

Empirical Analysis of the Impact of Family Ownership and Family Control on Charitable Donation of Private Enterprises in Jiangsu Province of China

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Abstract

Charitable donation is one of the main social responsibilities of private enterprises. Research objective was to investigate whether or how family involvement affect the charitable donation of private enterprises in the most developed province of China. Research methodology included questionnaire investigation, random sampling and analysis of Logistic regression model, which was utilized to analyze the survey data from 400 small and medium-sized private enterprises in Jiangsu Province of China. Research results showed that family ownership and family control had a significant positive impact on the charitable donations of private enterprises, and political identity of private entrepreneurs had a positive correlation with corporate philanthropy, and the levels of business income and net profit rate of enterprises had a positive impact on the scale of corporate charitable donations. Hence, it was speculated that in the most developed provinces of China, the charitable donation activities of private enterprises with family ownership and control were the spontaneous consciousness and social responsibility consciousness of business owners or senior managers.

Keywords: Family Ownership ; Family Control; Charitable Donation; Private Enterprises

Introduction

Private enterprise is an important carrier of national system and social life, which creates economic, humanistic and ecological value. While pursuing economic benefits, private enterprises also fulfill their social responsibilities (Dhanesh, 2020). Corporate philanthropy is the most intuitive and effective embodiment of the social responsibility of private enterprises. The charitable intention and concept, the economic status and cost-benefit factors, institutional environment and other factors affect the charitable donation behavior of private enterprises (Gustafsson et al. 2017). The ownership and management of most private enterprises are in the hands of family members, and the strategic

decisions of enterprises are mainly made by the family as the owners or managers of enterprises. The charity intention and concept of private enterprises mainly depend on the private entrepreneurs themselves or members of their families (Fan & Lu, 2019). However, it is not clear whether ownership of private enterprises in different economies have a significant impact on their charitable behaviors.

It was reported that corporate social responsibility, succession, governance and altruism had impacts on relationship between family involvement and behavior of private enterprises; And the theory of Socio-Emotional Wealth (SEW) framework thought that that family members' desire drove private enterprises to pay more attention to the interests of their stakeholders in order to preserve SEW (Nason et al., 2019). But, charitable donations put great pressure on profits of private enterprises, which inversely affected their aspiration and decision-making about charities. So, it is necessary to carry out research on the impact of the composition and characteristics of private enterprises on corporate philanthropy.

In China, private enterprises play a significant role in national economies, which contribute more than 50% of the national tax revenue, more than 60% of GDP, more than 70% of technological innovation achievements, more than 80% of urban labor employment and more than 90% of the number of enterprises. However, the economic development in different regions of China is greatly unbalanced and the gap is very large, and the awareness and willingness of charitable donation of private enterprises in different regions are also very different (Wu et al., 2020). Moreover, the vast majority of private enterprises in China are generally owned and controlled by families, so there may exists complex mechanisms about charitable donation behavior of private enterprises. Compared with the western of China, some economically developed provinces in eastern of China have a large number of private enterprises. This research attempts to analyze the relationship between the charitable activities of private enterprises in China's economically developed provinces and their family involvement.

In this study, in order to investigate whether family involvement affects the charitable donation of private enterprises in the most developed province of China, questionnaire investigation and Logistic regression model were used to analyze the survey data from private enterprises located in Jiangsu Province of China. This research will contribute to the understanding about the relationship between

family involvement and charitable donation of private enterprises in the most developed province of China, and to promote private enterprises to participate more in charity and fulfill their social responsibilities.

Research Objectives

1. To analyze the impact of family ownership and family control on charitable donations of private enterprises in Jiangsu Province of China;
2. To understand the status about family charities of private enterprises in the economically developed regions of China.

Research Framework

The 'Theory of Corporate Social Responsibility' regarded charitable donation as the embodiment of enterprises undertaking high-level social responsibility, including charitable donation behavior. Families made and implemented business' strategic decisions through their ownership and management control of the business. So, in order to analyze the impact of family ownership and family control on donation behavior of private enterprises in Jiangsu Province, family ownership and family control were set as independent variables, donation behavior was set as dependency variable. Based on the above description about family ownership, family control and corporate charitable donations, the conceptual framework was constructed shown as Figure 1.

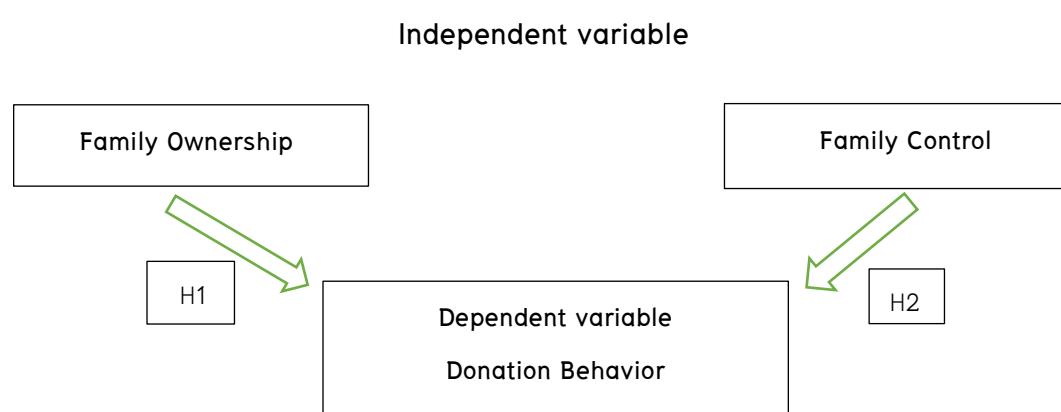


Figure 1 Flow chart of various variables in model

Hypothesis of Research

Hypothesis 1 (H1): Family ownership of private enterprises is positively related to its charitable donations.

Hypothesis 2 (H2): Family control on private enterprises has a positive relationship with charitable donations.

Research Methodology

1. Questionnaire design and respondents

To test the hypotheses, we independently designed a set of questionnaires to investigate the small and medium-sized private enterprises in Jiangsu Province. Survey contents in questionnaires mainly included education level (Edu) and political identity (Pc) of business owners and family members, corporate governance, decision-making, charitable donation behavior. Among them, the education level of entrepreneurs was related to the foresight of enterprises, and also had a certain impact on whether enterprises take charitable donation. Some private entrepreneurs participated in political activities in order to establish good relations with rule-making government members; At the same time, entrepreneurs carried out charitable donation activities in order to maintain the relationship with the government.

The samples in this study were mainly selected from the enterprises in Jiangsu Province of China. Survey data were collected through questionnaire from private enterprises in Jiangsu Province of China in 2020 by the method of Random Sampling. According to Yamane's formula, the sample size used was 400.

2. Statistical Method

SPSS 25.0 was used to perform the statistical analysis of survey data, and Logistic Regression method is used to test the potential influence of family ownership and family control on the charitable donation behavior of private enterprises.

Research Results

1. Characteristics of sampled enterprises

Among the 400 private enterprise samples in this survey, 307 enterprises had charitable donation behaviors in 2020, accounting for 76.8% of total samples. The average value of enterprise

donation scale (measured by donation logarithm) is 7.96, and the standard deviation is 4.67, which indicates that there is a big difference in the amount of donation. The average proportion of family ownership in private enterprises surveyed is 82.80%, which indicates that family ownership is dominant in private enterprises, and the average value of family members as chairman is 0.7 (Table1). It can be seen that these two indexes are very consistent, which means that the management power of enterprises is mainly controlled by business owners or family members.

The average value of the scale of the surveyed samples (measured by the natural logarithm of sale revenue) is 7.7960, the maximum value is 12.42, the minimum value is 1.2, and the standard deviation is 1.93537, which indicates that the differences in the scale of the surveyed samples are relatively large (Table 1).

Table 1 Descriptive statistics of main variables

Item	Min	Max	Mean	Standard error	Standard deviation	Variance
Dependent variable						
D	0	1.0	0.77	0.21	0.423	0.179
Control variable						
Age	21.00	69.00	45.1050	.41252	8.25040	68.069
Edu.	1.0	6.0	2.92	.064	1.273	1.621
Pc	0	2.0	0.48	.025	0.505	0.255
Fs	1.10	12.42	7.7960	0.09677	1.93537	3.746
Dar	0	110.00	26.4267	1.39108	27.82165	774.044
Roa	-0.6120	3.3333	0.088687	0.0106293	.2125851	0.045
Independent variable						
OE(%)	5.00	100.00	82.7975	1.20745	24.14906	583.177
BD	0	1.0	0.70	0.023	0.458	0.210

Note : D—Donation behavior; Age—age of business owner; Edu—Education level; Pc—political identity; Fs—Enterprisescale ; Dar—Debt asset ratio; Roa—Profit margin; OE—Owners' equity; BD—Board of Directors

2. Characteristics of owners and family members in sampled enterprises

Enterprise owners or executives are mostly male in the enterprises surveyed, showing a strong homogeneity. The age of enterprise managers is relatively balanced from the distribution level, with young and middle-aged people as the main age group; the education level belongs to the middle and upper level, and the main education level is concentrated in technical secondary school and undergraduate. In terms of political background, 50% of them are deputies to the National People's Congress or members of the Chinese people's Political Consultative Conference, indicating that the consciousness of enterprise owners to participate in politics is not strong (Table 2).

Table 2 Descriptive statistics of enterprise owners or family members

Characteristics		FP	P(%)	AV	Sd	Mse	variance
Gender	Male	356	89	1.11	0.313	0.016	0.098
	Female	44	11				
Edu	Jhsb	56	14	2.92	1.273	0.064	1.621
	HsTs	111	27.8				
	College	98	24.5				
	Ug	82	20.5				
	Ms	49	12.3				
	PhD	4	1				
Age range (years old)	<30	11	2.8	3.0625	0.8663	0.04331	0.75
	30-39	83	20.8				
	40--49	198	49.5				
	50--59	86	21.5				
	≥60	22	5.5				
Pc	NPCd	72	18	2.35	0.766	0.038	0.587
	MCPPCC	118	29.5				
	neither	210	52.5				

Note: Edu-Education; Jhsb-Junior high school and below; HsTs-High school, technical secondary school; Ug-Undergraduate; Ms-Master's degree; Pc – political identity; NPCd-NPC deputies; MCPPCC-members of the CPPCC; FP-Frequency Percentage; P-Percentage; Av-Average value; Sd-Standard deviation; Mse-Mean standard error

3. Validity Analysis

This study mainly analyzes the economic goals of family involvement, and only needs to analyze the validity of the measured content. The indicators of family ownership, family control and charitable donation are displayed in form of absolute value. As shown in table 3, the KMO value of the questionnaire data is 0.628, which indicates that the questions used to analyze the factors are basically appropriate, which indicates that the variables are correlated, and the survey data is suitable for this study.

Table 3. Validity Analysis of questionnaire data

	KMO sampling suitability measure	.628
Bartlett sphericity test	Approximate chi-square	441.906
	Degrees of freedom	36
	Significance	.000

4. Correlation analysis between variables

As shown in Table 4, it can be seen that the proportion of family ownership and family control are significantly positively correlated with charitable donations. Moreover, the age and political status of entrepreneurs are significantly related to charitable donations. Among the characteristics of enterprises, the scale of enterprises is positively correlated with charitable donations. Within the explanatory variables, although there is a correlation between some variables, the correlation coefficient is not large, the maximum is not more than 0.5, and the variance inflation factor (VIF) is less than 10, which indicates that there is no multi-collinearity of explanatory variables in the model.

Table 4 Correlation analysis among variables

	Cd	Age	Edu	Pc	Fs	Dar	Roa	Fo	Fm
Cd	1								
Age	.101**	1							
Edu	.087*	.415***	1						
Pc	.310***	-.011	.088*	1					
Fs	.339***	.165***	.170***	.324***	1				
Dar	.025	-.059	-.058	.075	-.316***	1			
Roa	.093*	.155***	.213***	.122**	.427***	-.154***	1		
Fo	.219***	.175***	.132***	.212***	.197***	.072	.100**	1	
Fm	.208***	-.091	-.027	.096*	.196***	-.004	.030	.015	1

Note: Cd-Charitable donation ; Fo-Family Ownership ; Fm-Family control; *p<0.01; ** p<0.05; *** p<0.001.

The other abbreviations of words or phrases are same with notes of Table 1 and Table 2.

5. Regression analysis using Logistics model

When we use Logistic regression to analyze the impact of corporate ownership and control on charitable donation behavior, it can be seen that the political identity (Pc) of private entrepreneurs, family ownership (Fo), family control (Fm) and enterprise scale (Fs) had significant positive correlation with corporate philanthropy (Table 5). The results above indicated that these indicators had positive impacts on charitable donation behaviors.

In order to test the influence of family factors on corporate charitable donation behavior, the variables of family involvement are added on the basis of the above analysis. The results show that family owners' equity also has a positive correlation with charitable donation behavior, the coefficient is 0.603, P < 0.05; and family control has a significant positive correlation with charitable donation behavior, the coefficient is 0.364, P<0.01 (Table 5). It can be concluded that family ownership and family control is positively related to charitable donation. Therefore, hypothesis H1 and H2 are supported.

Table 5 Regression analysis using Logistics model

	B	Std. error	Sig	Exp (B)
Age	.183	.170	.281	1.201
Edu	.031	.125	.807	1.031
Pc	.376	.105	.000	1.456
Fs	.382	.096	.000	1.465
Dar	.201	.112	.073	1.223
Roa	-.007	.006	.218	.993
Fo	.603	.285	.034	1.827
Fm	.364	.128	.004	1.440
constant	-4.187	.895	.000	.015

Note: The abbreviations of words or phrases are same with notes of Table 1, 2 and 4.

6. Robustness Test

The robustness test is conducted to test the reliability of the conclusion. Firstly, we change the measurement method of control variables, and remove the control variable (Political identity of business owners) on the basis of the above model, and then carry out the logistic regression of corporate charitable donation behavior. The result is consistent with the conclusion mentioned above (Table 6).

Table 6 Robustness test

	B	Std. error	Sig	Exp(B)
Age	.136	.168	.420	1.145
Edu	.065	.121	.591	1.067
Fs	.470	.092	.000	1.600
Dar	.255	.110	.020	1.291
Roa	-.008	.005	.159	.992
Fo	.751	.276	.006	2.119
Fm	.352	.124	.005	1.421
constant	-4.511	.886	.000	.011

Note: The abbreviations of words or phrases are same with notes of Table 1, 2 and 4.

Empirical analysis using Logistic regression model showed that family ownership and family control had a significant positive impact on the charitable donation behaviors of small and medium-sized private enterprises in Jiangsu Province of China, which supported the hypothesis in this research. Hence, the family ownership or family control of enterprise is conducive for enterprise to engage in charitable donation.

Moreover, the factors including political identity of private entrepreneurs, business income level and net profit rate of enterprises also have a positive impact on charitable donation. These results above indicated that the better the development of enterprises, the more willing enterprises were to carry out charitable donation activities. So, it could be concluded that private enterprises in China's economically developed provinces had gradually grown from the sole purpose of making profits to a multi role transformation of creating economic benefits and undertaking social responsibility.

Discussion

A large number of local private enterprises in China are established and gradually developed by business owners and their families after the Reform and Opening Up. With the transition from planned economy to market economy in China, small and medium-sized private enterprises have been growing from scratch. These private enterprises have gradually changed from the sole purpose of making profits to the multi role of creating economic benefits and undertaking social responsibilities (Yáñez-Araque et al., 2021). So it is necessary and significant to study the impact of family involvement on charitable donation in private enterprises of China. Correlation analysis in this study supported the positive relationship between family involvement and charitable donations of private enterprises in Jiangsu Province, which is consistent with our hypothesis. It is the first report about the relationship between family involvement and charitable donation behavior of small and medium-sized private enterprises in the most economically developed provinces in China.

However, the economic development of different regions in China is unbalanced, and the gap is very large. The awareness of social responsibility and the willingness of charitable donation of private enterprises in different regions are different. Therefore, it is more meaningful to study the relationship between family involvement (family ownership and family control) and charitable donation of private enterprises in different provinces with a specific degree of economic development.

Our study found that family involvement has a significantly positively impact on charitable donations of private enterprises in most economically developed province of China. Our research results will be of great significance as reference for other 32 provinces in China covering the economically developed areas and economically backward provinces, which have diverse cultural background, economic awareness and policies. Our study also found that private enterprise's political involvement might have significant impact on charitable donation. This case may promote private enterprises to engage in more charitable donations. More political involvement may attract more media attention's reports on their prosocial behaviors, and further motivate entrepreneurs and external stakeholders to engage in more charitable behaviors in economically developed provinces (Ebeling et al., 2017). In economically developed provinces, business owners had a stronger sense to participate in political activities and social management. It was supported by the questionnaire from business owners.

Research Suggestion

1. Suggestion for use

Considering that family involvement has a positive relationship with corporate philanthropy, this study suggests that the government should protect the private economy, create a fairer competition environment for their development, standardize the operation mechanism for enterprise charity, and encourage families to participate in the development of enterprise charity.

2. Suggestion for Future Research

We suggest that future research should focus on the impact of corporate philanthropy on corporate value and analyze the effect of corporate philanthropy. At the same time, we should also strengthen the research on the impact of family involvement on the charitable donation behavior of small and medium-sized enterprises in China's economically backward provinces.

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