Corporate Philanthropy in China: A Case of Doing Well by Doing Good?

Zhong Qin*, Minghuan Huang* and Wenli Cheng^

Abstract
Based on panel data of 1891 Chinese listed companies over the period 2008-2013, we find a positive correlation between the companies’ philanthropic giving and their ability to obtain bank loans in the subsequent year. This result suggests that corporate philanthropy can be usefully seen as an investment in cultivating good relationships with the government and that the investment return comes in the form of better access to government-controlled financial resources. Thus regardless whether or not the companies were motivated by altruistic considerations, their philanthropic giving was in fact (handsomely) rewarded. In this sense, corporate philanthropy in China seems to be a case of doing well by doing good.

Key words: corporate philanthropy, long-term bank loans, political connections

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Introduction

Corporate philanthropy, broadly defined as corporations “giving back” to the community, has a long history in the West. In China, however, corporate philanthropy is a relatively new phenomenon. This is because the development of the modern corporation was greatly suppressed before the economic reforms initiated in 1978; and it was only in recent years that the corporate sector has achieved its prominence in the Chinese economy.

Despite its short history, corporate philanthropy has become a major source of charitable giving in China, accounting for 58% of the total giving in 2012.¹ Corporate donations have been used to fund a wide variety of ongoing social projects including poor relief, education, sanitation, and sports and arts. Moreover, corporate contributions were heavily relied on during a series of recent tragic events – the 1998 Yangtze River floods, the 2003 Severe Acute Respiratory Syndrome (SARS) epidemic, the 2008 Chinese winter storms, and most notably the 2008 Wenchuan earthquake.² Extensive (positive and negative) media reporting on corporate donations during these tragic events has made corporate philanthropy highly visible in the eye of the public.³ A small (but growing) academic literature has also emerged exploring the institutional influences (Gao, 2011) and the strategic motivations of corporate philanthropy in China (Su and He, 2010; Gao et al., 2012; Li et al, 2014).

¹ Data source: www.charity.gov.cn.
² The 2008 Wenchuan earthquake killed more than 87,000 people, with an estimated total economic loss of RMB 845.1 trillion (Gao et al., 2012).
³ Gao et al. (2012) gave two examples of different public responses to corporate donations following the 2008 Wenchuan earthquake. In one case, the largest residential real estate developer in China, Vanke was criticized for its initial “small” donation; in another case, the JDB Group (“China’s Coca-Cola”) was applauded for its generosity and rewarded with a large jump in sales.
This paper investigates how corporations in China may benefit from their philanthropic giving, focusing on the relationship between a company’s philanthropic giving and the company’s subsequent ability to obtain loans from banks. In the Chinese institutional environment where the government has substantial control over certain scarce resources such as financial capital, corporations need to develop a good relationship with the government to gain access to such controlled resources (Xin and Pearce, 1996). Meanwhile, the government needs corporate contributions to help fund many social projects important for maintaining political stability. Thus an exchange opportunity emerges between the government and the corporate whereby corporate philanthropy is akin to a “price” for government support or a “gift” reciprocating government favors. Alternatively, corporate philanthropy may be seen as a corporate investment in an intangible asset called government connections (“guanxi”) which is a unique factor of production in the Chinese context (Qin and Cheng, 2013). Of course, corporations may also support social courses for altruistic reasons. Regardless what motivations are behind corporate philanthropy, we are interested in finding out whether corporations are in effect rewarded for their good deeds. In this paper, we focus on a specific form of reward, namely, improved access to long-term bank loans. Based on panel data from 1891 Chinese A-share listed companies over the period 2008-2013, we find that corporate philanthropic giving had a positive effect on the corporation’s long-term loans in the subsequent year, suggesting that corporate philanthropy in China may be a case of doing well by doing good.

The main contributions of this paper are twofold. First, by linking a corporation’s philanthropic giving and its subsequent ability to acquire long-term bank loans, the paper
highlights an important mechanism through which corporations can benefit from their philanthropic giving, namely that corporations use philanthropy to acquire government support in the form of better access to long-term bank loans. A number of studies have shown that politically connected firms are more likely to obtain financial capital in China and other countries (Allen et al., 2005; Bai et al., 2006; Faccio, 2006). This paper extends the findings of these studies by identifying corporate philanthropy as a tool for cultivating political connections. Second, this paper deepens our empirical understanding of how and to what extent a corporation may benefit from its philanthropic activities. To our knowledge few previous studies have considered the philanthropy-bank loan connection in China with the notable exception of Su and He (2010) who conclude on the basis of a 2006 survey that private firms that made more than RMB100,000 donations were more likely to obtain bank loans. Our analysis differs from theirs in that we focus on long-term bank loans which are much harder to obtain than short-term loans, and investigate how the size of philanthropic giving (instead of a donation dummy variable in their study) affect various measures of a corporation’s ability to obtain long-term loans.

The remainder of this paper is organized as follows. Section 2 reviews the relevant literature on corporate philanthropy, and sets out our hypotheses for empirical testing. Section 3 presents our empirical analysis and section 4 concludes with a discussion of our findings and their policy implications.

**Literature review and hypothesis development**

**Literature review**

In his influential 1962 book, *Capitalism and Freedom*, Milton Friedman argues that “there is
one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."(p.133). More than half a century since Friedman’s famous statement, a rich literature on corporate social responsibility has evolved, offering useful insight into the motivations and effects of corporate philanthropic giving and corporate involvement in other laudable environmental and social pursuits outside their core businesses. This literature has identified four broad motivations for corporate philanthropy defined as giving of corporate resources to address non-business community issues (Campbell et al, 2002).

First, corporate philanthropy may be motivated by shareholder altruism (Shaw and Post, 1993, Neiheisel, 1994, Sanchez, 2000). Shareholders as individuals derive utility from both financial returns on their investment and from contributing to worthy social causes. By endorsing corporate philanthropy, shareholders get a bundle of benefits consisting of dividends and the “warm glow” associated with owning shares in a “socially responsible” corporation (GraffZivin and Small, 2005).

Second, managerial discretion is another driver of corporate philanthropic activities. Corporate managers may choose to support their preferred social projects in the absence of shareholder approval, in which case, they “maximize their utility” by expressing their personal altruism using shareholder resources (Haley, 1991; Arulampalam and Stoneham, 1995).

Third, corporations may be “forced” into philanthropy because of political and institutional pressure (Neiheisel, 1994, Marquis et al., 2007). Corporations operating in an
environment where they feel politically insecure may address such insecurity by devoting resources to stakeholders in the community in order to protect their political interests and enhance their chances of survival (Oliver, 1991, Scott, 1992). For example, corporate philanthropy is sometimes used by multinational corporations to overcome nationalistic barriers and enhance their legitimacy in the host countries (Gardberg and Fombrun, 2006; Husted and Allen, 2006).

Finally, corporations actively use philanthropy as a strategic tool to enhance their financial performance (Navarro, 1988; Porter and Kramer, 2002; Saiia et al., 2003; Marom, 2006). This motivation of corporate philanthropy has attracted the most research attention. A number of mechanisms have been identified through which corporations can benefit financially from their contributions to worthy social initiatives. At a general level, socially responsible actions taken by corporations are seen to be consistent with the “enlightened self-interest” of the companies (Rowley and Berman, 2000). Specifically, corporate philanthropy is used as a way of creating intangible assets of different kinds that help corporations gain a competitive advantage (Porter and Kramer, 2002). For example, corporate philanthropy is a form of advertising that promotes a company’s image in the market place, and as such has the effect of increasing brand recognition and developing consumer royalty (Strahilevitz, 1999). Corporate philanthropy can be used as a signal of goodwill to regulators and the public with a view to gaining trust and sympathy (Neiheisel, 1994). Corporate philanthropy may also be seen as a risk management tool in that it accumulates “moral capital” which plays a self-insurance role, protecting the corporation’s “relational wealth” with respect to its different stakeholders including employees, communities, regulators,
suppliers and customers (Godfrey, 2005). Moreover, corporations can also use philanthropy to build political connections which allow the companies enjoy various privileges especially in markets with weak institutions (Adhikari et al. 2006; Charumilind et al., 2006; Faccio, 2006; Faccio et al., 2006).

Of course actual corporate philanthropy is likely to have a combination of different motivations (Idowu and Papasolomou, 2007); and it is very difficult to separate motivations empirically. However empirical studies can test whether firms receive a net financial benefit from their philanthropic activities. To the extent that philanthropy represents resource use outside a firm’s business, it is a cost that reduces the value of the firm. On the other hand, if philanthropy is used as an instrument for acquiring something valuable to the firm’s business (e.g., legitimacy, brand recognition, access to controlled resources, etc.), then it is a part of the firm’s cost of production that can be recouped through higher revenue. If it turns out that a firm receives a net financial benefit from its philanthropic activities, one can reasonably infer that a strategic motivation of corporate philanthropy may be present.

One common measure of firm’s net financial benefit from philanthropy is the firm’s financial performance. Many empirical studies have found a positive correlation between corporate philanthropy and corporate financial performance.\(^4\) Other studies report mixed results (Hillman and Keim, 2001; Margolis and Walsh, 2003). There are indirect ways of measuring the benefit received by firms as well. For example, Menz (2010) examines the relationship between the valuation of Euro corporate bonds and the companies’ social responsibility standards and finds no evidence of socially responsible companies getting a reward in the bond market in the form of a lower risk premium for their corporate bonds.

\(^4\) See Griffin and Mahon (1997) for review of the earlier literature and Orlitzky et al. (2003) for a meta-analysis.
However, Goss and Roberts (2011) find that firms with corporate social responsibility concerns pay higher loan spreads and have shorter loan maturities, indicating a penalty for failing to comply with certain social standards.

This paper belongs to the broad empirical literature on strategic corporate philanthropy that examines how corporations in China benefit from their philanthropy. In particular, it tests the presence of a benefit of philanthropy specific to the Chinese institutional environment, namely, the benefit of improved access to long-term bank loans. We explain our hypotheses in more detail below.

**Hypothesis development**

Despite the success of market-oriented economic reforms in the last nearly 40 years, the Chinese government still maintains substantial control over the economy through extensive regulatory powers and control over scarce resources. In such an environment, political ties are a valuable asset for firms (Faccio, 2007) that can bring many different benefits including improved access to controlled resources and valuable information, protection from external competitors, preferential terms in government contracts, avoidance of certain taxes and penalties (Xin and Pearce, 1996; Qin and Cheng, 2013). It is therefore unsurprising that many Chinese firms see “relationship cultivation” as an essential tool of competition as well as rent seeking (Gao et al., 2012). Since the political institution in China excludes campaign contribution and overt corporate lobbying, other forms of building relations with the government emerge over time; corporate philanthropy is one of them.

Although corporate philanthropic giving does not directly go to the government, (most of) it goes to fund programs that the government would like to fund but lacks sufficient budgetary
finance to do so, for instance, school improvement in poor areas, community services helping the disabled and disadvantaged, and disaster relief etc. These social projects play an important role in achieving the government’s vision of a “harmonious” society. They reduce social discontent thereby improving political stability, and also help government officials get better performance evaluation which enhances their promotion chances. In some cases, the government demands contribution from businesses, making corporate philanthropy more like an obligation rather a voluntary act (Warren et al., 2004). For example, Qin and Cheng (2013) document that some private Chinese firms were “nudged” into sponsoring the “Hope Project” and the “Glorious Program” in order to get on good terms with government officials.5

As reciprocity is observed in a typical social exchange, we may expect corporate philanthropy to be rewarded in various forms of government favors. In this paper, we focus on a particular favor the government can grant firms, namely, access to long-term bank loans. In China, the government has significant control over bank loan access. The Big Four commercial banks6, which are the main players in providing business loans, are state-owned. While these banks are in principle supposed to operate on a commercial basis, in fact the government has a large influence over the banks’ loan decisions. Since firms have few alternative sources of credit, they have to develop and maintain good relations with the government in order to obtain bank loans they need.

The empirical link between political connection and access to bank loans in other developing countries has been well documented (Leuz and Oberholzer, 2005; Adhikari et al., 2006; Charumilind et al., 2006, and Faccio et al., 2006). In China, Yu et al. (2008) suggest

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5 The objective of the ‘Hope Project’ is to improve basic education in remote villages while the objective of the ‘Glorious Program’ is to develop western China. They are both organized by the Chinese government.

6 The Big Four refers to the Industrial and Commercial Bank of China (ICBC), the Bank of China (BOC), the China Construction Bank (CCB), and the Agricultural Bank of China (ABC).
that enterprises with better political connections get more bank loans and loans with longer
debt maturity. Su and He (2010) find that relatively large donations (more than RMB 100,000
in 2006) may improve a firm’s access to bank loans.

We hypothesize that there is a positive correlation between the size of a firm’s
philanthropic giving and the firm’s access to long-term bank loans defined to be loans with
maturity longer than one year. The reason why we focus on access to long-term loans is that
compared with short-term loans, access to long-term bank loans are more important to firms’
ability to investment in capital projects required for output expansion. Moreover, long-terms
loans are often preferred by firms for planning reasons and long-term loans are a lot harder to
obtain. To our knowledge, no previous studies have examined the relationship between
corporate philanthropy and corporate access to long-term bank loans in China. This paper fills
the gap in the literature.

The main conjecture of this paper is that the corporate-government relationship is one of
reciprocity, in which corporate philanthropy may be seen as a gift to the government in
exchange for a government favor in the form of better access to long-term bank loans.
Specifically we form the following hypotheses for testing:

**H1.** A corporation’s philanthropic giving has a positive effect on the corporation’s amount of
long-term bank loans in the subsequent period.

**H2.** A corporation’s philanthropic giving has a positive effect on the corporation’s rate of
growth in long-term bank loans in the subsequent period.

**H3.** A corporation’s philanthropic giving has a positive effect on the share of long-term bank
loans in the corporation’s total loans in the subsequent period.
Empirical analysis

Empirical model

To test our hypotheses, we estimate the following equation:

\[
LOAN_{it} = \beta_1 GIVING_{i,t-1} + \beta_2 SIZE_t + \beta_3 ROA_t + \beta_4 DEBT_t + \beta_5 STATE_t + \beta_6 LIQUID_t + \beta_7 TOBINQ_t + \beta_8 GROW_t + v_i + \varepsilon_{it}
\]  

(1)

where \(LOAN\) indicates a corporation’s ability to obtain long-term bank loans; \(GIVING\) measures corporate philanthropic giving; \(SIZE\) is firm size measured by the natural log of total assets; \(ROA\) is return on assets measuring firm’s profitability; \(DEBT\) is the leverage ratio; \(STATE\) is a dummy variable with a value of 1 for state-owned enterprises, and zero otherwise; \(LIQUID\) is liquidation value, \(TOBINQ\) is Tobin’s Q indicating the firm’s growth opportunity; \(GROW\) is the rate sales growth, \(v\) is firm fixed effects.

The definitions of all the variables in equation (1) are summarized in Table 1. We briefly explain the two main variables below. We use four measures to gauge a corporation’s ability to obtain long-term bank loans (LTBL):

- \(LOAN1 = \frac{LTBL}{Total \ Assets}\): the ratio of long-term bank loans to total assets
- \(LOAN2 = \text{Ln}(LTBL)\): the natural log of long-term bank loans
- \(LOAN3 = \text{Ln}(LTBL)_{t+1} - \text{Ln}(LTBL)_t\): the rate of growth in long-term bank loans
- \(LOAN4 = \frac{LTBL}{Total \ bank \ loans}\): share of long-term bank loans in total bank loans

Corporate philanthropic giving amounts are collected from the companies’ financial statements. In our analysis corporate philanthropic giving (GIVING) is defined as:

\[
GIVING = \frac{\text{Amount of donation}}{Sales} \times 100
\]

As explained in the last section, we hypothesize that corporate philanthropy will increase the corporation’s ability to access long-term bank loans, that is, we expect \(\beta_1\) in our
estimation equation (1) to be positive.

Data

The corporations in our study are Chinese A-share listed companies in Shanghai and Shenzhen stock markets. Our data sources are RESSET, CSMAR, and the companies’ financial statements. We examined all listed companies and excluded companies in the banking industries, and those with incomplete information. The final sample consists of 1891 listed firms, spanning all industries except banking. 370 companies in our sample are classified as State-Owned Enterprises (SOEs), with the remaining classified as Non-State Owned Enterprises (i.e., private enterprises).

Since we intend to examine how a company’s philanthropic giving (GIVING) affects the company’s ability to access long-term loans in the subsequent year, the data period for GIVING is 2008-2012, whereas those of other variables are 2009-2013. The summary statistics for the variables in our sample are reported in Table 2. As can be seen from Table 2, the average corporate giving (GIVING) over 2008-2012 fell from 0.294% of sales in 2010 to 0.108% of sales in 2012, indicating a low and falling level of corporate philanthropic activity. In comparison, the average total corporate long-term bank loans (LOAN2), the average corporate long-term bank loans to total asset ratio (LOAN1), and the share of long-term bank loans in total bank loans (LOAN4) all fell over 2009-2011 and rose slightly over the period 2011-2013. Notably, the amount of corporate long-term bank loans in 2011 were on average, lower than that in 2010, suggesting a credit tightening in 2011 (LOAN3), but credit conditions were eased in 2012 and 2013.

Empirical Results

We estimate equation (1) with four different measures of a corporation’s ability to access long-term loans: LOAN1, LOAN2, LOAN3 and LOAN4. The data period for all variables except corporate giving is from 2010 to 2013. The data period for corporate giving is from 2009 to 2012 as the variable is lagged by one year (GIVING\textsubscript{t-1}). The results are reported in Table 3. All four models show that a company’s philanthropic giving (GIVING\textsubscript{t-1}) has a positive and significant effect on the company’s ability to access long-term loans. Model 1 and Model 2 show that corporate philanthropic giving is positively correlated with the ratio of the corporation’s long-term bank loans to asset ratio (LOAN1); and (the natural logarithm of) the amount of long-term bank loans (LOAN2), with statistical significance at the 5% and 10% levels respectively. This result supports our first hypothesis (H1) that a corporation’s philanthropic giving has a positive effect on the corporation’s amount of long-term bank loans in the subsequent period.

Model 3 finds a positive correlation between corporate philanthropic giving and the growth rate of corporate long-term bank loans (LOAN3), which is significant at the 10% level. This supports our second hypothesis (H2) that a corporation’s philanthropic giving has a positive effect on the corporation’s rate of growth in long-term bank loans in the subsequent period.

Model 4 reveals a positive relationship between corporate philanthropic giving and the corporation’s share of long-term loans in total loans (LOAN4), which is significant at the 5% level. This result supports our third hypothesis (H3) that a corporation’s philanthropic giving has a positive effect on the share of long-term bank loans in the corporation’s total loans in
Apart from corporate philanthropy, our estimations also find other factors that influence a corporation’s ability to access long-term bank loans. For instance, in all models, firm size (SIZE) is found to have significantly positive effects on a corporation’s ability to access long-term bank loans. Intuitively, larger firms are more likely to obtain long term bank loans for at least two reasons. First, larger firms are considered to have lower credit risks as they have a larger asset to back their loans. Secondly, larger firms may be more efficient as they are in a better position to take advantage of economies of scale and scope.

Debt ratio (DEBT) is found to have a positive impact on LOAN1, LOAN2 and LOAN4. While a high debt ratio indicates a larger debt burden which may diminish a firm’s ability to obtain further loans, it also signals the firm’s ability to borrow in the past. In our sample, the signaling effect appears to dominate the debt burden effect therefore we observe a (net) positive effect of leverage on the firm’s ability to access long-term bank loans.

Being state-owned (STATE) had a positive impact on LOAN1, LOAN2 and LOAN4, indicating that state-owned companies had an advantage in obtaining long-term loans. Companies with higher liquidation value (LIQUID) are likely to obtain more long-term loans (positive coefficients for LOAN1, LOAN2 and LOAN4), but are likely to have lower loan growth rate (negative coefficient for LOAN3) probably due to lower demand for more loans over time. Companies with high market to book value (TOBINQ) are likely to have less long term loans possibly because of their relative ease in raising equity. In contrast, companies with faster sales growth (GROW) are more likely to have a higher rate of growth in their long term loans (LOAN3).
**Robustness test**

As a robustness test of our results, we add another variable, corporate philanthropic giving lagged by two periods ($GIVING_{t-2}$), to equation (1). The coefficient of $GIVING_{t-2}$ informs us whether a company’s philanthropic giving has a lasting effect on the company’s ability to access long-term bank loans. The estimation results are presented in Table 4.

From Table 4, we see that $GIVING_{t-1}$ remain positive and significant, and in Model 2 and Model 3, the degree of significance is greater, suggesting that our results are robust with respect to alternative model specifications. However, $GIVING_{t-2}$ is not significant in models 1, 2 and 4, which suggests that the relationship built by philanthropic giving does not seem to have a long term effect on a company’s ability to access long-term loans. In other words, the “good” relationship with the government needs to be nurtured continually. Notably, $GIVING_{t-2}$ has a negative and significant impact on $LOAN3$. This is probably because $GIVING_{t-2}$ tends to increase loans in time $t-1$, which increases the base of loan growth in time $t$ and therefore lowers the rate of loan growth. In addition to the above, the effects of other variables are similar to those of the previous regression.

**Discussion and implications**

In summary, the estimation results reported in Table 3 and Table 4 support all three of our hypotheses, suggesting that corporations are rewarded for their philanthropic giving in the form of enhanced access to long-term bank loans. In this sense corporate philanthropy in China seems to be a case of doing well by doing good. Moreover, firm size, past credit record, and liquidation value are found to be positively correlated with a corporation’s ability to
obtain long-term loans. Also state-owned companies appear to enjoy an advantage in obtaining long-term loans.

A couple of implications from our findings are worth highlighting.

First, as have noted in our literature review that corporations may benefit from their philanthropic giving through different channels. In our study we have focused the mechanism whereby corporations use philanthropic giving as a price for government support or a gift to the government which in turn reciprocates by supporting the corporations’ applications for long term bank loans. This mechanism is arguably specific to the Chinese institutional environment in which the government plays an important role in both the for-profit corporate sector and the charitable sector. This gives rise to a peculiar situation where, on the one hand, the government has control over financial resources and is also in need of additional funding for social projects; on the other hand, corporations need access to the government controlled resources and are willing to pay in some way to gain access. An exchange opportunity therefore emerges that benefit both parties: the government gets funding for the social projects that they desire, and corporations obtains enhanced access to long term bank loans needed for their operations.

To the extent that our empirical work indicates a positive reward to corporations for their philanthropic giving, we can reasonably infer that strategic considerations are likely to be part of reasons that motivate Chinese corporations to engage in philanthropic giving. As China travels further on the path to a market economy, the motivations for corporate philanthropy are likely to evolve. As the private charitable sector develops, the government will face less pressure to seek corporate funding for social projects. At the same time, further reforms in the
financial sector should see the government’s influence over loan decisions diminish. Both will likely narrow the scope for corporate philanthropy as a tool for nurturing a good corporate-government relationship. As a result, Chinese corporations may need to reconsider their philanthropic engagement.

Second, as shown in Table 2, the level of corporate philanthropic giving was low (relative to sales revenue) and declining over the period of 2008-2012. This decline may partly be explained by the high demand for corporate giving in 2008 following the Wenchuan earthquake and relatively lower demand in subsequent years. It is also possible that corporate philanthropic giving has already started to become less effective a tool of building relationships with governments. If the latter is indeed true, it does not necessarily follow that corporations should scale back their philanthropic activities. Instead, they may need to put more thoughts into deciding the kind of projects they sponsor that reflect their company values and that resonate with their customers. In other words, they should still decide to do good and they will also do well because the market (not the government) will reward them.

**Limitations and Directions for Future Research**

In this paper, we have focused our attention on a particular motivation behind corporate philanthropic giving in China, namely that philanthropic giving may be used as a tool to build a good relationship with government. Our empirical analysis has confirmed our hypothesis that companies that donate for philanthropic purposes ("doing good") have greater capacities to obtain long term bank loans ("doing well").

An obvious limitation of our analysis is that we have not looked into other motivations
behind corporate philanthropic giving. Most likely there are various different reasons why companies give. For example, following the Wenchuan earthquake in 2008, many companies gave generously for pure humanitarian reasons. However it is hard to discern different motivations from corporate financial statements.

Another limitation is that our analysis is based on data of listed companies. While the companies included cover a wide range of industries, listed companies are not representative of the companies, especially the small and medium companies, of the Chinese economy.

To gain a richer and more comprehensive picture of corporate philanthropic giving in China, future research effort may be directed to uncovering other motivations of corporate giving, and studying patterns and motivations of philanthropic giving by non-public companies.

**Conclusion**

In this paper, we have examined that relationship between a corporation’s philanthropic giving and the corporation’s ability to access long term bank loans in the subsequent period. We have found that corporate philanthropic giving enhances a corporation’s long term borrowing capability. In particular, a corporation’s philanthropic giving is positively related to the corporation’s amount of long-term bank loans causes, the growth of long-term borrowing, and the share on long-term loans in total loans. Thus regardless what motivates a corporation’s philanthropic giving, the corporations are rewarded (at least) in the form of enhanced access to long-term bank loans. We therefore argue that corporate philanthropy in China is a case of doing well by doing good.
References


<table>
<thead>
<tr>
<th>Variables</th>
<th>Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOAN1</td>
<td>long-term bank loans/total assets</td>
</tr>
<tr>
<td>LOAN2</td>
<td>ln( long-term bank loans)</td>
</tr>
<tr>
<td>LOAN3</td>
<td>LOAN2_{i+1} - LOAN2_{i}</td>
</tr>
<tr>
<td>LOAN4</td>
<td>long-term bank loans/total bank loans</td>
</tr>
<tr>
<td>GIVING</td>
<td>(Amount of donation /sales )x100</td>
</tr>
<tr>
<td>SIZE</td>
<td>ln (total assets)</td>
</tr>
<tr>
<td>ROA</td>
<td>net profit/total assets</td>
</tr>
<tr>
<td>DEBT</td>
<td>total debt/total assets</td>
</tr>
<tr>
<td>STATE</td>
<td>Dummy variable, equal to 1 for a SOE and 0 otherwise</td>
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<tr>
<td>LIQUID</td>
<td>ln (fixed assets/total assets)</td>
</tr>
<tr>
<td>TOBINQ</td>
<td>Market value/book value</td>
</tr>
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<td>GROW</td>
<td>(sales_{i+1} - sales_{i})/ sales_{i}</td>
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Table 2. Summary statistics

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</tr>
<tr>
<td>TobinQ</td>
<td>0.790</td>
<td>9.200</td>
<td>2.384</td>
<td>0.620</td>
<td>8.840</td>
</tr>
<tr>
<td>GROW</td>
<td>-1.732</td>
<td>0.855</td>
<td>-0.019</td>
<td>-1.448</td>
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</tr>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>GIVING</td>
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<td>7.540</td>
<td>0.294</td>
<td>0.000</td>
<td>5.161</td>
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</table>
Table 3. Estimation results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>LOAN1</td>
<td>LOAN2</td>
<td>LOAN3</td>
<td>LOAN4</td>
</tr>
<tr>
<td>GIVING&lt;sub&gt;t-1&lt;/sub&gt;</td>
<td>0.004**</td>
<td>0.373*</td>
<td>0.189*</td>
<td>0.014**</td>
</tr>
<tr>
<td></td>
<td>(2.021)</td>
<td>(1.855)</td>
<td>(1.717)</td>
<td>(2.241)</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.023***</td>
<td>3.714***</td>
<td>0.128***</td>
<td>0.089***</td>
</tr>
<tr>
<td></td>
<td>(12.233)</td>
<td>(27.297)</td>
<td>(3.118)</td>
<td>(16.385)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.003</td>
<td>0.166</td>
<td>-0.210</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>(0.971)</td>
<td>(0.538)</td>
<td>(-0.738)</td>
<td>(0.754)</td>
</tr>
<tr>
<td>DEBT</td>
<td>0.022**</td>
<td>2.116**</td>
<td>0.097</td>
<td>0.041**</td>
</tr>
<tr>
<td></td>
<td>(2.573)</td>
<td>(2.534)</td>
<td>(1.472)</td>
<td>(2.504)</td>
</tr>
<tr>
<td>STATE</td>
<td>0.011**</td>
<td>0.709*</td>
<td>-0.077</td>
<td>0.030*</td>
</tr>
<tr>
<td></td>
<td>(2.155)</td>
<td>(1.721)</td>
<td>(-0.516)</td>
<td>(1.803)</td>
</tr>
<tr>
<td>LIQUID</td>
<td>0.100***</td>
<td>6.716***</td>
<td>-1.316***</td>
<td>0.110***</td>
</tr>
<tr>
<td></td>
<td>(6.897)</td>
<td>(7.895)</td>
<td>(-4.209)</td>
<td>(2.853)</td>
</tr>
<tr>
<td>TOBINQ</td>
<td>-0.004***</td>
<td>-0.365***</td>
<td>-0.001</td>
<td>-0.004</td>
</tr>
<tr>
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<td>(-3.205)</td>
<td>(-2.889)</td>
<td>(-0.018)</td>
<td>(-0.972)</td>
</tr>
<tr>
<td>GROW</td>
<td>0.002</td>
<td>0.034</td>
<td>1.234***</td>
<td>-0.017</td>
</tr>
<tr>
<td></td>
<td>(0.449)</td>
<td>(0.102)</td>
<td>(4.168)</td>
<td>(-1.253)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.470***</td>
<td>-72.558***</td>
<td>-2.468***</td>
<td>-1.745***</td>
</tr>
<tr>
<td></td>
<td>(-11.726)</td>
<td>(-24.373)</td>
<td>(-2.581)</td>
<td>(-14.619)</td>
</tr>
<tr>
<td>N</td>
<td>6861</td>
<td>6861</td>
<td>6861</td>
<td>6861</td>
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<td>R&lt;sup&gt;2&lt;/sup&gt;</td>
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<td>0.337</td>
<td>0.005</td>
<td>0.162</td>
</tr>
<tr>
<td>F-statistic</td>
<td>43.861</td>
<td>230.687</td>
<td>6.027</td>
<td>57.340</td>
</tr>
</tbody>
</table>

Notes: ***, **, and * indicate statistical significance at the 1%, 5%, and 10%, respectively. t-statistics are in parentheses.
Table 4. Robustness test

Notes: ***, **, and * indicate statistical significance at the 1%, 5%, and 10%, respectively. t-statistics are in parentheses.

<table>
<thead>
<tr>
<th>Variables</th>
<th>LOAN1</th>
<th>LOAN2</th>
<th>LOAN3</th>
<th>LOAN4</th>
</tr>
</thead>
<tbody>
<tr>
<td>GIVINGt-1</td>
<td>0.004** (2.136)</td>
<td>0.417** (2.275)</td>
<td>0.320** (2.314)</td>
<td>0.013** (2.145)</td>
</tr>
<tr>
<td>GIVINGt-2</td>
<td>0.001 (0.576)</td>
<td>-0.118 (-0.673)</td>
<td>-0.348** (-2.212)</td>
<td>0.003 (0.547)</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.023*** (12.209)</td>
<td>3.710*** (27.150)</td>
<td>0.117*** (2.840)</td>
<td>0.089*** (16.351)</td>
</tr>
<tr>
<td>ROA</td>
<td>0.003 (0.963)</td>
<td>0.167 (0.544)</td>
<td>-0.208 (-0.755)</td>
<td>0.004 (0.745)</td>
</tr>
<tr>
<td>DEBT</td>
<td>0.022** (2.531)</td>
<td>2.141** (2.523)</td>
<td>0.170 (2.165)</td>
<td>0.040** (2.455)</td>
</tr>
<tr>
<td>STATE</td>
<td>0.011** (2.162)</td>
<td>0.704* (1.709)</td>
<td>-0.090 (-0.607)</td>
<td>0.030* (1.811)</td>
</tr>
<tr>
<td>LIQUID</td>
<td>0.100*** (6.896)</td>
<td>6.719*** (7.900)</td>
<td>-1.309*** (-4.175)</td>
<td>0.110*** (2.851)</td>
</tr>
<tr>
<td>TOBINGQ</td>
<td>-0.004*** (-3.227)</td>
<td>-0.360*** (-2.836)</td>
<td>0.012 (0.246)</td>
<td>-0.004 (-0.993)</td>
</tr>
<tr>
<td>GROW</td>
<td>0.002 (0.477)</td>
<td>0.021 (0.064)</td>
<td>1.195*** (4.045)</td>
<td>-0.017 (-1.230)</td>
</tr>
<tr>
<td>Constant</td>
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<td>-72.482*** (-24.289)</td>
<td>-2.242** (-2.350)</td>
<td>-1.747*** (-14.601)</td>
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<tr>
<td>N</td>
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<td>6861</td>
<td>6861</td>
<td>6861</td>
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<tr>
<td>R²</td>
<td>0.199</td>
<td>0.337</td>
<td>0.007</td>
<td>0.162</td>
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<tr>
<td>F-statistic</td>
<td>39.286</td>
<td>206.111</td>
<td>5.594</td>
<td>51.588</td>
</tr>
</tbody>
</table>