

**Dancing with the Elephant:  
Do Government-launched Corporate Social Responsibility Activities Create Value?\***

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**Abstract:** We investigate a prevalent yet overlooked form of corporate social responsibility (CSR) activities, i.e., government-launched CSR. Contrary to the conventional view that mandatory CSR destroys firm value, we document a positive market reaction to government-launched CSR activities that aim to alleviate poverty. Analyses of operating performance and firm value confirm the positive impact. Further analyses suggest that while government-launched CSR intervenes the operation of the firm by reducing the operating efficiency, firms enjoy higher operating margin, take more market share and save selling expense and labor cost by engaging their operations with the poverty-stricken areas. Participating firms are also rewarded more government subsidy. We further find that government-launched CSR activities achieve the stated objective of poverty relief. However, it also crowds out the firms' investment in other CSR activities. Overall, the evidence indicates that government-launched CSR has economy-wide implications than the traditional CSR.

**Keywords:** Corporate Social Responsibility; Government Policy; Firm Value  
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## I. Introduction

Firms take various forms of corporate social responsibility (CSR) in real world. Among them, government-launched CSR that features government involvement<sup>2</sup> is prevalent yet often overlooked, possibly due to the lack of granular data for comprehensive evaluation. The recent global pandemic of Covid-19 also witnesses the resurgence of these activities, such as the order by the Trump administration over automakers to produce ventilator and other PPEs to confront the epidemic<sup>3</sup>. The implication of government-launched CSR remains largely unknown as either firms are usually concerned about the potential cost it might incur (Chen et al., 2018a) or firms strategically cater to government policy or favour managerial preference (Shleifer and Vishny, 1994; Masulis and Reza, 2015; Cheng et al., 2019). Besides, the economy-wide consequences arising from expanded firm boundary are also unsettled. We exploit the unique data recently available from China on government-launched CSR to investigate its implication for firm value and economy-wide impact.

The Chinese government under President Xi Jinping launched the anti-poverty campaign in 2012. The campaign, as one of Xi' three battles, has attracted much attentions from around the world and achieved the desirable objective of alleviating poverty. To put it in numbers, the campaign has successfully moved 82.39 million people out of poverty from 2013 to 2018 (National Bureau of Statistics of China, 2019). To implement the anti-poverty campaign, governments call for the listed companies to engage in the campaign, including the mandatory disclosure of their anti-poverty activities in their annual report. We thus term such corporate social responsibility activities as government-launched CSR. The value and welfare

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<sup>2</sup> The UN Global Impacts report four (non-exclusive) alternatives for government intervention in CSR, including Awareness-raising, Partnering, Soft law and Mandating. For details, see "*Role of Governments in Promoting Corporate Responsibility and Private Sector Engagement in Development*", available at <https://www.unglobalcompact.org/library/234>

<sup>3</sup> For example, CNBC reports "GM to build 30,000 ventilators for national stockpile for \$489.4 million" <https://www.cnbc.com/2020/04/08/gm-to-build-30000-ventilators-for-us-for-489point4-million.html>

implication of these CSR, however, are ex ante unclear. On the one hand, as anti-poverty campaign, if successfully accomplished, will eventually increase the disposable income of the local residents, firms will likely benefit in the long term from improved local customer demand<sup>4</sup>. On the other hand, anti-poverty campaign might distract firms from their normal operating track, deviate from optimal investment decisions and therefore make the spending value-destroying. Moreover, it might also crowd out the existing CSR activities that the firms take. In the paper, we explicitly examine the implications of government-launched CSR.

Although firms regularly engage in corporate social responsibility (CSR) in various forms, it is still debatable whether firms shall take CSR activities. Two competing views populates, “shareholder expense view” versus “stakeholder value maximization”. The “shareholder expense view”, advocated by Friedman (1970), suggests that firms shall not invest in CSR as “*the social responsibility of business is to increase its profits.*” He also cast doubt on if self-selected private individuals can decide what the social interest is. The competing view, “stakeholder value maximization”, proposed by Freeman (1984), argues that firm should consider the interests of all stakeholders that might affect the value the firm. The intuition is that a firm’s self-interested focus on stakeholders’ interests increases their willingness to support the firm’s operations in several ways (Kitzmueller and Shimshack, 2012). The key distinction between the two views are i) if firms can decide the social interest and ii) if there are returns to the investment in CSR. We posit that government-launched CSR would help reconcile the two views. First, such activities are launched by government who is close to the “social planner” to lay out the social interest. Second, to meet the goals stated in the anti-poverty policy agenda, government will provide support (e.g., government subsidies, the

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<sup>4</sup> Anecdotal evidence shows that analysts have confidence in the prospect of firms that engage in targeted poverty alleviation. China securities journal reports that some analysts believe that the targeted poverty alleviation offers the opportunity for listed companies to leverage government policy and create value for shareholders. For details, see [http://cs.com.cn/gppd/zzgsm/201609/zzgsm20160913/05/201609/t20160913\\_5054678.html](http://cs.com.cn/gppd/zzgsm/201609/zzgsm20160913/05/201609/t20160913_5054678.html)

removal of local entry barrier) to firms engaged in these activities, which translates into the returns to firms' investment in these activities.

To investigate the value and welfare implication of government-launched CSR, we focus on listed A-share firms in both the Shenzhen and Shanghai stock exchange between 2016 and 2018. We remove firms in financial industry, firms with special treatment or missing values of variables. We also manually retrieve government-launched CSR data from annual reports and obtain financial data from China Stock Market and Accounting Research (CSMAR) database. The final sample for our empirical analysis consists of 9,151 firm-year observations.

We first look at the market reaction to the regulation that mandates the disclosure of firms' engagement in anti-poverty campaign. We find that different from the negative market reaction in the previous literature (e.g., Masulis and Reza, 2015; Chen et al., 2018a), market reacts positively to the regulation, reflecting the potential benefits attached to the participation in government-launched CSR. We find that average CAR  $[-1, +1]$  is significantly greater for firms with higher versus lower propensity of participation (e.g., univariate analysis finds the magnitude of 0.31 percentage point in the 3-day window for firms from mid-/west-regions versus the east regions), which means that the positive reaction concentrates in firms that are more likely to engage in the anti-poverty campaign (i.e., SOEs and firms from poverty-stricken areas)<sup>5</sup>. Regression analysis confirms the market reaction result. When we examine the long-term value implication, we also find that change of Tobin's Q is also significantly larger for firms actually engaged in government-launched CSR, with the magnitude amounting to 2.3% relative to unconditional mean.

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<sup>5</sup> Upon the market reaction, we do not observe the *actual* anti-poverty alleviation investment by firms and therefore we can't directly use firms' investment to distinguish the treatment versus control firms. Rather we rely on the argument that certain firms exhibit a greater propensity of making such investment ex ante. These firms, as discussed in the hypothesis development section, includes SOEs, firms from more poverty-stricken areas (either mid- or west-region or regions with more poverty-stricken population).

We then examine the source of the value. In particular, we look at the operating performance of these firms. We find that firms engaged in government-launched CSR experience an increase in operating margin and market share, and they also receive more government subsidy. In particular, firms engaged in government-launched CSR experience an increase of 1.64% in ROE, translating into 26.32% increase compared to the unconditional mean. Further analyses indicate that such increase mainly stem from gross profit margin, indicating a potential premium that the firms enjoy in pricing their product or service. Participating firms manage to increase their market share and save nontrivial selling expense and labor costs, suggesting the potential expanded firm boundary when engaging in government-launched CSR activities. They also receive 13.4% more government subsidies in the subsequent year than those that do not. However, the benefit comes at the expense of lower operating efficiency, as proxied by asset turnover. Therefore, the evidence suggests the potential interruption to firm normal operation as firms participate in these activities.

In the last set of analyses, we focus on the local economic consequences. First, firms' participation in these CSR helps achieve the goal of poverty alleviation and promotes local economic development. In particular, when proportion of listed companies participating in poverty alleviation in each province increases by one percent, GDP growth increases by 19.2% and poverty-stricken population decreases by 0.8 million. Second, we find that government-launched CSR crowds out other types of CSR activities that firms take before the campaign, such as employee rights protection related CSR. Overall, the evidence suggests the economy-wide welfare implication of government-launched CSR.

We contribute to the literature in the following ways. First, we provide direct evidence for a new form of CSR that are launched by the government. It also echoes the debate on if CSR is beneficial or not by highlighting the key differences among the competing views. As government-launched CSR directly lay out the social interest from perspective of "social

planner” and make the economic benefit certain to participating firms, it explains the seemingly inconsistent value implication arising from mandatory CSR (McWilliams and Siegel, 2001; Flammer, 2015; Manchiraju and Rajgopal, 2017).

Second, firms’ engagement in CSR bear far more economy-wide implications than documented in the previous literature which largely focus on firm-level financial performance (Margolis et al., 2009; Lins et al., 2017; Nguyen et al., 2020; Miller et al., 2020)<sup>6</sup>. For example, such investment could promote local economic growth in terms of improved disposal income per capita and crowd out other forms of CSR. Therefore, our study suggests that to better evaluate the desirability of CSR, certain welfare analyses are warranted.

Last but not least, our paper contributes to the political economy of CSR. Politicians and firms interact in the real world (Shleifer and Vishny, 1994; Tahoun, 2014; Faccio and Hsu, 2017; Chen and Kung, 2019). Scherer and Palazzo (2011) proposes “political CSR” which is an extended model of governance with business firms contributing to global regulation and providing public goods. Lin et al (2015) finds that firms use CSR to build political networks and are rewarded with more government subsidies. Bertrand et al. (2020) finds that corporate philanthropy acts as a tool for firms to exert political influence. In other words, firms strategically take advantage of CSR to benefit themselves. Our findings on government-launched CSR suggest that politicians leverage firms’ participation in CSR to favor their political agenda, which adds to our understanding of the interaction between politicians and firms.

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<sup>6</sup> One exception is Chen et al. (2018a) who examine the consequence of mandatory CSR disclosure on environment. Our study differs from Chen et al. (2018a) in several aspects. First, our focus is government launched CSR, which intensively involves the government presence (e.g., local politician’s performance evaluation, deployment of government-controlled resources). Second, firms integrate their operations in government launched CSR. For the CSR activities examined by Chen et al. (2018a), firms are not involved in both the input (labor and material) and output (product) market. Moreover, we also examine the structure of CSR as the investment in certain categories might crowd out others.

The paper also has public policy implications for promoting corporate responsibility with private sector engagement. The proposal by UN Global Impact (2010) on improving the CSR effectiveness has taken root in China's poverty alleviation program. For example, the proposal of partnerships between government and firms combines the expertise, competencies and resources of the public sector with those of business to address poverty reduction. In these partnerships, governments may be the initiator, moderator or facilitator. In order to raise the awareness, the government also publicizes firms with outstanding contribution to poverty alleviation and rewards them preferential resources. Although it is value destroying to mandate firms' participation in CSR, providing access to government resources can mitigate the potential damage arising from the mandatory requirement. In addition, from government perspective, by encouraging the firms to take part in government-launched CSR and therefore expanding firms' boundaries. Therefore, it could be cost-effective in achieving certain social and economic goals.

The remaining parts of the paper are organized as follows. Section II discusses the institutional background, discusses the related literature and develops hypotheses. Section III presents the research design and Section IV reports the empirical analysis. Section V concludes.

## **II. Institutional Background, Related Literature and Hypothesis Development**

### **2.1 Institutional Background**

To achieve the goal of developing harmonious society, the Chinese government launched what are termed as "Xi's three battles", including preventing financial risks, reducing poverty and tackling pollution. The anti-poverty campaign, first proposed by Xi at the end of 2012, has been gradually implemented in practice since then. On February 16, 2016, the General Office of the Central Committee of the Communist Party of China and the General

Office of the State Council mandates the poverty alleviation as one of the key performance indicators for the promotion of provincial officials. It is a significant shift in performance evaluation of provincial officials as GDP growth and social stability used to be the most important indicators (Li and Zhou, 2005; Xu, 2011). The central government will reward those officials who perform well in alleviating poverty, while those who underperform in poverty alleviation would be held accountable. Arguably, the poverty alleviation campaign would change the priority of local officials in achieving socio-economic goals and thus behave differently afterwards, which eventually give rise to large-scale participation in poverty alleviation<sup>7</sup>.

Corresponding to the initiative from the central government, on December 30, 2016, the Shanghai Stock Exchange and the Shenzhen Stock Exchange successively issued the notice to improve the disclosure about poverty alleviation, which require listed companies to list the detailed activity and expenditure devoted to poverty alleviation<sup>8</sup>. We therefore take advantage of the disclosure regulation to evaluate the market reaction as well as the implications for value and performance.

## **2.2 Related Literature**

### **2.2.1 Government's Role in Resource Allocation**

Politicians play an important role in the business world (Shleifer and Vishny, 1994; 1998). The literature has shown that government exhibits considerable influence on the economy. The previous literature on how politicians affect real economy mainly focuses on political connection (Fisman, 2001; Khwaja and Mian, 2005; Faccio, 2006; Faccio et al., 2006; Fan et al., 2007; Duchin and Sosyura, 2012; Acemoglu et al., 2016; Bertrand et al., 2018),

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<sup>7</sup> The reports from the stock exchanges in China reveal that in 2017, the investment in poverty alleviation by listed companies amount to 20.8 billion RMB. For details, see <http://finance.sina.com.cn/stock/hyyj/2018-09-08/doc-ihixzkm6082099.shtml>

<sup>8</sup> Appendix B provides an example for such disclosure by one listed company.



political uncertainty (Julio and Yook, 2012; Gulen and Ion, 2016; Pástor and Veronesi, 2012; Jens, 2017), and political capital (Akey and Lewellen, 2017). The literature on political connection contends that due to information asymmetry, politician preference or rent-seeking, political-connected firms are more accessible to government-related resources (e.g., loan from government-owned banks, government subsidy, government procurement and favorable court decision; etc.). The effects are more pronounced in countries with poor institutional environment and during turbulent times. To get the privileged access to government-controlled resources and receive preferential treatment when things turn sour, firms have strong incentive to get connected to the government by following the policy agenda of politicians. Our study contributes to the literature by showing that firms' participation in government-launched CSR could be one of the channels to build up political capital and provide the access to government-controlled resources, such as government subsidies.

### **2.2.2 Corporate Social Responsibility**

Debates abound over the desirability of corporate social responsibility (CSR). Central to the debates regard whether firms can derive benefits from doing good and whether firms can decide what the social interests are (Friedman, 1970; Freeman, 1984). Literature on CSR centres around the CSR disclosure as well as the value implication of CSR. For CSR disclosure<sup>9</sup>, in general, reports firms' engagement with its stakeholders and are mostly voluntary in nature. And investors respond favorably when CSR disclosure highlights the societal benefits rather than the cost to firm (Martin and Moser, 2016). However, once mandated, CSR disclosure impose public pressure on affected firms and will potentially change firm behaviour. The previous literatures find that mandatory CSR disclosure would likely promote firms' investment in CSR, which destroys firm value on the one hand and creates positive externality

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<sup>9</sup> For a comprehensive review of the CSR reporting, we refer to readers to Christensen et al. (2018).

on the other hand (Chen et al., 2018a). Examining the mandated mine safety information, Christensen et al. (2017) find that the mandatory CSR disclosure leads to declines in both safety violations and productivity. Our setting of mandatory poverty alleviation disclosure would potentially induce firms' participation in government-launched CSR, and therefore provides an ideal setting to evaluate its desirability.

In relation to the value implication of CSR, the previous literature is inconclusive. Meta-analysis suggests a minor positive effect of CSR on financial performance (Margolis et al., 2009), while some claim a neutral relationship (McWilliams and Siegel, 2001). As firms mostly voluntarily engage in CSR, therefore the findings are contaminated by endogeneity concern. Using "close call" CSR proposal, Flammer (2015) finds a superior financial performance for firms that pass by a small margin of votes in shareholder proposals related to CSR. Therefore, voluntary CSR seems to create shareholder value. However, mandatory CSR, as documented in Manchiraju and Rajgopal (2017), seems to be value destroying. Our study complements this stream of literature by examining a prevalent yet overlooked form of CSR that are launched by government.

Moreover, the government launched CSR activities also differ from other forms in the way how firms are engaged. The CSR activities examined in prior literature almost exclusively focus on issues related to the consequences or externality of the firms' operations (Fernando et al., 2017; Bucaro et al., 2020; Liu et al., 2020), such as ESG<sup>10</sup>. The overlooked form directly involves the operations of the firm *per se*, such as firm raw material purchase, labor hiring and product sales. Our paper has the potential to enrich the understanding of various forms of CSR and their implications.

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<sup>10</sup> For example, Chatterji et al. (2009) find that KLD, a prestigious CSR ranking agency, performs well in ranking firms' environmental performance. The agency largely focuses on nine issues, including the environment, military contracting, employee relations, community involvement, product safety, quality programs, excessive compensation of executives, diversity, and nuclear power. In other words, the traditional CSR seems to focus more on the *consequences* of the operations rather than the operations *per se*.

## 2.3 Hypothesis Development

As discussed above, the findings from the previous literature suggest that impact of CSR on firm value is not without controversy. Ex ante, the firm value implication of the government launched CSR activities is no exception. On the one hand, government-launched CSR, implemented via the mandatory disclosure of such activities undertaken by listed firms, could intervene firms' own CSR strategy (Chen et al., 2018a). For example, without the mandatory disclosure, firms might choose their own CSR strategy (e.g., the engagement in and the amount spent on CSR) to optimize their value. Government intervention might detract the firms' autonomy in CSR strategy and is therefore potentially harmful to shareholders. From shareholders' perspective, it might not be always desirable to engage in any CSR activities. Even the engagement in CSR is value-enhancing for certain firms, firms' choice of CSR preference might not be in congruence with that of shareholders. In other words, government launched CSR activities might come at the expense of shareholders.

On the other hand, however, government launched CSR activities might be value enhancing. First, firms' participation in such activities may facilitate their access to economic resources by government. The promotion of poverty alleviation policy by central government has shifted performance metric of provincial officials in 2016 from traditional measures such as GDP growth and social stability to poverty alleviation. The government could induce firms to invest in poverty alleviation by granting the access to the government-controlled resources (Shleifer and Vishny, 1994; Carvalho, 2014)<sup>11</sup>. In transitional economies such as China, the central government delegates the administration right of local government subsidy<sup>12</sup>. Therefore,

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<sup>11</sup> Shleifer and Vishny (1994) suggest that politicians may have strong incentive to maintain political supporters, and have used the control of state firms, banks, and other assets as a means of channelling these benefits to their supporters. Faccio et al. (2006) find that politically connected firms are significantly more likely to be bailed out than similar non-connected firms, which is more pronounced when the International Monetary Fund or the World Bank provides financial assistance to the firm's home government.

<sup>12</sup> The political system in China works differently from the US. The Chinese political system consists of government at central and sub-national levels, where subnational levels include provincial, prefecture, county, and township. The central government has control over the personnel of sub-national levels and commands high-

local government could provide subsidies to incentivize firms' participation in anti-poverty campaign, which is potentially value-enhancing.

Participating firms may also benefit from less spending on selling as their engagement potentially increases customer awareness of their brand. Government and other third parties reward and publicize firms for their engagement and performance in poverty alleviation (e.g., poverty alleviation award), which potentially build up the reputation capital for participating firms. Participating firms also have the access to local factor market in terms of labor and raw materials. They can directly hire local residents and procure local produce to save labor and material costs. Moreover, participating firms also take advantage of the output market in terms of selling their product. By engaging in government launched CSR activities, firms enjoy the benefits of removing the potential entry barrier if they operate in areas other than the poverty-stricken ones. Interprovincial trade barrier has dampened the non-local firms' access to local market and virtually created a fragmented market (Young, 2000; Poncet, 2005; Holz, 2009). The poverty-alleviation policy is beneficial to participating firms to remove the trade barrier and enhance their market share.

Firms differ in terms of their incentive to engage in government launched CSR activities. Only participating firms would be subject to the value implication of the mandatory disclosure of poverty alleviation. The incentive would be more intensified for firms domiciled in poverty-stricken areas (i.e., the mid- and west-area in China). Moreover, the shift in performance metric from the traditional GDP and social stability mainly apply to politicians residing in mid-/west-regions. Thus these politicians are more likely to grant government resources to encourage

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level economic sectors (e.g., banking, energy, telecommunication, railway, etc.), whereas the local government (at different sub-national levels) runs the economy. Central government promote local officials based on the economic (e.g. GDP, employment, fiscal revenue), political (e.g., obedience with central government) and social (e.g., social stability) performance of the local economy. Among them, economic performance such as GDP growth (both absolute and relative levels) counts substantially in the political turnover at the provincial level, motivating local governors to pursue economic growth and creating the "tournament" among officials at the same level. The features amount to the regionally decentralized authoritarian (RDA) system as termed in Xu (2011).

firms' participation in targeted poverty alleviation in these regions. In other words, firms located in the middle or west part of China are more likely to be subject to the value implication<sup>13</sup>. Apart from the geographical variation, firms with different ownership structure might also exhibit differential exposure to the anti-poverty policy and the respective value implication. In China, state-owned enterprises (SOEs), similar to their counterpart in other jurisdictions, is directly subject to government intervention to follow policy agenda (Lin et al., 1998), as government maintains the control rights in terms of personnel, compensation and among other dimensions (Alok and Ayyagari, 2020; Li et al., 2020). Therefore, we contend that SOEs have heightened incentive to engage in anti-poverty campaign. To sum up, firms located in more poverty-stricken area and the middle or west part of China and SOEs are more likely to be the participating firms.

Based on the discussion above, we develop our main hypothesis as follows (in null form).

*H1: There is no differences in market reaction to mandatory poverty alleviation disclosure between participating versus non-participating firms.*

*H2: There is no value or performance differences between participating versus non-participating firms.*

### **III. Research Design**

Our sample is based on listed companies from Shanghai and Shenzhen stock exchanges during 2016-2018. The initial sample consists of 10,203 firm-year observations. We impose restrictions to remove certain observations including 1) 243 observations from the financial

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<sup>13</sup> According to the classification standards of provinces and regions by the National Bureau of Statistics, 22 provinces (autonomous regions and municipalities) are located in the middle and western parts of China, including: Hebei, Shanxi, Inner Mongolia, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei, Hunan, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang. The remaining provinces are classified as Eastern China.

industry; 2) 425 observations as ST (special treatment); 3) 222 observations whose annual report did not disclose poverty alleviation; (4) 162 observations with missing variables for our main analysis. Our final sample is comprised of 9,151 firm-year observations.<sup>14</sup> We hand collect the poverty alleviation data from the annual report, with the financial data retrieved from the database of CSMAR. We obtain the regional economic data from the National Bureau of Statistics. To alleviate the concern of outlier, we winsorize all the continuous variables at the top and bottom 1% each year.

We examine the impact of poverty alleviation based on short-term market reaction as well as long-term firm value.

$$CAR_i = \alpha + \beta_1 Midwest_i / Poornum_i / SOE_i + \beta_2 Size_i + \beta_3 TobinQ_i + \beta_4 Lev_i + \tau_t + \tau_s + \varepsilon \quad (1)$$

$$\Delta TobinQ_{i,t+1} = \alpha + \beta_1 Povref\_Indicator_{i,t} (Povref\_Invest_{i,t}) + X_{i,t} + \tau_t + \tau_s + \varepsilon \quad (2)$$

The dependent variable of model (1) is the cumulative abnormal return (CAR) with a window of 1(or 3) trading day before and after the event. As a robustness check, we calculate the CAR from the 5 trading days before the event to the 2 trading days before the event to perform a placebo test. Our variables of interest are measured by *Midwest* (the middle and western regions), *Poor\_Num* (population in poverty), or *SOE* (state-owned enterprise), which captures the likelihood of participating in targeted poverty alleviation during the 2016 policy enactment.<sup>15</sup> In addition, following Chen et al. (2018a), we control variables that potential affect CAR, including firm size, Tobin's Q, and leverage. In addition, we also control for industry and year fixed effect to account for the variations in market reaction across industries and over time. If there is positive value implication from engaging in poverty alleviation, we

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<sup>14</sup> Depending on the availability of control variables and the firms' disclosure of the amount invested in poverty alleviation, the number of observations in different model specifications may vary. If we focus on observations with non-missing poverty alleviation investment (as some firms do not disclose), we have 8,883 observations.

<sup>15</sup> We look at the set of firms that are likely to be engaged in poverty alleviation for two reasons. First, upon the policy announcement, firms have not yet taken any actions following the regulation. Second, for actual spending on poverty alleviation disclosed in the annual report, it is likely bundled with other confounding information, such as earnings and other non-earnings news.

would predict that the likelihood of companies to participate in poverty alleviation is positively associated with market reaction to the regulation announcement. In that words,  $\beta_1$  of the model (1) is expected to be positive if firm value enhances. Otherwise,  $\beta_1$  would be either negative or indifferent from zero.

The dependent variable in model (2) is the difference between Tobin's Q in period t+1 and Tobin's Q in period t, and the variable of interest is the firms' participation in poverty alleviation. We measure the firms' participation in poverty alleviation in the following two ways. The first is an indicator variable to capture whether the firm participates in targeted poverty alleviation (*Povref\_Indicator*). The other is a continuous variable quantifying the extent of participation, measured as the dollar amount of investment in the targeted poverty alleviation (in natural logarithm *Povref\_Invest*). We also control for other factors that might affect Tobin's Q (Roll et al., 2009; Manchiraju and Rajgopal, 2017; Lim et al., 2018), including firm size (*Size*), leverage ratio (*Lev*), firm age (*Age*), ownership structure (*SOE*), capital expenditure (*Capx*), board size (*Board\_Size*), board independence (*Indep*). Appendix A provides a detailed description of variable definition.

## **IV. Empirical Analysis**

### **4.1 Descriptive Statistics**

Panel A in Table 1 reports the distribution of corporate poverty alleviation with raw sample which not exclude observation with missing variables. The data shows that overall, there are 2,683 samples participating in poverty alleviation, accounting for 28.81% of the total sample. The number of firms participating in poverty alleviation rises over time, and the proportion has also increased from 21.42% in 2016 to 36.12% in 2018, indicating that more and more firms have responded to the call to fight against poverty and participated in targeted poverty alleviation.

The middle and western regions in China are generally less developed compared to their eastern counterpart. Officials in the middle and western regions are subject to the central government's poverty alleviation performance assessment. We therefore partition the sample into the middle and western regions versus the eastern regions. The proportion of firms participating in poverty alleviation in the middle and western regions is 44.63%, which is more than twice higher than the proportion of firms participating in poverty alleviation in the eastern region. This evidence indicates that the participation of firms in targeted poverty alleviation is likely to be related to the evaluation of officials' poverty alleviation effectiveness. With regard to ownership structure, we find that the proportion of SOEs that engage in poverty alleviation is also more than twice higher than non-SOEs, suggesting the impact of ownership structure in the participation. Overall, the findings in Panel A provides initial evidence that both local poverty status and ownership structure shapes the participation in targeted poverty alleviation.

Panel B in Table 1 reports the spending of corporate poverty alleviation. The data shows that corporate spends on average 2.06 million RMB for poverty alleviation, if we treat the poverty alleviation expenditure as zero for those not engaged in poverty alleviation. The spending rises over time, and the trend is more pronounced for firms located in middle and western regions, and SOEs.

Panel C in Table 1 lists the descriptive statistics of the main regression variables by winsorizing all firm-level continuous variables at the top and bottom 1% of their distributions. As some firms did not disclose the specific amount of input for poverty alleviation, the sample size of *Povref\_Invest* is a bit smaller (8,883). On average, 29.1% of listed firms participated in poverty alleviation. Firms' Tobin's Q (*TobinQ*) is 1.971 on average, while the average change in Tobin's Q (*TobinQ\_c*) is -0.179. Regarding the market reaction to the disclosure policy, we find that average 3-day market reaction ( $CAR[-1,+1]$ ) is close to zero (i.e., 0.029%), and while in the 7-day ( $CAR[-3,+3]$ ) it is -0.095% if we don't distinguish firms' likelihood to engage in



poverty alleviation. For province-level variable, we find that 31.5% of the sample are located in middle and western regions. And the average number of provincial poverty-stricken population is 0.522 million.

Finally, Panels D of Table 1 present the Pearson correlation coefficients among our firm- and province-level variables, respectively. As expected, data shows that a high correlation (0.888) between our two poverty alleviation measures (*Povref\_Indicator* and *Povref\_Invest*) and significantly positive correlation (0.088/0.086) between *Povref* and *TobinQ\_c*.

#### **4.2 Market reactions to government-launched CSR announcements**

In this section, we examine the stock market's reaction to the government-launched CSR disclosure. As we do not observe the actual expenditure on targeted alleviation by listed firms before the regulation, we use three ways to measure the likelihood that firms are expected to fight against poverty (i.e., as perceived by the market), which we term as treatment firms. First, the poorer the province, the more likely that local firms are engaged in poverty alleviation as the local official are subject to more political pressure. We use firm location and the local poverty-stricken population to quantify the pressure. Secondly, SOEs are more likely to participate in poverty alleviation than privately-owned enterprise, as the local government has direct influence on SOEs over personnel, compensation and other decisions.

We perform this analysis by examining the cumulative abnormal returns (*CAR*) for our firms during the three- day window from December 29, 2016 to January 3, 2017<sup>16</sup>. We end the event window on January 3, 2017 because the stock market was closed on December 31, 2016 for the New Year's holiday and did not reopen until January 3, 2017. Following Chen et al. (2018a), we calculate abnormal returns as the actual stock returns minus expected stock returns using the Fama–French three-factor model estimated over  $[-150, -30]$  trading days. We then

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<sup>16</sup> The date of mandatory disclosure announcement is December 30, 2016.

conduct both univariate comparison and regression analysis. We also control for size, Tobin's Q, leverage, year and industry fixed effects. In addition, we use CAR [-3,+3] for robustness test and CAR[-5,-2] for placebo test.

Table 2 reports the results for univariate comparison about CAR, grouped by firm location and ownership structure. These results show that the average CAR [-1, + 1] is 0.23% (-0.08%) for firms from middle and western (eastern) regions in Panel A and the average CAR [-1, + 1] is 0.25% (-0.08%) for firms located in province with more (fewer) poverty-stricken population in Panel B. In Panel C, the average CAR [-1, + 1] is 0.24% (-0.1%) for SOE (non-SOE). Overall, the results suggest that investors expect certain types of firms are likely to benefit from the disclosure regulation. We find similar results if we use CAR [-3, +3]. We also examine the cumulative abnormal returns during a placebo window that begins at five trading days before the announcement and ends two days before the announcement, CAR [-5, -2]. We do not find significant difference in CAR [-5, -2], suggesting that the policy was not expected by investors in advance.

Table 3 reports the regression analysis. Similar to the univariate comparison, we find that firms that are more likely to engage in poverty alleviation experience positive market reaction during either [-1, +1] or [-3, +3] window. Moreover, market does not seem to anticipate the announcement when we examine the pre-event market reaction in the window of [-5,-2]. To alleviate the concern that macroeconomic conditions confound the market reaction, we conduct the tests by matching firms from neighbouring provinces to control for the common economic trend. The results in Panel B of Table 3 remain qualitatively similar, i.e., firms from mid-west areas, domiciled in more poverty-stricken provinces and that are SOEs, experience a significantly positive market reaction upon the announcement of the mandate. Overall, the evidence in Table 2 and Table 3 lends support to reject H1 and suggests the value enhancement arising from the expected participation in targeted poverty alleviation.

### 4.3 The Effect of Government-launched CSR on Firm Value and Performance

We next perform regression analyses to examine the effects of government-launched CSR on firm value and performance. Panel A of Table 4 presents the results of OLS regressions that analyse the effects on firm value (measured by Tobin's Q) changes from  $t$  to  $t+1$ . The variables of interest are the indicator variable for corporate poverty alleviation (*Povref\_Indicator*), the continuous variable for its investment in poverty alleviation (*Povref\_Invest*). The result shows that both the *Povref\_Indicator* and *Povref\_Invest* have a significantly positive effect on the firms' value. On average, the engagement in poverty alleviation increases firm value by 4.6%, translating into an increase of 2.3% relative to unconditional mean. The results are consistent when we match firms from neighbouring provinces.

To mitigate the endogeneity concern, we use provincial governor's age as the instrumental variable and re-estimate the value and performance implications. The rationale is that provincial governor's age is negatively associated with firms' investment in poverty alleviation due to the political promotion incentive (Chen et al. 2018b). The younger the provincial governor is, the more likely he/she will encourage firms' engagement in government launched CSR. As the performance metrics shifted from GDP growth to poverty alleviation, improving the performance in poverty alleviation becomes the top priority in governors' political agenda. However, it's unlikely that the magnitude of local poverty would directly affect firm value. We first confirm the exogeneity and relevance of the governor age as a valid IV and then conduct the Tobin's Q analysis. The result, reported in Panel B of Table 4, is consistent with our prediction and therefore our findings of the positive value impact derived from government-launched CSR activities is likely causal.

Panel C of Table 4 presents the results of OLS regressions that analyse the effects on changes in operating performance. The dependent variables are the change in ROE ( $\Delta ROE_{t+1}$ ), the change in profit margin ( $\Delta PM_{t+1}$ ), the change in gross profit margin ( $\Delta GPM_{t+1}$ ), the change in asset turnover ( $\Delta Asset\_Turnover_{t+1}$ ), the change in ROA adjusted by subsidy ( $\Delta ROA\_Sub_{t+1}$ ). The results show that firms engaged in government-launched CSR experience an increase in future operating performance. The difference in the accounting variable is around 1.64% for change in ROE (translating into an increase of 26.32% when compared to the unconditional mean), 1.46% for change in profit margin (translating into an increase of 12.67% when compared to the unconditional mean), 1.01% for change in gross profit margin (translating into an increase of 18.81% when compared to the unconditional mean), and an increase of 0.35% for the change in adjusted ROA (translating into an increase of 10.32% when compared to the unconditional mean).

The estimated coefficient on *Povref\_Invest* reported in Columns (7) and (8) is negative at the 10% level (in Column (7) coefficient=-0.505 and t-stat=-1.65; in Column (8) coefficient=-0.114 and t-stat=-1.86, translating into a decrease of 1% when compared to the unconditional mean), indicating the potential deterioration of operating efficiency. In other words, firms' operations are interrupted as a result of participation in poverty alleviation. Besides, untabulated results show that poverty alleviation does not seem to impact sales growth or leverage, suggesting that the improvement does not stem from increased market share or change in capital structure. Overall, the improved operating performance seem to come from a large increase in profit margin.

Panel D of Table 4 presents the results of OLS regressions that analyse the effects on changes in market share, labor cost, selling cost and administrative cost. We also control for other factors that affect above variables (e.g., Byun and Oh, 2018; Lim et al., 2018; Sun, 2020; Wei et al., 2020). We also find that participating firms experience an increase in market share

(in Column (1) coefficient=0.011 and t-stat=1.89; in Column (2) coefficient=0.005 and t-stat=3.10, translating into an increase of 2.51% when compared to the unconditional mean), suggesting the potential removal of local entry barrier is one of the positive externality enjoyed by participating firms. Participating firms also benefit from lower selling, administrative and labor cost<sup>17</sup>.

Panel E of Table 4 presents the results of OLS regressions that analyse the effects on future government subsidy. The dependent variables are future total government subsidies in natural logarithm. The variable of interest is *Povref\_Indicator* and *Povref\_Invest*. We also control for other factors that potentially affect government subsidy, including current subsidy (*Subsidy*), Firm size (*Size*), leverage (*Lev*), ownership structure (*SOE*), Return on asset (*ROA*), ownership concentration (*Shr\_Top5*), incidence of small profit (*Sml\_Profit*) and financial deficit (*Deficit*). (e.g., Firth et al., 2014; Feng et al., 2015; Lin et al., 2015; Duchin et al., 2020). Due to the implementation of the new accounting standards for government subsidies from June 12, 2017, we remove observations from 2016. The results show that firms receive more future government subsidy with the participation of poverty alleviation (Column (1) coefficient=0.134, t-stat=3.33; Column (2) coefficient=0.031, t-stat=3.66), translating into an increase of 13.4% for firms that participate in the anti-poverty campaign.

Collectively, the results in Table 4 indicate that firms' participation in government-launched CSR brings the positive value and performance, although it also suffers in terms of operation interruption<sup>18</sup>. The improvement mainly stems from profit margin and government subsidy, indicating the received benefits of lower operation cost, increased market share and the access to government-controlled resources.

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<sup>17</sup> The magnitude also seems reasonably non-trivial. The decrease in labor costs, administrative costs and selling costs translate into 0.11%, 0.09% and 0.19% respectively relative to unconditional mean.

<sup>18</sup> To alleviate the potential concern regarding measurement error and its consequences on our inference, we employ an alternative measure of firms' poverty alleviation spending, the sum of the investment amount of each poverty alleviation projects. Untabulated results show that our inferences remain unchanged.

## **V. Additional Analyses**

### **5.1 The Effect of government-launched CSR on Local Economic Condition**

We next turn to the welfare analysis of the government-launched CSR. As discussed above, local officials are devoted to poverty alleviation as their performance metric has been shifted from the traditional GDP growth and social stability to poverty reduction. We therefore evaluate if the government-launched CSR successfully achieve the stated goal and therefore favour the policy agenda of the local politicians.

In terms of local economic condition, we examine GDP growth from  $t$  to  $t+1$  ( $GDP\_Grow_{t+1}$ ), GDP per capita growth from  $t$  to  $t+1$  ( $GDP\_Per\_Grow_{t+1}$ ) and the number of poverty-stricken population from  $t$  to  $t+1$  ( $\Delta Poor\_Num_{t+1}$ ). The variables of interest are firms' participation in the local anti-poverty campaign. The observations are at measured at province-year level<sup>19</sup>. The results are reported in Table 5. We find that firms' participation indeed leads to the growth in both GDP and GDP capita. Besides, the participation also reduce poverty. Therefore, the participation of government-launched CSR helps to achieve stated goal of anti-poverty campaign and thus successfully favour politician's policy agenda.

### **5.2 Crowding out of other CSR activities**

We also test the potential externality of engaging in government launched CSR. Firms have limited resource to invest in CSR activities as focusing on business strategy acts as their top priority. Even if the engagement in government-launched CSR brings the positive impact on both firm value and operating performance, the marginal benefits are also diminishing. Therefore, it is possible that participation in government-launched CSR would crowd out other

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<sup>19</sup> We have data for three years (i.e., 2017-2019) for 31 provinces for GDP growth or GDP per capita growth. For poverty-stricken population, the data is only available up to 2018.

types of CSR that the firms are engaged before anti-poverty campaign. We tabulate the results in Table 6. Panel A shows that although the total number of CSR activities do not experience a significant change for firms participate in targeted poverty alleviation, the number of employee related CSR experiences a significant decrease. To the extent that employee is a key input in firm productivity and performance, it might potentially undermine the knowledge and skill accumulation and lead to potential competitive disadvantage. Not surprisingly, the CSR activities related to public relations and social welfare increase as target poverty alleviation is likely to be part of it. We also observe a slight increase in CSR activities related to customers, possibly due to the firms' effort on product market. Notwithstanding the structural change in CSR portfolio that firms engage, the net effect on value and performance seems positive.

### **5.3 Heterogeneity test to distinguish poverty alleviation forms**

To shed light on the different ways that firms engage in poverty alleviation, we explore firms' differential strategy in poverty alleviation. As illustrated in Appendix B, firms engage in different forms of investment when it comes to poverty alleviation. One particular type of investment involves the operations of the firms' core business, which are termed as industrial poverty alleviation. Other forms that are remote from firms' core business (e.g., donation, charity etc.) are regarded as non-industrial poverty alleviation. In the untabulated results, we find that the firm performance increases mainly come from subsamples with higher proportion of industrial poverty alleviation. The evidence is thus consistent with the notion that expanded firm boundary, as a result of the endeavour of local government in alleviating poverty, contributes to the improvement in firm performance. Moreover, as industrial poverty alleviation might interrupt the firm business plan and distract the normal operation (either because firms' operation line shall be restructured or the staffing shall be reshuffled), the negative impact of poverty alleviation on operating efficiency (i.e., asset turnover) mainly concentrate among firms with higher proportion of industrial poverty alleviation. The source

of value creation for firms that focus on industrial poverty alleviation is the reduced labor and selling cost. For firms with non-industry poverty alleviation, value enhancement mainly comes from government subsidy. It seems that firms specialize in different forms of targeted poverty alleviation. Thus, it further confirms the underlying mechanism through which firms' engagement in government launched poverty alleviation affects firm value.

## **VI. Conclusion**

Exploiting the unique data of Chinese listed firms' participation in CSR, we document a positive market reaction to government-launched CSR, which stands in stark contrast to negative investor perception of such activities in the previous literature. As government plays the role of outlining and achieving the social interest, our findings are one of the first steps to reconcile the divergent views on CSR. Moreover, as government-launched CSR bears far more economy-wide consequence, it is hence imperative to make welfare analysis when evaluating the desirability of CSR. Moreover, our findings contribute to our understanding of the political economy of CSR.

The paper also has policy implications. Although it is value destroying to mandate firms' participation in CSR, providing access to government resources can mitigate the potential value loss arising from the mandatory requirement. In addition, from government perspective, by encouraging the firms to take part in government-launched CSR and therefore expanding firms' boundaries, it could be cost-effective in achieving certain social and economic goals.



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## Appendix A Variable Definition

Variable	Definition	Source
<b>Firm-level Characteristics</b>		
<i>Ad_Cost</i>	The natural logarithm of general and administrative expenses	CSMAR
<i>Age</i>	The number of years since the company was established	CSMAR
<i>Asset_Turnover</i>	Asset turnover, defined as sales divided by total assets	CSMAR
<i>Board_Size</i>	Board size, defined as the natural logarithm of the total number of board directors	CSMAR
<i>Capx</i>	Capital expenditure, defined as cash paid for the purchase of fixed assets and intangible assets scaled by total asset	CSMAR
<i>CAR[-1,+1]</i>	Cumulative abnormal return during day -1 to day + 1, with day 0 being the announcement date of poverty alleviation disclosure regulation. Abnormal return is calculated as actual stock return minus expected stock return using the Fama-French three-factor model estimated over [-150, -30] trading days	CSMAR
<i>CAR[-5,-2]</i>	Cumulative abnormal return during day -5 to day -2, with day 0 being the announcement date of poverty alleviation disclosure regulation. Abnormal return is calculated as actual stock return minus expected stock return using the Fama-French three-factor model estimated over [-150, -30] trading days	CSMAR
<i>CAR[-3,+3]</i>	Cumulative abnormal return during day -3 to day + 3, with day 0 being the announcement date of poverty alleviation disclosure regulation. Abnormal return is calculated as actual stock return minus expected stock return using the Fama-French three-factor model estimated over [-150, -30] trading days	CSMAR
<i>Cash_Ratio</i>	Cash ratio, defined as cash and equivalents scaled by current liabilities	CSMAR
<i>CSR_Client</i>	The number of non-poverty alleviation activities of CSR in the category of "customer and consumer rights protection"	CSMAR
<i>CSR_Employee</i>	The number of non-poverty alleviation activities of CSR in the category of "employee rights protection"	CSMAR
<i>CSR_Social</i>	The number of non-poverty alleviation activities of CSR in the category of "public relations and social welfare"	CSMAR
<i>CSR_Total</i>	Total number of CSR activities for non-poverty activities	CSMAR
<i>Dual</i>	An indicator variable that equals to one if chairman of the board and CEO is the same person and zero otherwise	CSMAR
<i>Earn_Vol</i>	The variance of earnings over the past three years. Earnings is defined as EBIT scaled by total asset	CSMAR
<i>GPM</i>	Gross profit margin, defined as gross profit (i.e., the difference between sales and cost of goods sold) scaled by sales	CSMAR
<i>Indep</i>	Percentage of independent directors	CSMAR
<i>Intang</i>	Net intangible assets scaled by total assets	CSMAR
<i>Labor_Cost</i>	The natural logarithm of salary per employee, salary defined as cash paid to and for employees less the total annual salary of executives	CSMAR
<i>Lev</i>	Leverage, defined as total liabilities scaled by total asset	CSMAR
<i>Listexg</i>	An indicator variable that equals to one if it is listed on the Shanghai Stock Exchange, and zero otherwise	CSMAR
<i>Mkt_Shr</i>	The proportion of the firm sales in the total sales of all listed companies in the industry	CSMAR
<i>OCF</i>	Net cash flow from operating activities scaled by total assets, net cash flow from operating activities defined as the difference between cash inflows and cash outflows from operating activities	CSMAR
<i>PM</i>	Profit margin, defined as EBIT scaled by sales	CSMAR
<i>Povref_Indicator</i>	An indicator variable that equals to one if the company participates in targeted poverty alleviation in a year, and zero otherwise.	Hand-collect
<i>Povref_Invest</i>	The natural logarithm of one plus total amount of companies' precise poverty alleviation. If firm do not participate in targeted poverty alleviation, the total amount invested in targeted poverty alleviation is 0	Hand-collect

<i>ROA</i>	Return on Asset, defined as net income divided by total assets	CSMAR
<i>ROA_Sub</i>	Adjusted return on asset, defined as adjusted ROA (i.e., removing government subsidy from net income, scaled by total assets)	CSMAR
<i>ROE</i>	Return on equity, calculated as net income divided by equity	CSMAR
<i>Sell_Exp</i>	The natural logarithm of selling expenses	CSMAR
<i>Sell_Ratio</i>	Selling expense, defined as selling expenses scaled by sales	CSMAR
<i>Sales_Grow</i>	Sales growth from year t-1 to year t	CSMAR
<i>Shr_Top5</i>	Shareholding concentration, defined as the sum of squares of the top five shareholding	CSMAR
<i>Size</i>	The natural logarithm of market value (i.e., market value of tradable shares + number of non-tradable shares * net assets per share + book value of liabilities)	CSMAR
<i>Sml_Profit</i>	An indicator variable that equals to one if the return on equity is between 0 and 0.01, and zero otherwise	CSMAR
<i>SOE</i>	An indicator variable that equals to one if the ultimate controller is a state-owned legal person, state-owned government agency, public institution, autonomous organization and other state-controlled firms, and zero otherwise	CSMAR
<i>Subsidy</i>	The natural logarithm of one plus government subsidy	CSMAR
<i>Tang</i>	Total tangible assets/total assets; where total tangible net assets is defined as total assets less net intangible assets (including net goodwill)	CSMAR
<i>TobinQ</i>	Tobin's Q, calculated as (equity market value + liabilities book value) /total assets book value	CSMAR
<b>Province-level Characteristics</b>		
<i>Age_sj</i>	An indicator variable that equals to one if provincial party chiefs are older than the median in each year.	Hand-collect
<i>Urbanization</i>	Province's urbanization rate, defined as the urban population divided by the total resident population	NBS
<i>Deficit</i>	The natural logarithm of fiscal deficit, where fiscal deficit is the difference between general budgetary expenditure and general budgetary revenue	NBS
<i>Education</i>	The natural logarithm of the average years of education, of which average years of education = (Population in illiteracy *2+ population in primary school *6+ population in junior high school *9+ population in senior high school *12+ population in junior college or above *16)/total population	NBS
<i>Fiscal_Rev</i>	The natural logarithm of general budgetary revenues	NBS
<i>GDP_Grow</i>	Annual GDP growth from year t-1 to year t	NBS
<i>Labor</i>	Proportion of population aged 15-64	NBS
<i>Midwest</i>	An indicator variable that equals to one if the firm is located in 22 provinces from the middle and western areas, and zero otherwise.	Hand-collect
<i>GDP_Per</i>	The natural logarithm of GDP per capita	NBS
<i>GDP_Per_Grow</i>	Annual growth in GDP per capita from year t-1 to year t	NBS
<i>Poor_Num</i>	Provincial population that are poverty-stricken	NBS
<i>Povref_Amt1</i>	The sum of listed companies' targeted poverty alleviation investment in each province for each year, and then the natural logarithm is taken	Hand-collect
<i>Povref_Amt2</i>	The average of listed companies' targeted poverty alleviation investment in each province for each year, and then the natural logarithm is taken	Hand-collect
<i>Povref_Num1</i>	The total number of listed companies participating in poverty alleviation in each province, and then the natural logarithm is taken	Hand-collect
<i>Povref_Num2</i>	The proportion of listed companies participating in poverty alleviation in each province	Hand-collect

## Appendix B The disclosure of poverty alleviation

For companies that have carried out targeted poverty alleviation work, the disclosure generally includes targeted poverty alleviation planning, annual targeted poverty alleviation summary, targeted poverty alleviation effectiveness, and subsequent targeted poverty alleviation plans. Among them, the targeted poverty alleviation plan, the annual targeted poverty alleviation summary and the subsequent targeted poverty alleviation plan are qualitative, while the effectiveness of targeted poverty alleviation is quantitative. Below we provide two examples about the effectiveness of targeted poverty alleviation.

### Example 1: Huaneng Lancangjiang Hydropower

Huaneng Lancangjiang Hydropower Co., Ltd. (600025) 2017 Annual Report (in ten thousands, RMB)

Item	Quantity/Description
<b>A. Summary</b>	
a). Capital	51,620
b). Dollar equivalent of material	0
c). Number of poverty-stricken people who helped to get rid of poverty (person)	150,917
<b>B. Sub-item</b>	
1. Industrial poverty alleviation	
1.1 Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation by agriculture and forestry industry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Asset income poverty <input type="checkbox"/> Poverty alleviation through technology <input checked="" type="checkbox"/> Other alleviation
1.2 Number of industrial poverty alleviation projects (number)	100
1.3 Investment in industrial poverty alleviation projects	6,489
1.4 Number of poverty-stricken people helped(person)	31,927
2. Poverty alleviation via employment	
2.1 Amount of investment in vocational skills training	199
2.2 Number of vocational skills training (person/time)	560
2.3 Help poverty-stricken households with registered cards to achieve employment (person)	1,511
<b>3. Relocation and poverty alleviation</b>	
3.1 Number of people relocated(person)	24,251
<b>4. Poverty alleviation via education</b>	
4.1 Amount of funding for poor students	50
4.2 Number of poor students subsidized (person)	1,315
4.3 Improving the amount of education resources invested in poor areas	88
<b>5. Poverty alleviation via health</b>	
5.1 Amount of medical and health resources invested in poor areas	0
<b>6. Ecological protection and poverty alleviation</b>	
6.1 Project name	<input checked="" type="checkbox"/> Carry out environmental protection <input type="checkbox"/> Establishing environmental protection compensation methods <input type="checkbox"/> Set up environmental protection posts <input checked="" type="checkbox"/> Other
6.2 Amount invested	947
<b>7. Guaranteeing basic living standard</b>	

7.1 Amount of money invested to help "three left-behind" personnel	0
7.2 Number of "three staying behind" people being helped (person)	0
7.3 Amount of money invested to help the poor disabled people	0
7.4 Number of poor disabled people being helped (persons)	0
<b>8. Social poverty alleviation</b>	
8.1 Amount of input for cooperation in poverty alleviation between the East and the West	0
8.2 Amount of input for designated poverty alleviation work	0
8.3 Poverty Alleviation Public Welfare Fund	0
<b>9. Other items</b>	
9.1. Number of projects (number)	41
9.2. Amount invested	1,620
9.3. Number of poverty-stricken people who helped to get rid of poverty (person)	0
9.4. Description of Other Projects	
<b>C. Winning items (content, level)</b>	
Won the honor of "Poverty Alleviation Star Enterprise" in Yunnan Province Poverty Alleviation Award (Provincial Level)	
Won the 2017 Tibet Autonomous Region National Unity and Progress Model Collective Honor (Provincial Level)	

### **Example 2; Yili Energy Company**

Excerpts from Yili Energy Company Ltd. (600277) 2019 Annual Report

The company's Kubuqi Ecological Photovoltaic Project built a new grid-connected scale of 200MW ecological photovoltaic. The first objective is to drive local farmers and herdsmen to get rich in construction projects by renting sandy land, project contracting, and labor outsourcing. The second is to plant grass under the photovoltaic panels to prevent wind and sand, breed cattle and sheep between photovoltaic panels, and form natural biological fertilizers to complement planting, and **hire local farmers and herdsmen to maintain and grow photovoltaic equipment** to increase farmers' income channels.



**Table 1 Descriptive Statistics**

Table 1 provides descriptive statistic. Panel A provides distribution for participating versus non-participating firms. Panel B reports descriptive statistics on Firms' Investment in Poverty Alleviation (in ten thousand RMB). Panel C presents summary statistics for the variables used in the analyses, with CAR measured in percentage points. Panel D reports the correlations among variables in the regression analysis. \*\*\*, \*\* and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively, using a two-tailed test. All variable definitions are reported in Appendix A. All the variables are measured contemporaneously except for those with specific time subscripts.

**Panel A Distribution for Participating versus Non-participating Firms**

	<b>Participating Firms (<i>Povref_Indicator</i>=1)</b>		<b>Non-participating Firms (<i>Povref_Indicator</i>=0)</b>	
	N	Percentage (%)	N	Percentage (%)
All samples	2,683	28.81	6,630	71.19
<i>Grouped by year</i>				
2016	605	21.42	2,219	78.58
2017	887	27.79	2,305	72.21
2018	1,191	36.12	2,106	63.88
<i>Grouped by region</i>				
Middle and western	1,306	44.63	1,620	55.37
Eastern	1,377	21.56	5,010	78.44
<i>Grouped by ownership structure</i>				
SOEs	1,350	46.26	1,568	53.74
Non-SOEs	1,333	20.85	5,060	79.15

**Panel B Descriptive Statistics of Firms' Investment in Poverty Alleviation (in ten thousand RMB)**

	N	Mean	Std. Dev.
All samples	9,040	205.503	1243.012
<i>Grouped by year</i>			
2016	2,775	76.860	382.543
2017	3,110	223.084	1306.310
2018	3,155	301.320	1610.331
<i>Grouped by region</i>			
Middle and western	2,806	294.849	1436.466
Eastern	6,234	165.287	1143.173
<i>Grouped by ownership structure</i>			
SOEs	2,798	280.953	1360.207
Non-SOEs	6,240	171.737	1185.472

**Panel C Descriptive Statistics**

<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Min</b>	<b>Max</b>
<i>TobinQ</i>	9,151	1.971	1.193	0.797	10.124
<i>TobinQ_c</i>	9,151	-0.179	0.779	-4.036	3.467
<i>CAR[-1,+1]</i>	1,997	0.029	2.363	-7.793	6.992
<i>CAR[-3,+3]</i>	1,997	-0.095	3.601	-11.573	11.745
<i>Povref_Indicator</i>	9,151	0.291	0.454	0.000	1.000
<i>Povref_Invest</i>	8,883	1.214	2.253	0.000	9.502
<i>Size</i>	9,151	22.790	1.106	20.780	26.234
<i>Lev</i>	9,151	0.409	0.200	0.054	0.887
<i>Age</i>	9,151	17.696	5.484	6.000	32.000
<i>SOE</i>	9,151	0.316	0.465	0.000	1.000
<i>Capx</i>	9,151	0.044	0.043	0.000	0.215
<i>Board_Size</i>	9,151	2.113	0.197	1.609	2.708
<i>Indep</i>	9,151	0.377	0.054	0.333	0.571
<i>Midwest</i>	9,151	0.315	0.465	0.000	1.000
<i>Poor_Num</i>	9,151	0.522	0.902	0.000	4.020
<i>ROE</i>	9,151	6.230	13.750	-128.870	34.961
<i>PM</i>	9,151	11.519	20.179	-171.668	68.180
<i>GPM</i>	9,151	5.370	20.444	-175.200	44.953
<i>AT</i>	9,151	58.423	38.457	6.288	236.141
<i>ROA_adj</i>	9,150	3.390	6.542	-49.380	19.923
<i>Subsidy</i>	9,150	15.779	3.445	0.000	20.511
<i>Mkt_Shr</i>	9,135	0.438	1.000	0.002	7.440
<i>Labor_Cost</i>	9,138	11.629	0.452	10.580	13.038
<i>Ad_Cost</i>	9,150	19.033	1.120	16.641	22.540
<i>Sell_Exp</i>	8,981	18.357	1.575	14.159	22.498

**Panel D Correlation Table**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) <i>TobinQ_c</i>	1.000												
(2) <i>CAR[-1,+1]</i>	0.046	1.000											
(3) <i>CAR[-3,+3]</i>	0.047	0.590***	1.000										
(4) <i>Povref_Indicator</i>	0.088***	-0.006	0.013	1.000									
(5) <i>Povref_Invest</i>	0.086***	-0.012	0.003	0.888***	1.000								
(6) <i>Size</i>	-0.007	-0.041	0.021	0.296***	0.392***	1.000							
(7) <i>Lev</i>	0.075***	0.005	0.078**	0.159***	0.191***	0.495***	1.000						
(8) <i>Age</i>	-0.002	0.016	0.070	0.118***	0.088***	0.166***	0.195***	1.000					
(9) <i>SOE</i>	0.010	0.069	0.172***	0.261***	0.231***	0.351***	0.274***	0.265***	1.000				
(10) <i>Capx</i>	0.036*	-0.052	-0.052	0.032	0.062***	-0.051***	-0.050***	-0.116***	-0.123***	1.000			
(11) <i>Board_Size</i>	0.025	0.028	0.046	0.143***	0.155***	0.238***	0.142***	0.110***	0.243***	-0.010	1.000		
(12) <i>Indep</i>	0.004	-0.028	-0.026	-0.017	0.004	0.006	-0.001	-0.054***	-0.041***	0.007	-0.576***	1.000	
(13) <i>Midwest</i>	-0.023	0.062	0.097***	0.235***	0.197***	0.074***	0.082***	0.097***	0.188***	-0.045***	0.089***	-0.027	1.000
(14) <i>Poor_Num</i>	-0.108***	0.090***	0.108***	0.159***	0.136***	0.073***	0.062***	0.035*	0.152***	-0.036*	0.073***	-0.034	0.740***

**Table 2 Univariate Comparison**

Table 2 reports the univariate comparison of CAR (in percentage point), grouped by firm location (Panels A and B), firm ownership structure (Panel C). \*\*\*, \*\* and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively, using a two-tailed test. All variable definitions are reported in Appendix A.

**Panel A Comparison between Middle and Western versus Eastern Areas**

<i>Variables</i>	Eastern Area		Middle and Western Area		Test of the Difference	
	N	Mean	N	Mean	Diff	t-Value
<i>CAR[-1,+1]</i>	1,314	-0.077	683	0.232	-0.31	-2.783***
<i>CAR[-3,+3]</i>	1,314	-0.346	683	0.388	-0.735	-4.345***
<i>CAR[-5,-2]</i>	1,314	-0.037	683	-0.072	0.035	0.252

**Panel B Comparison between Less poverty-stricken versus More poverty-stricken Areas**

<i>Variables</i>	Areas that are less poverty-stricken		Areas that are more poverty-stricken		Test of the Difference	
	N	Mean	N	Mean	Diff	t-Value
<i>CAR[-1,+1]</i>	1,333	-0.081	664	0.248	-0.329	-2.936***
<i>CAR[-3,+3]</i>	1,333	-0.34	664	0.397	-0.738	-4.332***
<i>CAR[-5,-2]</i>	1,333	-0.06	664	-0.025	-0.035	-0.249

**Panel C Comparison between Non-SOEs versus SOEs**

<i>Variables</i>	Non-SOEs		SOEs		Test of the Difference	
	N	Mean	N	Mean	Diff	t-Value
<i>CAR[-1,+1]</i>	1,241	-0.098	756	0.237	-0.335	-3.079***
<i>CAR[-3,+3]</i>	1,241	-0.58	756	0.701	-1.28	-7.821***
<i>CAR[-5,-2]</i>	1,241	-0.033	756	-0.074	0.041	0.300

**Table 3 Market Reaction to Mandated Poverty Alleviation Disclosure Announcement**

Table 3 presents regression analysis for the market reaction to the mandated poverty alleviation disclosure. Panel A reports the results for the full sample, and Panel B reports the results based on a matched sample. In both panels, the dependent variables are the cumulative abnormal returns over different windows ( $[-1,+1]$ ,  $[-3,+3]$  and  $[-5,-2]$ , in percentage points). *Poor\_Num* is the number of poverty-stricken population (in millions). *Midwest* is an indicator variable that equals to one if the firm is located in 22 provinces in the middle and western areas, and zero otherwise. *SOE* is an indicator variable that equals to one if the ultimate controller is a state-owned legal person, state-owned government agency, public institution, autonomous organization and other state-controlled firms, and zero otherwise. Other variables are defined in Appendix A. The date of mandatory disclosure announcement is December 30, 2016. All the variables are measured in 2016. All models include industry fixed effects. Standard errors are clustered at the firm level, with the t-statistics reported in parentheses. \*\*\*, \*\* and \* denote statistical significance at the 1%, 5%, and 10% levels, respectively, using a two-tailed test.

**Panel A Full Sample**

<i>Dep. var. =</i>	<i>CAR[-1,+1] (%)</i>			<i>CAR[-3,+3] (%)</i>			<i>CAR[-5,-2] (%)</i>		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Midwest</i>	<b>0.282**</b> (2.33)			<b>0.527***</b> (2.90)			<b>0.059</b> (0.40)		
<i>Poor_Num</i>		<b>0.159***</b> (3.41)			<b>0.241***</b> (3.47)			<b>0.012</b> (0.21)	
<i>SOE</i>			<b>0.448***</b> (3.54)			<b>1.263***</b> (6.58)			<b>0.068</b> (0.44)
<i>Size</i>	-0.124* (-1.74)	-0.122* (-1.73)	-0.160** (-2.26)	-0.130 (-1.27)	-0.131 (-1.29)	-0.224** (-2.21)	-0.084 (-1.03)	-0.086 (-1.05)	-0.091 (-1.11)
<i>TobinQ</i>	-0.087 (-1.64)	-0.086 (-1.63)	-0.079 (-1.50)	-0.116 (-1.59)	-0.113 (-1.55)	-0.100 (-1.39)	-0.105 (-1.59)	-0.104 (-1.57)	-0.103 (-1.57)
<i>Lev</i>	0.171 (0.50)	0.138 (0.40)	0.074 (0.22)	1.348*** (2.59)	1.335** (2.57)	0.980* (1.91)	-0.131 (-0.30)	-0.120 (-0.28)	-0.140 (-0.32)
<i>Constant</i>	2.483 (1.38)	2.478 (1.38)	3.299* (1.82)	1.725 (0.72)	1.853 (0.78)	3.661 (1.57)	0.972 (0.39)	1.023 (0.41)	1.117 (0.45)
<i>Industry FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Adj. R-sq</i>	0.011	0.015	0.015	0.049	0.051	0.066	0.028	0.028	0.028
<i>N</i>	1997	1997	1997	1,997	1,997	1,997	1,997	1,997	1,997

**Panel B Matched Sample**

<i>Dep. var. =</i>	<i>CAR[-1,+1] (%)</i>			<i>CAR[-3,+3] (%)</i>			<i>CAR[-5,-2] (%)</i>		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Midwest</i>	<b>0.428**</b> (2.58)			<b>0.593**</b> (2.39)			<b>-0.001</b> (-0.00)		
<i>Poor_Num</i>		<b>0.212***</b> (3.55)			<b>0.315***</b> (3.58)			<b>0.043</b> (0.61)	
<i>SOE</i>			<b>0.377**</b> (2.55)			<b>1.207***</b> (5.37)			<b>0.043</b> (0.24)
<i>Size</i>	-0.103 (-1.26)	-0.101 (-1.24)	-0.135* (-1.65)	-0.059 (-0.50)	-0.056 (-0.48)	-0.148 (-1.27)	-0.017 (-0.18)	-0.015 (-0.17)	-0.020 (-0.21)
<i>TobinQ</i>	-0.069 (-1.11)	-0.068 (-1.10)	-0.069 (-1.11)	-0.061 (-0.69)	-0.060 (-0.67)	-0.060 (-0.67)	-0.080 (-1.03)	-0.080 (-1.02)	-0.080 (-1.03)
<i>Lev</i>	0.061 (0.16)	0.032 (0.08)	-0.015 (-0.04)	1.489** (2.48)	1.437** (2.39)	1.093* (1.83)	-0.370 (-0.75)	-0.393 (-0.80)	-0.389 (-0.79)
<i>Constant</i>	2.356 (1.26)	2.246 (1.20)	3.146* (1.66)	-0.383 (-0.14)	-0.582 (-0.22)	1.493 (0.57)	-2.528 (-0.93)	-2.623 (-0.96)	-2.480 (-0.91)
<i>Industry FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Adj. R-sq</i>	0.001	0.006	0.001	0.040	0.045	0.054	0.029	0.029	0.029
<i>N</i>	1616	1,616	1616	1,616	1,616	1,616	1,616	1,616	1,616

**Table 4 Value and Performance**

Table 4 reports the value and performance implication of the engagement in targeted poverty alleviation. Panel A and Panel B presents the impact of poverty alleviation on firm value and instrumental variables estimation. Panel C presents the impact of poverty alleviation on operating performance. Panel D reports the results for market share and other operating costs. Panel E presents the effect of poverty alleviation on government subsidy. The dependent variable in Panel A and Panel B is  $\Delta TobinQ_{t+1}$ , which is the change in Tobin's Q from t to t+1. Tobin's Q is defined as the market value of asset divided by the book value of asset. Firm operating performance in Panel C includes the change in ROE ( $\Delta ROE_{t+1}$ ), the change in profit margin ( $\Delta PM_{t+1}$ ), the change in gross profit margin ( $\Delta GPM_{t+1}$ ), the change in asset turnover ( $\Delta Asset\_Turnover_{t+1}$ ), the change in ROA adjusted by subsidy ( $\Delta ROA\_Sub_{t+1}$ ). The dependent variable in Panel D includes the change in market share ( $\Delta Mkt\_Shr_{t+1}$ ), the change in labor cost ( $\Delta Labor\_Cost_{t+1}$ ), the change in administrative cost ( $\Delta Ad\_Cost_{t+1}$ ), and the change in selling cost ( $\Delta Sell\_Exp_{t+1}$ ). The dependent variable in Panel E is future government subsidy ( $Subsidy_{t+1}$ ). *Povref\_Indicator* is an indicator variable that equals to one if firms participate in poverty alleviation and zero otherwise. *Povref\_Invest* is natural logarithm of the firms' investment in poverty alleviation. *Age\_Sj* is an indicator variable that equals to one if provincial party chiefs are older than the median. Other variables are defined in Appendix A. All the variables are measured contemporaneously except for those with specific time subscripts. All models include year and industry fixed effects. Standard errors are clustered at the firm level. The t-statistics are reported in parentheses. \*\*\*, \*\* and \* denote statistical significance at the 1%, 5%, and 10% level, respectively, using a two-tailed test.

**Panel A Firm Value**

Dep. var. =	Full Sample		Matched Sample from Neighbouring Provinces	
	$\Delta TobinQ_{t+1}$ (1)	$\Delta TobinQ_{t+1}$ (2)	$\Delta TobinQ_{t+1}$ (3)	$\Delta TobinQ_{t+1}$ (4)
<i>Povref_Indicator</i>	<b>0.046***</b> (3.03)		<b>0.058***</b> (3.39)	
<i>Povref_Invest</i>		<b>0.011***</b> (3.45)		<b>0.011***</b> (3.26)
<i>Size</i>	-0.004 (-0.46)	-0.009 (-0.94)	-0.012 (-1.12)	-0.016 (-1.43)
<i>Lev</i>	0.293*** (5.62)	0.313*** (5.88)	0.306*** (5.31)	0.327*** (5.60)
<i>Age</i>	-0.009*** (-6.32)	-0.009*** (-6.10)	-0.008*** (-5.17)	-0.008*** (-4.95)
<i>SOE</i>	0.007 (0.36)	0.005 (0.29)	0.008 (0.36)	0.006 (0.30)
<i>Capx</i>	0.127 (0.69)	0.085 (0.46)	0.297* (1.65)	0.254 (1.39)
<i>Board_Size</i>	0.135*** (2.96)	0.124*** (2.67)	0.075 (1.49)	0.062 (1.21)
<i>Indep</i>	0.118 (0.76)	0.086 (0.54)	0.006 (0.04)	-0.038 (-0.21)
<i>Constant</i>	-0.760*** (-2.91)	-0.610** (-2.22)	-0.355 (-1.37)	-0.192 (-0.69)
<i>Year FE</i>	Yes	Yes	Yes	Yes
<i>Industry FE</i>	Yes	Yes	Yes	Yes
<i>Adj. R-sq</i>	0.209	0.207	0.214	0.213
<i>N</i>	9,151	8,883	7,501	7,301

**Panel B Instrumental Variables Estimation for Firm Value**

<i>Dep. var. =</i>	<i>First Stage</i>		<i>Second Stage</i>	
	<i>Povref_D</i> (1)	<i>Povref_dis</i> (2)	$\Delta$ <i>TobinQ</i> <sub>t+1</sub> (3)	$\Delta$ <i>TobinQ</i> <sub>t+1</sub> (4)
<i>Povref_Indicator</i>			<b>1.106**</b> <b>(2.04)</b>	
<i>Povref_Invest</i>				<b>0.226**</b> <b>(2.09)</b>
<i>Age_Sj</i>	<b>-0.035***</b> (-3.82)	<b>-0.175***</b> (-3.98)		
<i>Size</i>	0.087*** (17.27)	0.676*** (27.67)	-0.154*** (-3.23)	-0.212*** (-2.88)
<i>Lev</i>	0.023 (0.85)	-0.013 (-0.10)	0.458*** (7.91)	0.507*** (8.90)
<i>Age</i>	0.003*** (3.03)	0.000 (0.08)	-0.004* (-1.68)	-0.001 (-0.57)
<i>SOE</i>	0.130*** (11.48)	0.341*** (6.17)	-0.140* (-1.90)	-0.082* (-1.88)
<i>Capx</i>	0.422*** (3.85)	3.356*** (6.32)	0.133 (0.41)	-0.192 (-0.45)
<i>Board_Size</i>	0.113*** (3.85)	0.745*** (5.26)	0.055 (0.64)	0.004 (0.04)
<i>Indep</i>	0.190* (1.86)	2.056*** (4.14)	0.185 (0.78)	-0.079 (-0.26)
<i>Constant</i>	-1.846*** (-12.71)	-15.856*** (-22.36)	2.361** (2.25)	3.936** (2.25)
<i>Industry FE</i>	Yes	Yes	Yes	Yes
<i>N</i>	9151	8883	9151	8883
<i>Anderson canonical correlation LM statistic (p-value)</i>			14.686 (0.0001)	15.975 (0.0001)
<i>Cragg-Donald Wald F statistic</i>			14.575	15.852



Panel C Firm Performance

<i>Dep. var. =</i>	$\Delta ROE_{t+1}(\%)$		$\Delta PM_{t+1}(\%)$		$\Delta GPM_{t+1}(\%)$		$\Delta Asset\_Turnover_{t+1}(\%)$		$\Delta ROA\_Sub_{t+1}(\%)$	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<i>Povref_Indicator</i>	<b>1.637***</b> (3.79)		<b>1.464***</b> (2.72)		<b>1.012**</b> (2.11)		<b>-0.505*</b> (-1.65)		<b>0.354**</b> (2.22)	
<i>Povref_Invest</i>		<b>0.288***</b> (3.70)		<b>0.273***</b> (2.82)		<b>0.207**</b> (2.29)		<b>-0.114*</b> (-1.86)		<b>0.051*</b> (1.72)
<i>Lev</i>	2.329 (1.32)	2.084 (1.15)	6.944*** (3.13)	6.857*** (3.02)	4.953** (2.54)	4.607** (2.31)	4.677*** (5.04)	4.824*** (5.11)	2.825*** (4.58)	2.736*** (4.30)
<i>Size</i>	-1.390*** (-6.09)	-1.387*** (-5.88)	-1.211*** (-4.19)	-1.249*** (-4.09)	-1.218*** (-4.31)	-1.227*** (-4.11)	-0.231 (-1.49)	-0.189 (-1.16)	-0.490*** (-5.92)	-0.478*** (-5.55)
<i>Age</i>	-0.013 (-0.36)	-0.006 (-0.17)	-0.026 (-0.59)	-0.018 (-0.41)	0.024 (0.54)	0.025 (0.55)	-0.067*** (-2.66)	-0.071*** (-2.74)	-0.003 (-0.22)	0.000 (0.01)
<i>SOE</i>	2.205*** (5.50)	2.284*** (5.50)	3.039*** (5.56)	3.202*** (5.76)	3.742*** (7.40)	3.897*** (7.55)	-0.003 (-0.01)	0.014 (0.04)	1.060*** (6.94)	1.101*** (7.03)
<i>Capx</i>	4.477 (0.89)	3.684 (0.78)	7.917 (1.16)	8.096 (1.15)	6.297 (0.97)	6.345 (0.96)	-28.881*** (-7.96)	-27.642*** (-7.57)	0.416 (0.23)	0.402 (0.23)
<i>Board_Size</i>	2.185* (1.82)	2.311* (1.87)	0.623 (0.36)	0.581 (0.33)	0.295 (0.17)	0.339 (0.19)	-0.767 (-0.86)	-1.165 (-1.29)	-0.202 (-0.50)	-0.222 (-0.53)
<i>Indep</i>	7.653* (1.67)	6.825 (1.44)	0.245 (0.04)	-0.017 (-0.00)	0.997 (0.16)	1.002 (0.15)	-3.117 (-1.04)	-3.983 (-1.31)	-0.151 (-0.10)	-0.403 (-0.25)
<i>Sell_Ratio</i>	12.626*** (3.72)	14.360*** (4.44)	14.061*** (3.10)	14.666*** (3.19)	19.143*** (4.43)	20.140*** (4.59)	4.273** (2.43)	4.851*** (2.74)	4.822*** (3.87)	5.344*** (4.37)
<i>Intang</i>	3.845 (1.03)	3.690 (0.97)	-4.440 (-0.60)	-4.378 (-0.58)	-7.316 (-1.00)	-6.968 (-0.93)	4.776 (1.57)	4.844 (1.57)	1.490 (0.94)	1.521 (0.94)
<i>Constant</i>	22.859*** (4.13)	22.986*** (3.93)	19.920** (2.52)	20.940** (2.48)	17.939** (2.01)	17.723* (1.87)	11.712*** (2.59)	11.580** (2.44)	9.834*** (4.73)	9.662*** (4.37)
<i>Year FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Adj. R-sq</i>	0.017	0.018	0.020	0.021	0.027	0.028	0.034	0.033	0.027	0.028
<i>N</i>	9151	8,883	9,151	8,883	9,151	8,883	9,151	8,883	9,148	8,880

**Panel D Possible Mechanisms**

<i>Dep. var. =</i>	$\Delta Mkt\_Shr_{t+1}$ (%)		$\Delta Labor\_Cost_{t+1}$		$\Delta Ad\_Cost_{t+1}$		$\Delta Sell\_Exp_{t+1}$	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Povref_Indicator</i>	<b>0.011*</b> (1.89)		<b>-0.013***</b> (-2.60)		<b>-0.017***</b> (-2.83)		<b>-0.034***</b> (-3.86)	
<i>Povref_Invest</i>		<b>0.005***</b> (3.10)		<b>-0.002**</b> (-2.01)		<b>-0.003**</b> (-2.33)		<b>-0.007***</b> (-3.60)
<i>Size</i>	0.062*** (14.03)	0.059*** (13.66)	0.005* (1.84)	0.005 (1.57)	0.011*** (3.93)	0.011*** (3.65)	0.001 (0.21)	0.003 (0.56)
<i>Lev</i>	-0.006 (-0.35)	0.003 (0.16)	0.064*** (3.63)	0.067*** (3.70)				
<i>Age</i>	-0.001*** (-2.70)	-0.001*** (-2.64)						
<i>SOE</i>	0.002 (0.22)	-0.001 (-0.13)	-0.004 (-0.83)	-0.007 (-1.31)				
<i>Capx</i>	0.101 (1.59)	0.100 (1.59)						
<i>Board_Size</i>	-0.050*** (-2.61)	-0.049** (-2.54)						
<i>Indep</i>	-0.052 (-0.78)	-0.063 (-0.93)						
<i>Sell_Ratio</i>	0.013 (0.32)	0.015 (0.38)						
<i>Intang</i>	0.017 (0.23)	0.013 (0.17)						
<i>ROA</i>			0.000 (0.00)	-0.011 (-0.19)				
<i>TobinQ</i>			0.003 (0.91)	0.002 (0.85)	0.005 (1.49)	0.005 (1.63)	0.007 (1.29)	0.007 (1.24)
<i>Earn_Vol</i>			-0.064 (-0.70)	-0.052 (-0.55)	-1.112*** (-9.42)	-1.130*** (-9.40)	-1.104*** (-7.02)	-1.159*** (-7.17)
<i>Tang</i>			-0.259*** (-9.30)	-0.261*** (-9.18)				
<i>OCf</i>			-0.086* (-1.76)	-0.083* (-1.65)				
<i>AT</i>					-0.018** (-2.17)	-0.019** (-2.27)	-0.033*** (-2.75)	-0.033*** (-2.67)
<i>Sales_Grow</i>					0.058*** (8.38)	0.059*** (8.61)	0.078*** (6.93)	0.082*** (7.49)
<i>Constant</i>	-1.114*** (-8.87)	-1.051*** (-8.40)	0.229*** (3.01)	0.242*** (2.98)	-0.163** (-2.33)	-0.163** (-2.20)	0.086 (0.72)	0.043 (0.34)
<i>Year FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Adj. R-sq</i>	0.204	0.206	0.024	0.024	0.077	0.078	0.056	0.058
<i>N</i>	9,133	8,865	7,679	7,446	7,692	7,457	7,531	7,300

**Panel E Government Subsidy**

<i>Dep. var. =</i>	<i>Subsidy<sub>t+1</sub></i> (1)	<i>Subsidy<sub>t+1</sub></i> (2)
<b><i>Povref_Indicator</i></b>	<b>0.134***</b> <b>(3.33)</b>	
<b><i>Povref_Invest</i></b>		<b>0.031***</b> <b>(3.66)</b>
<i>Subsidy</i>	0.128*** (14.63)	0.123*** (14.55)
<i>Size</i>	0.749*** (31.74)	0.743*** (30.40)
<i>SOE</i>	0.034 (0.69)	0.047 (0.94)
<i>Lev</i>	0.495*** (3.48)	0.490*** (3.41)
<i>ROA</i>	1.329*** (4.90)	1.319*** (4.73)
<i>Shr_Top5</i>	0.694*** (3.34)	0.758*** (3.73)
<i>Sml_Profit</i>	-0.219** (-2.31)	-0.230** (-2.37)
<i>Deficit</i>	-0.126*** (-3.11)	-0.121*** (-2.99)
<i>Constant</i>	-2.348*** (-3.70)	-2.225*** (-3.33)
<i>Year FE</i>	Yes	Yes
<i>Industry FE</i>	Yes	Yes
<i>Adj. R-sq</i>	0.496	0.496
<i>N</i>	6412	6193

**Table 5 Impact of Listed Companies' Participation in Poverty Alleviation on Local Economic Condition**

Table 5 presents regressions estimates impact on provincial economic growth and poverty alleviation. The dependent variables are GDP growth from t to t+1 ( $GDP\_Grow_{t+1}$ ), GDP per capita growth from t to t+1 ( $GDP\_Per\_Grow_{t+1}$ ) and change of poverty-stricken population from t to t+1 ( $Poor\_Num_{t+1}$ ).  $Povref\_Num1$  is the total number of listed companies participating in poverty alleviation in each province for each year.  $Povref\_Num2$  is the proportion of listed companies participating in poverty alleviation in each province for each year.  $Povref\_Amt1$  is the sum of listed companies' precise poverty alleviation investment in each province for each year.  $Povref\_Amt2$  is the average listed companies' precise poverty alleviation investment in each province for each year. Other variables are defined in Appendix A. All the variables are measured contemporaneously except for those with specific time subscripts. All models include year fixed effects. Standard errors are clustered at the province level. The t-statistics are reported in parentheses. \*\*\*, \*\* and \* denote statistical significance at the 1%, 5%, and 10% level, respectively, using a two-tailed test.

Dep. var. =	$GDP\_Grow_{t+1}$ (%)				$GDP\_Per\_Grow_{t+1}$ (%)				$\Delta Poor\_Num_{t+1}$			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b><i>Povref_Num1</i></b>	<b>7.599***</b> (3.99)				<b>7.348***</b> (3.91)				<b>-0.037</b> (-0.43)			
<b><i>Povref_Num2</i></b>		<b>19.197***</b> (2.83)				<b>19.293***</b> (2.96)				<b>-0.792***</b> (-3.49)		
<b><i>Povref_Amt1</i></b>			<b>1.213***</b> (4.38)				<b>1.254***</b> (4.66)				<b>-0.025*</b> (-1.99)	
<b><i>Povref_Amt2</i></b>				<b>1.109***</b> (3.50)				<b>1.159***</b> (3.75)				<b>-0.032**</b> (-2.31)
<i>GDP_Grow</i>	-0.035 (-0.41)	0.014 (0.19)	0.027 (0.43)	0.042 (0.65)								
<i>GDP_Per_Grow</i>					-0.048 (-0.57)	-0.007 (-0.09)	0.001 (0.02)	0.016 (0.24)				
<i>GDP_Per</i>									0.430 (1.62)	0.373 (1.50)	0.482* (1.80)	0.477* (1.83)
<i>Urbanization</i>	1.995 (0.12)	21.624 (1.29)	0.369 (0.02)	4.758 (0.28)	-0.341 (-0.02)	19.114 (1.15)	-2.545 (-0.15)	1.930 (0.11)	2.455 (1.61)	2.572* (1.89)	2.520* (1.77)	2.548* (1.84)
<i>Labor</i>	-54.492 (-1.32)	-50.782 (-1.43)	-57.245 (-1.60)	-52.910 (-1.49)	-53.030 (-1.31)	-49.609 (-1.44)	-56.399 (-1.64)	-51.969 (-1.52)	4.790** (2.52)	4.295** (2.55)	4.575** (2.53)	4.383** (2.47)
<i>Education</i>	-4.447 (-0.35)	-17.972 (-1.61)	-13.179 (-1.20)	-17.627 (-1.61)	-0.080 (-0.01)	-13.207 (-1.26)	-8.219 (-0.82)	-12.814 (-1.28)	-1.860* (-1.85)	-2.345** (-2.57)	-1.988** (-2.38)	-1.986** (-2.45)
<i>Fiscal_Rev</i>	-4.129** (-2.49)	2.773** (2.27)	0.120 (0.11)	1.313 (1.12)	-3.940** (-2.39)	2.788** (2.34)	0.089 (0.08)	1.320 (1.17)	-0.164* (-2.01)	-0.238*** (-4.18)	-0.164*** (-2.94)	-0.187*** (-3.44)
<i>Constant</i>	57.108* (1.76)	50.412 (1.62)	65.994** (2.12)	68.871** (2.26)	47.114 (1.52)	40.151 (1.31)	55.733* (1.87)	58.732* (2.01)	-5.053 (-1.38)	-2.558 (-0.76)	-5.088 (-1.48)	-4.870 (-1.46)
<i>Year FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Adj. R-sq</i>	0.229	0.168	0.175	0.160	0.199	0.144	0.156	0.140	0.702	0.752	0.715	0.725
<i>N</i>	93	93	93	93	93	93	93	93	62	62	62	62

**Table 6 Crowding out of other CSR activities**

Table 6 reports the potential crowding out of the poverty alleviation engagement. Panel A of Table 6 present regressions estimates of the effect of other CSR activities<sup>20</sup>. *CSR\_Employee* is the number of non-poverty alleviation activities of CSR in the category of "employee rights protection". *CSR\_Client* is the number of non-poverty alleviation activities of CSR in the category of "customer and consumer rights protection". *CSR\_Social* is the number of non-poverty alleviation activities of CSR in the category of "public relations and social welfare". *CSR\_Total* is the total number of CSR activities for non-poverty activities. *Povref\_Indicator* is an indicator variable that equals to one if firms participate in poverty alleviation and zero otherwise. *Povref\_Invest* is the natural logarithm of firms' investment in poverty alleviation. Other variables are defined in Appendix A. All the variables are measured contemporaneously except for those with specific time subscripts. All models include year and industry fixed effects. Standard errors are clustered at the firm level. The t-statistics are reported in parentheses. \*\*\*, \*\* and \* denote statistical significance at the 1%, 5%, and 10% level, respectively, using a two-tailed test.

<i>Dep. var. =</i>	<i>CSR_Employee<sub>t</sub></i>		<i>CSR_Client<sub>t</sub></i>		<i>CSR_Social<sub>t</sub></i>		<i>CSR_Total<sub>t</sub></i>	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Povref_Indicator</i>	<b>-0.007**</b> (-2.16)		<b>0.004*</b> (1.81)		<b>0.011***</b> (4.38)		<b>0.005</b> (0.47)	
<i>Povref_Invest</i>		<b>-0.001*</b> (-1.86)		<b>0.001*</b> (1.86)		<b>0.002***</b> (4.29)		<b>0.002</b> (0.79)
<i>CSR_Employee<sub>t-1</sub></i>	0.439*** (11.70)	0.433*** (11.23)						
<i>CSR_Client<sub>t-1</sub></i>			0.318*** (6.22)	0.308*** (5.98)				
<i>CSR_Social<sub>t-1</sub></i>					0.403*** (7.58)	0.382*** (7.20)		
<i>CSR_Total<sub>t-1</sub></i>							0.518*** (13.91)	0.506*** (13.24)
<i>SOE</i>	0.008** (2.31)	0.008** (2.21)	0.005* (1.93)	0.005* (1.87)	-0.001 (-0.41)	-0.001 (-0.21)	0.027*** (2.60)	0.029*** (2.71)
<i>Size</i>	0.005** (2.56)	0.005** (2.52)	0.004*** (3.04)	0.003** (2.27)	0.006*** (4.29)	0.005*** (3.20)	0.028*** (4.85)	0.025*** (4.23)
<i>Lev</i>	-0.007 (-0.54)	-0.007 (-0.54)	-0.009 (-1.08)	-0.007 (-0.82)	-0.006 (-0.64)	-0.004 (-0.45)	-0.036 (-0.95)	-0.035 (-0.89)
<i>ROA</i>	0.015 (0.29)	0.011 (0.21)	0.012 (0.46)	0.013 (0.55)	-0.020 (-0.90)	-0.014 (-0.64)	0.026 (0.19)	0.035 (0.25)
<i>Age</i>	0.000 (1.61)	0.000 (1.28)	0.000 (0.46)	0.000 (0.28)	-0.000 (-0.48)	-0.000 (-0.25)	0.002* (1.66)	0.001 (1.53)
<i>Cash_Ratio</i>	-0.005** (-2.54)	-0.005*** (-2.59)	-0.001 (-0.83)	-0.001 (-0.38)	-0.003* (-1.72)	-0.003* (-1.82)	-0.011* (-1.96)	-0.011* (-1.96)
<i>Sell_Ratio</i>	0.007 (0.27)	0.010 (0.41)	0.042 (1.55)	0.045 (1.63)	-0.004 (-0.26)	-0.005 (-0.36)	0.041 (0.53)	0.046 (0.59)
<i>Listexg</i>	0.006** (2.01)	0.006* (1.90)	0.003 (1.13)	0.002 (0.71)	0.003 (1.08)	0.001 (0.47)	0.024** (2.53)	0.021** (2.20)
<i>Shr_Top5</i>	-0.015 (-0.92)	-0.014 (-0.80)	0.006 (0.51)	0.010 (0.93)	-0.005 (-0.51)	-0.004 (-0.35)	-0.039 (-0.77)	-0.025 (-0.47)
<i>Board_Size</i>	0.010 (1.18)	0.010 (1.24)	0.002 (0.34)	0.002 (0.40)	-0.002 (-0.35)	-0.001 (-0.13)	0.001 (0.02)	0.001 (0.06)
<i>Indep</i>	0.007 (0.22)	0.004 (0.14)	-0.004 (-0.22)	0.003 (0.17)	-0.034 (-1.52)	-0.021 (-0.98)	-0.066 (-0.74)	-0.052 (-0.57)
<i>Dual</i>	-0.004 (-1.22)	-0.005 (-1.30)	0.001 (0.53)	0.000 (0.06)	-0.003 (-1.36)	-0.004 (-1.64)	-0.002 (-0.23)	-0.005 (-0.44)

<sup>20</sup>For brevity, we only report CSR activities that are significantly affected by the targeted poverty alleviation. Results of CSR activities that are insignificantly impacted by poverty alleviation are untabulated but available upon request.

<i>Constant</i>	-0.158***	-0.162***	-0.078**	-0.055	-0.110***	-0.083***	-0.595***	-0.545***
	(-3.36)	(-3.23)	(-2.22)	(-1.59)	(-3.52)	(-2.70)	(-4.30)	(-3.77)
<i>Year FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry FE</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Adj. R-sq</i>	0.347	0.341	0.299	0.314	0.327	0.321	0.540	0.538
<i>N</i>	946	913	946	913	946	913	946	913