The Influence of Confucianism on Corporate Misconducts in China

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Abstract. As an important part of Chinese culture, Confucianism has exerted great influence on all aspects of Chinese society for thousands of years. The research aim of this paper is to explore the influence of Confucianism on corporate misconduct. This paper takes Chinese companies listed in Shanghai and Shenzhen as research objective and uses the relevant data of these companies from 2014 to 2023. The initial data comes from the CSMAR database of Guotai'an. Furthermore, the impact of Confucianism is measured by measuring the number of Confucian temples located within 100 and 200 kilometers of a company's registered address in this research. The information about Confucian temples comes from CNRDS. This paper presents a theoretical hypothesis and conducts empirical analysis based on the data used in this research. The findings of the research indicate that corporate misconduct has a significant negative correlation with Confucianism, that is, Confucianism can effectively inhibit corporate misconduct. In addition, this study also reveals that the inhibitory effect is less obvious in non-state-owned enterprises.

Keywords: Confucianism; corporate misconduct; Confucian temple.

1. Introduction

With the development of science and technology and the continuous enrichment of relevant data resources, scholars have more opportunities to interpret various economic phenomena from a cultural perspective [1]. Culture and economy are mutually reinforcing, while local culture helps to shape the nature of economic activities, economic activities are also the result of the continuous development and self-innovation of a region's culture [2].

With the development of economic activity, all kinds of misconduct and fraud are inevitable. Enterprise misconduct is a kind of management opportunistic behavior, which generally refers to managers violating relevant laws and regulations when operating enterprises. Corporate misconduct is often committed by them to hide poor accounting results or maintain their private interests, which reflects corporate governance and agency issues [3]. Many factors can influence corporate misconduct, such as the proportion of independent directors, ownership structure, corporate governance and external oversight [4, 5]. In China, the high level of economic development is accompanied by an imperfect legal and financial system. Due to the lack of formal management mechanisms, culture as an alternative mechanism plays an important role in influencing the development of enterprises [6].

As far as Chinese society is concerned, Confucianism is the most extensive and far-reaching traditional cultural symbol. The core spirit of Confucian culture can be mainly summarized in five words, namely, benevolence, righteousness, propriety, wisdom, and faithfulness. "Benevolence" refers to the friendly relationship between people, "righteousness" refers to the observance of the basic moral principles of society, "propriety" refers to the inner restraint and the restraint of desires, "wisdom" refers to the respect for knowledge and wisdom, and "faithfulness" refers to honesty. When these concepts are applied to corporate behavior, they could be translated into treating stakeholders well, complying with laws and regulations, operating with integrity, and so on.

China's corporate culture and business environment are shaped by the profound influence of Confucianism, which permeates business decisions through managers and ordinary employees [7]. According to previous research, the influence of Confucian culture promotes the enterprise to actively fulfill its social responsibility and improves the level of patent output of enterprises [8, 9]. However,

until now, there has been relatively little research on Confucianism and corporate misconduct. The virtues advocated by the Confucianism are meant to guide people toward good. Therefore, this study expects that the managers who are influenced by Confucianism are more willing to safeguard the interests of stakeholders and comply with relevant laws and regulations. Thus, this study expects a negative correlation between the degree of influence of Confucianism and corporate misconduct.

To test this hypothesis, this paper collects and processes relevant data of Chinese listed companies from 2014 to 2023 and conducts empirical tests. The independent variable of the empirical test is the natural logarithm of the number of Confucian temples that are located 100 or 200 kilometers from the company's registration location, and the dependent variable is the number and whether there is any misconduct of the company. In addition, to ensure the accuracy of the empirical test, some control variables are added.

2. Hypothesis Development

2.1. Confucianism and Corporate Misconduct

The company's managers are responsible for making strategic decisions and largely determine whether the company will behave improperly. Research has shown that a person's values influence whether they engage in prosocial behavior, that is, whether they do things that benefit others or society [10]. The virtues in Confucian culture also encourage people to carry out pro-social behaviors. For example, "faithfulness" emphasizes that people should be honest and trustworthy, and Chinese company executives influenced by this idea are more inclined to avoid fraud and false disclosure, thus reducing corporate misconduct to a certain extent. In addition, due to China's unique economic development situation, in the absence of relevant laws and regulations and financial system, the influence of culture on businessmen has become more obvious. In summary, the first hypothesis proposed by this study is as follows.

H1: The greater the influence of Confucianism, the less misconduct of local listed enterprises.

2.2. State Ownership, Confucianism, and Corporate Misconduct

Since Emperor Wu of Han implemented the policy of "dismissing the hundred schools of thought and exclusively venerating Confucianism," Confucianism combined with feudal kingship, and Confucianism became the moral norm for the ruling class to manage Chinese society [11]. For thousands of years, the official government has had an important influence on the spread of Confucian culture. During the Han Dynasty, government officials used Confucian classics such as the Spring and Autumn Annals as the basis for hearing cases. The Tang Dynasty set up the imperial examination system as an important way to select officials and set the Confucian classics as the assessment content. The ancient Chinese government and officials were greatly influenced by Confucian culture until the Qing government abolished the imperial examination in 1905.

The modern Chinese government also continues to emphasize the importance of Confucian culture and has carried out activities such as promoting the compilation and study of Confucian classics. Based on China's unique historical and cultural background, the governors are more likely to promote Confucianism and implement it from government-related institutions. Compared with non-state-owned enterprises, state-owned enterprises are units affiliated with government agencies, so the state-owned enterprises are more likely to be influenced by Confucian culture [12]. Therefore, the following hypothesis is proposed in this study.

H2: Compared with private enterprises, state-owned enterprises are more deeply influenced by Confucian culture, and Confucianism has a more obvious inhibiting effect on corporate misconduct in state-owned enterprises.

3. Research Methods

3.1. Data

The research object of this paper involves the listing companies in Shanghai and Shenzhen between 2014 and 2023, and the original data comes from the CSMAR database of Guotai'an. On this basis, companies (1) with asset-liability ratios greater than 1; (2) were financial companies; and (3) observed values with missing values are excluded. The total valid samples are 36203. In addition, the extreme values of the related variables were winsorized at the 1% at both tails. In this paper, the number of Confucian temples in the company's registration area was manually collected and sorted. The specific information about Confucian temples comes from CNRDS.

3.2. Corporate Fraud Variables

Corporate misconduct generally refers to a company violating laws and regulations. The CSMAR database has detailed data on violations of Chinese listed companies, including the securities code of the misconducted company, the name of the company, the laws and regulations violated, the year of misconduct, the specific misconduct, etc. This study defines two corporate misconduct variables: Mis_Dum is 1 if a company misconduct rules that year, and 0 if not; Mis_Num is the natural logarithm of the company's misconduct in that year.

3.3. Confucianism Variables

Confucius Temple is a place of worship for Confucius, the founder of Confucianism in ancient China. It is also a ceremonial building for the feudal dynasties to honor Confucius and worship Confucianism. It is also an educational base for feudal society to train talents. It is one of the most common buildings in every city in ancient China and the most striking symbol of Confucian culture [13]. Referring to the research of Gu Zhihui and Jin Zhi, this paper uses the natural logarithm of the number of Confucian temples existing within a radius of 100 or 200 kilometers of a company's registration place (Conf_100 or Conf_200) as an indicator of the degree of influence of Confucian culture [12]. The data of Confucius Temple are from the CNRDS database.

3.4. Control Variables

According to previous research, this paper sets the following control variables in the model: Internal characteristics of the enterprise [8, 14]. The scale, growth, industry, years of establishment, and financial performance of enterprises are the factors that affect the fulfillment of corporate social responsibility. Therefore, this paper measures the internal characteristics of enterprises using corporate profit status (ROA), growth (Growth), financial leverage (Lev), corporate size (Size), and age (Age).

Effective reduction of corporate misconduct can be achieved through good corporate governance. In this paper, the variables related to corporate governance are CEO duality (Dual), board size (Board), the proportion of independent directors (Indep), the proportion of management shareholding (Mshare), the proportion of the largest shareholder (Top1), and whether the audit firm is one of the Big Four accounting firms (Big4).

The personal characteristics of the company's management also affect their decisions about the company [15]. Therefore, the study controlled for the gender ratio (Female) of the company's management; and whether they had a financial background (FinBack), or an overseas education or employment background (OverseasBack). Table 1 lists the definition of the variables.

Table 1. Definition of Variables

Variable Name	Code	Definition
Corporate Misconduct	Mis_Dum	If the company engaged in misconduct during the year, the value is 1; otherwise, it is 0.
	Mis_Num	The natural logarithm of the company's misconduct in that year.
Confucianism	Conf_100	The natural logarithm of the number of Confucian temples within 100 km of the company's registered location.
	Conf_200	The natural logarithm of the number of Confucian temples within 200 km of the company's registered location.
Corporate Profitability	ROA	The company's return on assets.
Corporate Growth	Growth	The company's revenue growth rate
Debt Leverage	Lev	The company's asset-liability ratio
Corporate Scale	Size	The size of the company.
Corporate Age	Age	Years of establishment of the company.
Duality	Dual	If the chairman of the board concurrently serves as CEO, the value is 1; otherwise, it is 0.
Board Size	Board	The number of board members.
Independent Director	Indep	The proportion of independent directors on the board.
Management Shareholding	Mshare	The management shareholding ratio.
Ownership Concentration	Top1	The shareholding ratio of the largest shareholder.
Audit Firm	Big4	If the company is audited by one of the Big Four audit firms, the value is 1; otherwise, it is 0.
Female Proportion	Female	Percentage of women in the management team.
Financial Background	FinBack	If the chief executive has a financial background, the value is 1, otherwise it is 0.
Overseas Background	OverseasBack	If the chief executive has an overseas background, the value is 1, otherwise it is 0.

3.5. Model Design

Based on the existing research results, this paper constructs a regression model that tests the influence of Confucian culture on corporate misconduct:

$$\text{Misconduct}_{i,t} = \alpha_0 + \alpha_1 \text{Confucianism}_i + \gamma \text{Controls}_{i,t} + \varepsilon_{i,t} \quad (1)$$

The dependent variable in the model (Misconduct) indicates corporate misconduct, including Mis_Dum and Mis_Num. The independent variable (Confucianism) in the model is the natural logarithm of the number of Confucian temples that are located within a specified range of the listed company's registered address, which is reflected by two measurement variables: the registration place range of 100 kilometers (Conf_100) and 200 kilometers (Conf_200). The control variables contain the contents shown in section 3.4. The variable subscript i, t represents the situation of corporate i in year t.

4. Empirical Analysis

4.1. Descriptive Statistics

The descriptive statistics of the main variables are displayed in Table 2. The mean values of the corporate misconduct-related variables, Mis_Dum and Mis_Num, are 0.170 and 0.167, respectively. This indicates that, overall, corporate misconduct is relatively infrequent. The mean value of Conf_100 is 1.820 and that of Conf_200 is 2.684. With the expansion of distance, the number of Confucian temples that are located within a specified range of listed companies also increases. Furthermore, the standard deviations of these two variables are 0.711 and 0.765, respectively. This indicates that the distribution of the number of Confucian temples around different companies is uneven. Moreover, this further illustrates that the influence of Confucian culture varies across different companies, making this dataset well-suited for validating the hypotheses of this study.

In addition, the correlation analysis of the main variables is also carried out in this study, and the analysis results show that there is a significant negative correlation between corporate misconduct and Confucianism. The results will not be shown here due to space.

Table 2. Descriptive Statistics

VARIABLES	N	Mean	SD	Min	Max
Mis_Dum	36,203	0.170	0.376	0	1
Mis_Num	36,203	0.167	0.394	0	2.565
Conf_100	36,203	1.820	0.711	0	3.219
Conf_200	36,203	2.684	0.765	0	4.078
ROA	36,203	0.0330	0.0706	-0.578	0.220
Growth	36,203	0.342	0.936	-0.928	11.19
Lev	36,203	0.410	0.204	0.0487	0.908
Size	36,203	22.25	1.307	19.52	26.45
Age	36,203	2.037	0.966	0	3.434
Dual	36,203	0.315	0.464	0	1
Board	36,203	2.101	0.198	0	2.708
Indep	36,203	0.378	0.0539	0	0.600
Mshare	36,203	0.149	0.199	0	0.706
Top1	36,203	0.332	0.146	0.0780	0.755
Big4	36,203	0.0612	0.240	0	1
Female	36,203	0.208	0.116	0	0.571
FinBack	36,203	0.582	0.493	0	1
OverseasBack	36,203	0.550	0.497	0	1

4.2. Regression Analysis

In this paper, a fixed-effect regression model is used, and the year fixed effect and industry fixed effect were used in the regression analysis. The baseline regression results of Confucianism's influence on corporate misconduct are displayed in Table 3. When the dependent variable is whether the company has engaged in misconduct (Mis_Dum), the independent variables Conf_100 and Conf_200 have regression coefficients of -0.015 and -0.008, respectively, and the significance level is 0.01. This shows that after controlling the internal factors such as the company's profit level, size and establishment years, the more Confucian temples within the range of the company's registered address, the less likely the company is to engage in misconducts.

When the dependent variable is the natural logarithm of the amount of misconduct by the firm (Mis_Num), the regression coefficients of Conf_100 and Conf_200 are -0.015 and -0.007, respectively. They were significant at the levels of 0.01 and 0.05, respectively. This indicates that the more Confucian temples in a certain area around the company, the less misconduct of the company. The above regression results provide supporting evidence for hypothesis 1.

In the control variables, the results of each column are basically consistent. Among them, corporate profitability (ROA), corporate growth (Growth) and corporate size (Size) are negatively correlated with corporate misconduct (Mis_Dum and Mis_Num) at 0.01 significance level. This illustrates that the stronger the profitability, the higher the growth and the larger the size of the enterprise, the more inclined the enterprise is not to engage in misconduct. In addition, board size (Board) and corporate ownership concentration (Top1) are negatively correlated with corporate misconduct (Mis_Dum and Mis_Num) at 0.01 significance level. This indicates that the larger the size of the board of directors and the higher the degree of ownership concentration, the less likely enterprises are to misbehave. Furthermore, whether the corporate is audited by a Big Four accounting firm (Big4) is also significantly negatively correlated with corporate misconduct (Mis_Dum and Mis_Num) at the level of 0.01. This shows that auditing by the Big Four accounting firms can effectively curb the improper behavior of enterprises.

Table 3. Regression Analysis

	(1)	(2)	(3)	(4)
VARIABLES	Mis_Dum	Mis_Dum	Mis_Num	Mis_Num
Conf_100	-0.015***		-0.015***	
	(-5.17)		(-4.90)	
Conf_200		-0.008***		-0.007**
		(-3.09)		(-2.57)
ROA	-0.961***	-0.959***	-1.178***	-1.177***
	(-26.75)	(-26.70)	(-27.05)	(-27.01)
Growth	-0.006***	-0.007***	-0.009***	-0.009***
	(-2.61)	(-2.69)	(-3.18)	(-3.25)
Lev	0.144***	0.145***	0.146***	0.146***
	(10.55)	(10.59)	(9.77)	(9.81)
Size	-0.010***	-0.010***	-0.006***	-0.007***
	(-4.37)	(-4.51)	(-2.68)	(-2.82)
Age	0.024***	0.024***	0.023***	0.023***
	(10.18)	(10.20)	(9.34)	(9.36)
Dual	0.003	0.003	0.005	0.005
	(0.76)	(0.66)	(1.09)	(0.99)
Board	-0.082***	-0.081***	-0.095***	-0.094***
	(-6.66)	(-6.57)	(-7.20)	(-7.11)
Indep	-0.084*	-0.085**	-0.097**	-0.098**
	(-1.94)	(-1.97)	(-2.11)	(-2.13)
Mshare	-0.018	-0.020*	-0.021*	-0.023**
	(-1.64)	(-1.79)	(-1.92)	(-2.10)
Top1	-0.150***	-0.150***	-0.164***	-0.164***
	(-10.81)	(-10.83)	(-11.67)	(-11.69)
Big4	-0.063***	-0.064***	-0.068***	-0.068***
	(-9.02)	(-9.10)	(-9.62)	(-9.71)
Female	0.090***	0.088***	0.110***	0.107***
	(5.10)	(4.95)	(5.84)	(5.70)
FinBack	0.019***	0.019***	0.022***	0.022***
	(4.30)	(4.27)	(4.73)	(4.71)
OverseasBack	0.018***	0.017***	0.018***	0.018***
	(4.49)	(4.38)	(4.38)	(4.26)
Constant	0.557***	0.557***	0.520***	0.518***
	(10.35)	(10.32)	(9.22)	(9.14)
Year&Ind FE	YES	YES	YES	YES
R-squared	0.096	0.095	0.111	0.110
Observations	36,203	36,203	36,203	36,203

Note: The T-statistics is in parentheses. ***, ** and * indicate that the regression coefficients are significant at 0.01, 0.05 and 0.1 confidence levels, respectively.

4.3. Heterogeneity Analysis

Based on the unique historical and cultural background of China, hypothesis 2 of this study proposes that compared with private enterprises, state-owned enterprises are more deeply influenced by Confucianism, and Confucianism has a more obvious inhibiting effect on corporate misconduct in state-owned enterprises. Table 4 and Table 5 show the heterogeneity analysis results. Under the same conditions, state-owned enterprises have larger regression coefficients than non-state-owned enterprises, and the significance level of the results are also higher. Hypothesis 2 is supported by empirical evidence.

Table 4. Heterogeneity Analysis (1)

	State-owned enterprises		Non-state-owned enterprises	
	(1)	(2)	(3)	(4)
VARIABLES	Mis_Dum	Mis_Dum	Mis_Dum	Mis_Dum
Conf_100	-0.017***		-0.009**	
	(-3.43)		(-2.50)	
Conf_200		-0.010**		-0.006*
		(-2.29)		(-1.70)
ROA	-0.936***	-0.929***	-0.959***	-0.959***
	(-11.65)	(-11.57)	(-23.96)	(-23.95)
Growth	-0.008**	-0.009**	-0.003	-0.003
	(-2.37)	(-2.47)	(-1.03)	(-1.06)
Lev	0.159***	0.161***	0.143***	0.143***
	(6.72)	(6.80)	(8.50)	(8.51)
Size	-0.010***	-0.011***	-0.005	-0.005*
	(-3.01)	(-3.21)	(-1.64)	(-1.66)
Age	0.008**	0.008**	0.041***	0.041***
	(2.00)	(2.02)	(13.60)	(13.62)
Dual	0.006	0.005	-0.010**	-0.010**
	(0.51)	(0.48)	(-2.03)	(-2.10)
Board	-0.062***	-0.060***	-0.041***	-0.041**
	(-3.14)	(-3.06)	(-2.60)	(-2.56)
Indep	-0.096	-0.096	0.022	0.021
	(-1.51)	(-1.51)	(0.38)	(0.37)
Mshare	0.297***	0.291***	-0.057***	-0.059***
	(3.05)	(3.00)	(-4.86)	(-4.96)
Top1	-0.105***	-0.109***	-0.071***	-0.070***
	(-4.25)	(-4.39)	(-4.03)	(-3.96)
Big4	-0.046***	-0.046***	-0.067***	-0.067***
	(-5.07)	(-5.10)	(-6.27)	(-6.29)
Female	0.064*	0.056	0.053***	0.052**
	(1.76)	(1.54)	(2.63)	(2.55)
FinBack	0.005	0.005	0.024***	0.024***
	(0.62)	(0.63)	(4.41)	(4.39)
OverseasBack	0.002	0.001	0.011**	0.011**
	(0.26)	(0.16)	(2.23)	(2.18)
Constant	0.525***	0.534***	0.304***	0.303***
	(6.40)	(6.51)	(4.07)	(4.04)
Year&Ind FE	YES	YES	YES	YES
R-squared	0.089	0.088	0.117	0.117
Observations	10,791	10,791	25,411	25,411

Note: The T-statistics is in parentheses. ***, ** and * indicate that the regression coefficients are significant at 0.01, 0.05 and 0.1 confidence levels, respectively.

Table 5. Heterogeneity Analysis (2)

	State-owned enterprises		Non-state-owned enterprises	
	(1)	(2)	(3)	(4)
VARIABLES	Mis_Num	Mis_Num	Mis_Num	Mis_Num
Conf_100	-0.012***		-0.010**	
	(-2.63)		(-2.55)	
Conf_200		-0.008*		-0.005
		(-1.90)		(-1.29)
ROA	-0.996***	-0.991***	-1.208***	-1.208***
	(-11.51)	(-11.44)	(-24.56)	(-24.55)
Growth	-0.008**	-0.009**	-0.007*	-0.007*
	(-2.27)	(-2.35)	(-1.82)	(-1.84)
Lev	0.145***	0.146***	0.157***	0.157***
	(6.20)	(6.25)	(8.32)	(8.33)
Size	-0.007**	-0.007**	-0.001	-0.001
	(-2.07)	(-2.22)	(-0.29)	(-0.31)
Age	0.009**	0.009**	0.040***	0.040***
	(2.42)	(2.44)	(12.79)	(12.81)
Dual	-0.000	-0.000	-0.009*	-0.010*
	(-0.01)	(-0.04)	(-1.80)	(-1.88)
Board	-0.052***	-0.051***	-0.056***	-0.055***
	(-2.64)	(-2.59)	(-3.22)	(-3.17)
Indep	-0.107*	-0.107*	0.023	0.022
	(-1.74)	(-1.75)	(0.36)	(0.35)
Mshare	0.359***	0.355***	-0.066***	-0.068***
	(3.48)	(3.44)	(-5.47)	(-5.60)
Top1	-0.108***	-0.110***	-0.077***	-0.076***
	(-4.57)	(-4.67)	(-4.25)	(-4.17)
Big4	-0.048***	-0.048***	-0.072***	-0.073***
	(-5.68)	(-5.70)	(-6.60)	(-6.63)
Female	0.092**	0.086**	0.065***	0.064***
	(2.40)	(2.24)	(3.02)	(2.95)
FinBack	0.005	0.005	0.027***	0.026***
	(0.68)	(0.68)	(4.70)	(4.68)
OverseasBack	0.004	0.004	0.008	0.008
	(0.65)	(0.58)	(1.52)	(1.45)
Constant	0.415***	0.424***	0.256***	0.251***
	(5.29)	(5.39)	(3.19)	(3.11)
Year&Ind FE	YES	YES	YES	YES
R-squared	0.093	0.093	0.136	0.136
Observations	10,791	10,791	25,411	25,411

Note: The T-statistics is in parentheses. ***, ** and * indicate that the regression coefficients are significant at 0.01, 0.05 and 0.1 confidence levels, respectively.

4.4. Endogeneity Test

To make the results more reliable, endogeneity test is carried out. In this test, the two independent variables (Conf_100 and Conf_200) are lagged with one period, and L.Conf_100 and L.Conf_200 are obtained. The regression results of the endogeneity test are shown in Table 6. It could be seen that no matter which dependent variable (Mis_Dum and Mis_Num) is used, the regression coefficients of the independent variables are significantly negative at the 0.01 level. Therefore, lagging the independent variable by one period can preliminarily address the endogeneity issue.

Table 6. Endogeneity Test

	(1)	(2)	(3)	(4)
VARIABLES	Mis_Dum	Mis_Dum	Mis_Num	Mis_Num
L.Conf_100	-0.016***		-0.016***	
	(-4.91)		(-4.56)	
L.Conf_200		-0.011***		-0.009***
		(-3.43)		(-2.69)
ROA	-0.990***	-0.988***	-1.225***	-1.224***
	(-25.98)	(-25.92)	(-26.26)	(-26.21)
Growth	-0.008***	-0.008***	-0.010***	-0.010***
	(-2.68)	(-2.77)	(-3.08)	(-3.14)
Lev	0.148***	0.148***	0.150***	0.151***
	(9.78)	(9.80)	(9.03)	(9.05)
Size	-0.008***	-0.008***	-0.004	-0.004*
	(-3.20)	(-3.33)	(-1.55)	(-1.68)
Age	0.012***	0.012***	0.011***	0.011***
	(3.54)	(3.61)	(3.18)	(3.26)
Dual	-0.002	-0.002	0.000	-0.000
	(-0.37)	(-0.44)	(0.05)	(-0.02)
Board	-0.085***	-0.084***	-0.102***	-0.101***
	(-6.15)	(-6.09)	(-6.80)	(-6.73)
Indep	-0.077	-0.079*	-0.092*	-0.094*
	(-1.61)	(-1.65)	(-1.80)	(-1.82)
Mshare	-0.024*	-0.026**	-0.030**	-0.031**
	(-1.87)	(-1.98)	(-2.21)	(-2.34)
Top1	-0.166***	-0.166***	-0.180***	-0.180***
	(-10.65)	(-10.66)	(-11.32)	(-11.34)
Big4	-0.065***	-0.066***	-0.071***	-0.071***
	(-8.46)	(-8.53)	(-9.09)	(-9.16)
Female	0.097***	0.094***	0.117***	0.115***
	(4.94)	(4.77)	(5.57)	(5.44)
FinBack	0.021***	0.021***	0.024***	0.024***
	(4.14)	(4.13)	(4.55)	(4.54)
OverseasBack	0.020***	0.019***	0.020***	0.020***
	(4.42)	(4.35)	(4.37)	(4.29)
Constant	0.552***	0.558***	0.516***	0.516***
	(9.33)	(9.37)	(8.21)	(8.17)
Year&Ind FE	YES	YES	YES	YES
R-squared	0.096	0.096	0.112	0.112
Observations	30,552	30,552	30,552	30,552

Note: The T-statistics is in parentheses. ***, ** and * indicate that the regression coefficients are significant at 0.01, 0.05 and 0.1 confidence levels, respectively.

4.5. Robustness Test

In 2020, due to the full outbreak of the COVID-19 pandemic, many enterprises were forced to suspend production and operations, and the business operations of some companies also changed temporarily. To avoid sample anomalies caused by the impact of the pandemic, which could introduce bias into the regression results, this study conducts a robustness test by excluding all data from the year 2020 in the sample. Table 7 shows the results of the robustness test. When the dependent variable is Mis_Dum, the regression coefficients of Conf_100 and Conf_200 are significantly negative at the 0.01 level. When the dependent variable is Mis_Num, the regression coefficients of Conf_100 and Conf_200 are significantly negative at the 0.01 and 0.05 level, respectively. Hypothesis 1 is supported by more empirical evidence from these results.

Table 7. Robustness Test

	(1)	(2)	(3)	(4)
VARIABLES	Mis_Dum	Mis_Dum	Mis_Num	Mis_Num
Conf_100	-0.014***		-0.014***	
	(-4.60)		(-4.35)	
Conf_200		-0.008***		-0.007**
		(-2.92)		(-2.53)
ROA	-0.956***	-0.955***	-1.169***	-1.168***
	(-25.06)	(-25.03)	(-25.33)	(-25.30)
Growth	-0.006**	-0.006**	-0.008***	-0.008***
	(-2.42)	(-2.49)	(-2.83)	(-2.88)
Lev	0.134***	0.135***	0.133***	0.134***
	(9.33)	(9.36)	(8.49)	(8.53)
Size	-0.008***	-0.009***	-0.005**	-0.005**
	(-3.53)	(-3.66)	(-2.00)	(-2.12)
Age	0.024***	0.024***	0.023***	0.023***
	(9.46)	(9.48)	(8.94)	(8.95)
Dual	0.004	0.003	0.005	0.004
	(0.78)	(0.70)	(0.96)	(0.88)
Board	-0.080***	-0.079***	-0.090***	-0.089***
	(-6.11)	(-6.04)	(-6.44)	(-6.37)
Indep	-0.074	-0.075	-0.088*	-0.089*
	(-1.60)	(-1.63)	(-1.80)	(-1.82)
Mshare	-0.019*	-0.021*	-0.020*	-0.021*
	(-1.66)	(-1.78)	(-1.69)	(-1.83)
Top1	-0.144***	-0.144***	-0.158***	-0.159***
	(-9.79)	(-9.81)	(-10.69)	(-10.71)
Big4	-0.063***	-0.064***	-0.066***	-0.067***
	(-8.38)	(-8.44)	(-8.79)	(-8.86)
Female	0.096***	0.093***	0.112***	0.109***
	(5.12)	(4.97)	(5.66)	(5.53)
FinBack	0.021***	0.020***	0.023***	0.023***
	(4.27)	(4.25)	(4.75)	(4.73)
OverseasBack	0.017***	0.017***	0.018***	0.018***
	(4.10)	(4.01)	(4.23)	(4.14)
Constant	0.516***	0.518***	0.474***	0.474***
	(9.07)	(9.07)	(7.97)	(7.94)
Year&Ind FE	YES	YES	YES	YES
R-squared	0.094	0.094	0.109	0.108
Observations	32,415	32,415	32,415	32,415

Note: The T-statistics is in parentheses. ***, ** and * indicate that the regression coefficients are significant at 0.01, 0.05 and 0.1 confidence levels, respectively.

5. Conclusion

Until now, there has been relatively little research on the relationship between corporate misconduct and local culture. This paper selects Chinese companies as research objects. In Chinese society, Confucian culture, which has a huge influence on Chinese society for thousands of years, provides the research basis for this study. The relationship between Confucianism and corporate misconduct is examined through empirical research in this paper. The regression analysis results indicate that Confucianism has a significant positive correlation with corporate misconduct, and this result passes the endogeneity test. In addition, this study also found that, compared with private enterprises, Confucianism has a greater impact on state-owned enterprises, and the effect of restraining corporate misconduct is much efficient.

This paper's research adds to the understanding of how culture affects corporate behavior, broadens the research ideas about corporate misbehavior, and promotes the integration of Confucianism and modern corporate system research. Due to time and capacity issues, the research also has some shortcomings. In the paper, some control variables are selected, but there might be some omissions, which may affect the research results and need to be strengthened in the future.

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