

Corporate Social Responsibility and Corporate Financial Performance in Cultural and Entertainment Industry: Evidence from Chinese Listed Companies

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Abstract

Cultural and entertainment industry has entered a phase of rapid development in China, and with it comes some problems on regulating its derivatives and also raising social concern about Corporate Social Responsibility (CSR) in Chinese cultural and entertainment industry. In addition, CSR has drawn more and more attention in developing countries even though its development lags behind developed countries at current stage. Meanwhile, as many studies stated, poor performance in CSR will have negative effects on Corporate Financial Performance (CFP). Therefore, the purpose of this study is to study on the relationship between CSR and CFP in Chinese cultural and entertainment industry. The study adopts an empirical study to examine the correlation between CSR and CFP. There will be two regression models used to examine the linkage between the overall CSR performance and CFP, and the relationship between specific CSR elements and CFP, respectively. Five CSR elements: shareholder responsibility, employee responsibility, supplier, customer and consumer responsibility, environmental responsibility and social responsibility are used as independent variables, and five financial indicators: ROE, ROA, EPS, the growth rate of main operating, the expansion rate of total assets are adopted as dependent variables to measure companies' profitability and growth ability. After doing the analysis of the results, the author finds there is a significant positive relationship between CSR and companies' profitability, however, CSR has no significant effects on companies' growth ability. Even though the study is limited by the size of sample, it is the first study that examines the relationship between CSR and CFP in Chinese cultural and entertainment industry. It may help increase the understanding of the relationship between CSR and financial performance in Chinese cultural and entertainment industry.

Keywords: Corporate Social Responsibility (CSR); Corporate Financial Performance (CFP); Chinese cultural and entertainment industry;

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1. Introduction

Corporate Social Responsibility (CSR) has become a hot topic over the last decade. The World Business Council for sustainable (WBCSD) defines CSR as corporations' 'continuing commitment' that promises to consider the interests of their employees, customers' satisfaction and local communities, and even the whole society while they make profits. It has been discussed for a long time that corporations should behave ethically and responsibly when they are operating. Moreover, as Idowu et al. (2017) stated, no companies can ignore the implication of CSR in the world today. Since a corporation's behavior in CSR will greatly affect the corporation's sustainable development. As Genedy and Sakr (2017) stated, CSR is a significant factor which will influence corporate profitability. It may influence corporate financial performance (CFP) by obtaining more trade opportunities, profiting from high customer satisfaction and so on. Meanwhile, it is a well-known viewpoint that maximizing shareholder's wealth is the main goal of a company. Managers tend to pay more attention to the factors which will affect shareholder's wealth. It seems that recently the 'unprecedented increase' in the expenditure of CSR-related activities shows CSR can bring economic benefit to companies (Genedy and Sakr, 2017). To achieve healthy development and sustainable success, both CSR and CFP are worth focusing on. Therefore, the topic this study will discuss is about the relationship between CSR and CFP, and the extend of the effects which CSR will have on CFP.

There have been a plenty of previous studies on the consequences and influencing factors of CSR, and also much research which focuses on the relationship between CSR and CFP in developed countries, such as the UK and the US. However, the available studies which research on the relationship between CSR and CFP in developing countries are insufficient. Moreover, cultural and entertainment industry is also an industry which is relatively less studied on CSR issues. Therefore, in this study, the research scope will be narrowed down to the developing countries, and specifically, the main aim of the study is to examine the effects of CSR on CFP in Chinese cultural and entertainment industry. Specially, the relationship between specific CSR elements and CFP will be studied as well, respectively.

1.1 Background to the cultural and entertainment industry

There has been rapid development in Chinese cultural and entertainment industry in this decade. Especially, with the widespread availability of the internet and cellphones, the cultural products which are derivative from the network, such as web series, web comics, and network literature are becoming very popular. The output value of these network derivatives is about 548 billion yuan in 2017, which accounts for over 20% of Chinese digital economy (Li, 2017). These network derivative cultural products have become one of the most critical supporting parts of Chinese cultural and entertainment industry. As living standards have improved and the consumption concept has changed a lot in China, people are willing to spend more money on cultural products to make more spiritual pursuit. Thus, the production and consumption of cultural products will increase constantly. Moreover, the young generations born after 90s are the primary consumers of the cultural products in China. Therefore, the network derivative cultural products are likely to be welcomed continuously in at least ten years. Given that the main parts of the cultural and entertainment industry have transferred to or deeply influenced by this 'Internet + Culture and Entertainment' mode, the regulations for the industry may face more problems, i.e., videos are spread easily through the Internet and cellphones, and online games and mobile games are also easy to access. These lead to that the government is hard to make comprehensive supervision or regulation on all cultural products.

Therefore, some products (eg. videos, games) which will do harm to the social benefits may be released without regulation. The coordinator who regulates the digital industry gave a speech in the China Digital Entertainment Congress (CDEG) in 2017. As the coordinator mentioned, the cultural and entertainment industry which is in the ‘Internet + Cultural and Entertainment’ mode needs to focus on the future development rather than the output value (Dong and Yang, 2017). Therefore, the cultural and entertainment companies should strengthen the sense of social responsibility in order to achieve both social benefits and economic benefits. As a result, the cultural and entertainment companies will be able to have a sustainable and healthy development.

In summary, Chinese cultural and entertainment industry is selected for several reasons: firstly, China is one of the biggest markets not only in developing countries, but also in the world. Therefore, examining Chinese companies may be representative and may have certain reference significance to other developing countries. Secondly, many previous studies haven’t specifically focused on one industry, especially one industry in developing countries. Narrowing down to one certain industry may be easier to achieve some meaningful results. Thirdly, cultural and entertainment industry is one of the fastest-growing sectors in China and has many problems related to social responsibility, which make the research on the Chinese cultural and entertainment industry be a very meaningful topic.

1.2 The main objective and intended contributions

The relationship between CSR and CFP doesn’t have consistent results in previous literature. Many researchers (i.e., Ribstein (2005) consider CSR has positive influences on CFP. On the contrary, scholars like Friedman (1970) state that CSR will increase companies’ costs which are superior to companies’ profits and as a result, it will have negative effects on CFP. Besides, there are also some studies indicate CSR and CFP are uncorrelated variables and CSR has no significant effects on CFP. To ensure to get meaningful results, it seems that the research on the relationship between CSR and CFP is better examined by specific industry based on previous studies. As mentioned above, most of existing literature which studies the correlation between CSR and CFP focuses on developed countries. Meanwhile, the research scope usually focuses on mining industry and banking sector since a plenty of studies on these industries are available. Therefore, the relationship between CSR and CFP in Chinese cultural and entertainment industry is still with great research potential.

Therefore, the intended contributions of this study are: first, there is a research gap on the relationship between CSR and CFP in Chinese cultural and entertainment industry. It is to say that to enrich the studies on the correlations between CSR and CFP, the study chooses Chinese cultural and entertainment industry as the research subject. Secondly, there are few studies considering the influences of specific CSR elements on CFP in China, while this study will explore the relationship between specific CSR elements and CFP. Third, China is still in the early phases of CSR development, the study aims to provide support or useful inspiration for cultural and entertainment companies, and also future research.

2. Literature Review

In recent years, CSR related topics have been studied a lot. Even if the main goal of companies has still been to maximize shareholders’ value, CSR tends to draw more attention from not only the researchers, but also the companies. Since more and more corporations have realized

that merely focusing on the financial benefits may lead to adverse effects. It is to say that when a company operates its business without considering social benefits, it will probably damage its reputation, and then the financial benefits of the company will be ruined as a result. Therefore, CSR is an indispensable factor which will greatly affect CFP. On a broader level, CSR is crucial to companies' sustainable development as well.

2.1 Corporate Social Responsibility (CSR)

As mentioned above, the issues of CSR have been studied for a long time. As Idowu et al. (2017) stated, the discussions that corporations should behave ethically and responsibly are over fifty years. At the early stage, CSR is related to the obligations to particular stakeholders, which seems that CSR can only satisfy certain stakeholders' needs, rather than be expected to undertake for the whole society's interest (Chamberlain, 1973). By contrast, some researchers thought CSR aims to enhance economic benefit of the society as a whole (Frederick, 1983). It is to say that it is a requirement to do overseeing of companies' operation for the public interest. Afterwards, CSR is defined more completely. As Carroll (1999) mentioned, CSR should consider the entire aspects of business performance. It means when it comes to CSR, economic benefits, legality and ethical behaviors should be taken into consideration. In addition, Porter and Kramer (2006) defined CSR with four elements: moral obligation, reputation, sustainability and license to operate. Matten and Moon (2005) viewed CSR as a complex notion that it should encompass responsibility to economic benefits, responsibility to the public and social responsiveness. In sum, the notion of CSR has been changing and enriching all the time.

Referring to the previous literature, the key content of CSR can be summarized as that companies have responsibility to satisfy their stakeholders' needs when they are operating their business. These 'stakeholders' include the internal stakeholders, such as shareholders, employees, and also external stakeholders, like customers, suppliers and business partners, even the whole society should be taken into account.

2.2 CSR in China

In China, CSR haven't got much attention as developed countries (i.e., UK and US) at the earlier stage. The most of Chinese companies seemed to show the bad practices when it referred to the CSR in China. Scandals, such as environmental pollution problems, low quality products, substandard production process and damage to employees' interests, were exposed to the public very often. For example, one of the most serious accidents was happened in 2008, a Chinese company named Sanlu, which specialized in dairy products, was caught up in a scandal that contaminants were found in its formula of milk powder.

The whole society was shocked and paid high attention to it. As Lin (2010) mentioned, the image of irresponsibility of Chinese corporations may be the major driving force of the CSR development in China. It seemed that CSR attracted the due attention from the whole society after some serious accidents (i.e., Sanlu milk powder incident) happened in China. However, for academics and Chinese government, CSR has become an important issue since the early 2000s.

The government takes on the leadership role for guiding the Chinese companies on CSR disclosure. In the general provision of Chinese Company Law [2005], the article 5 mentions that when companies engage in the business activities, they are required to undertake social responsibility. Meanwhile, article 17 requires companies to protect the lawful interests and rights of employees, and the production safety shall also be insured. It is the first time that CSR was clearly symbolized in law in China (Chinese Company Law [2005]). It makes CSR be guaranteed by the law, however, the specific contents and operability are still lacked.

In 2008, a Guiding Opinion, which is about the CSR implementation by State-Owned Enterprises (SOEs) that are Central-Government Controlled, was released by the State-Owned Assets Supervision and Administrative Commission of the State Council (SASAC). The Guiding Opinion is for SOEs. Since these enterprises are the bulk of Chinese economy, they are expected to be the examples for other Chinese companies. And in the third part of the Guiding Opinion, eight topics of CSR are put forward, which include environment protection, improving product and service quality, resources efficiency, and so on (Lin, 2010). In addition, the Guiding Opinion involves CSR implementation measures as well. Educating employees on CSR is mentioned, and the Guiding Opinion encourages SOEs to put CSR into corporate governance strategy (Lin, 2010). In all, the Guiding Opinion seems to provide more detailed guidance on CSR implementation to Chinese companies, especially, SOEs, and it contains most of the CSR-related topics which are in the international CSR standards (Lin, 2010). However, the principles are still too broad and hard to follow by companies.

When it comes to CSR, corporate social and environmental disclosure is an important implementation. Companies are required to provide the information about their social and environmental performance to their shareholders and also to the public in some developed countries (Lin, 2010). To follow the example of developed countries, Chinese government has launched some CSR disclosure initiatives. First, the Shenzhen and Shanghai Stock Exchanges have proposed some requirements.

In September, 2006, the Shenzhen Stock Exchange (SZSE) issued a document which provides some guidelines on social responsibility for listed companies, then, in April, 2007, twenty listed companies issued their separate CSR reports. In December 2017, SZSE joined UN Sustainable Stock Exchange Initiative that means SZSE will learn from successful experience to strengthen their functions in promoting CSR and promoting sustainable development of companies (SZSE, 2017). Meanwhile, as the official site of SZSE stated, there are 306 listed companies have published their independent social responsibility reports in SZSE. It seems that more and more companies have realized the importance and necessity of performing well on social responsibility.

Shanghai Stock Exchange (SSE) released its initiatives on CSR disclosure in May, 2008. Besides of the guidelines which are similar with Shenzhen Stock Exchange's, there is also the "Notice of Improving Listed Companies' Assumption of Social Responsibilities" (Notice). According to the guidelines and the Notice, listed companies are encouraged not only to issue independent CSR reports annually, but also disclose their corporations' CSR-related information timely (SSE, 2008). Significantly, in the Notice, the concept of "social contribution value per share" is firstly brought up, which is used to evaluate a companies' comprehensive capacity on value creation (SSE, 2008). It can provide a direct approach to help the public to get a general idea of the real contribution to the whole society made by companies.

In addition to these initiatives promoted by the government and official institutions, private initiatives also play a significant role in promoting CSR in China. For example, one of the initiatives are the guideline on social responsibility for Chinese industrial companies and industry association (GSRI-CHINA). It is the first CSR guideline for Chinese industrial sector, which not only contains the common contents about CSR, but also includes corresponding contents on industrial companies' social responsibility specifically (China Federation of Industrial Economics, 2010). As a private initiative produced by eleven industrial associations voluntarily, it is a specific guideline to understand the importance of CSR and create comprehensive CSR system for industrial sector.

In all, even if CSR development of China began later than developed countries and there might be some imperfections in the current development, the speed of the development and the attention put on CSR should not be underestimated.

2.3 Corporate Financial Performance (CFP)

CFP is a widely discussed term in business, especially in the theory of Industrial Organization. As Koralun-Bereźnicka (2013) stated, the theory of Industrial Organization, one of whose research emphasis is corporate financial performance results, makes people begin to think about the meaning of CFP. Meanwhile, in theory of Industrial Organization, CFP is considered to be linked with these features: “profitability, development, product quality, technological progress and productive and allocative efficiency” (Koralun-Bereźnicka, 2013, p.2), and in practice of the theory of Industrial Organization, CFP is merely regarded as profitability. Along with it, even if various methods are applied to measure CFP, two types of CFP measurement, which is accounting-based measures and market-based measures, are commonly used to measure the corporate profitability (Inoue & Lee, 2011). Accounting-based measures are used to examine the short-term profitability of corporations, such as return on assets (ROA), which is used to indicate the profitability of companies with respect to its total assets (Hull & Rothenberg, 2008).

Market-based measures are used to reveal companies’ expected financial performance in the future. They focus on the sustainability of profits, such as Tobin’s Q, which is to evaluate companies’ capability to keep creating profits in the future (Rust et al., 2004).

As mentioned before, the relationship between CSR and CFP has been discussed a lot. As Callan and Thomas (2009) reported, CSR has drawn more and more attention in recent years, because more and more companies have recognized the potential benefits, especially, the financial benefits, brought by CSR. It seems that the motivations behind CSR and the implications of CSR on companies’ profitability are in the hot area of related research. Meanwhile, it is also mentioned above that CSR considers of all stakeholders’ interests. In Choi and Wang’s (2009) study, if a company has a good relationship with its stakeholders, its financial performance will be increased. Among them, the positive stakeholder relations are more critical for poorly performing companies. It is because that it is easier for these companies to make strategic changes in order to move out of the poor performance (Choi & Wang, 2009). In addition, in Inoue and Lee’s report (2011), the degree of the relationship between CSR and CFP is influenced by the selection of different measurement. Some research, such as Qiu et al. (2016)’s, states that social disclosures will enhance a company’s reputation which will influence the company’s financial performance as a result. All these previous studies have indicated that the correlation between CSR and CFP needs more attention.

2.4 Empirical studies about the relationship between CSR and CFP

There has been a significant amount of research which is related to the linkage between CSR and CFP. The focus on their relationship seems along with people’s rising interest in CSR activities. As Genedy and Sakr (2017) mentioned, companies’ willingness of engaging into CSR activities and spending money supporting CSR activities has been growing rapidly. Therefore, figuring out whether CSR will affect companies’ profitability and which kind of influence will CSR have on CFP (positive, negative or neutral) will be a significant and necessary research topic. It seems that there always have been heated debates in the related research which studies on their relationship. One of the original debates are the causal relationship of the linkage between CSR and CFP (Callan & Thomas, 2009). From the previous research, most of them consider CSR is the cause while CFP is the effect. As Margolis and

Walsh (2001) reported, over eighty percent of research that they have reviewed consider CSR as the independent variable. Then, there have been a large amount debates on the relationship CSR and CFP have, which is positive, negative or neutral relationship. In Margolis et al. (2003)'s research, it shows that they have reviewed 109 empirical studies which indicate CSR is the independent variable. Among them, there are 54 showing positive relationship, while 7 are negative and 48 are neutral. Most of studies show these three types of relationship.

2.5 Positive relationship

Many researchers believe that there is a positive relationship between CSR and CFP. There are several theories and evidence can support this positive relationship. The first one is the instrumental approach of Stakeholder Theory, which considers stakeholders as parts of the environment that will affect firms' operation and profitability (Berman et al., 1999). In the Stakeholder Theory, CSR-related activities can be treated as means for companies to control and take advantage of the resources owned by stakeholders (Wang et al., 2008). Specifically, firstly, companies which have good CSR behaviors may attract more job seekers. Meanwhile, current employees tend to have superior productivity than companies perform poorly in CSR (Agell & Lundberg, 2003). Secondly, good CSR behavior can provide companies with some investment opportunities. As Barnett and Salomon (2006) explained, some investors are more willing to invest in the companies that attach importance to CSR. Thirdly, customer satisfactory also can be affected by CSR. Customers, especially for whom purchase large quantities, will tend to choose companies which perform well in CSR (Wang et al., 2016). The second evidence is about corporate reputation. As Godfrey (2005) stated, some scholars have developed a concept of reputational capital which is related to the reputation evaluation of companies' activities created by stakeholders. Among the reputation evaluations, CSR behavior is a significant factor. Meanwhile, positive reputation capital may place firms in a strong position when they need to negotiate with stakeholders (Cornell & Shapiro, 1987). It seems that firms that perform well in CSR may have positive influence on their reputation capital, and as a result, it can have positive influence on their profitability (Wang et al., 2016). In addition, Orlitzky et al. (2003) have completed a meta-analysis on the relationship between CSR and CFP. In this research, it shows that CSR has a positive relationship with CFP with conducting 52 studies and using over 33 878 samples, and not only that, it also indicates that the relationship between CSR and CFP is bidirectional. In all, although there have been many debates about the linkage, the majority of previous research believe that the positive relationship between CSR and CFP is actually existing.

2.6 Negative relationship

Some researchers consider the relationship between CSR and CFP is negative. Friedman (1970) thinks companies' social responsibility is to focus on enhancing its profitability. Meanwhile, he argued as early as 1970 that the CSR activities that benefit the social interest will cost someone's money. For example, the money spent on CSR activities may be added to the price which means customers will pay for the companies' cost of CSR activities actually. Moreover, as Friedman (1970) stated, the costs generated from CSR activities are much more than the profits companies will obtain, and it will lower CFP as a result. In addition, as Aupperle et al. (1985) mentioned, corporations which regard CSR highly seems to spend more unnecessary cost than others that don't attach importance to CSR. From the results, it seems that the companies pay much attention to CSR may not get the expected return, and it may not hold a more advantageous place compared with its competitors as well. In all, some researchers consider that the costs of CSR activities exceed the benefits generated from CSR. Therefore, they think the relationship is negative in this sense.

2.7 Neutral relationship

Some other studies have suggested that there is no significant relationship between CSR and CFP. Some researchers argue that it lacks theoretical foundation to make conclusions about the relationship between CSR and CFP. For example, Wood and Jones (1995) indicate that there is no theory has clearly explained how CSR and CFP relate to each other. Meanwhile, many researchers try to establish the linkage by clarifying the importance of stakeholders to CSR. However, it just one of the approaches to get close, not the certain theory that can explain the relationship clearly (Wood and Jones, 1995). In addition, Ullmann (1985) has examined sizable number of empirical studies which focus on the relationship among CSR, CFP and social disclosure by using various methods, but he hasn't found a consistent trend of the relationship between CSR and CFP. Then, he gave three reasons to explain it. The first one is similar as Wood and Jones (1995)'s view that it is lacking in theoretical basis. The second is the inappropriate definition and measures of terms related to CSR. The third one is about the empirical databases which provide information that varies in quality and quantity. In all, a certain number of researchers consider the linkages between CSR and CFP are not clear and have no consistency.

2.8 Domestic literature of relationship between CSR and CFP

As mentioned above, the literature of relationship between CSR and CFP on developing countries (i.e., China) is limited and much less than literature on developed countries. To explore the relationship between CSR and CFP in China, scholars have used various approaches or studied from different perspectives. Liang and Tie-nan (2013) explore the relationship between CSR and CFP in China based on investors' reaction to CSR information. They find CSR has significant positive effects on investors' reaction, and with the positive effects will make on CFP as a result. Chen and Wang (2011) consider factors of cause-effect and time delay to examine the relationship between CSR and CFP in China. Their study results show CSR and CFP have significant influences to each other and the performance of a company's CSR performance can improve its CFP of the current year, and meanwhile can have significant effects on its CFP of the next year. Some research examines the relationship between CSR and CFP considering the special national conditions of China. Reimsbach et al. (2018) study how political embeddedness influences the correlation between CSR and CFP in China. They find companies which are politically embedded or government-owned are more likely to have negative relationship between CSR and CFP than companies without political embeddedness.

Among the domestic literature on China, most of the literature adopts empirical study to examine the relationship between CSR and CFP. Pan et al. (2014) study on the relationship between CSR and CFP through empirical study and using data from 228 Chinese listed companies in mining industry from 2010 to 2013. They apply regression models to examine their research questions and find there is significant positive correlation between CSR and companies' profits. Similarly, Cheng et al. (2016) also choose empirical study to explore the relationship between CSR and CFP in China using data from Chinese Shanghai Stock Exchange (SSE) in 2008 and 2009 and adopting three regression models. Based on the estimation results of their empirical studies, the increasing studies show CSR has significant positive effects on CFP in China.

To conclude the literature review, first, the relationship between CSR and CFP has been a hot topic for a long time, however, there is no consistent result of this topic because the correlation between CSR and CFP can be positive, negative or neutral based on previous studies. Second, the development of Chinese CSR is later than the development of CSR in developed countries,

so the laws and policies related to CSR are still imperfect. Third, the majority of literature on the relationship between CSR and CFP in China adopts empirical analysis to examine the correlations, and the increasing proportion of the results show positive relationship between CSR and CFP.

3. Hypothesis Development

As mentioned above, CSR-related issues have been hot topics for several decades. Among them, the relationship between CSR and CFP is one of the most often discussed topics. As Margolis and Walsh (2003) reported, in the years between 1972 and 2002, there have been 127 studies that research on the relationship between CSR and CFP published. According to existing literature, many studies select certain countries or regions as research objectives to explore the relationship between CSR and CFP. At the beginning, developed countries, such as America and the UK, are chosen for the research because CSR develops earlier and better than it in developing countries. However, with the increasing interests of CSR in developing countries, studies on CSR in developing countries, such as China and Egypt, increase as well. Then, recently, the trend is to focus on certain industry, such as Theodoulidis et al. (2017) study on the tourism industry, Asatryan and Březinová (2014) study on the airline industry and Pan et al. (2014) study on the mineral industry. In addition, a large number of studies adopts empirical analysis to examine the relationship between CSR and CFP.

For the studies on the relationship between CSR and CFP, there is no uniform result. The conventional result is that CSR has positive effects on CFP (Berman et al., 1999; Wang et al., 2008; Agell & Lundberg, 2003; Orlitzky et al., 2003). Conversely, some research finds CSR-related activities will increase costs which are superior to the benefits arising from CSR, so it will have negative influences on CFP as a result (Friedman, 1970; Aupperle et al., 1985). Meanwhile, there are some studies which state CSR has no significant effects on CFP (Wood and Jones, 1995; Ullmann, 1985). Even though previous studies can't reach a consistent result, they do provide many useful evidence and research approach. Thus, based on existing literature, the study is going to discuss two main research questions. The first one is: the relationship between overall performance of CSR and CFP in Chinese cultural and entertainment industry. The study will use five financial indicators to measure CFP, which are ROE, ROA, EPS, the growth rate of main operating and the expansion rate of total assets. Meanwhile, overall performance of CSR will also be measured and graded by professional evaluation system (HEXUN). To examine the relationship, regression models will be adopted, and the regression results will show the correlations between CSR and CFP are significantly positive, negative or neutral. The details of CSR measurement, CFP measurements and models will be discussed in the methodology part.

After examining the correlation between overall performance of CSR and CFP, the study will focus on the different CSR components. Therefore, the second main research question is: the relationship between specific CSR elements and CFP. Based on the professional CSR evaluation system (HEXUN), CSR is divided into five elements, shareholder responsibility, employee responsibility, supplier, customer and consumer responsibility, environmental responsibility and public responsibility. The study is intended to examine the relationship between CSR elements and five financial indicators, respectively. The study will explore which CSR elements have most significant effects on CFP, and which CFP indicators are strongly influenced by CSR as well.

As mentioned in introduction part, Chinese cultural and entertainment industry is selected as the research subject mainly because the intended contributions of the study is: firstly, to fill the research gap of the relationship between CSR and CFP in Chinese cultural and entertainment industry; secondly, examining the relationship between specific CSR elements and CFP; thirdly, to provide support or useful inspiration for Chinese cultural and entertainment companies when they take CSR. Therefore, the main research questions are made to get a comprehensive study on the relationship between CSR and CFP, and to meet the intended contribution as a result.

4. Methodology

4.1 Sample selection and data collection

The samples in this study consist of the companies in cultural and entertainment industry listed on both Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE). There are 58 listed companies in Chinese cultural and entertainment industry. Initially, all these 58 listed companies have been selected as samples, and the research period is set from 2013 to 2017. However, only 37 listed companies' CFP data in five years are available. Therefore, the actual number of listed companies which will be analyzed in the study is 37.

The CSR related data are collected from the HEXUN website because it is the only source that provides the data on CSR performance of all Chinese listed companies. The HEXUN is the leader of Chinese financial websites. Meanwhile, it is also the first one which invents professional evaluation tools to measure CSR and provides these CSR performance data to the public. The CFP data come from the CSMAR database which is one of the biggest research databases which is an economic and financial database with large scale, and accurate and comprehensive data in China.

4.2 CSR measurement

Even though CSR has got increasingly attention for several decades, there is still not a clear and confirmed definition of CSR and no universal standard to measure CSR as well.

Moreover, the development of CSR has not matured well in developing countries. Therefore, the measurement of CSR doesn't have a consistent method, and it is hard to find a source of data on CSR measurement which contains all listed companies in China. In this study, the CSR evaluation system of HEXUN is the source of CSR data. HEXUN's evaluation system divides CSR into five components, which are shareholder responsibility, employee responsibility, supplier, customer and consumer responsibility, environmental responsibility and the public responsibility. Shareholder responsibility consists of indicators like profits, debt situation, return, credit and innovation. Employee responsibility grade is based on indicators focusing on performance, security and caring for employees. Supplier, customer and consumer responsibility covers product quality, service and mutual good faith. Environmental responsibility is assessed by the performance on environmental governance. Public responsibility focuses on a company's contribution value which contains the tax it pays and the donation amount. Each component will be evaluated and graded, and then all scores are added up to calculate the total score which reflects the overall CSR performance of a company. In this study, total score of CSR performance and all five components will be chosen as CSR variables. As Pan et al. (2014) introduced, different industries have different distribution ratio among these five components. The weight ratio of cultural and entertainment industry is: the

shareholder responsibility accounts for 30%, employee responsibility and supplier, customer and consumer responsibility take for 15% respectively, environmental responsibility accounts for 10% and the weight of the public responsibility is 30% as well.

4.3 CFP measurement

As mentioned above, there are two types of CFP measurement which are accounting-based measurement and market-based measurement. In many studies, researchers will choose some financial ratios to reflect companies' financial performance, such as return on equity (ROE), return on assets (ROA), Tobin's Q, Earnings Per Share (EPS). In this study, ROE, ROA, EPS, Growth Rate of Main Operating and the Expansion Rate of Total Assets are selected to measure CFP. ROE, ROA, the growth rate of main operating and the expansion rate of total assets are all accounting-based measurement. ROE which is the amount of net income divided by shareholders' equity and ROA which is calculated as the amount of net income is divided by total assets are widely used to measure a company's profitability by earning with its assets and shareholders' investment, respectively. The Growth Rate of Main Operating which is the percentage of increase in operating income this year over the total operating income last year. It is also a useful indicator to measure a company's performance, especially the company's growth ability, and make predictions about future performance. The Expansion Rate of Total Assets, which is calculated as the ratio of the increase of total assets at the end of the year to the amounts of total assets at the beginning of the year. It is one of the important indicators to measure the growth ability of companies as well. In addition, market-based indicators are also necessary, they can reflect how investors actually think of a company's future development. Among them, EPS, which is calculated as: $(\text{Net Income} - \text{Dividends on Preferred Stock}) / \text{Average Outstanding Shares}$, is one of the indicators that investors care most, which can provide important information about companies' financial situation. All five-year financial data (from 2013 to 2018) come from the CSMAR database for two reasons: first, CSMAR database is a professional database which contains all Chinese listed companies' financial data. Second, all financial data are collected from the same database means all financial data are calculated on a consolidated basis. As Pan et al. (2014) stated, it can ensure the comparability and consistency of data.

4.4 Control variables

Control variables are indispensable parts to control potential effects on the relationship between CSR and CFP. As Genedy and Sakr (2017) mentioned, the larger the company's scale is, the more stakeholders it will have. As a result, the larger company will be added more pressure to satisfy its stakeholders' needs. Therefore, larger companies will prefer to invest more into CSR activity. It is to say that company size will be a significant influence on the linkage between CSR and CFP. In this study, company size will be measured by the value of total assets.

In addition, companies' risk is another control variable in this study. As Boutin-Dufresne and Savaria (2004) said, companies which perform better in CSR have less financial risks than those companies perform poorly in CSR. Moreover, companies which behave better in CSR will have better reputation that can influence its financial performance as a result. Therefore, companies' risk can be seen as a necessary control variable in order to obtain more accurate and reliable research results. In previous literature, the debt to total assets ratio, long-term debt to total assets ratio and the debt to total capital can be used to measure companies' risk. In this study, the debt to total assets ratio is selected. The data on these two control variables are collected in the HEXUN website as well.

4.5 Industry selection

Not only Chinese cultural and entertainment companies, but also many other Chinese companies tend to seek high profitability rather than behave good in CSR at current stages. The main reason for the phenomenon may be the economic environment and the CSR developing stage of China. It is to say that in China, CSR began later than developed countries and the laws on regulating companies' CSR behaviors are still imperfect in China. Furthermore, many Chinese firms will not pay much attention to social responsibility. They would like to pay more attention to shareholder's needs rather than stakeholder's interests. Given the above, it is to say that Chinese companies don't have much CSR incentives so far. However, previous studies have indicated that CSR is one of the most important influences on companies' sustainable development.

As mentioned in Introduction part, Chinese cultural and entertainment industry has been developing by the 'Internet + Cultural and Entertainment' mode at a high speed in recent years. As the output value increased, the question that how to seek sustainable development arises as well. Social responsibility is a significant influence of companies' sustainable development. Therefore, studying on the relationship between CSR and CFP is helpful and meaningful. Moreover, given that cultural products are difficult to be regulated comprehensively by governments, the voluntary actions taken by companies based on CSR are important and necessary. Furthermore, there is no research studying the relationship between CSR and CFP in Chinese cultural and entertainment industry, so filling the research gap will be one of the contributions of this study. In addition, the linkages between five components of CSR and CFP will be explored respectively. It is to say that which parts of CSR may have closer relationship with CFP can be found, and it can give some useful implications to companies in Chinese cultural and entertainment industry.

Therefore, cultural and entertainment industry is selected.

4.6 Model

The study aims to research on the relationship between CSR and CFP, so regression analysis is selected to analyze data and explore the linkage. Regression analysis is a tool used to investigate the causal and effect relationship between independent variables and the dependent variable. It is an important tool to analyze data since it can show the significant relationship between variables, and it can indicate the strength of the effect of different independent variables on the dependent variable (Field, 2018). Following Pan et al. (2014)'s research, similar regression models will be chosen to analyze the relationship between CSR and CFP in the study. It is because using Pan et al. (2014)'s model as reference can help explore the relationship between overall performance of CSR and CFP, and also the linkages between detailed CSR elements and CFP. In this study, linear regression is selected which establishes the relationship between CFP and CSR variables. Since it aims to explore the linkage between CFP and CSR as a whole, and researching on particular CSR elements and CFP as well, there will be two models. Model 1 is simple linear regression model that examines the linkage between CSR_SCORE and CFP variables (ROE, ROA, EPS, MB, TA), respectively. Model 2 is multiple linear regression model, which has multiple independent variables, examines the relationship between CSR elements (S, EM, SC, E, P) and CFP variables (ROE, ROA, EPS, MB, TA), respectively. Furthermore, control variables mentioned above will be included in the models, since they may have significant influence on CFP as well. Other potential influences will be treated as parts of the constant β_0 . Two models are:

Model 1: $CFP_{it} = \beta_0 + \beta_1 CSR_SCORE_{it} + \beta_2 RISK + \beta_3 SIZE + \epsilon_{it}$

Model 2: $CFP_{it} = \beta_0 + \beta_1 S_{it} + \beta_2 EM_{it} + \beta_3 SC_{it} + \beta_4 E_{it} + \beta_5 P_{it} + \beta_6 RISK_{it} + \beta_7 SIZE_{it} + e_{it}$

Note: *i* represents the company; *t* represents the time period; *e* is error term; the dependent variables, CFP will be ROE, ROA, EPS, MB, and TA.

All data of 37 listed companies in Chinese cultural and entertainment industry will come into Model 1 and 2. Then the overall relationship between CSR and CFP and the relationship between CSR elements and CFP will be examined.

5. Results and Discussion

5.1. Descriptive statistics

CSR_SCORE is the total score of CSR performance, S is Shareholder responsibility, EM is Employee responsibility, SC is Supply, Customer and Consumer responsibility, E is environmental responsibility, P is Public responsibility. RISK is companies' risk that is represented by the debt to total assets ratio. SIZE is companies' size defined as the value of total assets. More details of these variables have been discussed above in CSR measurement, CFP measurement and Control variables sections respectively.

Table 1 is descriptive statistics of all variables. It shows the valid number of each variable and illustrates Minimum, Maximum, Median, Mean, Standard Deviation (Std. Deviation), Skewness and Kurtosis of variables. There are 37 companies' five-year (from 2013 to 2017) data analyzed, so there are 185 observations of each variable, a total of 9086 data points.

For dependent variables, the maximum of ROE is 1.257917, while the minimum is - 2.533894. It means some of the Chinese listed cultural and entertainment companies are probably in financial distress. Meanwhile, the standard deviation of ROE is 0.229195633 much higher than its mean (0.0781759), which means the fluctuation of ROE is quite strong. Similarly, the maximum of ROA is 0.175059 and the minimum is negative (- 0.775369). However, the difference between maximum and minimum of ROA doesn't fluctuate so widely as ROE's. Maximum figure of EPS is 4.229995 while minimum figure of EPS is -0.389416, and the skewness of EPS is positive (4.094) which indicates EPS data that are greater the mean (0.46768566) are less than the data less than 0.46768566. It may represent that the higher numbers like the maximum, are in the minority. Similarly, the minimums of MB and TA are negative, while the maximums of MB and TA are 53.968966 and 33.060058, respectively. Meanwhile, the skewnesses of MB and TA are positive, which shows MB and TA data that are lower than their means are much more than the data larger than their means. The standard deviations of MB (4.395112656) and TA (2.89069383) are much higher than their means, 1.18247641 and 0.64887428, respectively. It shows the fluctuations of MB and TA are much stronger comparing with ROE.

For independent variables, the first one, CSR_SCORE is the overall performance of CSR. The maximum of CSR_SCORE is 78.4 and the minimum of CSR_SCORE is negative (- 5.88). The difference between the maximum and minimum is 84.28, which shows that different companies perform differently in terms of the overall CSR performance.

Table 1. Descriptive statistics

Variable	N	Minimum	Maximum	Median	Mean
ROE	185	-2.533894	1.257917	0.093076	0.0781759
ROA	185	-0.775369	0.175059	0.060132	0.05315685
EPS	185	-0.389416	4.229995	0.389519	0.46768566
MB	185	-2.014019	53.968966	0.438846	1.18247641
TA	185	-0.470393	33.060058	0.131906	0.64887428
CSR_SCORE	185	-5.88	78.4	22.78	26.8739
S	185	-1.07	27.82	16.14	15.4792
EM	185	0.05	13.41	2.46	2.943
SC	185	0	20	0	2.4811
E	185	0	23	0	1.6757
P	185	-10	15.17		4.2733
RISK	185	-0.033204	1.226131	0.288587	0.31345471
SIZE	185	3083701.24	20577337541	4502694223	6131869958
ValidN(listwise)	185				

(cont.)

Variable	N	Std. deviation	Skewness	Std. Error	Kurtosis	Std. Error
ROE	185	0.229195633	-7.681	0.179	96.874	0.355
ROA	185	0.07726979	-7.29	0.179	73.673	0.355
EPS	185	0.51180864	4.094	0.179	23.945	0.355
MB	185	4.395112656	9.989	0.179	115.406	0.355
TA	185	2.89069383	9.482	0.179	97.53	0.355
CSR_SCORE	185	15.83822	1.652	0.179	2.082	0.355
S	185	5.04798	-0.623	0.179	0.701	0.355
EM	185	2.62667	1.761	0.179	2.722	0.355
SC	185	6.22678	2.174	0.179	2.879	0.355
E	185	4.32764	2.501	0.179	5.454	0.355
P	185	3.98562	0.257	0.179	0.122	0.355
RISK	185	0.177573719	1.515	0.179	4.468	0.355
SIZE	185	5107574194	1.156	0.179	0.643	0.355
ValidN(listwise)	185					

Source: Authors' own.

Notes: ROE is Return on Equity; ROA is Return On Assets; EPS is Earnings Per Share; MB is Growth Rate of Main Operating; TA is the Expansion Rate of Total Assets.

However, the standard deviation of CSR_SCORE (15.83822) is much lower than the mean (26.8739), so the fluctuation of CSR_SCORE is relatively slight. Referring to the five elements of CSR, the minimum of Shareholder responsibility (S) is -1.07 and the maximum is 27.82. The negative value of S is mainly because of the negative profits of some companies. Then, the minimum of Employee responsibility (EM) is 0.05 and the maximum is 13.41. The maximums of Supply, Customer and Consumer responsibility (SC) and Environmental responsibility (E) are 20 and 23, respectively, while the minimums of SC and E are both 0. When it comes to Public responsibility (P), the minimum is negative (-10) and the maximum is 15.17. The negative value of P is related to some companies' negative income tax which accounts for a large proportion of the score of P. However, compared with S, the gaps between the means of other four CSR elements variables (EM, SC, E and P) and their maximum are much bigger. The value of means is much lower than their maximums, which may indicate that most of these CSR variables are graded low, or these CSR variables receive less attention than Shareholder responsibility in Chinese cultural and entertainment industry. Especially for SC and E, the minimums and medians of them are 0. It is probably because the most SC and E

values are 0 in the samples selected. Meanwhile, the standard deviations of SC and E are much higher than their means, so it shows that there are strong fluctuations in SC and E. In general, among CSR elements variables, Chinese listed cultural and entertainment companies seem to focus more on shareholder responsibility.

5.2 The relationship between CSR_SCORE and CFP

As for control variables, RISK's maximum is 1.226131 and its minimum is 0.033204. There is a big gap between the maximum and minimum. However, the standard deviation of RISK is much lower than its mean, which shows there is just a slight fluctuation in RISK. Meanwhile, the maximum of SIZE is 20577337541 and the minimum is 3083701.24. It indicates a huge gap, but the standard deviation is much lower than its mean as well. Therefore, it indicates the fluctuation of SIZE is relatively slight and not notable.

Table 2 shows the regression results between the overall CSR performance (CSR_SCORE) and CFP. CSR_SCORE has a significant positive relationship with ROE at the 10% significance level. Meanwhile, CSR_SCORE also has a highly significant positive correlation with ROA at the 1% significance level, and specifically, the p-value is .000 which means CSR_SCORE has statistically significant positive relationship with ROE. Similarly, CSR_SCORE has significant positive effects on EPS at the 10% significance level because p-value is 0.095 and t-value is 1.678. As mentioned before, ROE, ROA and EPS are all most common used indicators to measure corporate profitability. The regression results indicate that CSR activities may have positive linkage with corporate profitability since the independent variables CSR_SCORE shows significant positive relationships with accounting-based dependent variables, ROE and ROA, and market-based dependent variables, EPS. However, the p-values related to Growth Rate of Main Operating and Expansion Rate of Total Assets are 0.472 and 0.876, respectively, which shows there are no significant relationship between CSR_SCORE and the Growth Rate of Main Operating, and also no significant relationship between CSR_SCORE and Expansion Rate of Total. It shows that CSR activities may not have significant influences on corporate growth ability. Referring to control variables, RISK has insignificant impacts on CFP, and SIZE only have significantly positive effects on ROA and EPS at the level of 10% and 5% respectively. It indicates that company risk doesn't influence companies' financial performance while company size may have positive influences on CFP. It means that larger companies may have better financial performance than smaller companies in Chinese cultural and entertainment industry.

Table 2. Regression results on the relationship between the overall CSR performance and CFP

	ROE	ROA	EPS	MB	TA
(Constant)	0.988 (-0.015)	0.176 (1.358)	0.001*** (3.231)	0.137 (1.492)	0.049** (1.982)
CSR_SCORE	0.084* (1.738)	0.000*** (3.738)	0.095* (1.678)	0.472 (-0.721)	0.876 (-0.157)
RISK	0.794 (0.261)	0.118 (-1.573)	0.242 (-1.173)	0.309 (1.019)	0.424 (-0.801)
SIZE	0.379 (0.881)	0.082* (1.747)	0.031** (2.171)	0.410 (-0.825)	0.527 (-0.634)
R Square	0.028	0.128	0.063	0.015	0.007

Source: authors' own.

Note: the numbers in parentheses are t-values. *, ** and *** indicate significance as the 10%, 5% and 1% levels, respectively. CSR_SCORE represents the total performance of CSR. RISK is companies' risk. SIZE is companies' size. MB represents the growth rate of main operating. TA is the expansion rate of total assets.

Then, R Square values are applied to examine the quality and overall significance of Model 1 that we choose. R Square value indicates how well the regression model fits the data. The closer R Square value is to 1, the better the quality of the regression model is.

In **Table 2**, R Square Values are 0.028, 0.128, 0.063, 0.015 and 0.007. Among them, the highest R Square Value is 0.128 which means 12.8% of the variations in the dependent variables are affected by the independent variables and control variables that have been included in the study. It means that CSR activities have only 12.8% contribution on the variations of ROA, and there are 87.2% of the variations of ROA in the model are related to variables which are not included in the model. It seems that there may be some variables which also have significant influences on CFP should be considered in the model, which may be the limitation of this study and also can be the point that the future research needs to consider.

Based on above, the overall performance of CSR has a significant relationship with ROE, ROA and EPS. It shows CSR activities have positive impacts on companies' profitability.

While CSR_SCORE has insignificant linkages with Growth Rate of Main Operating and Expansion Rate of Total Assets, which means CSR activities can not affect companies' growth ability in Chinese cultural and entertainment industry. Even though the R Square values are not so large in Model 1, considering of P-value and R Square value as a whole, the regression model has functioned well to examine the relationship between the overall performance of CSR and CFP.

5.3 The relationship between CSR elements and CFP

Table 3. Regression results on the relationship between CSR elements variables and ROE

	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig. (p-value)
	B	Std. Error			
Constant	-0.232	0.087		-2.681	0.008***
S	0.019	0.004	0.417	4.558	0.000***
EM	0.001	0.017	0.016	0.083	0.934
SC	0.000	0.008	-0.012	-0.056	0.955
E	-0.002	0.013	-0.032	-0.126	0.900
P	-0.001	0.005	-0.010	-0.117	0.907
RISK	0.159	0.100	0.123	1.596	0.112
SIZE	- 4.923E-12	0.000	-0.110	-1.225	0.222
R Square: 0.121					
Dependent Variable: ROE					

Source: authors' own.

Note: *, ** and *** indicate significance as the 10%, 5% and 1% levels, respectively.

Table 4. Regression results on the relationship between CSR elements variables and ROA

	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig. (p-value)
	B	Std. error	Beta		
Constant	-0.148	0.024		-6.199	0.000***
S	0.011	0.001	0.728	9.720	0.000***
EM	0.009	0.005	0.320	2.024	0.044**
SC	-0.003	0.002	-0.262	-1.469	0.144
E	-0.002	0.004	-0.114	-0.555	0.579
P	0.004	0.001	0.182	2.722	0.007***
RISK	0.033	0.028	0.076	1.192	0.235
SIZE	-2.05E-12	0.000	-0.135	-1.847	0.166
R Square: 0.410					
Dependent Variable: ROA					

Source: authors' own.

Note: *, ** and *** indicate significance as the 10%, 5% and 1% levels, respectively.

Table 5. Regression results on the relationship between CSR elements variables and EPS

	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig. (p-value)
	B	Std. error	Beta		
Constant	-0.304	0.184		-1.652	0.100*
S	0.052	0.009	0.509	5.861	0.000***
EM	0.002	0.036	0.012	0.064	0.949
SC	0.007	0.017	0.083	0.403	0.688
E	-0.019	0.028	-0.160	-0.672	0.502
P	-0.004	0.010	-0.033	-0.426	0.671
RISK	0.124	0.212	0.043	0.583	0.560
SIZE	- 6.537E-12	0.000	-0.065	-0.767	0.444
R Square: 0.207					
Dependent Variable: EPS					

Source: authors' own.

Note: *, ** and *** indicate significance as the 10%, 5% and 1% levels, respectively.

Table 6. Regression results on the relationship between CSR elements variables and the growth rate of main operating (MB)

	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig. (p-value)
	B	Std. error	Beta		
Constant	3.382	1.743		1.940	0.054*
S	-0.066	0.084	-0.076	-0.787	0.432
EM	-0.600	0.339	-0.359	-1.771	0.078*
SC	0.076	0.161	0.108	0.471	0.638
E	0.221	0.267	0.218	0.829	0.408
P	-0.094	0.094	-0.086	-1.003	0.317
RISK	2.005	2.008	0.081	0.999	0.319
SIZE	- 3.242 E-11	0.000	-0.038	-0.401	0.689
R Square: 0.033					
Dependent Variable: MB					

Source: authors' own.

Note: *, ** and *** indicate significance as the 10%, 5% and 1% levels, respectively.

Table 7. Regression results on the relationship between CSR elements variables and the expansion rate of total assets (TA)

	Unstandardized Coefficients		Standardized Coefficients	t-value	Sig. (p-value)
	B	Std. error	Beta		
Constant	0.729	1.150		0.634	0.527
S	-0.035	0.055	-0.061	-0.633	0.528
EM	0.154	0.224	0.140	0.690	0.491
SC	-0.061	0.106	-0.131	-0.570	0.569
E	-0.031	0.176	-0.046	-0.174	0.862
P	0.110	0.062	0.152	1.775	0.078*
RISK	-0.999	1.324	-0.061	-0.754	0.452
SIZE	8.052E-12	0.000	0.014	0.151	0.880
R Square: 0.028					
Dependent Variable: TA					

Source: authors' own.

Note: *, ** and *** indicate significance as the 10%, 5% and 1% levels, respectively.

Table 3 to Table 7 illustrate the results of Model 2 which is used to examine the relationship between five CSR elements (Shareholder responsibility, Employee responsibility, Supplier, Customer and Consumer responsibility, Environmental responsibility and Public responsibility) and CFP. In the following part, the discussion on the results will focus on different CSR elements, and then there will be an individual part which will analyze the performance of Model 2.

5.4 Shareholder responsibility and CFP

The first independent variable is shareholder responsibility. In **Table 3**, the p-value of S is .000 and t-value is 4.558 that mean shareholder responsibility has a highly significant positive correlation with ROE at the 1% significance level. Similarly, in **Table 4**, shareholder responsibility also has a strong positive effect on ROA since p-value is .000 and t-value is 9.720. Meanwhile, as illustrated in **Table 5**, the relationship between shareholder responsibility and EPS is positive at the 1% significance level as well.

However, in **Table 6** and **Table 7**, the p-values of S are 0.432 and 0.528, respectively, so there is no significant relationship between shareholder responsibility and the growth rate of main operating, and also the expansion rate of total assets. The results are similar as mentioned above, the CSR element, shareholder responsibility may have positive correlations with profitability because shareholder responsibility has significant positive effects on ROE, ROA and EPS which are indicators used to measure corporate profitability. On the contrary, shareholder responsibility has no significant influences on companies' growth ability.

From the tables, shareholder responsibility seems to be the most significant variable which may affect CFP (except for the growth rate of main operating and expansion rate of total assets) among these five CSR elements variables. One possible explanation is: as is known, the main goal of a company is to maximize shareholder's value. Similarly, shareholder responsibility can be one of the most important part of evaluating CSR performance in almost every industry. It is to say whether operating the business or investing in some CSR activities, shareholder's needs will be always taken into consideration. Moreover, from the HEXUN website, the second-class indicators of shareholder responsibility are profits, debt situation, return, credit and innovation which are measured by some financial ratios, such as ROE, ROA, EPS, Quick ratio, Asset-liability ratio. Therefore, positive results of shareholder responsibility can bring

significant positive effects on CFP (except for the growth rate of main operating and expansion rate of total assets).

5.5 Employee responsibility and CFP

As for the second CSR elements variable, employee responsibility, in *Table 3*, it shows no significant correlations between employee responsibility and ROE. In *Table 4*, the p-value of EM is 0.044 and t-value is positive (2.024) which means employee responsibility has positive relationship with ROA at the 5% significance level. In *Table 5*, the p-value of EM is 0.949. It indicates no significant relationship between employee responsibility and EPS.

Referring to *Table 6*, the p-value of EM is 0.078 which shows employee responsibility has significant effects on growth rate of main operating at the 1% significance level. However, the t-value is negative (-1.771). So it means the relationship between employee responsibility and the growth rate of main operating is negative. In *Table 7*, employee responsibility shows no significant effects on expansion rate of total assets as well.

Employee responsibility is used to measure companies' CSR activities that are related to their employees, such as staff training, safety training, compensation and consolation. The results show that doing CSR activities on caring for employees only have significant positive effects on ROA. As for the negative effects on the growth rate of main operating, one of the possible reasons is that employee responsibility may have short-term negative effects on companies' operating, but it may be beneficial for companies' long-term growth.

5.6 Supplier, customer and consumer responsibility and CFP

From these five tables, there are no significant relationship between supplier, customer and consumer responsibility and all CFP variables (ROE, ROA, EPS, Growth Rate of Main Operating and Expansion Rate of Total Assets). The main reason may be the characteristics of the industry, cultural and entertainment industry. As illustrated in HEXUN, the second-class indicators of supplier, customer and consumer responsibility are related to product quality, after-sales service and so on. However, in Chinese cultural and entertainment industry, it seldom and is hard to do these events like quality management and customer satisfaction survey. Most of the supplier, customer and consumer responsibility data of 37 selected listed companies (from 2013 to 2017) show 0, which means most of the selected companies don't have score in this part. Therefore, supplier, customer and consumer responsibility don't have significant relationship with any CFP variables in cultural and entertainment industry can be reasonable and understandable.

5.7 Environmental responsibility and CFP

The results on environmental responsibility show no significant correlations with all CFP variables (ROE, ROA, EPS, Growth Rate of Main Operating and Expansion Rate of Total Assets). The main reason may be the characteristics of Chinese cultural and entertainment industry as well. In Chinese cultural and entertainment industry, the development mode is government involvement which is putting the emphasis on supporting large enterprises and allows small businesses operate independently. Therefore, the number of listed companies in Chinese cultural and entertainment industry are relatively small compared to other industries. There are only 58 listed companies in Chinese cultural and entertainment industry, and 37 companies are selected as samples in the study. Most of the selected listed companies are the publication and distribution, the radio, television and movie companies, which means there may be no need for these companies to do environmental management. Moreover, the second-class indicators of environmental responsibility are environmental investment amount, environmental management system certification and so on. Therefore, most data of

environmental responsibility are 0. It may be the main reason of the results show no significant correlations between environmental responsibility and CFP.

5.8 Public responsibility and CFP

Referring to the last CSR elements variables, public responsibility, it shows no significant relationship between public responsibility and ROE in *Table 3*. In *Table 4*, the p-value of P is 0.007 and t-value is 1.192, so it means public responsibility has significant positive effects on ROA at the 1% significance level. However, in *Table 5* and *Table 6*, the results also show no significance. In *Table 7*, public responsibility has significant positive correlations with the expansion rate of total assets since the p-value is 0.078 and t-value is positive.

The results show public responsibility may have strong positive effects on companies' profitability and also have slightly positive correlations with companies' growth ability. As illustrated in HEXUN, the second-class indicators of public responsibility are contributed value which consists of the ratio of income tax to total profit and the amount of donation. It seems that companies that have good financial performance may have a good score in public responsibility part. From this perspective, it may indicate a bi-directional positive relationship between public responsibility and CFP.

5.9 The performance of Model 2

When it comes to evaluating the performance of Model 2, the R Square value is a helpful indicator. In *Table 3* to *Table 7*, R Square values are 0.121, 0.410, 0.207, 0.033 and 0.028, respectively. Overall, the R Square values of Model 2 are higher than Model 1's, which may indicate the quality and the performance of Model 2 are better than Model 1. It seems that Model 2 fits the data better compared with Model 1. Among them, the highest R Square value is 0.410 which is the R Square value of the regression model whose dependent variable is ROA. It shows 41.0% of the variations of ROA are affected by these five CSR elements variables and control variables which have been included in Model 2. In other words, CSR elements variables have 41.0% contribution on the variations of ROA and 59.0% of the variations of ROA are influenced by other variables that haven't been included in Model 2. In all, even though the performance of Model 2 seems better than Model 1, R Square values of Model 2 are still low respectively since the closer that R Square value is to 1, the better the model performs.

5.10 The summary of empirical results and comparing with previous literature

Combining the results of Model 1 and Model 2, it indicates that CSR has significant relationship with companies' profitability since the results of CSR_SCORE show CSR_SCORE has significant positive effects on ROE, ROA and EPS, respectively. Especially, CSR_SCORE has strong positive relationship with ROA. When it comes to CSR elements, shareholder responsibility has highly significant positive effects on all of the profitability indicators (ROE, ROA and EPS). Besides, employee responsibility and public responsibility have significant positive relationships with ROA as well. In addition, it still indicates that CSR has no significant relationship with companies' growth ability from the combining results of Model 1 and Model 2, even through employee responsibility shows slight significant positive effects on the growth rate of main operating and public responsibility shows significant positive relationship with the expansion rate of total assets at the 10% significance level. It seems that the relationship between CSR and companies' growth ability has no significance relatively as a whole.

Comparing with previous literature, the main results of the study are similar to Pan et al. (2014)'s research which examines the relationship between CSR and CFP in Chinese mineral listed companies, which indicates CSR has significant positive effects on companies'

profitability (ROE, ROA and EPS), however, it shows no significant relationships with companies' growth ability (the growth rate of main operating and the expansion rate of total assets). In addition, consistent with finding of Liang and Tie-nan (2013), this study finds the correlation between CSR and EPS is positive which means CSR has significant positive effects on investors reaction and further affects companies' profitability. Comparing with previous literature which studies on different industry, such as tourism-related industries (Inoue and Lee, 2011), mining industries (Pan et al., 2014) and banking sectors (Soana, 2011), there are different estimation results on the correlations between specific CSR elements and CFP because of different industry characteristics, different developing periods and different developing environments.

6. Conclusion

6.1 The summary of main findings

This study studies whether CSR has positive relationship with CFP in Chinese cultural and entertainment industry by adopting empirical study and using data from 37 Chinese listed cultural and entertainment companies from 2013 to 2017. Given that there is a useful tool used to evaluate CSR performance in the HEXUN website which divides CSR into five elements, which are shareholder responsibility, employee responsibility, supplier, customer and consumer responsibility, environmental responsibility and public responsibility. Therefore, especially, the relationship between specific CSR elements and CFP in Chinese cultural and entertainment industry will be examined in this study as well.

Main findings of the study are concluded based on the results analysis part: first, on the whole, there are significant positive relationships between CSR and ROE, ROA and EPS, respectively. It means CSR may help improve corporate profitability in Chinese cultural and entertainment industry. Second, five CSR elements have different levels of effects on ROE, ROA and EPS. Shareholder responsibility has strong positive influences on companies' profitability. Employee responsibility only has positive effects on ROA. As for public responsibility, it only has highly significant positive effects on ROA. Meanwhile, because of the characteristic of industry, supplier, customer and consumer responsibility and environmental responsibility have no significant effects on corporate profits. Third, combining the results on the overall CSR and CSR elements, it indicates that they have no significant effects on companies' growth ability.

6.2 Contributions and implications

Firstly, the most important contribution of this study is filling the research gap on the relationship between CSR and CFP in Chinese cultural and entertainment industry.

According to the findings of the study, it provides an overall understanding of the relationship between CSR and CFP, especially in Chinese cultural and financial industry. In existing literature, Chinese cultural and entertainment industry is rarely discussed in CSR-related studies. Meanwhile, it helps Chinese cultural and entertainment companies and associated practitioners get further understanding of CSR. Moreover, the results of the study indicate that CSR has positive effects on companies' profitability which may encourage Chinese cultural and entertainment companies to invest in CSR activities.

Secondly, the findings on specific CSR elements and CFP can provide some more specific guidance to companies as follows: first, based on the findings, shareholder responsibility is the strongest CSR influencing factors on companies' profitability. Therefore, Chinese cultural and entertainment companies can pay more attention to CSR activities which can improve shareholder responsibility, then having positive effects on CFP as a result.

Second, public responsibility merits attention as well. The guidance doesn't mean other aspects of CSR can be ignored. It just provides some useful information which can attract Chinese cultural and entertainment industry to pay more attention to CSR. Thirdly, the current state of Chinese cultural and entertainment industry will be improved and its CSR adoption may be paid much more attention compared to before.

6.3 Limitations and future extension

There are some limitations in the study. The first one is about sample size. As mentioned above, CSR data are hard to collect since the measurement of CSR behaviors has turned up in China in recent years. Therefore, there are 37 listed cultural and entertainment companies' data available (from 2013 to 2017). Even though over 60% of Chinese listed cultural and entertainment companies are included, the sample size is relatively small. In addition, the development of Chinese CSR measure techniques is still in the initial period, which means the quality of the measures might be challenged.

However, it's the only source of CSR data which the CSR performance can be measured by a universal standard, so it's a unique source that can't be replaced as well. One more limitation may be this study doesn't analyze bi-directional relationship between CSR and CFP which may influence the integrality of the findings. Future research can make up for the limitations of this study and investigate more potential information on the relationship between CSR and CFP in Chinese cultural and entertainment industry.

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