to plan and manage the research for overall control and issues in a unified manner. This is so that internal and external pressures, such as government regulations and consumer issues, can be addressed that may be similar in a business. Scholars should concentrate on the link between CSR and corporate financial performance because of the uniqueness of internal capabilities or external pressures, the degree of public visibility, the different configurations of stakeholders and their different levels of activism on particular issues. The types of socially responsible activities that firms choose to engage in are uniquely related to the nature of their stakeholders' needs, the firm's capabilities and the industry environment (Baird et al., 2012; Griffin & Mahon 1997; Simpson & Kohers, 2002). Researchers should focus their research on the relationship between CSR and financial performance across multiple industries in order to understand the relationship between CSR and financial performance in a region or country, as well as the issues that arise and the next steps to take to address them (Nollet et al., 2016).

Although social responsibility is encouraged by society, it is seen as an important way to achieve a win-win situation for both companies and society. However, this study is based on heterogeneity and finds that internal social responsibility is conducive to enhancing employee motivation, maintaining the interests of shareholders and internal stakeholders such as suppliers and customers, thus providing a favourable internal environment for green technology innovation. In contrast, an excessive level of external social responsibility fulfilment can lead to companies making the maintenance of external social relations a corporate priority and viewing external social responsibility fulfilment as a tool for speculation to gain access to the market, so that in this way companies may neglect their development. Therefore, as economic agents, enterprises should actively fulfil their internal social responsibility and strengthen the maintenance of relationships with internal stakeholders such as employees, shareholders, suppliers and customers. As for external social responsibility, the government, the media, the public and corporate governance should strengthen the reporting and monitoring of external social responsibility and establish a multi-governance monitoring system. Companies should be restrained from fulfilling external social responsibility as a way of giving back to society without compensation, and should not aim to win the market through speculation or malicious collusion, otherwise it will hinder their long-term development and become a double-edged sword.

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