

# Motivations and Initiatives of Private Enterprises' Participation in Precise Poverty Alleviation in the Implementation of Rural Revitalization Strategy

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**Abstract:** Under the current pattern of poverty alleviation and development, enterprises are regarded as an important subject for precise poverty alleviation and development, further the state has successively issued a series of documents to encourage and strengthen the enterprises' participation in poverty alleviation and development. By selecting relevant financial data of private listed companies in Shanghai and Shenzhen A-shares in China from 2016 to 2019, the study finds that corporate violations and participation in the precise poverty alleviation are significant and positively related. Further, this paper explores on the motives of private listed companies in precise poverty alleviation behaviors, and discuss the intrinsic link between irregularities and their behaviors, to enhance and deepen the understanding about precise poverty alleviation behaviors of the private listed companies.

**Keywords:** Corporate violations; Private enterprises; Precise poverty alleviation; Social responsibility

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## 1. Study hypothesis

Chen et al., <sup>[1]</sup> found that companies with poor social responsibility performance in areas, such as product safety and environmental protection were more likely to make charitable donations to maintain their corporate image and also to shift their responsibilities. In addition, Chen Ziqiu <sup>[2]</sup> suggest that non-state-owned enterprises' violation activities have a much greater positive impact on the precision poverty alleviation activities, compared to other state-owned enterprises <sup>[3]</sup>.

Based on the above theoretical analysis and review of the relevant literature, the hypothesis of this study is; Corporate irregularities and corporate participation in precision poverty alleviation are significantly and positively correlated.

## 2. Study design

### 2.1. Sample selection and data sources

In this study, a group of private listed companies that was initially listed on the Shenzhen and Shanghai A-shares from 2016 to 2019 were selected as the study subject <sup>[4-6]</sup>. The data for the study subject was obtained from the CSMAR database <sup>[7-9]</sup>. After data processing, around 3846 private listed companies were chosen for the subsequent analysis.

## 2.2. Selection of variables and related explanations

The test variable is listed in **Table 1**.

**Table 1.** Variable definition table

Variable type	Variable name	Variable symbols	Variable definitions
Explained variables	Precision Poverty Alleviation	PA	Assign a value of 1 if you are involved, 0 otherwise.
	Precise amount for poverty alleviation	LPA	Natural logarithm of the amount invested by enterprises in poverty alleviation.
Explanatory variables	Non-compliance	VIO	A value of 1 is assigned if a listed company is found to have committed a breach as currently defined in the previous year, otherwise it is 0.
Control variables	Business size	Size	Natural logarithm of total assets.
	Cash holdings	Cash	Net cash flow from operating activities/total assets
	Return on Total Assets	ROA	Net profit/total assets
	Concentration of shareholding	Top1	Percentage of shareholding of the largest shareholder.
	Gearing Ratio	Lev	Total liabilities/total assets
	Company age	lnAge	Natural logarithm of the number of years the company has been existed.
	Board size	lnBoard	Natural logarithm of the total number of board members.
	Growth capacity	Growth	Growth rate of operating revenue.
	Two jobs in one	Plu	A value of 1 is assigned if the Chairman and the Managing Director are the same person, otherwise it is 0.
	Year	Year	Controls for annual fixed effects.
Industries	Ind	Controls for industry fixed effects.	

## 2.3. Multiple regression model construction

Based on the study conducted by Gao Lifang <sup>[2]</sup>, two basic research models were developed in conjunction with the aim of this paper.

$$PA = \beta_0 + \beta_1 VIO + \sum Controls \text{ (model 1)} \quad LPA = \beta_0 + \beta_1 VIO + \sum Controls \text{ (model 2)}$$

To test the study hypothesis, the correlation between the occurrence of irregularities and the participation of private listed companies in precise poverty alleviation work was analyzed by establishing multiple linear regression models, 1-1 and 1-2.

$$PA = \beta_0 + \beta_1 VIO + \sum Controls \text{ (model 1-1)} \quad LPA = \beta_0 + \beta_1 VIO + \sum Controls \text{ (model 1-2)}$$

### 3. Research findings

#### 3.1. Descriptive statistics

From the descriptive statistics table of variables in **Table 2**, it can be seen that nearly half of the private enterprises in China showed violations during the observation period, meanwhile about one-third of the private enterprises participated in precise poverty alleviation actions during the observation period.

**Table 2.** Descriptive statistics for variables

Variables	Observations	Average	Standard deviation	Minimum value	Maximum value
Non-compliance	3827	0.423	0.494	0	1
Precise poverty alleviation	3827	0.333	0.471	0	1
Precise amount for poverty alleviation	3827	4.573	6.598	0	19.04
Business size	3827	22.174	1.152	19.76	25.93
Cash holdings	3827	0.043	0.076	-0.274	0.303
Return on total assets	3827	0.024	0.107	-0.797	0.24
Concentration of shareholding	3827	0.302	0.127	0.08	0.69
Gearing ratio	3827	0.418	0.199	0.06	0.97
Company age	3827	2.934	0.266	2.2	3.56
Board size	3827	2.085	0.192	1.61	2.48
Growth capacity	3827	0.25	0.793	-0.729	11.906
Two jobs in one	3827	0.412	0.492	0	1

#### 3.2. Regression analysis of the corporate non-compliance and corporate precision poverty alleviation

Based on the column (1-1) of **Table 3**, the regression of precision poverty alleviation (PA) on the overall level of corporate non-compliance (VIO) of private listed companies is significantly positive at the level 1%, and the regression of column (1-2) on the amount of investment in precision poverty alleviation (LPA) of privately listed companies on the overall level of corporate non-compliance (VIO) is also significantly positive at the level 1%, therefore the study hypothesis is verified, where the corporate non-compliance and participation in precision poverty alleviation are significant positively correlated. This suggests that when a company commits a violation and is investigated and punished, it is more likely the company to participate in the poverty alleviation behavior to divert the negative impact of the violation out of self-interest.

**Table 3.** Regression results of corporate irregularities and precision poverty alleviation in private listed companies

	VIO	Size	Cash	ROA	Top1	Lev	lnAge	lnBoard
(1-1)	0.916***	0.305***	2.524***	4.477***	0.596**	-0.658**	-0.208	0.004
PA	(11.94)	(7.51)	(4.20)	(6.82)	(1.94)	(-2.53)	(-1.37)	(0.02)
(1-2)	2.424***	1.131***	7.557***	7.267***	2.282***	-1.782***	-0.468	0.112
LPA	(12.03)	(11.01)	(5.31)	(6.75)	(2.83)	(-2.83)	(-1.19)	(0.21)
	Growth	Plu	Constant	Industry	Year	N	R*2	
(1-1)	-0.104	0.009	-8.537***	Control	Control	3827	0.133	
PA	(-1.62)	(0.11)	(-8.37)					
(1-2)	-.157	-0.075	0.167***	Control	Control	3827	0.167	
LPA	(-1.24)	(-1.24)	(-8.79)					

### 3.3. Robustness tests

Next is the endogeneity test <sup>[10-12]</sup>. This paper uses the propensity score matching method (PSM) <sup>[13-15]</sup> to reduce the sample self-selection bias and mitigate endogeneity problems. Firms that have committed violations and have been investigated are used as the treatment group, subsequently the PSM method is used to identify a control group for the treatment group. Meanwhile, twelve indicators were selected as covariates, as shown in **Table 4**. Logit model <sup>[16-18]</sup> was used to estimate the propensity scores, and the weights were determined using a 1:1 no-relaxation nearest-neighbour matching method, and common support conditions were imposed, and the pairings were proven to be valid after a balance test <sup>[19,20]</sup>. A dummy variable Treat was prepared for the study subjects' data after successful matching, where the private listed companies with violations were classified as the treatment group and recorded as 1, meanwhile the private listed companies with no violations were classified as the control group and recorded as 0. The matching was then regressed and the regression results are shown in **Table 4**. The correlations and significance are consistent with the results of the aforementioned multiple regressions, which again verified the study hypothesis, further indicating that the multiple regression results are robust.

**Table 4.** Regression results based on propensity score matching method

	VIO	Size	Cash	ROA	Top1	Lev	lnAge	lnBoard
(1-1)	0.989***	0.362***	2.706***	4.28***	0.383	-0.429	-0.209	0.157
PA	(9.30)	(6.41)	(3.27)	(4.60)	(0.89)	(-1.18)	(-0.98)	(0.54)
(1-2)	2.6***	1.261***	7.618***	6.455***	1.773	-0.98	-0.589	0.438
LPA	(9.59)	(8.96)	(3.98)	(4.15)	(1.59)	(-1.11)	(-1.08)	(0.59)
	Growth	Plu	Constant	Industry	Year	N	R*2	
(1-1)	-0.162	0.094	-9.939***	Control	Control	3827	0.146	
PA	(-1.54)	(0.86)	(-6.95)					
(1-2)	-0.168	0.129	-25.768***	Control	Control	3827	0.188	
LPA	(-0.96)	(0.46)	(-7.16)					

### 4. Conclusion

This paper selects financial data related to private listed companies in Shanghai and Shenzhen A-shares from 2016 to 2019 in China to empirically explore whether companies have a strong incentive to participate in the precise poverty alleviation work after they have committed irregularities followed by investigation and punishment. The theoretical and empirical analysis showed that the corporate non-compliance and corporate participation in poverty alleviation are significantly and positively correlated. That is, after a violation has occurred, as the negative impact of the violation will cause losses to the enterprise, the enterprise will try to divert the negative impact through a number of ways, including participation in the precision poverty alleviation work. This is because, the corporate social responsibility could help to build a good social image for the enterprise, thereby divert the public's attention from the bad incident, subsequently diminish the negative impact of the violation on the enterprise.

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## Disclosure statement

The authors declare no conflict of interest.

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