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CSR in China: Does Being Close to the Central or Local Government Matter?

Yongfeng Zhang, Peng Wang and Jongwook Kwon *

Department of Business Administration, College of Business Administration, Kangwon National University, Chuncheon 24341, Korea; zhangyf@kangwon.ac.kr (Y.Z.); lypeng@kangwon.ac.kr (P.W.)
* Correspondence: jwkwon@kangwon.ac.kr

Abstract: The purpose of this research was to determine how geographic distance affects corporate social responsibility (CSR) activities within China. Our argument focuses on whether the impact of the distance between countries on CSR activities also applies to the impact of the distance within a country between Chinese enterprises and local governments and the central government on CSR. Most previous studies of the impact of geographic distance on CSR focused on the distance between countries, reporting opposing claims. Multinational enterprises (MNEs) need to overcome the liability of foreignness (LOF) in host countries: the greater the distance, the worse the disadvantage. MNEs will choose CSR to shorten the distance from the host country. Hence, CSR activities should have a positive relationship with the distance from the host country. Conversely, due to the various differences caused by distance, it is difficult for the national sovereignty of the home country and the host country to resonate, so the distance between CSR activities and the host country should be negatively related. In this study, 5147 companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange from the China Stock Market and Accounting Research (CSMAR) database from 2009 to 2018 were selected as the research objects to analyze the impact of the geographical distance between companies and the Central Government and local governments on CSR activities within China. Our results show that the effect of the distance between countries on CSR also applies within countries, and our results support the argument that distance and CSR are negatively correlated. This research enriches the understanding of CSR practices of Chinese domestic companies and provides new inspiration for multinational companies that plan to enter China in overcoming LOF.

Keywords: corporate social responsibility (CSR); China; central; local; government; distance

1. Introduction

Corporate social responsibility (CSR) has become a key criterion for gauging corporate performance in the business environment, magnifying the importance of social obligations [1]. According to previous studies, many factors affect CSR. In addition to company-related factors, such as firm size [2–4], firm age [5–7], board size, [8–10], leverage, [11–13], etc., other factors may affect CSR, e.g., religion [14,15], culture [16,17], and corporate location [18,19]. In the field of international operations, these factors have been explored, and an interesting question has arisen: how does distance affect CSR activities? The literature reports opposing claims. Campbell et al. [20] found that a longer distance between the home and host countries negatively affects the CSR activity of MNEs in their host country because multinational enterprise (MNE) managers may be reluctant to engage in overseas CSR if they are less able to identify with host country constituents. However, an important issue faced by MNEs in host countries is the liability of foreignness (LOF) [21–23]. The distance between home and host countries, in particular the institutional and geographic distance, was predicted to increase the LOF by generating higher unfamiliarity and discriminatory hazards for foreign firms in host countries [24,25]. Therefore, many MNEs choose CSR to overcome LOF. Maruyama and Wu [26] reported that MNEs can conduct CSR activities to increase their acceptance by host countries. The farther the home country
and the host country of an MNE, the greater the impact of LOF. For its own development, the company more actively participates in CSR activities. Therefore, a company’s CSR activities and distance are positively correlated.

Literature on the relationship between CSR and distance is lacking, providing no authoritative conclusion. In this research context, we first further clarified the relationship between CSR and distance. Second, we conducted our research within China to analyze the impact mechanism of the distance between countries on CSR. We also wanted to determine the impact of the distance between a company’s location and the Central Government or local governments within China. Although previous studies have been conducted on distance and CSR at the national level [27,28], recent studies examined subnational-level data [29]. Scholars have highlighted the need to examine the variations in spatial distance both within countries (interregional or intercity) and between countries [27]. China is the fourth largest country in the world in geographic size, providing an ideal situation to test the effects of within-country distance [30]. Specifically, we investigated the distance from the Central Government and the local governments for 5147 listed companies in China to explore how distance affects the CSR activities of companies. These companies are geographically located in prefecture-level cities in China.

In recent years, China’s research on CSR has considerably progressed. However, most research did not pay sufficient attention to the particularity of Chinese corporate social responsibility. Instead, foreign corporate social responsibility concepts were adopted. Relatively, China follows a government-led corporate social responsibility model. Under this model, the long-term development of an enterprise is closely related to the Government, and the willingness and intensity of CSR are inevitably affected by the Government. In previous studies, the impact of government on corporate social responsibility was confirmed [31–33]. Beijing is the seat of China’s Central Government and the political and administrative center of China [29]. Provincial and local governments are local political centers. The relationship between the central and local governments is both managerial and cooperative. One of China’s unique characteristics is that regional policies and regulations are devised by local governments to cater to specific local needs [34]; as such, the extent to which the Central Government’s policies are disseminated and enforced in each region tends to vary depending on the local governments’ own development strategies [33,35]. Therefore, this paper discusses the impact of the distance between enterprises and local governments and the Central Government on CSR. To the best of our knowledge, no study in the literature has explored the role of distance from the Chinese Government in CSR.

The main contributions of this study are as follows: First, existing studies do not provide an understanding of the impact of distance on CSR behavior, and this research fills this gap and provides new thinking directions for managers when investing in new markets. Second, this paper supports the existing research on the negative correlation between CSR and distance, which is referentially significant for future research on distance and CSR. Finally, our research was conducted in China, which is an important breakthrough in the location choice of enterprises. According to China’s national conditions, we creatively applied the concept of distance to the distance between enterprises and the Government, which further confirms the influence of the Government on enterprises and provides some new inspiration for MNEs that want to enter China in terms of CSR. The Government is the leader of CSR, and enterprises actively responding to the Government’s call can receive more political support from the Government. Companies can focus on the development of industries with strong government supervision and maximize their benefits.

The remainder of this paper is structured as follows: Section 2 introduces the research on CSR and distance and the current status of CSR research in China. The third section organizes the prior research and proposes hypotheses based on theory, the fourth section describes the data and research methodology, and Section 5 provides the research results. Section 6 summarizes the paper and provides recommendations for future research.
2. Theoretical Background

2.1. CSR and Distance

The influence of distance on the internationalization of corporate activities has long been the core issue of international business research [27,36]. The distance between home and host countries is one of the main reasons why MNEs are at a disadvantage [37]. The earliest research on the impact of distance on enterprises produced the internationalization model [38], which indicates that multinational corporations should first enter closer countries and then expand to farther countries. Increasingly, more scholars have begun to pay attention to the impact of distance on CSR. Recently, researchers have begun to elucidate the role of distance on firms’ stance on CSR [39]. Some scholars confirmed that participating in CSR activities in the host country can alleviate the impact of distance on enterprises [40].

How does distance affect an enterprise’s CSR activities? Some scholars think that distance and CSR are negatively correlated. The farther the administrative distance between an MNE’s home and host countries, the less the MNE’s subsidiaries strategically commit to CSR [39]. Tang et al. [41] found that the CSR and corporate social performance (CSP) of Chinese state-owned enterprises are negatively correlated with the location of enterprises and the distance from urban centers. Geographic distance reduces the likelihood that a foreign affiliate will engage in CSR. MNEs may think that the return on overseas CSR activities is lower than similar domestic investments or uncertain, and therefore allocate a smaller share of their overall social responsibility budget to their overseas activities. Although foreign subsidiaries can enhance legitimacy through CSR, geographical distance negatively impacts subsidiaries’ willingness to engage in CSR [20].

Opposing views have been reported on the relationship between distance and CSR. MNEs in the host country inevitably experience an outsider disadvantage. Hymer [42] was one of the first to propose the theory that foreign firms face disadvantages compared to local firms when operating in host countries. The existence of the LOF has been well-documented in the literature [21,23,43]. One method of reducing the LOF is to provide a good-faith contribution to the host country. To demonstrate social commitment to the host country, CSR can be used as a means for multinational companies to improve their local legitimacy in emerging economies [44–46]. Credibility and goodwill can be built through CSR activities. Therefore, MNEs that are far away from the host country have stronger strategic motivation to participate in CSR in the host country. Therefore, we may find a positive correlation between distance and the CSR of foreign subsidiaries.

2.2. CSR in China

Compared to the development of corporate social responsibility policies in European and American countries, China’s corporate responsibility policies were implemented relatively late. In the initial stage of exploration, after the reform and opening up, enterprises blindly pursued profit maximization, ignoring corporate social responsibility and intensifying environmental pollution, social problems, and other contradictions. The concept of CSR was introduced into China in the late 1990s; since the mid-2000s, CSR reporting has rapidly developed into a common corporate practice [47,48]. CSR in Chinese firms has been a popular topic for the last two decades [49]. People often make assumptions about the capitalist system because most of the work on corporate social responsibility reporting has been performed in a Western context. Few studies have focused on CSR reporting in socialist or communist countries [50]. Most of the world’s population lives in developing countries; each country has its own unique social, political, and environmental problems [51]. Some scholars have conducted studies based on China’s unique national conditions [52–54]; however, they usually adopted the same conceptual framework as Western research, although studying corporate social responsibility activities in China requires a unique model due to China’s unique cultural and institutional environment [49]. Research on CSR reporting in China needs to consider the particularities of Chinese politics and culture [50]. With China’s accession to the World Trade Organization, the Government.
has paid more attention to corporate social responsibility. The Chinese Government has proposed a sustainable development strategy and started to incorporate CSR activities into the political agenda. Based on a content analysis of the official websites of the top 100 companies in China, Gao [32] suggested that CSR in China is characterized as Government-oriented. CSR is driven by the Government, which controls the key resources that shape a firm’s competitive position, such as through regulations that affect industries or through tax policies that benefit certain regions [55,56]. Gond et al. [57] stated that the Government–CSR relationship is counterintuitive to many and therefore remains largely overlooked. Recently, more studies have been conducted on the role of government in CSR [58–60]. The political environment in China is different from that in developed countries, and it is necessary and meaningful to study how the Government affects CSR.

3. Hypotheses Development

China’s economy is now in transition from a planned economy to a market economy, and the market system and laws and regulations are not yet perfect. The CSR of Chinese enterprises is led by the Government, and the Government plays a leading role in the allocation of resources [61]. The gross domestic product (GDP) of the Chinese economy is growing rapidly [62] and the economic reforms of the past few decades have largely been driven by the Central Government. The unique institutional environment affects the social responsibility activities of enterprises [63,64], and CSR has become an indispensable part of Chinese corporate strategy and practice. The Government is often considered the regulatory other of CSR, a powerful force that establishes the rules of the game. Hence, CSR cannot be viewed as separate from government [65]. Corporate social responsibility is the response of enterprises to governmental policy signals. Especially in politically independent China, a positive response of enterprises can receive political support. The relationship between enterprises and the Government is an important strategic asset that can improve the social status of enterprises and play a crucial role in the sustainable development of enterprises.

In China, the Government is divided into the central and local governments. The Central Government is the highest organ of state power and the executive organ in China, but local governments are not completely obedient to the Central Government. Local governments have the power to allocate resources for their own regional development [60] and can even deviate from the Central Government’s policies to satisfy local needs [35]. A basic law of economic geography is that everything is related to each other, but things that are close are more closely related than things that are far away [66]. Therefore, if an enterprise is closer to the local governments, it may be more influenced by the local governments than the Central Government. The closer the distance between the enterprise and the Government, the higher the certainty of Government support, which drives the enterprise to participate in CSR activities more actively to obtain policy support and help from the Government. We opined that both the Central Government and the local governments impact the CSR of enterprises and propose that:

**Hypothesis 1 (H1).** CSR activities are negatively correlated to the proximity of the Central Government.

**Hypothesis 2 (H2).** CSR activities are negatively correlated to the proximity of local governments.

In recent years, the changes in China’s economy have been huge and far-reaching. The key factor influencing these changes is the influx of foreign direct investment. The governments of emerging market countries have adopted various incentives to encourage local companies to seek international expansion [67]. According to the UNCTAD World Investment Report, China ranked third in attracting foreign investment in the world in 2016 and second in FDI inflow for three consecutive years from 2017 to 2019. In 2020, the world’s total foreign direct investment declined sharply, but China’s FDI increased by 4% to USD 163 billion, surpassing the United States to become the world’s largest
foreign investment destination. Compared to domestic investors, foreign enterprises in China face greater information disadvantages due to the existence of geographical, economic, institutional, and cultural differences; CSR has been regarded as a necessary tool to reduce information asymmetry [68]. Hu et al. [69] found that compared to state-owned enterprises, foreign-invested enterprises are more active in disclosing CSR activity reports. More active participation in CSR can effectively help foreign-funded enterprises overcome information disadvantages, improve their image in the minds of consumers, and shorten their political distance from the host government. The Government can provide a better operating environment for enterprises through public finance. Therefore, compared to state-owned enterprises, foreign enterprises may have a higher degree of CSR participation. Therefore, we hypothesized that if an enterprise has foreign capital investment, the negative correlation between distance and corporate CSR will be strengthened:

Hypothesis 3 (H3). Foreign-invested enterprises (FIEs) strengthen the negative correlation between the distance from the Central Government and CSR activities.

Hypothesis 4 (H4). FIEs strengthen the negative correlation between the distance from the Local Government and CSR activities.

4. Methodology
4.1. Sample and Data
We collected panel data of companies listed on the Shanghai and Shenzhen Stock Exchanges in China from 2008 to 2018. The data source was the CSMAR database, which is a database commonly used by researchers when studying China’s macroeconomics and microeconomics, especially for obtaining data on listed companies. CSMAR is the main financial database that scholars widely use to study issues related to listed companies in China [70]. Following previous studies [71–73], the CSR data were obtained from the Rankins CSR Ratings (RKS) database, which is an independent CSR rating agency. This CSR score comprehensively reflects how a company performs in CSR in a certain year. The higher the value, the better the CSR performance. For the distance from the registration location of each company to the Central Government and the Local Government, we used the straight-line distance provided by Google Maps. Due to the incomplete disclosure of corporate CSR data, we finally obtained 5147 observations.

4.2. Measures
4.2.1. Dependent Variable
The CSR information publicity score is determined by the evaluation score of listed corporate social responsibility activities provided by the RKS database, and the CSR score ranges from 0–100. The higher the value, the higher the CSR participation of the enterprise.

4.2.2. Independent Variables
We calculated the distance from the registration location of each company to the central and local governments as the straight-line distance provided by Google Maps. Referring to a previous study [30], we took the logarithm of the number of kilometers for analysis.

4.2.3. Moderator Variables
Among the enterprises surveyed, the enterprises with foreign-invested enterprises (FIEs) were assigned a value of 1; otherwise, a value of 0 was assigned.

4.2.4. Control Variables
According to previous research, we collected the factors that might affect CSR and controlled for the size of the company (the logarithm of the total assets of the company), the age of the company (the logarithm of the company’s age since its founding), board size (the
logarithm of the number of board members), outside directors (the ratio of the number of independent directors to the number of board members), ROA (the ratio of the net interest rate to total assets), top 10 share (the ratio of the top ten shareholders in the company), and leverage (the ratio of total liabilities to total assets). Some variables are transformed into logarithms because log transformation increases the normality of the errors, which ensures that the model inference is valid. In addition, we controlled for the year and those of 16 industries including manufacturing, service industry, agriculture animal husbandry, and others. Detailed descriptions of the main variables used in this study are reported in Table 1.

Table 1. Descriptions of the main variables used in the analyses.

| Variable | Description |
|----------|-------------|
| Dependent variables | CSR score (0–100) provided by the RKS database |
| Key independent variables | Natural logarithm of the straight-line distance between the company registration location and Beijing |
| Distance to the Central Government | Natural logarithm of the straight-line distance between the company registration location and the capital city |
| Distance to local government | Dummy variable that equals 1 if a firm has FIEs; zero otherwise |
| Moderator Variables | Natural logarithm of total assets |
| Foreign invested enterprises (FIEs) | Number of independent directors/total number of directors |
| Control Variables | Firm size: Natural logarithmic value of the year from the incorporation of firms to the year of the survey (2009–2018) |
| Firm age | Number of independent directors/total number of directors |
| Board size | ROA: Net income/total assets |
| Outside director | Top 10 share: The ratio of the top ten shareholders |
| Leverage | Total liabilities/total assets |

4.3. Methods

As we used panel data (2009–2018), considering the individual heterogeneity that often exists in panel data, we used the Hausman test for the random effects model and fixed effects model tests for panel negative binomial regression. The Hausman test result was Chi-square (12) = 313.99, Prob > Chi-square = 0.000; therefore, in this study, the fixed effects model in the panel negative binomial regression was used for estimation, and clustered robust standard error was used to increase the robustness of the model. We conducted regression analysis of the data using Stata 15.

5. Results

Table 2 shows the means, medians, standard deviations, minimums, and maximums of our key regression variables. The median CSR is 38.717, indicating that the CSR scores of Chinese companies are still relatively low, so need to be improved. The relationships between the dependent variable and the independent variables and the moderating variables are shown in Table 3. In addition, we checked the multicollinearity. Based on previous research, serious multicollinearity is indicated by a VIF exceeding 10. Therefore, we inferred that multicollinearity was not a key issue in our study.
Table 2. Descriptive statistics analysis.

|                | N  | Mean | SD   | Min | Max |
|----------------|----|------|------|-----|-----|
| 1. CSR         | 5147 | 38.717 | 12.259 | 0   | 86.713 |
| 2. Firm size   | 5147 | 23.146 | 1.467  | 18.491 | 28.519 |
| 3. Firm age    | 5147 | 2.745  | 0.397  | 0   | 3.638  |
| 4. Board size  | 5147 | 2.203  | 0.211  | 1.386 | 2.890  |
| 5. Outside director | 5147 | 0.375 | 0.059 | 0.091 | 0.8 |
| 6. ROA         | 5147 | 0.046  | 0.060  | -0.600 | 0.669  |
| 7. Top 10 share| 5147 | 59.288 | 16.345 | 12.707 | 98.588 |
| 8. Leverage    | 5147 | 0.494  | 0.200  | 0.008 | 1.351  |
| 9. FIE         | 5147 | 0.028  | 0.166  | 0   | 1 |
| 10. Distance to central government | 5147 | 2.613  | 2.521 | 0 | 8.006 |
| 11. Distance to local government | 5147 | 6.330  | 2.132 | 0 | 8.149 |

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

Table 3. Correlation analysis.

|        | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     | 10    | 11    |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. CSR | 1     |       |       |       |       |       |       |       |       |       |       |
| 2. Firm size | 0.481 *** | 1     |       |       |       |       |       |       |       |       |       |
| 3. Firm age | 0.056 *** | 0.064 *** | 1     |       |       |       |       |       |       |       |       |
| 4. Board size | 0.116 *** | 0.195 *** | -0.008 | 1     |       |       |       |       |       |       |       |
| 5. Outside director | 0.066 *** | 0.134 *** | -0.089 *** | -0.398 *** | 1     |       |       |       |       |       |       |
| 6. ROA | -0.005 | -0.067 *** | -0.089 *** | 0.000 | -0.012 | 1     |       |       |       |       |       |
| 7. Top 10 share | 0.269 *** | 0.341 *** | -0.246 *** | 0.057 *** | 0.074 *** | 1.343 *** | 1     |       |       |       |       |
| 8. Leverage | 0.126 *** | 0.512 *** | 0.103 *** | 0.088 *** | 0.058 *** | -0.400 *** | 0.036 *** | 1     |       |       |       |
| 9. FIE | -0.024 * | -0.096 *** | -0.008 | -0.040 *** | 0.026 * | 0.067 *** | 0.050 *** | -0.085 *** | 1     |       |       |
| 10. Central | -0.044 *** | 0.020 | 0.048 *** | 0.008 | 0.006 | -0.006 | -0.080 *** | 0.025 * | 0.001 | 1     |       |
| 11. Local | -0.029 ** | 0.011 | -0.009 | 0.045 *** | -0.018 | -0.027 | -0.042 *** | 0.007 | -0.025 * | 0.319 *** | 1     |

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

Table 4 shows the regression analysis results of the panel data fixed effects model. We performed regression analysis on each independent variable in turn to obtain Models 1–6. Model 1 provides the analysis results considering only the control variables. The size of the company, the number of board members, the ratio of independent directors, and the shareholding ratio of the top ten shareholders have positive effects on CSR.

Table 4. Regression analysis results of distance and CSR.

| Variable                  | Model 1                  | Model 2                  | Model 3                  | Model 4                  | Model 5                  | Model 6                  |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Firm size                | 3.840 *** (28.80)        | 3.859 *** (28.95)        | 3.847 *** (28.85)        | 3.857 *** (28.95)        | 3.846 *** (28.85)        | 3.859 *** (28.96)        |
| Firm age                 | -0.876 *** (2.10)        | -0.838 *** (-2.01)       | -0.890 ** (-2.13)        | -0.799 * (-1.92)         | -0.886 ** (-2.12)        | -0.809 * (-1.94)         |
| Board size               | 4.242 *** (5.49)         | 3.030 *** (5.50)         | 4.200 *** (5.56)         | 4.254 *** (5.51)         | 4.304 *** (5.56)         | 4.283 *** (5.54)         |
| Outside director         | -5.383 ** (2.01)         | 5.424 ** (2.02)          | 5.348 ** (1.99)          | 5.601 ** (2.09)          | 5.324 ** (1.98)          | 5.560 ** (2.07)          |
| ROA                      | -1.210 (-0.45)           | -1.177 (-0.44)           | -1.375 (-0.51)           | -1.074 (-0.40)           | -1.363 (-0.51)           | -1.157 (-0.43)           |
| Top 10 share             | 0.077 *** (7.78)         | 0.074 *** (7.53)         | 0.076 *** (7.70)         | 0.075 *** (7.56)         | 0.076 *** (7.69)         | 0.074 *** (7.54)         |
| Leverage                 | -5.969 *** (-6.05)       | -5.960 *** (-6.05)       | -6.034 *** (-6.11)       | -6.026 *** (-6.12)       | -6.033 *** (-6.11)       | -6.054 *** (-6.14)       |
| FIE                      | 0.328 (0.38)             | 0.353 (0.41)             | 0.296 (0.34)             | 0.746 *** (3.03)         | 1.330 (1.18)             | 7.949 *** (3.04)         |
| H1: Central              | -0.220 *** (-3.35)       | -0.103 * (-1.87)         | -0.186 ** (-2.79)        | -0.090 (-1.61)           | -0.045 (-0.75)           | -0.169 ** (-2.41)        |
| H2: Local                |                         |                         |                         |                         |                         |                         |
| H3: Central × FIE        |                         |                         |                         |                         |                         |                         |
| H4: Local × FIE          | -60.659 *** (-18.74)     | -59.711 *** (-18.39)     | -60.550 *** (-18.71)     | -60.053 *** (-18.50)     | -60.570 *** (-18.71)     | -60.069 *** (-18.50)     |

Note: *** p < 0.01 ** p < 0.05 * p < 0.1; t statistics in parentheses.

Model 2 only considers the results of the analysis of the distance between the company and the Central Government. The CSR activities of the company were found to be negatively correlated with the distance between the Central Government. The closer the company to the Central Government, the more actively it participates in CSR, which strongly supports Hypothesis 1 (β = -0.220, p < 0.01). The results show that compared to local governments, enterprise CSR activities are more affected by the Central Govern-
ment. Although local governments have the right to independently develop a regional
development strategy, when promoting enterprise CSR activities, the local government still
actively implements the instructions of the Central Government. The Central Government
still determines the system, whereas the local governments are only the enforcers. The
results of Model 3 prove this point. The distance between the locations of the enterprise
and the local governments has no significant effect on the CSR of the enterprise, rejecting
Hypothesis 2.

In Models 4 and 5, we introduce a control variable. When an enterprise has foreign
capital injected, the distance between the enterprise and the Central Government and the
negative correlation with CSR are strengthened, which supports Hypothesis 3 ($\beta = -1.200, \ p < 0.01$).

Enterprises can actively respond to the call of the Government and help the Govern-
ment fulfill its social responsibilities and obligations to obtain more policy support and
guarantees from the Government. Through CSR activities, foreign-funded enterprises can
win the favor of consumers in the host country, improve their corporate image, and lay
the foundation for better and faster development of enterprises. The results of Model 5
are the same as our previous results. The distance between the local governments and a
foreign-funded enterprise has no decisive influence on CSR. Hypothesis 4 is not supported,
which was expected. Formulating laws and regulations to regulate the responsible busi-
ness behaviors of enterprises is an important means for the Government to guide social
responsibility, and these rules are formulated by the Central Government; therefore, the
CSR of both foreign-funded enterprises and local enterprises will be more influenced by the
Central Government. The complete model is provided in Model 6. The results of Models
1–5 and 6 are consistent.

Our research results show that the Central Government, as the manager of a country,
has a strong influence on enterprises. Although the role of the Government is to promote
and empower CSR rather than to enforce regulations, enterprises are still under pressure
from the Central Government. The closer they are to the Government, the greater the
regulatory and policy pressure they face. In China, the relationship between enterprises
and the Government is one of the aspects of corporate social responsibility. The role of the
Government is not only to serve as the manager and supervisor but also the service provider
of enterprises. In the construction of China’s corporate social responsibility system, the
Government has played the role of institutional arrangement and policy requirements.
The Government can encourage enterprises to better assume social responsibilities in
terms of legal norms, public finance, and corporate cultural construction, and provide a
good operating environment for enterprises so that enterprises can achieve substantial
development. The Government and enterprises are complementary to each other.

6. Conclusions

The results of this study support the existing research on the negative correlation
between distance and CSR. It was proven that the distance between countries has the same
influence mechanism as the distance within a country (the distance between the Central
Government and enterprises in China) on CSR. In China, CSR and the distance from the
Central Government are negatively correlated, and the Central Government has a stronger
influence than the local governments. For enterprises with FIE, we confirmed that their
distance from the Central Government has a stronger moderating effect on the negative
correlation between CSR activities.

Previous studies mostly focused on multinational companies, and on the impact of
the geographic distance between the home country and the host country on CSR. Our
research confirms that for companies, the distance within a country is as important as the
distance between countries. The existing international business literature calls for research
on distance at the national level, and this paper responds to this call. The companies we
studied are all located in prefecture-level cities in China. This more detailed analysis helps
to better understand the impact of distance on the development of companies.
Our research results provide the following contributions to the relationship between distance and CSR. First, we changed the impact of the distance on CSR from between countries to within a country, confirming that distance impacts CSR. Second, we defined distance as the distance between the enterprise and the political center, which confirms the influence of the Government on CSR in China and provides new information regarding CSR practice for enterprises in China and foreign multinational enterprises that want to enter China. Finally, although we obtained results showing a negative correlation, we are not opposed to research results showing a positive correlation. In different countries, because of the different economic, political, and cultural factors, the motivation for CSR is affected by many factors, so it is necessary to adapt measures to local conditions and analyze the specific conditions to provide different thinking directions for future research on CSR and distance.

Our results provide the following findings on the impact of the Government on CSR: Companies that are geographically close to the Central Government participate more actively in CSR activities. When possessing a geographical advantage, Chinese enterprises find it easier to obtain Government support. Enterprises can also enhance their image and acquire the favor of the Government through CSR activities. Enterprises that actively respond to the requirements of the Government obtain more support and safeguards from the Government. In contrast, the farther a company from the Government, the higher the costs of implementing corporate social responsibility. Moreover, the uncertainty of the results also increases, thereby reducing the company’s CSR activities. The long-term development of enterprises is closely related to the Government. Strategic management researchers often underestimate the importance of location in CSR participation [18]. Our findings provide theoretical information for the site selection of companies. The relationship between government and enterprise is an important factor in the soft environment of enterprise operation; CSR was also proven to affect corporate performance [74]. Our findings will help improve managers’ choices regarding enterprise development in terms of location selection of subsidiaries, formulating a development strategy, and participating in enterprise CSR activities.

This study is not without its limitations. First, due to the limitations of the database, we used data from 2009 to 2018. The failure to use the latest data is one of the inevitable limitations of this paper. Second, the costs incurred by the distance between enterprises and the central and local governments, as well as the implementation of CSR, need more rigorous analysis. Finally, China engages in government-led CSR, so the research results may not be applicable to other countries.

In future research, we will introduce new variables to analyze the impact of government on CSR activities. We will not only measure the geographical distance between companies and central and local governments but also measure variables such as the closeness of the political relationships between enterprises and government to deepen the research on the impact of distance on CSR. In addition to CSR, we intend to study whether factors such as corporate outcomes, corporate values, and government support are also affected by the distance from the Government. Finally, to ensure the universal applicability of the research results, we will consider extending the research to countries with different political environments where the central power is relatively weak.

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