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DOES CONFUCIANISM AFFECT CORPORATE SOCIAL RESPONSIBILITY DECOUPLING? EVIDENCE FROM CHINA

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ABSTRACT. *Given the persistent challenge of corporate social responsibility decoupling (CSR decoupling), we conduct a systematic analysis of the impact of Confucianism on CSR decoupling through the lens of informal institutions instead of previous inherent formal institutions. The empirical results show that Confucianism significantly inhibits CSR decoupling. The substitution effect test indicates that this relationship is more evident in companies with poor internal control quality and regions with weak legal environments, suggesting a substitution effect between informal and formal institutions in restraining CSR decoupling. The mechanism test demonstrates that Confucianism*

primarily restrains CSR decoupling by mitigating managerial myopia and decreasing equity concentration. The heterogeneity analysis suggests that the inhibitory effect of Confucianism on CSR decoupling is more evident in regions experiencing mild cultural conflicts, companies with poorer operating conditions, and state-owned enterprises. Our research contributes to the literature on the relationship between Confucianism and CSR decoupling, offering a novel perspective for addressing this phenomenon.

KEYWORDS: confucianism, CSR decoupling, legal environment, internal control quality, managerial myopia, equity concentration.

JEL classification: D02, M14, M19, M12, M48, P2.

Introduction

In recent years, the growing public concern over corporate business activities has brought attention to corporate social responsibility (CSR). To effectively communicate their CSR activities to stakeholders and maintain a socially responsible image, many companies have chosen to disclose social responsibility reports (Clarkson *et al.*, 2013; Crilly *et al.*, 2016; Gibson, O'Donovan, 2007; Murray *et al.*, 2006; Plumlee *et al.*, 2015; Tata, Prasad, 2014). However, compared with financial disclosures, CSR reports are generally perceived to have lower credibility and standards, which are more susceptible to manipulation (Patten, 1991; Xu, Liu, 2018). Some companies may opportunistically utilize CSR reports to misrepresent or overstate their actual social responsibility performance to enhance their reputations, gain legitimacy, or even deceive stakeholders. This behavior is referred to as CSR decoupling (Delmas, Burbano, 2011; Hawn, Ioannou, 2016; Sauerwald, Su, 2019). CSR decoupling refers to the gap between a company's CSR disclosure (such as a CSR report) and its actual CSR performance (including CSR ratings). The significant impact of CSR decoupling on companies' development and competitiveness has been demonstrated (Kim, Lyon, 2015; Marquis, Qian, 2014; Sauerwald, Su, 2019).

Reviewing the existing literature, it is evident that there is a scarcity of research investigating the antecedent of CSR decoupling (Shahab *et al.*, 2021; Zhang, 2022). Most scholars have primarily focused their exploration on various perspectives, including analyst coverage, CEO power, social responsibility report assurance, gender diversity of the board, and social responsibility committees (Zhang, 2022; Shahab *et al.*, 2022; Cristina, Beatriz, 2022; Liao *et al.*, 2018; Gull *et al.*, 2023). However, the existing literature tends to analyze the antecedents of CSR decoupling from the perspective of formal institutions, specifically internal corporate governance as well as external institutional regulations. There is a dearth of literature on the antecedent of CSR decoupling from the perspective of informal institutions, such as traditional culture and social customs. According to behavioral finance, it is essential to consider the impact of informal institutions, such as culture and customs, on corporate decisions in addition to the influence of formal institutions like economic systems and laws (Li *et al.*, 2017). Multiple studies have demonstrated that informal institutions can influence individuals' cognition, communication, and interaction, making them a significant and profound force that shapes micro-enterprise behavior (Estrin, Prevezer, 2011; Dimaggio, 1997). Notably, informal institutions may assume a more significant role in emerging

countries like China, where formal institutions are not well-developed but traditional culture has a long-standing heritage (Allen *et al.*, 2005; Greif, Tabellini, 2010).

As the central pillar and core of Chinese traditional culture, Confucianism has profoundly influenced the Chinese's nature, character, and values for thousands of years. It is a moral principle and ethical guide for individuals' conduct and decision-making processes (Fam *et al.*, 2009; Chen *et al.*, 2021). In recent times, the Chinese government has actively advocated for the preservation and propagation of Confucianism. Recognizing the significant research value of Confucianism, numerous scholars have undertaken comprehensive investigations into its economic implications. Macro-level studies have consistently demonstrated that Confucianism fosters economic growth, modernization, and the establishment of the rule of law (Hofstede, Bond, 1988; Du, 2015; Du, 2016). At the micro level, several studies have highlighted the significant role of Confucianism in shaping corporate decisions, including environmental information disclosure, R&D investment, sustainable marketing, and philanthropic donations (He *et al.*, 2022; Yan *et al.*, 2021; Chen *et al.*, 2023; Ji *et al.*, 2021; Sun *et al.*, 2016). However, there has been little emphasis on its potential role in mitigating companies' misconduct, especially the relationship between Confucianism and CSR decoupling. Given these circumstances, the following research question emerges: Does Confucianism inhibit CSR decoupling? If so, does this inhibitory effect also undergo impact from formal institutions? Furthermore, what are the potential mechanisms between Confucianism and CSR decoupling? Amidst the pressing concern of increasing CSR decoupling, exploring the above questions undoubtedly holds immense theoretical and practical significance.

To investigate these questions, we take Chinese A-listed companies as our research sample. We carry out both theoretical analysis and empirical testing to examine the impact of Confucianism, an informal institution, on CSR decoupling. Moreover, we explore the substitution effect of two formal institutions, namely internal control quality and the legal environment, on Confucianism. Mechanism tests are conducted to analyze the potential mechanisms of managerial myopia and equity concentration between Confucianism and CSR decoupling. Additionally, we conduct a heterogeneity analysis covering aspects such as culture shock, operating conditions, and ownership to enhance the depth of our research. Furthermore, we conduct endogeneity and robustness tests to validate the accuracy and reliability of our research findings.

1. Literature Review and Research Hypothesis

1.1 Literature Review

1.1.1 Background and Economic Implications of Confucianism

Over thousands of years, Confucianism has been accumulated and passed down, shaping the essence of the Chinese national spirit. It is regarded as the fundamental “root” and “soul” of Chinese culture, progressively evolving into the social rules and moral norms that Chinese individuals implicitly adhere to (Wang, Juslin, 2009; Chen *et al.*, 2021). Despite being impacted and challenged by Western culture since 1840, Confucianism has maintained its dominant position throughout history. Furthermore, in the modern era, the Chinese continuously infuse new elements into Confucianism by enhancing content and form, aiming to revitalize its influence.

In recent years, financial economics has seen a rapid increase in studies on the role of culture. As a result, scholars have turned their attention to exploring the economic implications of Confucianism. A wealth of literature has demonstrated that Confucianism while serving as a valuable complement to formal institutions, offers valuable managerial insights and ethical principles (Li *et al.*, 2013). These principles, in turn, profoundly affect both macroeconomic decision-making and micro-enterprise behavior. On a macro level, Confucianism not only serves as a spiritual and humanistic foundation for China's socialist market economy but also acts as a critical constraint on macroeconomic decision-making, with significant impacts on economic growth, the modernization process, and the establishment of the rule of law (Du, 2015; Ip, 2009; Wang *et al.*, 2009); On a micro level, Confucianism implicitly shapes the values, beliefs, and ethical standards of Chinese's, thereby exerting a normative and supervisory influence on their behavior, ultimately impacting companies' decisions. The literature has demonstrated that Confucianism affects various aspects of companies, such as R&D investment, business performance, philanthropic donations, information disclosure, risk-taking, and sustainable marketing (Yan *et al.*, 2021; Jin *et al.*, 2023; Ji *et al.*, 2021; Sun *et al.*, 2016). However, previous research has placed little emphasis on the potential role of Confucianism in mitigating the misconduct of companies.

1.1.2 CSR Decoupling and Its Antecedents

CSR decoupling refers to the disparity between the CSR disclosure and the actual CSR performance (Delmas, Burbano, 2011; Marquis *et al.*, 2016; Tashman *et al.*, 2019). Existing literature has confirmed the adverse effects of CSR decoupling on corporations. On the one hand, society's ability to hold corporations accountable for their impacts on society is impaired when they do not provide transparent and complete accounts of their CSR initiatives (Cho *et al.*, 2015; Jamali, 2010). On the other hand, any detection of CSR decoupling poses a risk of undermining corporations' legitimacy (MacLean, Behnam, 2010; Tashman *et al.*, 2019), potentially leading to a decline in their market value (Hawn, Ioannou, 2016). Despite governments and regulatory authorities having implemented numerous laws to regulate corporate disclosure, it is undeniable that the problem of CSR decoupling is still commonplace and becoming more concealed, prompting scholars to investigate its antecedents. In general, executives and other stakeholders in information disclosure carefully evaluate the costs and benefits of implementing CSR decoupling, and subsequently employ strategic information disclosure approaches to maximize the benefits (Tashman *et al.*, 2019). Within this context, factors including social responsibility report assurance, board gender diversity regulations, and social responsibility committees significantly influence the cost-benefit trade-off in executives' implementation of strategic information disclosure (Zhang, 2022; Cristina, Beatriz, 2022; Liao *et al.*, 2018; Gull *et al.*, 2023). In other words, the prevailing approach in studying the antecedents of CSR decoupling is to analyze it from the perspective of formal institutions.

In summary, while current scholars have extensively examined the factors that contribute to CSR decoupling from various perspectives, most studies have predominantly focused on the perspective of formal institutions. However, there is a dearth of systematic research on CSR decoupling from the perspective of informal institutions such as culture and customs. Furthermore, while current research on the economic implications of Confucianism is relatively abundant, it primarily concentrates on aspects like business performance, R&D investment, philanthropic donations, and corporate internal control. It lacks proprietary studies on the connection between Confucianism and companies' misconduct, especially the

potential inhibitory effect of Confucianism on CSR decoupling. To address these research gaps, our research examines the intrinsic relationship between Confucianism and CSR decoupling, along with its potential mechanisms. We aim to provide new insights for regulators to mitigate and prevent CSR decoupling.

1.2 Research Hypothesis

As stated above, the essential factor determining whether a company implements CSR decoupling is the assessment of potential benefits compared with the potential costs of being exposed. During this process, executives are typically guided and constrained by formal and informal institutions, which further influence the occurrence of CSR decoupling (Ip, 2009; Zhang, 2022; Shahab *et al.*, 2022). As a significant informal institution, Confucianism is vital in offering moral guidance and behavioral norms for individuals and organizations, profoundly shaping corporate behaviors. Given the prevalence of CSR decoupling, Confucianism is posited to restrain executives' self-centered conduct and foster an ethical climate, thereby impacting their assessment of the cost-benefit trade-off related to CSR decoupling and ultimately inhibiting CSR decoupling. The specific reasons are as follows.

Firstly, the value of "Yi" emphasized by Confucianism has cultivated and developed modern Chinese business ethics, restraining executives' self-interested behaviors and diminishing their incentives to pursue undue benefits through strategic social responsibility information disclosure. Confucianism advocates the concept of "Yi," which places a high priority on the teaching of propriety and moral discipline. "*The Analects of Confucius: Shu Er*" articulates that "*Wealth and power attained through immoral means are to me as empty as floating clouds.*" Furthermore, as stated in "*Mencius Variorum: Gao Zi*," "*Life is what I desire. Yi is also what I desire. I give up life and take Yi when I cannot have both.*" The value of "Yi," like "righteousness" in English, encourages individuals to acquire legitimate benefits through legal means while also discouraging actions that harm the interests of others when pursuing personal benefits (Du, 2015; Liu, 1998; Tiwald, 2018). It is indisputable that executives engaging in CSR decoupling for personal benefits significantly harm investors' interests, undermine resource allocation efficiency, disrupt market order, and have adverse effects on the company's development (MacLean, Behnam, 2010; Tashman *et al.*, 2019; Hawn, Ioannou, 2016). Based on this reasoning, we contend that executives influenced by Confucianism will adhere to the value of "Yi" during the process of social responsibility information disclosure. This will diminish their enthusiasm for self-interested behavior, such as strategic social responsibility information disclosure, and consequently reduce their pursuit of potential benefits that may result from it. As a result, the quality of CSR information disclosure will undoubtedly improve, and the CSR decoupling will be inhibited.

Secondly, Confucianism emphasizes the value of "Nei Xiu" and the moral principle of "Zhong Xing", which contribute to the creation of a positive moral environment and subsequently raise the costs associated with executives engaging in CSR decoupling. "*The Analects of Confucius: Li Ren*" indicates that "*when we see a man of virtue and talent, we should consider equaling them. When we see a man of a contrary character, we should turn inwards and examine ourselves.*" The value of "Nei Xiu," like "self-cultivation" in English, advocates for personal moral improvement and cultivation through continuous learning. The value of "Nei Xiu" holds the belief that through individual efforts, every person can achieve higher levels of moral development and cultivation (Wong, 2006; Chen *et al.*, 2019). Additionally, as stated in "*The Analects of Confucius: Wei Zheng*," "*A man without credibility is unpredictable.*" The value of "Zhong Xing," which is like "loyalty and honesty"

in English, requires people to promote integrity in interpersonal relationships and improve their moral quality (Zhu, 2009; Zhu, 2013). Therefore, the value of “*Nei Xiu*” and the moral principle of “*Zhong Xing*” advocated by Confucianism will establish moral constraints and foster a positive moral environment. In such a moral environment, individuals are correspondingly encouraged to exercise discipline and mindfulness in their words and actions, thereby curbing or reducing desires and behaviors contrary to moral standards (Liu, 2020; Wang *et al.*, 2018).

We contend that executives are not solely driven by the pursuit of profit maximization as “economic beings,” but they are also bound by social norms as “moral beings.” Whether executives engage in strategic social responsibility information disclosure due to personal interests or external factors, their actions harm investors’ interests and disrupt market order, constituting fundamentally immoral behavior. In this context, the moral environment created by Confucianism has dual effects. On the one hand, it encourages individuals to consider the interests of others and cultivate their sense of altruism (Ji *et al.*, 2021). This magnifies the moral pressure and psychological cost of executives engaging in self-interested behaviors like CSR decoupling. On the other hand, the moral environment improves the information environment for executives and investors, reducing information transmission bias and costs (Cheng *et al.*, 2016; Tsai, Tsai, 2021), enhancing the possibility of detection of executives’ implementation of CSR decoupling, and ultimately increase the economic costs of violating social responsibility information disclosure regulations. As a result, the elevated costs of violating social responsibility information disclosure regulations force executives to disclose genuine CSR information objectively and promptly, inhibiting the unethical behavior of CSR decoupling. Consequently, we propose Hypothesis 1.

Hypothesis 1: Confucianism can inhibit CSR decoupling.

2. Research Design

2.1 Sample and Data

As the RKS ratings database, the most critical for measuring CSR decoupling, is only updated till 2019, we select Chinese A-listed companies from 2010 to 2019 as our initial sample. The data preparation process involves several steps: (1) we exclude firms from the financial industry and firm-year observations with missing data; (2) we eliminate the ST companies (Chinese special treatment); and (3) we exclude companies with an establishment time of less than one year. As a result, we obtain 6681 annual observations from 1068 companies. Regarding data sources, the CSR decoupling data is collected and calculated from the RKS ratings database. Data related to Confucianism is collected and organized manually, primarily from Google Earth. Other corporate governance and financial data come from the CSMAR database¹ and the Tong-Hua-Shun database². Additionally, we cross-check suspicious data with financial reports and information statements to ensure accuracy. To eliminate the influence of extreme values, we winsorize all continuous variables at the 1% and 99% levels.

¹ CSMAR database is China’s largest and most famous database on economics and business.

² Tong-Hua-Shun database is a famous Chinese financial database focusing on the stock market.

2.2 Variable Measurement

2.2.1 Independent Variables

Considering the specific situation of the Chinese market, we adopt the definition of CSR decoupling provided by García-Sánchez *et al.* (2020) and Zhong *et al.* (2022). According to their study, CSR decoupling is the disparity between corporate social responsibility disclosure (CSD) and corporate social responsibility performance (CSP). In line with Liao *et al.* (2019), we utilize the technical dimension score (T-score) and content dimension score (C-score) from the RKS ratings as proxy variables for CSD and CSP, respectively. Both variables are normalized on a scale ranging from 0 to 1 to ensure comparability between CSD and CSP. The discrepancy between CSD and CSP is thus employed as a proxy variable for CSR decoupling.

2.2.2 Dependent Variables

Referring to Du *et al.* (2015, 2016), we utilize the geographic distance between the company's place of incorporation and the Confucian cultural centers to quantify the impact of Confucianism (CONFU) on the company. This measurement has been widely recognized by scholars and has been used many times in articles above top journals such as Journal of Business Ethic, which has a certain authority. We also utilize a variety of ways to verify the reliability of our conclusions in our subsequent robustness tests. To measure Confucianism, we follow these steps: First, we collect the latitude and longitude coordinates of the company's place of incorporation, as well as the Confucian cultural centers, using Google Maps. Second, we calculate the geographic distances between the companies' place of incorporation and the seven Confucian cultural centers, and then calculate the mean distance (DIS). Finally, we quantify Confucianism using the following formula: $CONFU = (Max_DIS - DIS) / (Max_DIS - Min_DIS)$, where Max_DIS and Min_DIS represent the maximum and minimum DIS values among all listed companies in the same year. A higher value of CONFU reflects a more significant impact of Confucianism on the company.

2.2.3 Control Variables

Based on existing literature, we also incorporate other relevant variables that could influence CSR decoupling.

Table 1. Variable measurement

Variables	Measurement
DECOUPLING	The discrepancy between CSD and CSP
CONFU	The geographical distance between the company's place of incorporation and the Confucian cultural centers
ROA	Net profit divided by average total assets
AGE	Natural log of the number of years since the establishment of the company
GR	Growth rate of total operating revenue
SIZE	Natural log of the total assets of the company
MR	Annual earnings of stocks in the company
MHR	The proportion of company stocks held by executives
LEV	Liabilities divided by Total Assets
IDR	Number of independent directors divided by total number of directors
OWN	SOEs are 1, while non-SOEs are 0

Source: created by the authors.

These variables include return on assets, firm age, debt-to-asset ratio, the proportion of independent directors, the proportion of management shareholding, firm growth, firm size, stock market returns, and ownership (Gull *et al.*, 2023; Zhang, 2022; Feng *et al.*, 2021). *Table 1* provides the symbols and measurements associated with these variables.

2.3 Model Design

To test *Hypothesis 1*, we construct the following model to assess the impact of Confucianism on CSR decoupling. The model incorporates both year and firm effects in the regression analysis. Referring to Petersen (2008), t-statistics are clustered at the firm and year level.

$$DECOUPLING_{i,t} = \alpha_0 + \beta_1 CONFU_{i,t} + \sum \beta_j Control_{i,t} + \varepsilon_{i,t} \quad (1)$$

3. Empirical Results

3.1 Descriptive Statistics

Table 2 shows the descriptive statistics of the main variables. From the descriptive statistics, CSR decoupling has a mean of -0.051, a median of -0.057, and a standard deviation of 0.116, indicating a significant difference in the social responsibility information disclosure violations among different companies. CONFU has a mean of 0.869, closer to Du's conclusion (Du, 2016). The distribution of other variables is within a reasonable range.

Table 2. Descriptive statistics

Variables	Obs	Mean	SD	Min	Median	Max
DECOUPLING	6681	-0.051	0.116	-0.626	-0.057	0.539
CONFU	6681	0.869	0.128	0.043	0.887	0.999
ROA	6681	0.036	0.077	-2.071	0.032	0.509
AGE	6681	2.467	0.617	0.000	2.639	3.401
GR	6681	0.397	1.300	-3.798	0.124	19.569
SIZE	6681	23.329	1.657	18.491	23.129	31.036
MR	6681	0.176	0.619	-9.569	0.000	17.903
LEV	6681	0.511	0.214	0.009	0.519	2.302
MHR	6681	0.022	0.079	0.000	0.000	0.795
IDR	6681	0.375	0.060	0.000	0.364	0.800
OWN	6681	0.038	0.191	0.000	0.000	1.000

Source: own calculations.

3.2 Baseline Regression Results

Table 3 displays the results of the main effect regression analysis. Model 1 is the baseline model containing only control variables. Model 2 introduces Confucianism based on Model 1. As shown in Model 2, the coefficient of Confucianism is -0.577 and significant at the 1% level. This indicates that Confucianism can inhibit CSR decoupling, supporting *Hypothesis 1*.

Table 3. Baseline regression model

Variables	DECOUPLING	
	Model 1	Model 2
CONFU		-0.577*** (0.037)
ROA	0.012 (0.021)	0.003 (0.020)
AGE	-0.001 (0.008)	0.003 (0.008)
GR	0.000 (0.001)	0.001 (0.001)
SIZE	-0.017*** (0.004)	-0.020*** (0.003)
MR	-0.001 (0.003)	-0.000 (0.003)
LEV	0.023* (0.014)	0.017 (0.014)
MHR	-0.014 (0.030)	-0.000 (0.030)
IDR	0.013 (0.029)	0.017 (0.028)
OWN	0.004 (0.009)	0.005 (0.009)
_cons	0.259*** (0.079)	0.831*** (0.086)
Firm FE	Yes	Yes
Year FE	Yes	Yes
<i>N</i>	6681	6681
adj. <i>R</i> ²	0.271	0.300
<i>F</i>	115.26***	126.33***

Notes: standard errors in parentheses; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Source: own calculations.

4. Endogeneity Tests and Robustness Tests

4.1 Endogeneity Tests

4.1.1 Two-Stage Least Squares Regression Analysis

The baseline regression model may be subject to potential endogeneity. To address this possible problem, we employ a two-stage least squares regression analysis to mitigate the potential endogeneity. Referring to Du (2013, 2015), we select the number of Confucian temples within a 100-kilometer radius of the company's place of incorporation as an instrumental variable. The rationale for using Confucian temples as the instrumental variable can be summarized in two main points. Firstly, it satisfies the correlation requirement for an instrumental variable. In ancient times, residents spontaneously constructed Confucian temples, and the number of these temples directly indicates the recognition and adherence of local people to Confucianism. Consequently, a more significant number of Confucian temples in a region implies a greater influence of Confucianism. Therefore, the correlation between the Confucian temple and Confucianism meets the requirement for an instrumental variable. Secondly, it fulfills the exogeneity requirement for an instrumental variable. As a purely exogenous variable, the number of Confucian temples in the region where the company is

situated remains unaffected by CSR decoupling. It also does not exert any influence on CSR decoupling through alternative channels. Therefore, the number of Confucian temples satisfies the exogeneity requirement for an instrumental variable.

Table 4 presents the outcomes of the two-stage least squares regression analysis for Model 3 and Model 4. In the first stage estimation, the F-statistic value of the weak instrumental variable test is 20.20, surpassing the empirical threshold of 10, indicating no weak instrumental variable problem. In the second stage estimation, the Anderson LM statistic is 20.19 ($p < 0.01$), and the Cragg-Donald Wald F-statistic is 20.20 (greater than the critical value of 16.38), both indicating there is no weak instrumental variable problem as well. The regression coefficients of Confucianism are still significant at the 1% level, consistent with the above findings. Consequently, our conclusions remain robust even after considering possible endogeneity problems.

Table 4. Endogeneity tests

Variables	First-stage	Second-stage	First-stage	Second-stage
	Model 3	Model 4	Model 5	Model 6
CONFU		-2.156*** (0.715)		-0.581*** (0.039)
IV	0.006*** (0.001)			
ROA	-0.015** (0.007)	-0.021 (0.026)	0.495*** (0.071)	-0.034* (0.018)
AGE	0.007** (0.003)	0.013 (0.010)	0.367*** (0.017)	-0.032*** (0.010)
GR	0.001** (0.000)	0.002* (0.001)	-0.036*** (0.006)	0.003*** (0.001)
SIZE	-0.006*** (0.001)	-0.030*** (0.006)	0.586*** (0.011)	-0.056*** (0.007)
MR	0.001 (0.001)	0.002 (0.003)	-0.253*** (0.017)	0.020* (0.004)
MHR	0.023** (0.011)	0.036 (0.038)	-1.334*** (0.106)	0.142*** (0.031)
LEV	-0.011** (0.005)	-0.001 (0.017)	-0.766*** (0.061)	0.074*** (0.016)
IDR	0.006 (0.010)	0.028 (0.033)	0.117*** (0.199)	0.020*** (0.030)
OWN	0.002 (0.003)	0.010 (0.010)	0.525*** (0.088)	-0.026** (0.011)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
N	6681	6681	20015	6681
F	20.20***	86.79***		
Wald chi2				11220.26***
Anderson LM statistic	20.19***	20.19***		
Cragg-Donald F statistics	20.20***	20.20***		
IMR				-0.111*** (0.017)

Notes: standard errors in parentheses; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Source: own calculations.

4.1.2 Heckman Two-stage Selection Model

Since the RKS database only assigns CSR ratings to listed companies that disclose CSR reports, those listed companies that do not disclose CSR reports are not included in our sample for regression, which may lead to the sample selection bias problem. We employ the Heckman two-stage selection model to examine the possible endogeneity stemming from this sample selection bias (Heckman, 1979). The procedure entails the following steps: In the first stage, taking all listed companies in China as the sample, we construct a probit model of whether firms disclose CSR reports and calculate the Inverse Mills Ratio (IMR). On the one hand, we construct a dummy variable named CSRDummy, set at 1 for companies that disclose CSR reports and 0 otherwise. On the other hand, referring to the existing studies, we construct a regression model with CSRDummy as the dependent variable. The independent variables consist of return on assets, firm age, firm growth, firm size, return on stock, gearing, management shareholding, proportion of independent directors, and ownership. By utilizing this model, we obtain the IMR. In the second stage, we incorporate the IMR as a control variable into the baseline regression model to rectify the potential sample selection bias problem.

The outcomes of the Heckman two-stage selection model are presented in Model 5 and Model 6 in *Table 4*. The first-stage regression demonstrates a significantly positive correlation between the variables and CSR disclosure. In the second stage, after controlling the IMR, the coefficient of Confucianism remains significant at the 1% level, with no noteworthy changes in its value compared with the result of the baseline regression model. This finding further strengthens Hypothesis 1, providing robustness to our research results even after considering the potential sample selection bias problem.

4.2 Robustness Tests

4.2.1 Alternative Measurements for Confucianism

Referring to Gu (2015), we also adopt the number of Confucian academies and Confucian schools in the region where the companies are located as proxy variables for Confucianism. To obtain these data, we manually collect the names and addresses of Confucian academies and Confucian schools from various regions using the “Chinese Academy History Database”. Subsequently, we calculate the number of Confucian academies and schools in each city. By re-conducting the baseline regression model, the outcomes are presented in Model 7 and Model 8. It indicates that Confucianism still significantly inhibits CSR decoupling, consistent with the above findings.

Table 5. Robustness Tests

Variables	DECOUPLING	DECOUPLING	DECOUPLING	DECOUPLING	DECOUPLING	DECOUPLING
	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
CONFU			-3.858** (1.709)	-0.636*** (0.039)	-0.218*** (0.057)	-0.549*** (0.040)
CONFU_SCHOOL	-0.005** (0.002)					
CONFU_ACADEMY		-0.010*** (0.002)				

Table 5 (continuation). Robustness Tests

Variables	DECOUPLING	DECOUPLING	DECOUPLING 2	DECOUPLING	DECOUPLING	DECOUPLING
	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
ROA	0.013 (0.021)	0.012 (0.021)	1.586 (1.219)	0.021 (0.023)	0.001 (0.023)	0.007 (0.021)
AGE	-0.002 (0.008)	-0.002 (0.008)	0.522 (0.367)	0.022** (0.009)	0.008 (0.008)	0.004 (0.008)
GR	0.000 (0.001)	0.000 (0.001)	-0.042 (0.057)	0.002 (0.001)	0.001 (0.001)	0.001 (0.001)
SIZE	-0.016*** (0.004)	-0.016*** (0.004)	-0.375** (0.182)	-0.024*** (0.004)	-0.024*** (0.004)	-0.017*** (0.004)
MR	-0.001 (0.003)	-0.001 (0.003)	-0.100 (0.230)	0.001 (0.003)	-0.001 (0.003)	-0.000 (0.003)
LEV	0.026* (0.014)	0.025* (0.014)	1.167 (0.748)	0.020 (0.015)	0.015 (0.014)	0.019 (0.014)
MHR	-0.014 (0.030)	-0.014 (0.030)	2.027 (2.385)	0.004 (0.039)	0.001 (0.029)	-0.008 (0.030)
IDR	0.014 (0.029)	0.016 (0.029)	2.190* (1.272)	0.014 (0.035)	-0.002 (0.028)	0.038 (0.028)
OWN	0.005 (0.009)	0.006 (0.009)	0.358 (0.350)	0.001 (0.011)	0.008 (0.009)	0.007 (0.009)
_cons	0.284*** (0.080)	0.336*** (0.081)		0.922*** (0.094)	0.599*** (0.096)	1.066*** (0.141)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	No	No	No	No	No	Yes
Province FE	No	No	No	No	No	Yes
<i>N</i>	6681	6681	6681	4567	6373	6681
adj. <i>R</i> ²	0.271	0.273		0.353	0.293	0.322
<i>F</i>	109.58***	110.67***		109.27***	116.43***	32.01***
Log likelihood			-905.18			
LR chi2			129.64***			

Notes: standard errors in parentheses; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Source: own calculations.

4.2.2 Alternative Measurements for CSR Decoupling

Firstly, we conduct a five-point quantile transformation on the technical dimension score (T-score) and content dimension score (C-score) in the RKS ratings, obtaining two sets of values ranging from 0 to 5. These transformed values serve as new proxy variables for corporate social responsibility disclosure (CSD) and corporate social responsibility performance (CSP). Secondly, the disparity between CSD and CSP is used as a new proxy variable for CSR decoupling (DECOUPLING2). Since the value of DECOUPLING2 becomes an integer ranging from -5 to 5, we reevaluate the baseline regression model utilizing a logit model. The outcomes, presented in Model 9 of Table 5, demonstrate that Confucianism still exerts a significant inhibitory effect on CSR decoupling.

4.2.3 Alternative Samples Excluding Developed or Minority-Inhabited Cities

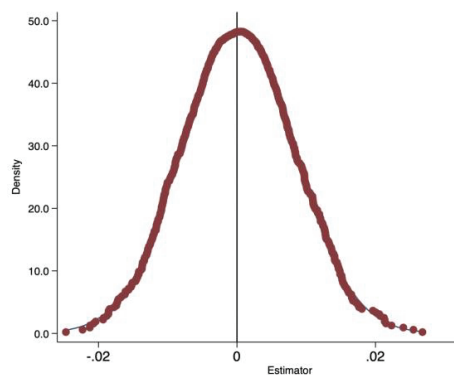
Firstly, referring to Du (2016), we exclude samples with headquarters in Beijing and Shanghai from our analysis. This decision is based on the understanding that Beijing served as the political center of feudal China, while Shanghai experienced more substantial from Western culture during the modern era. Consequently, Beijing and Shanghai may exhibit different impacts from Confucianism than other areas. The results, as displayed in Model 10 of *Table 5*, demonstrate that the regression coefficient of Confucianism remains significant. Secondly, considering the unique cultures and customs present in China's ethnic minority regions, we argue that the influence of Confucianism on these areas is relatively diminished. To address this problem, we exclude samples from the minority-inhabited regions of Tibet, Xinjiang, Guangxi, Ningxia, Qinghai, and Inner Mongolia. Model 11 in *Table 5* reveals that the coefficient of Confucianism remains significant and can still inhibit CSR decoupling.

4.2.4 Controlling for Industry Fixed Effect and Region Fixed Effect

For alleviation of the concern on industry-level and region-level time-invariant missing variables not included in the regression model, industry-level fixed effects and region-level fixed effects are controlled in the regression analysis (Shahab *et al.*, 2021; Tsang *et al.*, 2019). As presented in Model 12 of *Table 5*, the regression coefficient of Confucianism is -0.549 and significant at the 1% level, which supports our main conclusions.

4.2.5 Placebo Test

We randomly assign Confucianism to each firm-year observation and re-examine the baseline regression model. If the main regression remains significant, the relationship between Confucianism and CSR decoupling will lose statistical significance. To address this concern, we conduct 1000 placebo tests described above and draw the distribution of the regression coefficients of virtual CSR decoupling. In *Figure 1*, the distribution is symmetric in the graph about the vertical line over the origin, implying that the expectation value of the regression coefficient of the virtual CSR decoupling will not be different from 0. This indicates that the virtual relationship between Confucianism and CSR decoupling does not exist, and our conclusion remains robust.



Source: created by the authors.

Figure 1. Placebo Test

5. Additional Analysis

5.1 *The Substitution Effect of Internal Control Quality and Legal Environment*

New institutional economics subdivides the institutional environment into two key components: formal and informal institutions. Both types of institutions can significantly influence companies' decisions and behaviors (Bentkowska, 2021; Dau *et al.*, 2022). In conjunction with existing research, both formal institutions, such as regulations, and informal institutions, such as Confucianism, have inhibitory effects on CSR decoupling. Therefore, it is worth discussing and analyzing whether there is a substitution or complementary relationship between Confucianism as an informal institution and formal institutions, which include internal control quality within companies and the legal environment outside companies.

5.1.1 *The Substitution Effect of Internal Control Quality on Confucianism*

In the internal environment of companies, internal control serves as a vital governance institution that companies prioritize building. It ensures the reliability of financial reports, the dissemination of high-quality corporate information, and the enhancement of corporate management efficiency (Feng *et al.*, 2009; Altamuro, Beatty, 2010). We propose that the internal control quality of companies may influence the relationship between Confucianism and CSR decoupling.

Firstly, effective internal control enhances companies' internal and external information environment, enabling stakeholders to comprehensively understand companies' information collection, processing, and dissemination. This improvement enhances the reliability of social responsibility reports and the transparency of corporate information, thereby reducing information asymmetry between companies and stakeholders (Krishnan, 2005; Doyle *et al.*, 2021). Moreover, effective internal control enables timely detection and correction of social responsibility information disclosure violations, constraining executives' ability to engage in opportunistic behaviors. Even if the company has social responsibility information disclosure violations, through effective internal control, they can be detected and corrected promptly, which undoubtedly compresses the space for executives to implement opportunistic behaviors. Secondly, effective internal control can establish a substantial reward and punishment institution as well as a behavioral constraint mechanism, forming a prevention-control-correction regulatory institution covering the whole process. This regulatory institution enables timely prevention, control, and correction of major defects in social responsibility disclosures (Feng *et al.*, 2009; Cheng *et al.*, 2018), dissuading fraudulent disclosure and reducing the possibility of CSR decoupling. Consequently, effective internal control can significantly reduce the possibility of social responsibility information disclosure violations, reducing the space and opportunity for Confucianism to exert regulatory effects on CSR decoupling.

The internal control quality (ICQ) is measured by dividing the Dibo internal control index by 100, which alleviates the concern over a relatively scattered distribution of the index (Wang *et al.*, 2018; Li *et al.*, 2021). The Dibo internal control index is a measurement of the internal control efficiency at the aggregate level of a company in a given fiscal year. Models 13 and Model 14 in *Table 6* present test results regarding the substitution effect of the internal control quality. In Model 13, the coefficients of Confucianism and internal control quality are significantly negative. Model 14 incorporates an interaction term based on Model 13. The coefficient of the interaction term is 0.04, which is significant at the 1% level, and the

adjusted R-squared increases. It indicates that internal control quality negatively moderates the relationship between Confucianism and CSR decoupling. This can be attributed to the fact that effective internal control can constrain and supervise executives' power, enhance the quality of information disclosure, and deter rent-seeking and arbitrage behavior among executives. In such circumstances, the effect of Confucianism on CSR decoupling is significantly diminished, implying that the internal control of companies weakens the inhibitory effect of Confucianism on CSR decoupling.

Table 6. The substitution effect of internal control quality and legal environment

Variables	DECOUPLING	DECOUPLING	DECOUPLING	DECOUPLING
	Model 13	Model 14	Model 15	Model 16
CONFU	-0.558*** (0.038)	-0.741*** (0.046)	-0.565*** (0.038)	-0.574*** (0.038)
ICQ	-0.004*** (0.001)	-0.038*** (0.005)		
LE			-0.002** (0.001)	-0.006** (0.002)
ICQ*CONFU		0.040*** (0.006)		
LE*CONFU				0.005* (0.003)
ROA	0.023 (0.021)	0.022 (0.021)	0.003 (0.020)	0.001 (0.020)
AGE	0.004 (0.008)	0.006 (0.008)	0.003 (0.008)	0.003 (0.008)
GR	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
SIZE	-0.019*** (0.003)	-0.019*** (0.003)	-0.020*** (0.003)	-0.020*** (0.003)
MR	-0.000 (0.003)	-0.001 (0.003)	-0.000 (0.003)	-0.000 (0.003)
LEV	0.015 (0.013)	0.014 (0.013)	0.017 (0.014)	0.017 (0.013)
MHR	0.004 (0.030)	0.001 (0.030)	-0.001 (0.030)	0.000 (0.030)
IDR	0.017 (0.028)	0.018 (0.028)	0.017 (0.028)	0.018 (0.028)
OWN	0.006 (0.009)	0.007 (0.009)	0.006 (0.009)	0.006 (0.009)
_cons	0.805*** (0.086)	0.964*** (0.089)	0.827*** (0.086)	0.837*** (0.086)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
N	6681	6681	6681	6681
adj. R ²	0.302	0.308	0.301	0.301
F	121.19***	118.46***	120.33***	114.79***

Notes: standard errors in parentheses; * p < 0.1, ** p < 0.05, *** p < 0.01.

Source: own calculations.

5.1.2 The Substitution Effect of Legal Environment on Confucianism

Regarding the external environment of companies, China is a vast and geographically extensive country, and the legal environment is not consistent across regions (Dong *et al.*, 2018). Social responsibility disclosure violations are influenced not only by the

professionalism and motivation of executives to violate the law but also by the probability of fraud being detected and the severity of punishment (Bologna, Lindquist, 1995). On the one hand, when companies operate in regions with a stronger legal environment, the laws and regulations concerning information disclosure are more comprehensive, the methods and procedures of information disclosure are more precise, and the company is obliged to adhere to strict regulatory constraints (Short, Toffel, 2010; Wang, 2018). Consequently, the possibility of CSR decoupling being detected, as well as the implications of breaching social responsibility disclosure regulations, are relatively elevated in such circumstances. On the other hand, regions with a strong legal environment tend to exhibit higher levels of market competition and information transparency (Durnev, Kim, 2005; Feng *et al.*, 2021; Li, Zhu, 2021). The space and opportunity for strategic manipulation of social responsibility information disclosure by executives will thus be significantly compressed. In this case, companies will adhere strictly to social responsibility information disclosure regulations and principles, thereby attenuating the inhibitory effect of Confucianism on companies' information disclosure violations. In other words, a strong legal environment diminishes the inhibitory effect of Confucianism on CSR decoupling.

Our research utilizes the "China Marketization Index database" developed by Fan and Wang (Fan *et al.*, 2019; Wang *et al.*, 2019; Fan *et al.*, 2003). The legal environment index is used as a proxy variable for assessing the state of the legal environment (LE) in different regions. *Table 6* displays the test results regarding the substitution effect of the legal environment. In Model 15, the coefficients of Confucianism and the legal environment are significantly negative. Model 16 introduces an interaction term based on Model 15. The coefficient of the interaction term is 0.005, which is significant at the 10% level, and the adjusted R-square increases. This indicates that the legal environment negatively moderates the relationship between Confucianism and CSR decoupling. It demonstrates that regions with a stronger legal environment tend to have relatively well-developed formal institutions, such as laws and regulations. Additionally, CSR decoupling is relatively reduced even without the influence of informal institutions like Confucianism. In other words, in regions with a stronger legal environment, the impact of Confucianism on CSR decoupling is relatively weaker.

In summary, it is evident that the informal institution (Confucianism) and the formal institution (the legal environment and the internal control) show a substitution relationship in inhibiting CSR decoupling.

5.2 Mechanism Test

5.2.1 Mitigating Managerial Myopia

As "*The Analects of Confucius: Zi Lu*" states, "*haste makes waste. If a person only sees small gains, she/he will not accomplish great tasks.*" "*The Zuo Zhuan: Xiang Gong*" also indicates that "*The gentleman seeks to understand the distant and grand, while the petty person only cares about what is near and small.*" Confucianism emphasizes the importance of individuals not restricting themselves to present benefits and gains but adopting a long-term perspective and addressing future challenges (Hofstede, Bond, 1988; Ip, 2009). We contend that Confucianism can mitigate managerial myopia, diminish managers' motivation to implement CSR decoupling, and decrease the possibility of CSR decoupling. Therefore, managerial myopia can serve as a potential mechanism through which Confucianism inhibits CSR decoupling.

Language can reflect a person's perceptions, preferences, and personality (Webb *et al.*, 1966). Researchers can capture their idiosyncrasies by analyzing the types and frequency of words individuals use (Miller, Ross, 1975; Pennebaker *et al.*, 2003). Drawing from this research paradigm, we focus on the MD&A section of annual reports from Chinese A-listed companies. Firstly, referring to Brochet *et al.* (2015), we establish a myopia lexicon in Chinese through text analysis (Li, 2010) and machine learning. Secondly, we assess the internal consistency reliability and perform variance analysis to verify the lexicon's ability to effectively capture managers' inherent myopia. Finally, we calculate the ratio of the total word frequency of managerial myopia to the total word frequency of MD&A and thus obtain the proxy variable for managerial myopia (MM).

Table 7. Mechanism test

Variables	MM	DECOUPLING	DECOUPLING	EC	DECOUPLING	DECOUPLING
	Model 17	Model 18	Model 19	Model 20	Model 21	Model 22
CONFU	-0.445*** (0.032)		-0.559*** (0.038)	-0.436*** (0.025)		-0.529*** (0.038)
MM		0.082*** (0.016)	0.040** (0.016)			
EC					0.174*** (0.020)	0.110*** (0.020)
ROA	-0.041** (0.017)	0.015 (0.021)	0.005 (0.020)	0.074*** (0.013)	-0.002 (0.021)	-0.005 (0.020)
AGE	0.015** (0.007)	-0.002 (0.008)	0.002 (0.008)	-0.054*** (0.005)	0.009 (0.008)	0.009 (0.008)
GR	-0.000 (0.001)	0.001 (0.001)	0.001 (0.001)	0.002*** (0.001)	0.000 (0.001)	0.001 (0.001)
SIZE	0.001 (0.003)	-0.017*** (0.004)	-0.020*** (0.003)	0.003 (0.002)	-0.018*** (0.004)	-0.021*** (0.003)
MR	-0.001 (0.002)	-0.001 (0.003)	-0.000 (0.003)	-0.003* (0.002)	-0.000 (0.003)	0.000 (0.003)
LEV	0.004 (0.011)	0.023 (0.014)	0.017 (0.013)	0.068*** (0.009)	0.011 (0.014)	0.010 (0.014)
MHR	0.007 (0.025)	-0.013 (0.030)	-0.001 (0.030)	0.066*** (0.020)	-0.023 (0.030)	-0.008 (0.030)
IDR	0.038 (0.024)	0.010 (0.029)	0.015 (0.028)	0.007 (0.019)	0.012 (0.028)	0.016 (0.028)
OWN	-0.025*** (0.007)	0.006 (0.009)	0.006 (0.009)	0.008 (0.006)	0.003 (0.009)	0.005 (0.009)
_cons	0.432*** (0.073)	0.259*** (0.079)	0.813*** (0.086)	0.756*** (0.057)	0.202** (0.079)	0.748*** (0.087)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	6681	6681	6681	6681	6681	6681
adj. R ²	0.088	0.274	0.301	0.166	0.280	0.304
F	28.25***	111.15***	120.45***	58.45***	114.61***	122.09***

Notes: standard errors in parentheses; * p < 0.1, ** p < 0.05, *** p < 0.01.

Source: own calculations.

Referring to Baron and Kenny (1986), we employ hierarchical regression analysis to examine the mediation effect, with the specific results presented in Table 7. In Model 17, the regression coefficient of managerial myopia is significantly negative (p<0.01), indicating that Confucianism can mitigate managerial myopia. In Model 18, the regression coefficient of managerial myopia is 0.082 and significant at the 1% level, suggesting that managerial

myopia can lead to CSR decoupling. In Model 19, Confucianism and managerial myopia are put into one model. Both coefficients are significant at the 1% and 5% levels, suggesting that managerial myopia mediates the relationship between Confucianism and CSR decoupling. To further verify the mediating effect, we conducted a Sobel test to determine the significance of the indirect effect. The results show that the absolute value of the Z-statistic is -2.497, which is significant at the 5% level. Consequently, we contend that the effect of Confucianism on CSR decoupling is partly realized through inhibiting managerial myopia.

5.2.2 Decreasing Equity Concentration

Among the five fundamental moral norms of Confucianism, “*Ren*” holds a central position. “*Ren*,” like “Benevolence” in English, is considered the primary ethical principle in Confucianism (Wu, 2013). “*Ren*” forms the central concept in psychology for dealing with human relationships and social connections. Due to the unequal distribution of resources in Chinese traditional society, Confucianism advocates equality for all and seeks to coordinate relationships among various parties based on equality (Li *et al.*, 2023; Zhang *et al.*, 2021), calling on resolving potential issues through equal consultation. In “*The Analects of Confucius: Ji Shi*,” it is pointed out that “*All with poverty do not matter, but rather an inequality of wealth distribution.*” Confucianism also condemns the situation where “*the rich have continuous fields and gardens, while the poor have no place to stand.*” These reflect the Confucian principle of “*Zhong Shu*”, like “loyalty and forgiveness” in English, which fundamentally emphasizes the equal relationship between “self” and “others.” Due to the constraints of this moral norm, Confucianism significantly impacts the distribution of equity in contemporary listed companies. We argue that Confucianism can decrease equity concentration, and with more dispersed equity, it significantly reduces managers’ opportunistic behavior stemming from excessive power and decreases the possibility of CSR decoupling. Therefore, equity concentration can serve as a potential mechanism through which Confucianism inhibits CSR decoupling.

Referring to Zhang *et al.* (2021) and Liu *et al.* (2020), we use the ratio of the number of shares held by a company’s top 10 shareholders to the total number of shares of the listed company as a proxy variable for equity concentration (MM). The specific results of the mediating effect are shown in Table 7. In Model 20, the coefficient of equity concentration is significantly negative at the 1% level, indicating that Confucianism can inhibit the equity concentration of the company. In Model 21, the coefficient of equity concentration is 0.174 and is significant at the 1% level, which suggests that equity concentration can lead to CSR decoupling. In model 22, Confucianism and equity concentration are put into one model. The coefficients of Confucianism and equity concentration are both still significant at the 1% level, suggesting that equity concentration mediates the relationship between Confucianism and CSR decoupling. Furthermore, the Sobel test shows that the absolute value of the Z-statistic is -5.181, which is significant at the 1% level. Consequently, we contend that the effect of Confucianism on CSR decoupling is partly realized through decreasing equity concentration.

5.3 Heterogeneity Analysis

5.3.1 Culture Shock

Since 1840, China's politics, economy, and culture have experienced varying degrees of impact and challenges from Western values. Specifically, Chinese traditional culture, predominantly influenced by Confucianism, and Western culture represented by Christianity, belong to distinct cultural systems, resulting in an inevitable culture conflict. For instance, Confucianism emphasizes collectivism and the value of righteousness rather than profit-orientation. It advocates for harmony and benevolence. Conversely, Western culture highlights individualism, competition, and efficiency, often focusing on profit-oriented motives (Hofstede, Bond, 1988; Ip, 2009). Culture conflicts can lead to either cultural replacement or mutual integration, resulting in the emergence of a new cultural model (Weber, Schweiger, 1992; Gelfand *et al.*, 2012). In either scenario, the influence of Confucianism is inevitably weakened by the impact of Western culture, as evidenced by the marginalization of Confucianism following the Sino-Japanese War in 1894 (Meissner, 2006). Therefore, we contend that the inhibitory effect of Confucianism on CSR decoupling is more evident in regions with lower levels of culture shock.

Table 8. Heterogeneity Analysis

Variables	Mild	Intense	Worse	Better	Non-SOEs	SOEs
	Model 23	Model 24	Model 25	Model 26	Model 27	Model 28
CONFU	-0.635*** (0.043)	-0.600*** (0.089)	-0.680*** (0.054)	-0.531*** (0.058)	-0.524*** (0.040)	-1.061*** (0.110)
ROA	0.007 (0.024)	-0.032 (0.038)	-0.021 (0.027)	-0.024 (0.059)	0.008 (0.022)	-0.060 (0.101)
AGE	0.014 (0.011)	-0.009 (0.012)	-0.016 (0.014)	0.032*** (0.011)	0.003 (0.008)	-0.023 (0.051)
GR	0.001 (0.001)	0.000 (0.001)	0.001 (0.001)	0.000 (0.002)	0.001 (0.001)	0.007 (0.004)
SIZE	-0.025*** (0.004)	-0.012** (0.006)	-0.021*** (0.005)	-0.010 (0.007)	-0.020*** (0.004)	-0.048** (0.020)
MR	0.001 (0.004)	-0.002 (0.004)	-0.006 (0.006)	0.002 (0.004)	-0.001 (0.003)	0.113 (0.127)
LEV	0.021 (0.017)	-0.003 (0.022)	0.027 (0.019)	-0.035 (0.024)	0.013 (0.014)	-0.011 (0.108)
MHR	0.007 (0.041)	-0.014 (0.043)	-0.064 (0.061)	0.042 (0.042)	-0.001 (0.030)	73.952 (145.092)
IDR	0.030 (0.036)	-0.024 (0.044)	0.021 (0.039)	0.043 (0.047)	0.012 (0.029)	-0.478* (0.257)
OWN	0.019* (0.010)	-0.024 (0.016)	-0.010 (0.014)	0.009 (0.012)		
_cons	0.940*** (0.107)	0.741*** (0.155)	0.963*** (0.128)	0.530*** (0.165)	0.774*** (0.090)	2.130*** (0.464)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
N	3865	2816	3618	3063	6426	255
adj. R ²	0.329	0.271	0.306	0.304	0.296	0.584
F	83.39***	45.69***	65.30***	52.42***	125.65***	10.22***

Notes: standard errors in parentheses; * p < 0.1, ** p < 0.05, *** p < 0.01.

Source: own calculations.

In 1980, the Chinese government established four special economic zones (SEZs) - Shenzhen, Zhuhai, Xiamen, and Shantou. Later, in 1984, fourteen coastal cities, such as Shanghai, Dalian, and Tsingtao, were opened to international trade. These cities were pioneers in international engagements and experienced a more significant influence from foreign cultures than other Chinese cities. Thus, we measure the degree of regional openness where each company is located to determine the level of culture shock. Specifically, we categorize companies in the four special economic zones and the fourteen coastal open cities as the intense culture shock group, while the rest are classified as the mild culture shock group. The regression results are displayed in Model 23 and Model 24, presented in *Table 8*. Whether the culture shock is intense or mild, Confucianism still significantly inhibits CSR decoupling. Additionally, the absolute value of the regression coefficient for Confucianism in the intense culture shock group is significantly smaller than that in the mild culture shock group. Furthermore, the difference in coefficients between the two groups has been statistically verified through the SUEST test ($p < 0.01$). This indicates that Confucianism has a more substantial inhibitory effect on CSR decoupling in regions with lower levels of culture shock.

5.3.2 Operating Conditions

Throughout history, Confucianism has emphasized the moral conduct of leaders when the collective encounters a crisis. This moral expectation frequently finds expression in Confucian classics and the poetic works of sages. For example, "*The Analects of Confucius: Zi Han*" articulates that "*Only when the weather turns cold can we see that the leaves of pines and cypresses are the last to wither and fall. Only in the most dangerous times of a country can we see who the real hero is.*" Furthermore, as "*The White Horse: Cao Zhi*" states, "*The state at stake, he would give his last breath. Would a homegoing soul fear to face death?*" Confucianism requires individuals to maintain noble virtues even in times of danger and adversity. Therefore, it is worth exploring whether executives, who are influenced by Confucianism, are likely to abandon ethics norms and engage in misconduct such as internal manipulation and strategic social responsibility information disclosure to aid the company during unfavorable operating conditions.

To solve this question, we categorize all samples into two groups based on company profitability. Specifically, we use the mean value of ROA as a benchmark, classifying those equal to or above the mean as the better-operating group and those below the mean as the worse-operating group. The regression results are displayed in Model 25 and Model 26, presented in *Table 8*. Whether the operating condition is better or worse, Confucianism still significantly inhibits CSR decoupling. Furthermore, the absolute value of the regression coefficient for Confucianism in the group with better-operating conditions is significantly smaller than that in the group with worse-operating conditions, and the difference in coefficients between the two groups has been statistically verified through the SUEST test ($p < 0.01$). This finding suggests that Confucianism is more effective in inhibiting CSR decoupling when companies face unfavorable operating conditions.

5.3.3 Ownership

China's economy displays a typical dualistic characteristic, with state-owned enterprises (SOEs) and non-state-owned enterprises (non-SOEs) differing in their institutional environment and market status. These differences may influence the inhibitory effect of Confucianism on CSR decoupling. Numerous studies indicate that the ownership of

companies significantly influences CSR activities in China (Li, Lu, 2015; Li, Zhang, 2010; Tang *et al.*, 2018). On the one hand, with government intervention tending to “focus on major issues while neglecting minor ones,” the regulation and governance of Chinese SOEs are relatively backward. In addition, Chinese SOEs have a natural relationship with the government, which can impede or delay the inspections of regulatory authorities. In this context, when formal institutions are lacking and ineffective in SOEs, Confucianism, as an informal institution exercising soft constraints, may play a more significant role in inhibiting CSR decoupling. On the other hand, non-SOEs tend to have higher governance efficiency (Estrin, Pérotin, 1991; Li *et al.*, 2020; Zhang *et al.*, 2001), which facilitates more effective internal control and provides a solid foundation for substantive social responsibility behaviors. Moreover, compared with SOEs, non-SOEs face more fiercely competitive pressure (Ahlstrom, Bruton, 2001) and have a stronger motivation to enhance the quality of CSR information disclosure to attract external investors and alleviate financing constraints (Lin *et al.*, 2015; Zhang *et al.*, 2010). Therefore, Confucianism may have a relatively strong constraint on CSR decoupling in SOEs.

The specific results are shown in Model 27 and Model 28 of *Table 8*. The coefficients of Confucianism remain significant in both the SOE and non-SOE groups, with the absolute value of the regression coefficients for Confucianism in the non-SOE group being significantly smaller than that in the SOE group. The coefficients between the groups are further found to be significantly different ($p < 0.01$) through the SUEST test. It indicates that Confucianism has a more obviously inhibitory effect on the CSR decoupling in SOEs.

Conclusions

Given the current reality of the recurring and intensifying problem of CSR decoupling, we break through the previous framework that focused primarily on formal institutions and instead undertake a systematic examination of the impact of Confucianism as an informal institution on CSR decoupling. Our conclusions indicate that the intensity of Confucianism in the region where the company is located has a significant inhibitory effect on CSR decoupling, and these conclusions remain consistent even after conducting endogeneity tests and robustness tests. The substitution effect tests reveal that the inhibitory effect of Confucianism on CSR decoupling is relatively weaker in regions with a higher level of the external legal environment and in companies with more effective internal control, suggesting a substitution relationship between the informal institution and the formal institutions. Mechanism tests indicate that Confucianism inhibits CSR decoupling by mitigating managerial myopia and reducing corporate equity concentration. Heterogeneity analysis reveals that the relationship between Confucianism and CSR decoupling is contingent upon the presence of culture shocks, ownership structures, and the companies' operating conditions.

This research contributes to the literature in three main dimensions. Firstly, it enriches the research on the antecedent of CSR decoupling. Previous studies mainly focus on the impact of formal institutions, including corporate governance and external regulations, on CSR decoupling (Zhang, 2022; Shahab *et al.*, 2022; Cristina, Beatriz, 2022; Liao *et al.*, 2018; Gull *et al.*, 2023). However, scholars neglect the role of culture which is a kind of informal institution. We break through the traditional research framework of formal institution, systematically studying the effect and mechanism of Confucianism on CSR decoupling from the perspective of informal institutions, which effectively compensates for the previous research gap. These efforts not only enrich the literature on the antecedent of CSR decoupling but also provide a cultural perspective for explaining how to restrain CSR decoupling.

Secondly, it expands the research related to the economic implications of Confucianism. Recent scholarship has primarily concentrated on exploring the influence of Confucianism on macroeconomics and corporate behaviors, including innovation and philanthropy (Yan *et al.*, 2021; Chen *et al.*, 2023; Ji *et al.*, 2021; Sun *et al.*, 2016). However, there has been little emphasis on its potential role in mitigating companies' misconduct, such as CSR decoupling. As the quintessence of Chinese traditional culture, Confucianism implicitly shapes individual behavioral styles (He *et al.*, 2022). By embedding Confucianism into the decision-making model of CSR decoupling, we not only provide empirical evidence for the influence of Confucianism on corporate misconduct in emerging markets but also make an incremental contribution to the field of "culture and corporate decision-making."

Thirdly, we elaborate on the boundaries of research concerning the impact of Confucianism on CSR decoupling. On the one hand, there is currently a divergence on whether there is a substitution or complementary relationship between formal and informal institutions (Bentkowska, 2021; Dau *et al.*, 2022). In this regard, we focus on whether the formal institutions influence the inhibitory effect of Confucianism on CSR decoupling. The findings suggest that Confucianism can compensate for the deficiencies of formal institutions, indicating a substitution relationship between the two. This conclusion not only reconciles previous research divergences but also deepens people's understanding of when Confucianism affects CSR decoupling. On the other hand, there is little research on the mechanisms through which Confucianism influences CSR decoupling. We empirically verify two pathways: mitigating managerial myopia and decreasing equity concentration. Our research opens the black box between Confucianism and CSR decoupling, deepening people's understanding of how Confucianism influences CSR decoupling. Additionally, we also conduct heterogeneous research, analyzing the diverse effects of Confucianism on CSR decoupling with respect to culture shock, operating conditions, and ownership in distinct contexts. Our analysis provides valuable insights for tailored guidance in corporate practices and further enriches our research.

Limitations and Future Research

The possible limitations of our research are in two aspects. Firstly, we indirectly measure the strength of Confucianism by utilizing the geographic distance between the companies' place of incorporation and the Confucian cultural centers. Despite using endogeneity and robustness tests to mitigate the impact of measurement error on our conclusions, this approach remains insufficient in capturing the entirety of Confucianism. The critical principles upheld by Confucianism, such as "Yi" and "Ren", may not be accurately captured through the sole use of geographic distance, thus weakening the robustness of our conclusions. This measurement error is a common challenge faced by almost all related research, and we call on scholars to develop more scientific measurement methods for further studies. Secondly, our focus is on analyzing the influence of Confucianism, an informal institution, on CSR decoupling. However, there is a lack of consideration for the relationship between other traditional cultures and CSR decoupling, as well as the mechanisms of this relationship. Future scholars can conduct in-depth exploration to enhance the universality and reliability of our conclusions.

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AR KONFUCIANIZMAS TURI ĮTAKOS ĮMONIŲ SOCIALINĖS ATSAKOMYBĖS ATSIĖJIMUI? ĮRODYMAI IŠ KINIJOS**Chen Jinyu, Chen Zekun, Zhang Juan****SANTRAUKA**

Atsižvelgiant į nuolatinius sunkumus atskirti įmonių socialinę atsakomybę (taip pat žinomą kaip ĮSA atsiejimas), atliktas konfucianizmo įtakos ĮSA atsiejimui tyrimas. Jis vertinamas per neformalių institucijų, o ne ankstesnių tradicinių formalių institucijų, prizmę. Remiantis empirinio tyrimo išvadomis, konfucianizmas reikšmingai slopina ĮSA atsiejimą. Remiantis pakeitimo efekto testo rezultatais, ši asociacija yra ryškesnė įmonėse, kurių vidaus kontrolės kokybė yra žema, ir šalyse, kuriose yra silpna teisinė sistema. Tai rodo, kad neoficialios ir oficialios institucijos pakaitomis veikia, kad būtų išvengta atsiejimo nuo ĮSA. Sumažinus neilgalaikius vadovų sprendimus ir nuosavybės koncentraciją, mechanizmo testas rodo, kad konfucianizmas yra pagrindinis veiksnys, neleidžiantis atsieti įmonių socialinės atsakomybės. Heterogeniškumo analizė atskleidė, kad neigiamas konfucianizmo poveikis ĮSA atsiejimui reikšmingesnis vietose, kuriose vyksta nuosaikūs kultūriniai ginčai, įmonėse, kurių veiklos aplinkybės prastesnės, ir valstybinėse korporacijose. Šis tyrimas ne tik prisideda prie esamos literatūros apie konfucianizmo ir ĮSA atsiejimo ryšį, bet ir suteikia naują požiūrį į šio reiškinio sprendimą.

REIKŠMINIAI ŽODŽIAI: konfucianizmas; ĮSA atsiejimas; teisinė aplinka; vidaus kontrolės kokybė; vadybinė trumparegystė; nuosavo kapitalo koncentracija.