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## Business ethics and finance in Greater China

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# **Business Ethics and Finance in Greater China: A Synthesis and Future Directions in Sustainability, CSR, and Fraud**

## **Abstract**

Following the financial crisis and recent recession, the center of gravity of global economic growth and competitiveness is shifting toward emerging economies. As a leading and increasingly influential emerging economy, China is currently attracting the attention of academics, practitioners, and policy makers. There is a rise of research interest in and publications on issues relating to China within high-quality international academic journals. We therefore organized a special issue conference in conjunction with the *Journal of Business Ethics* (JBE) in Lhasa, Tibet, on May 19-20, 2014, on the topic of Business Ethics in Greater China: Past, Present and Future. The papers for the special issue were at the intersection of ethics and finance, and fit within one of three themes: environment and sustainability, corporate social responsibility, and fraud. Within these themes, issues of intellectual capital protection, gender equality, political connections, regional development, investor protection, corporate stewardship, trust and corruption, and corporate transparency each play a significant role. In this paper, we survey these studies and the related literature to provide a comprehensive coverage of business ethics and finance issues that affect China.

**Keywords:** Business Ethics and Finance, China, Environment, CSR, Governance, Fraud

## Introduction

A special issue conference in conjunction with the *Journal of Business Ethics* was held in St. Regis Lhasa Resort in Lhasa, Tibet, China, on May 19-20, 2014, on the topic of Business Ethics in Greater China: Past, Present and Future. This conference was organized by the China Development and Research Centre (UK) following the success of a previous conference, “Sustainable and Ethical Entrepreneurship, Corporate Finance and Governance, and Institutional Reform”, held in China at the Diaoyutai State Guesthouse in Beijing in April 2013. The Tibet conference built on the high demand for research developed in the Beijing conference, summarized in Cumming et al. (2014).

Following the financial crisis and recent recession, the center of gravity of global economic growth and competitiveness is shifting toward emerging economies. As a leading and increasingly influential emerging economy, China is currently attracting the attention of academics, practitioners, and policy makers. There has been an increase in research interest in and publications on issues relating to China within high-quality international academic journals. China’s economic success over the past three decades has been hailed as one of the greatest achievements in modern history, because it has lifted hundreds of millions of people out of poverty. However, as China aspires to become one of the largest economies in the world, the sustainability of its growth and development will become increasingly reliant on business ethics. While China’s economy marches forward, it must also address a wide range of business ethics issues relevant for publicly traded, privately held, and family and non-family firms alike. These issues include environmental protection, intellectual capital protection, gender equality, religion and culture, political connections, regional development, investor protection, and corporate social responsibility (CSR).

The experiences, challenges, and development of these business ethics areas in China also have important implications for other developing economies. Therefore, this conference invited empirical studies on a wide range of business ethics related themes mentioned above which focused on the Chinese setting and could provide useful policy implications. We also welcomed studies from other areas of the Greater China region, including Hong Kong and Taiwan, as well as comparative studies of China with other emerging countries.

The conference attracted over 70 submissions from researchers based all over the world. The large number of high-quality submissions reflects the increasing interest among academics on business ethics topics in Greater China. Eleven papers were selected for presentation in the conference, and nine were accepted for publication in this special issue after a double-blind review process. The papers chosen for the special issue were at the intersection of ethics and finance, and fit within one of three themes: environment and sustainability, CSR, and fraud.

In this paper we summarize the findings and implications of these nine studies, and elaborate how they fit into the overall literature within these three themes. We begin by providing an overall picture of trends in the literature, with reference to publications in the *Journal of Business Ethics* and Academy of Management and an evolution in research focus as indicated by Google Scholar data, before specifically looking at the detailed literature in the areas of environment and sustainability, CSR, and fraud in China. We conclude by offering summary remarks and suggestions for future research.

## A Broad Picture of Ethics Research in China and Research Trends

Research in business ethics in China is in its infancy, at least based on our assessment of publications in the *Journal of Business Ethics*, the leading journal in the field of business ethics. Figure 1 shows that in 2009, there were more papers published in the *Journal of Business Ethics* with “China” or “Chinese” in the title (40) than in all prior years combined (34). The growth of Chinese ethics research in the *Journal of Business Ethics* has continued, with a peak in 2015, with 44 articles. The increase in articles focused on China in the *Journal of Business Ethics* might appear to be unusually late, but in comparison to journals affiliated with the *Academy of Management*, this growth actually occurred quite early. The spike in articles in the *Academy of Management* with a focus on China did not occur until 2013. The sum total of Chinese business ethics articles in the *Journal of Business Ethics* is 2.4% of the total published studies, with the peak per year happening in 2015, with over 14% of studies. The sum total of Chinese business ethics articles in journals affiliated with the Academy of Management is 1.51% of the total published studies, with the peak at just over 2% in 2014. Arguably, there is potential room for further growth in business research in China in other leading journals. For example, China has the second largest GDP in the world in 2016 (behind the US), and forecasts suggest that China’s GDP will overtake that of the US in 2018.<sup>1</sup> If ethics research is proximate to economic activity, future studies should have a much greater focus on China. In this article, we review studies on three themes: environment and sustainability, CSR, and fraud.

< Insert Figure 1 Here >

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<sup>1</sup> <http://www.forbes.com/sites/mikepatton/2016/04/29/global-economic-news-china-will-surpass-the-u-s-in-2018/#2d4f5fbf474b>

More specifically, we analyze what aspects of business ethics research have been popular in China, and what the trends are. Figure 2 presents the number of hits on Google Scholar for three topics, i.e. China Business Ethics, Business Ethics, and China Business Ethics Finance. The evidence here reveals a steady rise in search demand for business ethics issues relating to China, as well as finance in China. Figure 3 presents the number of hits on Google Scholar within the Chinese context for four topics, i.e. China Corporate Fraud, China Corporate Sustainability, China Corporate Social Responsibility, and China Socially Responsible Investment. The evidence here suggests a continuous increase in the search demand for all four topics, and especially for corporate sustainability related issues. Overall, these findings based on Google Scholar hits suggest that the theme of this special issue is topical and caters for the interests of both academics and practitioners.

< Insert Figures 2 and 3 Here >

## **Environment and Resources**

Table 1 presents the business ethics literature that we review on the environment and resources in China. In this literature we highlight eleven studies published in the *Journal of Business Ethics*, including two from the current special issue, and another fifteen studies published in other leading business journals.

The majority of the papers (16) in the literature on environmental issues in China deal with the determinants of environmental policy and emissions (Edmonds, 1999; Christmann and Taylor,

2001; Cole et al., 2008; Fryxell and Lo, 2011; Kim et al., 2013; Gibbons and Lau, 2014), including the related topics of environmental advocacy (Fryxell et al., 2003), green practice adoption (Lin and Ho, 2011; Berrone et al., 2013; Walker et al., 2014; Wu and Ma, 2014), stakeholder-firm power difference (Tang and Tang, 2012), and disclosure of green policies (Zeng et al., 2012; Meng et al., 2013; Wang and Wijnen, 2015; see also Davis and Moosmayer, 2013, for related work). In general, these studies provide consistent evidence that environmental policies and disclosure are positively affected by environmental knowledge, personal managerial attitudes, organizational support, regulatory pressure, state ownership, foreign demand, and government- and competitor-firm power difference, and negatively affected by environmental uncertainty, media-firm power differences, and green practice complexity.

On the opposite end of the spectrum from adopting environmental policies, one paper in the literature (Du, 2015) examines the determinants of environmental misconduct. Somewhat surprisingly, environmental misconduct is significantly positively associated with corporate philanthropic giving, although this association is less significant for politically connected family-owned firms.

Four papers in the prior literature examine the impact of environmental policies on firm outcomes. Xu et al. (2012) show that environmental misconduct has only a very weak effect on a firm's cumulative abnormal stock market returns. Zhu et al. (2014), by contrast, show that environmental turbulence has a negative impact on subsidiary performance. Wei et al. (2015) similarly find that environmental CSR indirectly influences firm performance through business and political legitimacy, rather than having a direct impact. This indirect effect is further moderated by legal

incompleteness and legal inefficiency. However, Wang et al. (2015) find evidence of a direct impact of environmental labeling on profits, although not all firms benefit equally.

Two papers from this special issue complement this literature on the business ethics of environment and resources, particularly on the consequences of environmental issues, where there has been a dearth of prior work. Maung et al. (2016) explore the impact of state ownership of non-listed entrepreneurial firms on pollution fees levied by national and provincial governments in China. They find that state ownership reduces environmental levies, and more developed provinces provide fewer concessions. Müller et al. (2016) examine whether China exploits its dominant position in rare earth elements (REEs) by setting export quotas in order to maximize its own profits at the expense of other rare earth user industries. They find limited support for the view of a wealth transfer, but do find evidence that extreme REE price movements have a strong direct effect on all REE companies.

Overall, both Maung et al. (2016) and Müller et al. (2016) show that a key feature of the Chinese marketplace is the strong role of state ownership and regulation. Both papers provide topical and interesting additions to the literature in the relevant topic areas, as summarized in Table 1. The papers highlight the relatively weak consequences of environmental misconduct, particularly for state-owned enterprises, and the role of connections to the international business community.

< Insert Table 1 Here >

## **Corporate Social Responsibility**



Table 2 presents the business ethics literature that we review on corporate social responsibility in China. Of the 39 studies we highlight in this literature, 21 are published in the *Journal of Business Ethics* (including two in the current special issue), and 18 are published in other academic journals. Most of these studies involve the determinants of corporate governance and social responsibility. Much of this work is based on surveys and interviews (Yu, 2009; Levine, 2008; Ramasamy et al., 2010; Ramasamy and Yeung, 2009; Zu and Song, 2009; Xu and Yang, 2010; Tian et al., 2011; Shafer et al., 2007; Tan, 2009; Ip, 2008, 2009; Lam, 2009; Lin, 2010; Fan and Egri, 2014) or is review-based (Lockett et al., 2006), and highlights the distinctive nature of corporate governance and CSR in China relative to studies in Western economies. This is consistent with the discussion studies of Gugler and Shi (2009) and Wang and Juslin (2009), which highlight distinctive cultural, institutional, and economic circumstances in China. Only a few studies employ secondary data. Gao (2009) uses the webpages of the top 100 companies in China to document the early stage of CSR relative to Western economies. Gao (2011) examines two leading webpages and carries out news searches to investigate corporate donations following an earthquake disaster, and finds that politically connected firms were more responsive than non-politically connected firms. Li and Zhang (2010) apply data from China's Securities Regulatory Commission's webpages and show that state-owned firms donate less than private firms. Two further studies (Feng and Liu, 2013; Tang and Tang, 2012) show a variety of factors affect CSR initiatives in China, including internal pressures (performance inefficiencies) (see also Fu et al., 2012) and external pressures (shareholder and industrial pressure, and power differences with various stakeholders). CSR reporting is examined by Marquis and Qian (2013), who find that governmental relationships and firm-specific factors explain corporate social reporting in China

(see also Yin, 2015; Zhao and Ghorbani, 2015; Luo, 2016); similar evidence is seen with global CSR integration among Chinese multinational firms (Miska et al., 2015; Yin and Jamali, 2016).

A few studies prior to this special issue examined the consequences of CSR policies in China. Wang et al. (2011) examine cumulative abnormal returns and institutional ownership following a melamine incident (a failure in corporate social responsibility). They find that after the 2008 melamine incident, investors were more responsive to CSR, and share prices were more responsive to better CSR performance (which was in contrast to the period prior to the incident), consistent with the evidence in Kong (2012). Wang and Qian (2011) find that charitable giving positively relates to corporate financial performance in China. Similarly, Chen et al. (2013) find that corporate social performance more generally positively relates to corporate financial performance in China.

There is one paper that examines the effects of CSR on building political networks. Lin et al. (2015), using all listed firms in China over 2005-2009, show a significant rise in both the level and propensity of CSR activities when the mayor of the city is replaced. They find that such increase is more prominent in smaller and non-SOE firms and firms operating under more corrupt local government. Further evidence suggests that such political network-building efforts via CSR are rewarded with either larger amounts of government subsidies or a higher probability of securing future subsidies (Lin et al., 2015).

In this special issue, there are two studies dealing with corporate governance mechanisms and CSR in China. One of these papers fits within the literature on the determinants of CSR. Gao

et al. (2016) examine whether the underrepresentation of female executives in large corporations is attributed to gender discrimination in China, which is measured by the male-to-female gender ratio at birth. They find that firms headquartered in more discriminatory areas are associated with fewer female executives, a higher likelihood of dismissal of female employees, and lower compensation for females than for male counterparts.

Another paper in the special issue fits with the literature on the impact of corporate governance and social responsibility in China. Wang and Li (2015) examine the value implication the disclosure of first-time standalone CSR reports in China. They find that CSR initiators are valued more than matched CSR non-initiators, especially when both are controlled by private shareholders.

Taken together, these two studies in the special issue help further enrich the literature on CSR in China, as summarized in Table 2. The studies show that there is much scope for the adoption of CSR policies in China, and that CSR is increasingly being valued by investors.

< Insert Table 2 Here >

## **Corporate Fraud**

Table 3 presents the business ethics literature that we review concerning corporate fraud in China. Of the 28 studies that we highlight, around half are published in the *Journal of Business Ethics* (with five in the current special issue), and the rest appear in other academic journals. The

determinants of fraud, or enforcement actions against fraud, are examined in studies prior to this special issue by Firth et al. (2005), Jia et al. (2009), Hou and Moore (2010), Sun et al. (2015), Lisic et al. (2015), Chen et al. (2016a), Ang et al. (2016), Stuart and Wang (2016), and Shafer et al. (2016). These studies highlight the role of corporate governance mechanisms such as supervisory boards, the role of external financial analysts and their beliefs, and the impact of state ownership and political connections in determining corporate fraud in China. There is further evidence in Cumming et al. (2015) that highlights the importance of boards of directors' gender diversity in explaining the likelihood and severity of fraud in China. These empirical studies build on earlier non-empirical based research by Xin and Pearce (1996), Guthrie (1998), Tsang (1998), Bu and Roy (2013), Zhong et al. (2013), and Pan et al. (2014) on unique institutional features on corporate fraud in China.

Five studies in this special issue are on the topic of corporate fraud in China. Two of these papers further examine the determinants of fraud and market misconduct. Hass et al. (2016) explore the impact of equity incentives on the likelihood of committing corporate fraud in China. They document a positive relationship, especially for state-owned firms. Ding et al. (2016) investigate the emerging effect of mutual fund involvement on earnings informativeness. They find that mutual funds, except for those affiliated with banks, hold back earnings informativeness. This is because at their early stage of development in China, mutual funds are not yet capable of serving as an effective corporate governance monitor.

Prior to the special issue there were only a few studies examining the effect of corporate fraud in China. Wang and Li (2014) show that fraud negatively affects innovation outcomes in

China. He et al. (2014) and Conyon and He (2016) show the impact of fraud on CEO pay, whereby CEO compensation is lower in firms that commit more fraud. The papers in this special issue offer further evidence on related topics of the effect of fraud in China. Chen et al. (2016b) use the unique natural experiment setting of the Split Share Structure Reform in China to examine the influence of controlling shareholders on managerial accountability for corporate fraud. The Split Share Structure Reform terminates trading restrictions of state shareholders and in turn increases controlling shareholders' incentives to monitor managers. They find that the reform strengthens the sensitivity between CEO turnover and corporate fraud. He et al. (2016) explore whether audit partners suffered damage to their professional reputations with the demise of the formerly largest audit firm in China due to a major audit failure. They find that the market shares and audit fees of these partners fell, and that these partners are less likely to be employed by other reputable audit firms. The results suggest that the reputational damage sustained by partners implicated in the scandal spreads to other partners in the same audit firm. In a similar vein, Shafer et al. (2016) examine the determinants of auditing professionals committing fraud. They find that auditors with higher levels of professional commitment, and those who judge fraud as more unethical, are associated with a lower probability of engaging in fraud. While the prior research highlights the results of the erosion of trust ex-post fraud, Hain et al. (2016) look at the *ex ante* importance of trust on corporate finance. They examine cross-border investments in innovative ventures across developed and emerging economies, including China, and consider the effects of geographical, cultural, and institutional proximity as well as institutional and relational trust. Trust is found to mitigate the negative effects of geographical and cultural distance, where institutional trust is more relevant for investments in emerging economies, and relational trust is more relevant for investments in developed economies.

One study focuses on the spillover effects of corporate scandals. Yu et al. (2015), based on a sample of Chinese listed firms over 2006-2011, show that the contagion effects on peer firms depend on the quality of corporate governance and political connections. They find that good corporate governance is associated with a reduced impact of spillover effects. Further, while state ownership is shown to reduce the negative impact of non-financial scandals in private firms, no similar effects can be found in state-owned firms (Yu et al., 2015).

Overall, these five papers in the special issue offer further insights into the literature on the determinants and consequences of corporate fraud in China, as summarized in Table 3. Taken together, the new evidence in this special issue shows greater insight into the determinants of fraud, and an increasing importance of the consequences of fraud and trust on business in China and beyond.

< Insert Table 3 Here >

## **Conclusion and Future Research**

The nine papers in the special issue provide insights into business ethics in Greater China and suggest avenues for future research. For instance, future research could focus more on the

governance implications of legal institutions and culture. Despite China's tremendous efforts, under Xi Jinping's administration, to initiate a far-reaching campaign against corruption and advance the rule of law, the legal institutions in China remain weak. China ranks 83<sup>rd</sup> in Transparency International's 2015 corruption perceptions index, the same as Colombia, Liberia, and Sri Lanka. China ranks 71<sup>st</sup> according to the 2015 World Justice Project's Rule of Law index, marginally higher than Tanzania and Zambia. It is still not clear how business ethics and investor protection can be ensured in order to sustain the rapid growth of Chinese capital markets, now the second largest in the world by market capitalization, in the absence of strong legal institutions. The associated legal and regulatory reforms provide ideal natural experiment settings to examine the benefits brought about by strengthened legal institutions. Furthermore, the internationalization helps China improve the institutions, in that returnee executives, directors, and foreign institutional investors such as venture capitalists can transfer their tacit knowledge of advanced institutions from foreign countries to their firms in China (Cumming et al., 2016).

Li Keqiang, the Chinese Premier, is devoted to encouraging mass entrepreneurship and innovation in order to foster a new engine of growth. His Internet Plus strategy focuses on fostering new areas of growth by encouraging the service sector integrated with the Internet and social networks. Internet-based finance in turn rose swiftly to prominence. With 2,600 peer-to-peer (P2P) lending platforms offering 982 billion yuan (approximately US\$150 bn) lending by the end of 2015, China's P2P market has become the world's largest. Although the Internet and social networks provide new entrepreneurial opportunities and offer convenience to clients, they could pose risks that are often underappreciated and understudied. These risks include cybercrime and fraud, and encompass examples such as privacy infringement, Ponzi schemes, hacking, and market

manipulation. For example, nearly a million investors have lost US\$7.6bn in Chinese online 'Ponzi schemes' by the country's largest peer-to-peer lending service Ezubao. The explosive growth in this loosely regulated sector has led to a host of problems.

It is notable from our review of the extant literature on business ethics in China that papers either examine the determinants of environmental policies, CSR, or fraud, or examine the consequences of environmental policies, CSR, or fraud, but rarely examine both determinants and consequences in the same study. One exception from China on the determinants and consequences of fraud (in connection to boards of directors' gender diversity) includes Cumming et al. (2015). Further research may more carefully consider which firms carry out misconduct in the first place in order to more accurately consider the consequences of misconduct in China. Also, it is notable that there is scant work which simultaneously examines environmental policies, CSR, and fraud at the same time in China. Likewise, further work could provide more comparative evidence to better understand the unique attributes of China relative to other countries. To date, this latter evidence is mostly based on survey and discussion papers in the *Journal of Business Ethics*, as reviewed herein.

Also, we encourage future research to examine the business ethics and governance of Internet entrepreneurship and Internet finance. For example, what types of internal and external governance mechanisms mitigate Internet fraud risk? Can regulations be designed to improve ethical standards with the flow of information over the Internet and mitigate fraud? Internet use in China has expanded quite widely in recent years, particularly with crowdlending, for example, and there appears to be ample scope for future research to examine the ethical implications of these



market developments. Likewise, further regulatory changes and changes in the educational landscape will bring about new datasets and research questions that inspire more work on business ethics in China for years to come.

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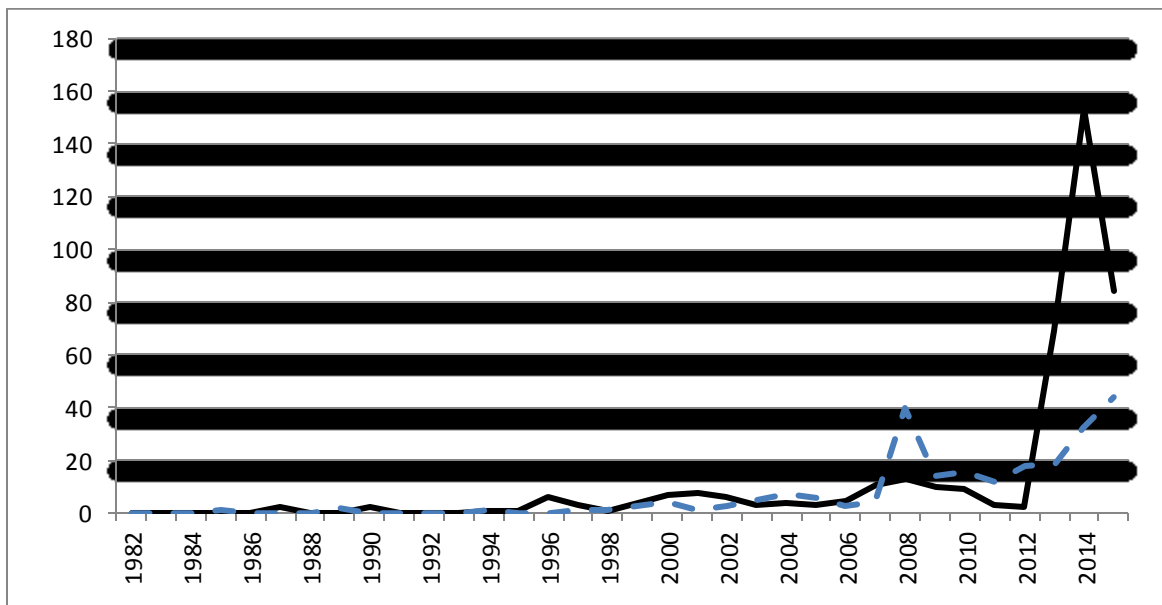
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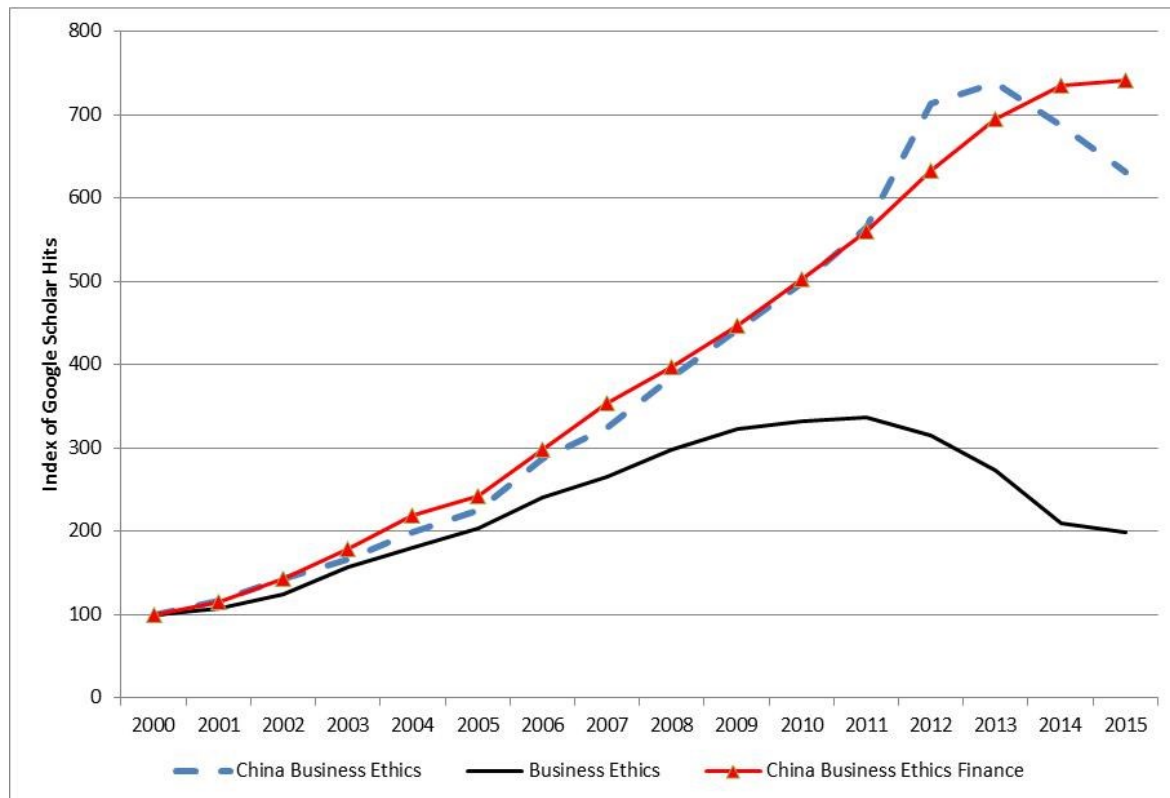


**Figure 1: The number of articles in the journals affiliated with the Academy of Management and the *Journal of Business Ethics* with “China” or “Chinese” in the title**



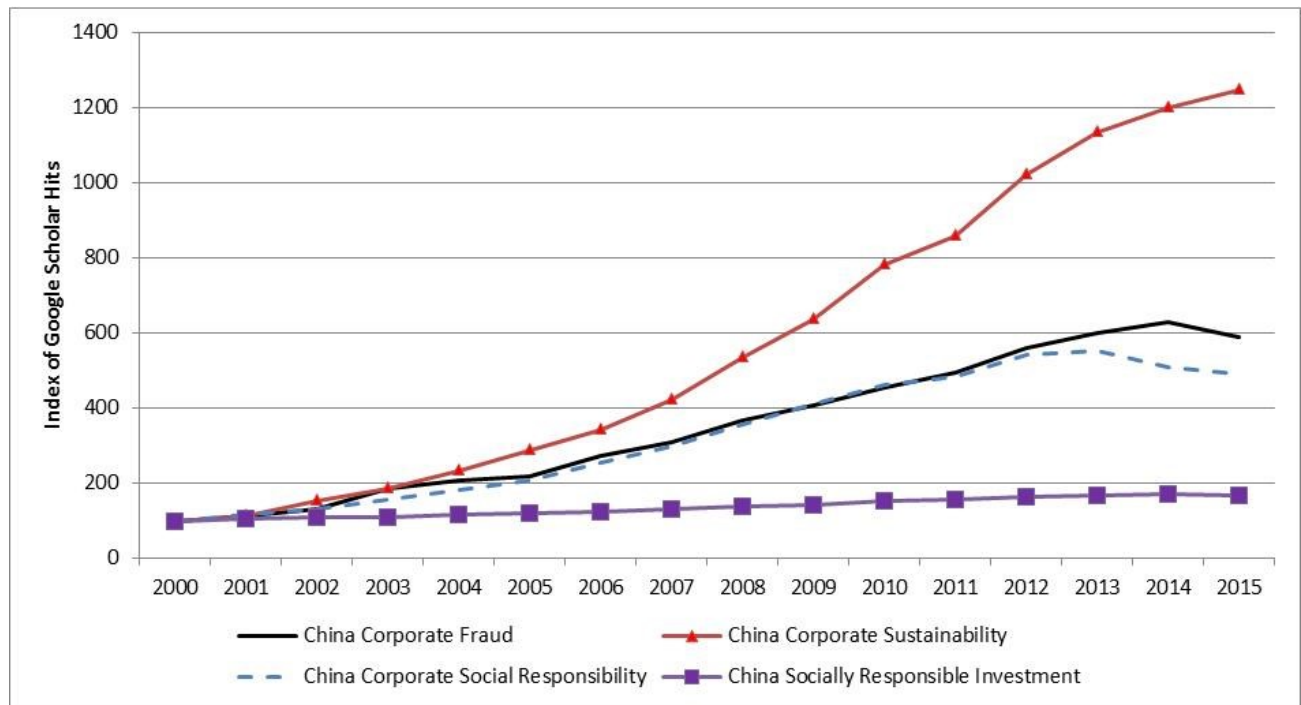
This figure shows the number of articles published in the *Journal of Business Ethics* (dashed line) and the number of articles published in journals affiliated with the Academy of Management (solid line) (including the Academy of Management Discoveries, Academy of Management Journal, Academy of Management Learning & Education, Academy of Management Perspectives, Academy of Management Proceedings, and Academy of Management Review) that have “China” or “Chinese” in the title. Although the *Journal of Business Ethics*, which started in 1982, merged with the *International Journal of Value-Based Management* and *Teaching Business Ethics* in 2004, the statistics do not include articles in the other two journals prior to 2004. Note that some Chinese studies do not include “China” or “Chinese” in the title, and therefore the number of articles studying Chinese settings is larger than shown in the figure. Data source: Google Scholar.

**Figure 2: Index of Google Scholar Hits in Ethics, Finance, and China**



This figure shows the number of hits in Google Scholar from any source for “Business Ethics” (base year 2000 has 35,900 hits), “China Business Ethics” (base year has 4,800), and “China Business Ethics Finance” (base year has 1,740) from 2000-2015. Data source: Google Scholar.

**Figure 3: Index of Google Scholar Hits for Different Categories of Ethics in China**



This figure shows the number of hits in Google Scholar from any source for “China Corporate Fraud” (base year 2000 has 1,190 hits), “China Corporate Sustainability” (base year has 1,700), “China Corporate Social Responsibility” (base year has 5,640), and “China Socially Responsible Investment” (base year has 16,000) from 2000-2015. Data source: Google Scholar.

**Table 1: Overview of key studies published on the environment and resources in China**

Author(s)	Sample Period	Data Source	Dependent Variables	Independent Variables	Main Findings
Edmonds (1999)	1949-1999	China Statistical Year Book	N/A	N/A	China has not done enough to maintain environmental quality and has not chosen to make many environmentally friendly transport investments.
Christmann and Taylor (2001)	1999	Asia Pacific Economic Cooperation (APEC) and the China Quality Certification Center	Degree of compliance with environmental government regulations	The multinational ownership, sales to MNEs, export to developed countries, region-specific export	Globalization might have positive environmental effects because global ties increase self-regulation pressures on firms in low regulation countries.
Fryxell et al. (2003)	2001	Survey data obtained with assistance from the Beijing Academy of Social Sciences and the Guangzhou Academy of Social Science	Environmental advocacy	Environmental knowledge and environmental values	Both environmental knowledge and values are more predictive of more personal managerial behaviors, such as keeping informed of relevant company issues and working within the system to minimize environmental impacts, than more overt behaviors.
Cole, Elliott, and Wu (2008)	1997-2003	China Labour Statistical Yearbook	Pollution emission intensity	Air emissions, expected price of pollution as a result of environmental regulations, energy use, physical capital intensity, human capital intensity, size of the average firm in the industry, an industry's total factor productivity, the vintage of production process and innovation.	An industry's emissions are a positive function of its energy use and human capital intensity and a negative function of its productivity and R&D expenditure.

Madsen (2009)	1996-2004	Ward's World Motor Vehicle Data; World Automotive Market Report	Automaker investment	A firm's prior institutional experience and environmental capabilities	Inter-country institutional distance and firm environmental capabilities moderate the relationship between the stringency of a country's environmental regulations and firms' investment in that country.
Lin and Ho (2011)	Unspecified	Questionnaire survey of logistics companies in China	Green practice adoption	Environmental factors: Customer Pressure, Regulatory pressure, Governmental support, Environmental uncertainty	Relative advantage and compatibility of green practices, organizational support, quality of human resources, regulatory pressure, and governmental support positively influence the adoption of green practices for Chinese logistics companies. Environmental uncertainty and green practices' complexity negatively influence green practice adoption.
Zeng et al. (2012)	2006-2008	Annual reports and the CSMAR database	Environmental information disclosure	State-owned enterprise, environmentally sensitive industries, mean level of corporate environmental information disclosure in each industry every year, disparity between the share of control right and the share of cash-flow right, a trademark that wins the China Top Brand or a famous brand.	Firms that are state-owned, those that operate in environmentally sensitive industries, those having more industrial peers engaged in environmental information disclosure, and those with better reputations are more likely to disclose environmental information.
Xu et al. (2012)	2010	Ministry of Environmental Protection of China, and the media	Cumulative abnormal return (CAR)	Potential environmental risk (PER), exhaust gas emission, waste water discharge, and river pollution	The negative environmental events of Chinese listed companies currently have a weak impact on the stock market.

Meng et al. (2013)	2006-2008	Annual reports from the websites of the Shanghai and Shenzhen stock exchanges and CSMAR database	A score of environmental information disclosure, measured by environmental disclosure content and degree in detail	ROE (return on equity), State-owned firms	The relationship between firms' performance and Corporate Environmental Information Disclosure (EID) is complex, and the interactive impact of ownership and economic performance on EID significantly varies from voluntary disclosure to mandatory disclosure.
Davis and Moosmayer (2013)	2011-2012	Apple and Chinese environmental NGO	N/A	N/A	There is value to linguistic approaches to understanding how norms and practices of environmental supply chain responsibility are developing in the Chinese context, and how civil society actors and corporations are contributing to their construction.
Kim, Moon, and Yin (2013)	1998-2009	Annual Industrial Survey Database; China Statistics Yearbook	Foreign investment	Province size, environmental management	Foreign-invested firms perform better than local firms when firms are under high environmental pressure.
Berrone, Gomez-Mejia, and Xu, (2013)	4 years	556 Chinese firms	Adoption of ISO 14001 certification	Family ownership	Family ownership, given its strong emphasis on socio-emotional elements, has a positive effect in the adoption of ISO 14001 certification; state-owned enterprises, characterized by the paradox of public administration, have a neutral impact; and institutional investors, driven by a clear economic focus, are negatively related with the adoption of environmental standards.

Liu, Lo, and Zhan (2014)	2011-2012	Survey data collected from manufacturing enterprises in China	Managerial support	Strict adherence to formal rules (formalism), organizational discrepancy in environmental issues (self-determination)	Managerial support is positively associated with both strict adherence to formal rules (formalism) and organizational discrepancy in environmental issues (self-determination).
Walker et al. (2014)	Unspecified	Survey in the city of Zigong	Environmental Proactivity and Competitive Advantage	Competitive and ecological responsibility and stakeholder pressure	Ecological motivations and regulatory stakeholder pressure are positively related to environmental operational improvements and environmental reporting. External stakeholder pressure is negatively related to environmental reporting.
Marquis and Zhou (2014)	2007-2011	Unique hand-collected dataset of environmental penalties given to Chinese firms	Environmental sanction from the government	Area environmental crisis potential, firm-government relations, civil society activism	Firms in areas with higher environmental crisis potential are more likely to draw governmental attention. In addition, the effects of environmental conditions on firm penalties are also contingent, moderated by contextual factors such as firm-government relations and civil society activism.
Gibbons and Lau (2014)	Unspecified	In-depth interviews with 33 businesses	N/A	N/A	The four clusters identified can be labelled as follows: compliance, competitiveness, ecological citizenship, and ecological leadership. Interestingly, these four clusters resemble the widely cited four strategic types of reactors, defenders, analysers, and prospectors developed by Miles and Snow (1978).

Zhu, Williams, and Kumar (2014)	Unspecified	95 MNE subsidiaries	Multinational enterprise (MNE) subsidiary performance	Environmental turbulence	Environmental turbulence has a negative effect on subsidiary performance.
Wei et al. (2015)	Unspecified	Surveys of firms in China	Return on assets (ROA), return on sales, return on investments (ROI), profit margins, sale growth, market share growth, and profit growth	Environmental corporate social responsibility (ECSR), Political legitimacy, Business legitimacy	ECSR negatively affects business and political legitimacy, followed by firm performance. Legal incompleteness weakens and legal inefficiency strengthens the effects of ECSR on business and political legitimacy.
Wang, Cui, and Liang (2015)	2000-2005	China Private Economy Association, and the Chinese National Statistical Bureau	Profit	Firm size, public listed dummy	Reducing information asymmetry, increasing legitimacy, and differentiating strategically through environmental labeling may prompt customers to patronize the firm, thereby enhancing firm performance. However, not all firms benefit equally.



Du (2015)	2008	Survey conducted jointly by (1) the United Front Work Department of the CPC Central Committee; (2) the All-China Federation of Industry & Commerce; (3) the State Administration for Industry and Commerce of the People's Republic of China; and (4) the Private Economy Research Institute of China	The amount of corporate philanthropic giving, scaled by sales revenue	Corporate environmental misconduct, measured by the fine (multiplied by 1,000) for corporate environmental misconduct and scaled by sales revenue, authoritative verifications, and employees' annual total salaries and bonuses scaled by sales revenue	Corporate environmental misconduct is significantly positively associated with corporate philanthropic giving. The positive association between corporate environmental misconduct and corporate philanthropic giving is less pronounced for politically connected family-owned firms than for their counterparts.
Wang and Wijen (2015)	2008-2012	Shanghai and Shenzhen stock exchanges	Corporate environmental responsibility reporting	Distance to central government, regulatory stringency, subsidy percentage, effectiveness of public instrument	Different hierarchical levels of the state body have conflicting selections of priorities between economic and sustainable development, leading to in-depth complexity within the state logic.
Wu and Ma (2016)	2001-2005	Survey of Industrial Enterprise conducted by China's National Bureau of Statistics	Adoption of a positive environmental strategy	Government environmental regulation, industrial environmental regulation, and environmental requirement from state-owned consumers, from domestic private customers, and from multinational enterprise customers	Local Chinese suppliers with high levels of export intensity are more likely to adopt positive environmental strategies to reduce environmental risks. Local Chinese suppliers respond actively to environmental requirements of multinational enterprises (MNE) customers, but not to those of local customers.

Maung et al. (2016)	2004	Chinese Non-Listed Enterprise Database (CNED), National Bureau of Statistics of China, Annals of Statistics in China	Pollution fees levied by national and provincial governments in China	State ownership of non-listed entrepreneurial firms	State ownership reduces environmental levies, and more developed provinces provide fewer concessions.
Müller et al. (2016)	January 1, 2008-August 31, 2014	Ministry of Commerce of the People's Republic of China (MOFCOM) Announcements, Asian Metal Database, CSMAR, EDGAR, CRSP, Thomson Reuters Datastream	Cumulative Abnormal Returns (CARs) of Rare Earth Elements (REE) firms	Export quotas	The authors examine whether China misuses its dominant position in rare earth elements firms (REEs) by setting export quotas in order to maximize its own profits at the expense of other rare earth user industries. They find limited support for the view of a wealth transfer. However, extreme REE price movements have a first-order effect on all companies in the REE industry.
Fryxell and Lo (2001)	August 1999-September 2000	A survey of managers conducted in Beijing, Dalian, and Guangzhou	Self-developed measures of environmental ethics, including environmental stewardship, long-term utilitarianism, and short-term utilitarianism	Organization type	While it was found that Chinese managers uniformly self-report strong ethical commitments to environmental protection, the authors show that managers in state-owned firms uniformly report the strongest values in different ethical dimensions, while managers in private firms, on the other hand, self-report lower values and appear more skeptical of the short-term utilitarianism view.

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This paper shows that under certain conditions entrepreneurs are likely to supplement, or surpass, the efforts of governments, NGOs, and existing firms to achieve environmental sustainability. Entrepreneurs can contribute to solving environmental problems through helping extant institutions in achieving their goals and by creating new, more environmentally sustainable products, services, and institutions.

Tang and Tang (2012)	Unspecified	Surveys and interviews of a sample of 144 Chinese SMEs	Environmental performance	Stakeholder-firm power difference	The authors find that government- and competitor-firm power differences positively affect Chinese SMEs' environmental performance, while the influence of the media-firm power difference is negative. Besides, governments' and the media's CSR orientation moderate the relationship between the stakeholder-firm power difference and firms' environmental performance.
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**Table 2: Overview of key studies on corporate social responsibility in China**

Author(s)	Time Period	Data Source(s)	Dependent Variables	Independent Variables	Main Findings
Lockett, Moon, and Visser (2006)	1992-2002	Six core journals for the substantive disciplines of environmental studies, law, and political science also on the basis of impact factors.	N/A	N/A	For CSR research published in management journals, the most popular issues investigated have been environmental and ethics issues, the empirical research has been overwhelmingly of a quantitative nature, and the theoretical research has been primarily non-normative.
Shafer et al. (2007)	N/A	Demographic questionnaire; the PRESOR scale	N/A	N/A	Nationality did not have a consistent impact on Perceived Role of Ethics and Social Responsibility (PRESOR) responses. Self-transcendence values had a significant positive impact on two of the three PRESOR dimensions. Conservation values such as conformity and tradition also had a significant association with certain dimensions of the PRESOR scale.
Levine (2008)	2008	N/A	N/A	N/A	A discussion of the innovation of corporate social responsibility (CSR) initiatives of businesses in China in 2008.

Yu (2009)	2002-2005	Participant observation; interviews; documentary reviews	N/A	N/A	The effectiveness of Reebok's labor-related codes is constrained by unresolved tension between Reebok's impetus for profit maximization and commitment to workers' human rights, and by competition realities at marketplace, as well as the Chinese government's insufficient protection of labor rights.
Ip (2008)	2005	Survey	N/A	N/A	SR initiatives and cronyism seem to represent two forces pulling in opposite directions in Taiwan. The upward lift of fledgling CSR activities looks feeble and thus vulnerable to the awesome downward pull of the dark forces of cronyism. The burden of culture and history seem to stand on the side of the dark forces. Taiwanese society at this juncture seems to be overwhelmed by the darkness of corruption and scandals.
Ip (2009)	Unspecified	Two surveys on CSRC	N/A	N/A	This paper reports the recent CSR development in China and outlines the profile of a prospective business ethics for China. The formal constraints and substantive components of this business ethics are proposed against the background of China's cultural and ideological heritage.
Tan (2009)	2001-2007	Interviews with executives of selected companies; traditional and online international media reports; company websites; investigative reports issued by international agencies and organizations and NGOs; public academic	N/A	N/A	Multinational companies (MNCs) often adopt double standards in their operating policies and fail to uphold the social responsibility practices of their host countries in transitional economies. The regulatory and pre-existing ethical conditions in China have proven inadequate and contribute to this troubling phenomenon. This effect is compounded by an institutional environment in the host

		databases including Business Source Premier (via EBSCO)			country that readily offers loopholes for MNCs to exploit.
Gugler and Shi (2009)	1996-2011	N/A	N/A	N/A	Among the many factors that could explain the ‘CSR Divide’ between developed and developing countries, the negative impact of CSR on comparative advantage is the final resort, where developing countries are reluctant and defensive toward Western-style CSR. It states that developing countries are changing their approaches to make CSR work in favor of their competitive position in global trade, such as China, who has started to adopt a proactive approach by becoming a CSR standards-setter.
Lam (2009)	2006	Interviews; published Chinese documents, articles; Chinese students’ dissertations	N/A	N/A	The key challenges of moving Chinese subsidiaries to be better corporate citizens in China are specific Chinese business culture, intellectual property rights, internal due process, insufficient Chinese government support, and a lack of knowledge of Chinese subsidiaries.
Wang and Juslin (2009)	N/A	N/A	N/A	N/A	Western CSR concepts do not adapt well to the Chinese market, because they have rarely defined the primary reason for CSR well, and the etic approach to CSR concepts does not take into consideration the Chinese reality and culture.
Zhang et al. (2010)	May-June 2008	Website appointed by the China Securities Regulatory Commission (CSRC); corporate websites and press releases; search queries via Lexis Nexis	Total donation	State ownership and Sichuan earthquake dummy	The extent of corporate contributions for state-owned firms following the Sichuan earthquake in 2008 is less than that for private firms. State-owned firms are also less likely to respond in this disaster compared to private firms.

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Ramasamy and Yeung (2009)	January-March 2007	Questionnaire	Overall Responsibility item from questionnaire.	CSR dimension (economic, legal, ethical, and philanthropic)	Chinese consumers are more supportive of CSR. They evaluate the importance placed by Chinese consumers on the four responsibilities of firms – economic, legal, ethical, and philanthropic – and find that economic responsibilities are most important while philanthropic responsibilities are least important.
Zu and Song (2009)	2003-2004	Questionnaire survey	Dependent variable is 0 when sampled firms' CEOs are identified as being against CSR, and 1 when they are in favor of CSR.	Firms in State-ownership; firms in the high-tech sector; firms in the northwest provinces; managers' education level; managers' age	The nature of Chinese executives and managers' favourable view of CSR is linked to entrepreneurs' instincts of gaining economic benefits. Poorly performing firms are more likely to have managers who opt for a higher CSR rating. They also find that managers' CSR orientation is positively correlated with their firms' performance.
Gao (2009)	2007	The official websites of the top 100 companies in China in 2007	N/A	N/A	The findings indicate that CSR/CSP in China is still in the early stage, and CSR/CSP is different among different industrial companies.



Ramasamy et al. (2010)	N/A	Questionnaire	CSR support score from questionnaire	Religiosity, measured by how often participants attend religious services	There is a significant direct relationship between religiosity and CSR support. In Hong Kong, this attitude is due to altruistic as well as egotistical (or face-saving) reasons. In Singapore, this is mainly due to the latter.
Li and Zhang (2010)	2007-2008	Scores and ranking of CSR for Chinese PLCs provided by the SNAI (Shanghai National Accounting Institute)	Scores and ranking of CSR	Institutional Ownership	The paper provides empirical evidence that for non-state-owned firms, corporate ownership dispersion is positively associated with CSR. However, for state-owned firms, whose controlling shareholder is the state, this relation is reversed. Further, regional economic development is negatively related to CSR for state-owned firms due to decreased political interference in more developed areas.
Xu and Yang (2010)	June-October 2006	Survey by the World Bank and the China Center for Economic Research at Peking University	N/A	N/A	CSR as manifested in China is different from that in Western countries, and China's CSR is closely related to its social and cultural background. After identifying nine dimensions of CSR, among which six dimensions are similar to their Western counterparts; however, the other three dimensions were never mentioned in previous literature.

Lin (2010)	2010	N/A	N/A	N/A	An overview of major Chinese CSR initiatives and analysis of the Chinese CSR development from the perspectives of the historical and ideological foundations, instrumental motivations, and institutional environments in China.
Wang et al. (2011)	2008	RESSET Financial Database; Southern Weekend	Cumulative Abnormal Return; Cumulative Abnormal Net Order Flow	CSR Score provided by Southern Weekend	Before the 2008 melamine incident, both institutional and individual investors' behavior was not influenced by firms' CSR performance. After the incident, institutional investors became influenced by firms' CSR that exceed certain threshold and such effect diminishes for a better CSR performance. A firm's stock returns are determined jointly by its performance and investor behavior after the event, but not before.
Ye and Zhang (2011)	2007-2008	China Stock Market and Accounting Research (CSMAR)	Debt financing costs (CDFs)	The ratio of charitable giving to sales as measure of CSR	CSR reduces debt financing costs (CDFs) before firm CSR investment reaches its optimal level. The reverse relationship applies after CSR investment reaches its optimal level.
Tian et al. (2011)	September 2009	Questionnaire survey	N/A	N/A	(1) Chinese consumers are more likely to transform a good CSR record into positive corporate evaluation, product association, and purchase intention; (2) Consumer responses to CSR vary across different product categories; and (3) The relationships between consumer demographics and their CSR responses are not linear.

Wang and Qian (2011)	2001-2006	China Stock Market and Accounting Research (CSMAR) database, the National Economic Research Institute (NERI), and company annual reports	Corporate financial performance (CFP)	Level of corporate charitable giving	Corporate philanthropy is expected to positively affect firm financial performance.
Fu, Wang, and Jia (2012)	2005-2010	CSMAR database in China	Corporate social performance (CSP)	Adjusted rate of return on equity and Tobin's Q	The relationship between CSP and CFP measured by Tobin's Q is negative.
Yin and Zhang (2012)	February-July 2009	16 case studies	N/A	N/A	Chinese CSR understanding is largely grounded in the context of ethical and discretionary actions. This focus is mainly attributed to the dominant role of ethical leadership, governmental dependency, and cultural traditions in Chinese CSR. It implies that CSR is still evolving at a preliminary stage in China, and institutional infrastructure and cultural ethics are exerting abiding influence on approaches to CSR in emerging economies.
Chen, Yu, and Weng (2013)	Unspecified	256 Chinese firms	Corporate performance (CP)	Corporate social performance (CSP)	China provides a very unique context that extends the literature of corporate social responsibility with respect to the relationship between CSP and CP, as well as the measurement methods of these two constructs.

Marquis and Qian (2013)	2006-2009	China Stock Market and Accounting Research (CSMAR)	CSR report; CSR reporting substantiveness	Private control; CEO NPC/CPPCC membership; firm age; firm ROA; slack resources; CEO as a government official; regional institutional development	Integrate institutional theory with research on corporate political strategy to develop a political dependence model that explains (a) how different types of dependency on the government lead firms to issue corporate social responsibility (CSR) reports, and (b) how the risk of governmental monitoring affects the extent to which CSR reports are symbolic or substantive.
Feng and Liu (2013)	Unspecified	Unspecified	CSR initiatives	Industrial legitimacy demand, shareholder pressure, and corporate performance inefficiency	External factors such as industrial legitimacy demand, shareholder pressure, and corporate performance inefficiency have effects on the sense-making of CSR perceptions and thus affect CSR initiatives.
Fan and Egri (2014)	2012	Survey	N/A	N/A	Firms' long-term orientation mediates the effect of managers' moral motivation on CSR; and that it can also be triggered by stakeholder demands, thus mediating the relationship between stakeholder demands and CSR.
Wang and Li (2016)	2007-2012	Shenzhen Securities Information Co., Ltd., CNINFO, CSMAR	Corporate valuation	The disclosure of first-time standalone corporate social responsibility (CSR) reports	CSR initiators are valued more than matched CSR non-initiators, especially when both are controlled by private shareholders.

Yin (2015)	2009	Interviews with corporate executives	16-item scale from Boal and Peery's (1985) measure of CSR outcome	Seven-item "Good Ethics is Good Business", ethical corporate culture, globalization pressure, political embeddedness, normative social pressure	Internal institutional factors, including ethical corporate culture and top management commitment, and external institutional factors, including globalization pressure, political embeddedness, and normative social pressure, will affect the likelihood of firms acting in a socially responsible way.
Zhao and Ghorbani (2015)	Unspecified	N/A	Firms' CSR substantiveness	Coercion-driven governance, accreditation-driven governance, and market-driven governance	Firms effectively avoid polluting behavior as claimed in CSR reports either in response to coercion-driven governance with high punishment specification or to market-driven governance with high punishment and reward specification.
Miska, Witt, Stahl, and Mikulová (2015)	Unspecified	29 Chinese multinational enterprises	Global CSR integration	State influence and membership in global CSR associations	State influence and membership in global CSR associations affect global CSR integration, whereas presence in the West and internationalization through mergers and acquisitions tend to predict local CSR responsiveness.
Gao et al. (2016)	2000-2011	Chinese National Statistics Bureau, CSMAR	Underrepresentation of female executives in large corporations	Sex discrimination in China, which is measured by the male-to-female sex ratio at birth	Firms headquartered in more discriminatory areas are associated with fewer female executives, a higher likelihood of female employees' dismissal, and lower compensation for females than their male counterparts.

Luo, Wang, and Zhang (2016)	2008-2011	China Stock Market and Accounting Research Database (CSMAR), Chinese Statistics Bureau, National Economic Research Institute (NERI)	Hazard rate of issuance of a CSR report	State-controlled firms, political appointment, firm size, reputation, market capitalization, GDP growth rate	Uncovers the impact of conflicting government pressures, and advances research on institutional complexity by identifying a specific decoupling response.
Yin and Jamali (2016)	2012-2014	Interviews with corporate executives	N/A	N/A	The prevalence of a well-rounded conception of CSR among the sampled MNCs and a consistent appreciation of the strategic implications of CSR; a preference for a strategic CSR orientation among these large conglomerate companies and their subsidiaries.
Kong (2012)	2008	CCER Database; Shanghai National Accounting Institute's (SNAIs)	CAR following the 2008 melamine contamination incident in China	Social responsibility scores	Exploiting an exogenous shock, the author finds that CSR has positive impacts on firm performance in the food industry.
Lin et al. (2015)	2005-2009	N/A	CSR activities; probability of subsidy; performance	Mayor turnover	The authors find that when a mayor is replaced, the level of and the propensity for CSR activity increases. Such increases are more prominent in firms for which political connections are more valuable, namely, non-state-controlled firms, smaller firms, and firms operating in cities ruled by more corrupt government. They also find that firms that spend resources to bond with a new government via CSR activities are rewarded: these firms receive higher levels of government subsidies or have a greater propensity to receive future government subsidies. These firms also

outperform firms that do not invest in political networking via CSR.

Tang and Tang (2012)	Unspecified	Surveys and interviews with a sample of 144 Chinese SMEs	Environmental performance	Stakeholder-firm power difference	The authors find that government- and competitor-firm power differences positively affect Chinese SMEs' environmental performance, while the influence of the media-firm power difference is negative. Besides, governments' and the media's CSR orientation moderate the relationship between stakeholder-firm power difference and firms' environmental performance.
Gao (2011)	2008	Baidu.com; Sina.com	The amount of donation	Political ties; ownership type; industrial type; firm size; ownership type; industrial type	This research finds that large firms and firms with political ties donate significantly more to disaster relief than smaller firms and firms without political ties. But the findings indicate that state-owned enterprises (SOEs) donate no more than non-SOEs, and service companies donate significantly less than non-service companies. The results of this research partly support the institutional point of view of corporate philanthropy. Firms under high institutional pressure are more likely to donate more than firms facing lower institutional pressure.

**Table 3: Overview of key studies on corporate fraud in China**

Author(s)	Sample Period	Data Source	Dependent Variables	Independent Variables	Main Findings
Xin and Pearce (1996)	1992	Interviews	N/A	N/A	An underdeveloped legal framework makes private-company executives more dependent on guanxi than executives in state-owned or collective-hybrid companies.
Guthrie (1998)	1995	155 interviews with Chinese officials and industrial managers	N/A	N/A	Guanxi is an institutionally defined system– i.e. a system that depends on the institutional structure of society rather than on culture – that is changing in stride with the institutional changes of the reform era.
Tsang (1998)	N/A	N/A	N/A	N/A	Guanxi has to be valuable, rare, and imperfectly imitable before it can lead to a sustained advantage. Even if a certain advantage is gained, it can be difficult to sustain.
Firth et al. (2005)	1996-2002	CSRC Bulletin	Enforcement actions against auditors	Detected material misstatement fraud	Auditors are more likely to be sanctioned by regulators for failing to detect and report material misstatement fraud than disclosure fraud. Further analysis of the material misstatements indicates that auditors are more likely to be sanctioned for failing to detect and report revenue-related fraud than assets-related fraud.
Jia et al. (2009)	2000-2006	CSMAR, SINOFIN, WIND	Enforcement actions against corporate fraud	Supervisory board size, supervisory board meeting frequency	Supervisory boards play an active role when Chinese listed companies face enforcement action. Listed firms with larger supervisory boards are more likely to have more



Hou and Moore (2010)	1999-2008	CCER, CSMAR	Regulatory enforcement against fraud	State-owned enterprise dummy, state ownership ratio	The retained state ownership in privatized firms increases the incidence of regulatory enforcement against fraud. For state-owned enterprises, however, larger state ownership is associated with a lower incidence of enforcement action.
Bu and Roy (2013)	N/A	Interviews	N/A	N/A	Government ties are more likely to develop from past personal associations and through moral obligation that is manufactured by gift giving, perpetuated through private setting interactions, and involves the exchange of confidential work-related information.
Zhong, Yang, and Wang (2013)	2010-2011	Self-gathered supplier-distributor data	N/A	N/A	The nature of the knowledge resources accessed by managerial ties affects performance.
Pan, Wei, and Yang (2014)	2005-2009	Secondary data of 184 cross-regional expansion events from high-tech listed companies	N/A	N/A	Dense managerial political ties function better to support high resource standards required by capability-exploration expansions.
Wang and Li (2014)	2005-2010	A longitudinal dataset tracking the patenting behavior of 467 Chinese high-tech firms	Innovation	Financial fraud, external resource infusion, interaction between fraud and grant	Resources obtained through fraudulent means are less likely to be allocated to productive activities such as technological innovation.
He, Conyon, and Fang (2014)	2003-2011	Shanghai Stock Exchange or Shenzhen Stock Exchange	Abnormal perk consumption	Board independence, whether a firm is privately controlled, reputation of external auditor	Abnormal perk consumption has a significant negative effect on firm performance.

Sun, Hu, and Hillman (2015)	2008-2011	GTA Information Technology, the provider of Chinese Stock Market and Accounting Research (CSMAR) Database	Severity of large shareholder appropriation	Board political capital, controlling blockholder identity, industry regulation, subnational institutional environments	Board political capital can enable large blockholders to undertake more appropriation of firm wealth.
Haas et al. (2016)	2000-2010	CSMAR, CSRC Enforcement Actions Research Database	Enforcement actions against corporate fraud	Management equity incentives, supervisory board equity incentives	Managers' equity incentives increase their propensity to commit corporate fraud. This effect is more pronounced for state-owned firms. However, the paper finds a negative but not significant relationship between the equity incentives of the supervisory board and the incidence of fraud.
Cumming, Leung, and Rui (2015)	2001-2010	China Securities Regulatory Commission (CSRC)	Fraud	Female director ratio, female chairperson, female general manager and female-dominated industry	Gender diversity on boards can operate as a significant moderator for the frequency and severity of fraud.
Ang et al. (2016)	Up to 2012	Wind Database, COMPUSTAT, SEC	US-listed Chinese companies committing fraud	Blood donation, Enterprise trustworthiness, CEO political connection	Firms more predisposed to unethical behavior, due to their low regional social trust in the home country and low respect for regulations and laws as proxied by political connections, are more likely to commit accounting and financial fraud. They take advantage of low hurdles for listing via reverse mergers and avoid third-party monitoring through poor governance and auditors.
Chen et al. (2016a)	2003-2008	CCER, CSMAR	Enforcement actions against corporate fraud	Analyst coverage	There is a negative association between corporate fraud propensity and analyst coverage, and this effect is more pronounced among non-state owned enterprises, which are more reliant on the stock market for external funding.

Chen et al. (2016b)	1999-2008	CCER, CSMAR	CEO turnover	Enforcement actions against corporate fraud	The data examined show the Split Share Structure Reform strengthens incentives of state-owned enterprise controlling shareholders to replace fraudulent management.
Conyon and He (2016)	2005-2010	CSMAR	CEO pay	Regulatory enforcement against fraud	There is a significantly negative correlation between CEO compensation and corporate fraud. CEO compensation is lower in firms that commit more severe fraud.
Zhang (2016)	2004-2014	CSMAR	Enforcement actions against corporate fraud	Anti-corruption campaign event dummy	Due to enhanced public governance, firms are less likely to commit fraud in the post-campaign period than in the pre-campaign period. The paper further shows that the effect of public governance is more evident in privately held listed firms, firms with a weak legal environment, and firms in areas with poor local economies.
Hass et al. (2016)	2000-2010	CSMAR, CSRC Enforcement Actions Research Database	Corporate fraud	Equity incentives	There is a strong a positive relationship between equity incentives and fraud, especially for state-owned firms.
Hain et al. (2016)	1998-2012	Bureau van Dijk's Zephyr Database	Earnings informativeness	Mutual fund involvement	Trust is found to mitigate the negative effects of geographical and cultural distance, where institutional trust is more relevant for investments in emerging economies, and relational trust is more relevant for investments in developed economies.
Ding et al. (2016)	2001-2006	Shanghai and Shenzhen stock exchanges	Market share of auditors and audit fees	Audit failure and demise of the largest audit firm in China	Mutual funds, except those affiliated with banks, hold back earnings informativeness, as they are not fully formed in China and not yet capable of serving as an effective monitor.

He et al. (2016)	1996-2009	CSMAR	Market share of auditors and audit fees	Audit failure and demise of largest audit firm in China	The market shares and audit fees of these partners fell, and these partners became less likely to be employed by reputable audit firms. The results the reputational damage sustained by partners implicated in the scandals spreads to other partners in the same audit firm.
Stuart and Wang (2016)	467 unspecified firms applying for an Innovation Fund (Innofund) grant from five cities in two Chinese provinces	Administration of Industry and Commerce (SAIC); the Ministry of Science and Technology (MOST)	Magnitude of profit gap; existence of nontrivial profit gap; recipient of a MOST grant	Political connection; VC backed; organizational equity holder	The authors find that politically connected companies are approximately 18 percent more likely to commit fraud, and those with venture capital backing are 19 percent more likely to do so. Furthermore, they show that it pays to cheat. They estimate that companies who “cook” their books have considerably higher odds of receiving a government-sponsored innovation grant. Therefore, fraud can be a source of performance differential for emerging market companies.
Lisic et al. (2015)	1999-2005	CSMAR	Incidents of fraud	Auditor size	The authors find that companies audited by large audit firms are less likely to commit financial statement fraud. This effect is stronger for regulated industries and for revenue-related fraud.
Yu et al. (2015)	2006-2011	CSMAR; CSRC	Non-scandal peer firms’ five-day cumulative abnormal returns (CARs) around the scandal announcement date	Corporate governance mechanisms; legal environments; ownership of non-controlling blockholders; political connections	The authors demonstrate how a contagion effect spreads to peer firms, depending upon the quality of corporate governance and their political connections. Good corporate governance in peer firms reduces the contagion effect of scandals. External governance has a stronger influence on reducing the contagion effect of both financial and non-financial scandals, while ownership concentration and the quality of auditors play a more

Shafer et al. (2016)	Unspecified	Self-conducted survey	Ethical judgements; behavioral intentions	Professional commitment; stakeholder view; age; gender; education; position	pronounced role in mitigating the contagion effect of financial scandals. State ownership helps to mitigate the negative influence of non-financial scandals in individual-owned firms, but not in state-owned enterprises. The authors find that tax accountants with higher levels of professional commitment judged tax fraud as more unethical, and such ethical judgements were associated with a lower likelihood of intending to engage in fraud. This is consistent with the stakeholder view representing both normative and practical support for the importance of corporate ethics and social responsibility.
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