

Research on the Influence of Traditional Culture on Executives' Excessive Perks

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Abstract: Taking the observation of A-share listed companies in Shanghai and Shenzhen from 2007 to 2015 as a sample, this paper empirically examines the influence of Chinese traditional culture on the excessive perks of executives. The finding shows that the greater the influence of listed companies on cultural traditions, the lower the over-employment consumption level of company executives. This indicates that traditional culture, as an important informal cultural factor in the social system, can inhibit executives from violating business ethics. Moreover, compared with State-owned companies in a strong regulatory environment, this effect above is more pronounced in private companies with weaker regulatory environment, indicating that traditional culture and formal institutions play a complementary role. Further, the traditional culture is divided into Buddhism culture and Taoism culture to test these two different cultural impacts on executives excess perks. It is found that both Buddhism culture and Taoism culture are significantly negative with the excessive perks of executives, implying that these two traditional cultures commonly promote moral and ethical compliance.

Keywords: Informal Institution; Traditional Culture; Executives' Excessive Perks; Corporate Governance

Introduction

Due to the separation of the two powers and asymmetric information in modern corporate governance, there are differences in the interests of shareholders and management. In order to maximize their own utility, management will make a series of acts detrimental to the value of the enterprise, and on-the-job expenses elimination is one of the main ways to maximize their own interests^[1-2]. In particular, with the salary control policies of relevant government departments. With the introduction of the 40 policy and the increasing attention of public investors to the high salary of the management, the explicit monetary salary incentives for the top executives of listed companies are gradually restricted. Under the condition of incomplete salary contract, managers tend to choose more covert job. Consumption is used to replace the monetary compensation^[3] lost due to the above regulations. For on-the-job consumption, on-the-job consumption within the normal range can play a positive role, improve management efficiency and optimize the level of corporate governance, while the excess part of on-the-job consumption becomes the agency cost of the company and damages the company value^[4]. The current research on the influencing factors of excess on-the-job consumption.

Existing scholars mostly based on the perspective of formal system, explore the impact of various internal and external supervision and restraint mechanisms on the excessive on-the-job consumption of senior executives. The study found that formal internal and external regulations such as ownership concentration^[5], management shareholding^[6], ownership nature^[7], government audit^[8] and corruption exposure^[9] are beneficial to supervise and restrain the excessive on-the-job consumption of senior executives. Cultural factors such as 50 principles, customs and religion have significant impacts on improving corporate governance level^[10], standardizing management agency behavior^[11] and reducing agency costs^[12]. In the social system, both formal and informal systems play an important role in social life and

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the development of market economy^[13]. Therefore, based on the perspective of informal system, this article will try to explore the influence of informal traditional cultural factors on the excessive on-the-job consumption behavior of senior executives.

1. Background

1.1 Research on traditional culture and corporate governance

Institution is a series of rules^[14] that social games must follow. Different from the formal system that originated from the official, the informal system is established and implemented in a non-written form that the society abides by together, outside the officially recognized channels. Riahi-Belkaoui takes earnings transparency as the object and uses the method of investigation and research to 65 analyze the data of 24 countries. It is found that church attendance frequency and legal system are significantly negatively correlated with earnings information opacity, indicating that religious influence can improve the quality of enterprise accounting information^[16]. McGuire et al. Taking American companies as the research object, this paper examines the influence of religious traditional culture on financial reporting irregularities. It finds that companies in regions with strong religious atmosphere are less prone to financial reporting irregularities, and managers prefer real earnings management to accrual earnings manipulation. It also finds that the above situation is more obvious in regions with weak external supervision^[17]. Similarly, Callen et al. based on cross-border data sets, this paper studies the influence of cultural and religious factors on earnings management.

It is found that earnings management level was significantly negatively correlated with cultural factors, but not with religious ties and religious beliefs^[18]. The above research is based on the comparison of cross-border data, while more scholars choose a specific country or region to investigate.

The influence of religion on corporate governance. Also based on the U.S. capital market, Dyren et al. focuses on religious integrity and risk aversion. Empirical studies have found that the stronger the association with religious traditional culture, the less likely an enterprise is to have financial restatements, the lower the risk of misstatement in statements, the lower the willingness to avoid taxes, and the more inclined it is to voluntarily disclose bad news^[19]. Based on the capital market of 75 countries, empirical research has found that religious traditional culture, as a social norm, can significantly inhibit the surplus management behavior of management. The greater the influence of religious cultural tradition, the higher the governance level of listed companies, which is manifested by lower frequency of violations, less receipt of non-standard audit opinions and lower surplus management level^[20].

Based on the influence of religion on enterprise risk preference, the research of Baxamusa and Jalal reveals that companies more influenced by Catholicism tend to have higher risk preference and tend to use leverage to finance. However, companies deeply influenced by Protestantism prefer to avoid risks and adopt equity finance^[22]. Similarly, the research by Ye Dezhu and Hu Mengke also proves that the stronger the traditional cultural atmosphere of religion, the lower the risk-taking level of enterprises^[23].

With regard to the influence of religious and cultural traditions on the implementation of corporate social responsibility, Brammer et al. uses more than 17,000 data from 20 countries to examine the differences in attitudes of different religious affiliations towards the implementation of corporate social responsibility. It is found that individuals with religious beliefs show obvious support for the implementation of corporate social responsibility^[24]. In view of China's capital market, existing studies have also revealed that the influence of traditional religious and cultural atmosphere can significantly increase the probability and intensity of corporate donations^[25] and the religious and cultural attitudes of business owners can also have a positive role in promoting corporate donations^[26].

1.2 On-the-job consumption research

Compensation contract is an important component of corporate governance structure, while on-the-job consumption is a substitute and supplement mechanism for the incompleteness of compensation contract. On-the-job consumption plays a double-edged sword role in corporate governance, that is, on-the-job consumption has agency effect and efficiency effect^[27]. On the one hand, as the needs of the normal operation of the company, on-the-job consumption behavior itself has certain rationality.

As for the research on influencing factors of on-the-job consumption, most of the existing literatures focus on

the influence of various formal systems on on-the-job consumption. Yermack analyzes the influence of corporate governance mechanisms such as executive shareholding, institutional investor shareholding and corporate governance index on the on-the-job consumption of listed companies in the United States, and finds that there is no significant negative correlation between the above factors and on-the-job consumption of managers. Empirical research found that the governance effect of independent directors is weak. Ownership concentration and institutional shareholding can significantly improve the positive effect of on-the-job consumption^[28].

2. Theory analysis and research assumption

China is a country with full freedom of religious belief. Although religious development has suffered serious setbacks in a special historical period, in recent decades, the religious and cultural tradition as a member of Chinese traditional culture has regained its vitality and vitality and has had a wide impact on today's Chinese society. Belief and religion, as the important driving force to promote cultural innovation and enhance cultural confidence, should attach importance to the role and influence of religious belief in social and cultural construction^[29]. As an important informal system, religious traditional culture occupies an important position in Chinese society and affects all levels of social and economic life as well as individual and organizational behaviors. As an important aspect of economic operation, corporate governance is also influenced by religious culture. This article will analyze the influence of Chinese traditional cultural factors (Buddhist culture and Taoist culture) on the excessive on-the-job consumption of senior executives in corporate governance from the following three levels:

First of all, traditional religious culture can promote the moral compliance of believers. People should put an end to evil and absurd thoughts and improper behaviors, stop evil and cultivate good^[30]. At the same time, the Buddhist doctrine of abstinence, constancy and wisdom also emphasizes the believers' ethical and moral cultivation, and the prevention of evil is good.

Secondly, traditional religious culture can reduce followers' self-interest desire and pursuit. While urging believers to follow good morals, traditional religious culture also warns believers to restrain their desires and reduce opportunistic behaviors. Asceticism is a common phenomenon in religious life. Except for a few religious sects, most religions at all times and in all countries have asceticism tendency^[31]. In the Buddhist ethical culture, the "three dharma seals" emphasize that human suffering originates from endless desires, all things in the world are homologous and symbiotic, and all forms of desires are put down to obtain freedom of life.

Due to the particularity of ownership, some enterprises often accept more strict supervision and management, especially in terms of salary control. For example, formal system factors such as corruption exposure, government audit and discipline inspection Commission supervision play an important role in the management and supervision of state-owned enterprises. In the corporate governance system, there is often complementarity between the formal system and the informal system. When the formal system is absent or imperfect, informal systems such as religion, culture and custom may play a substitute role. El Ghouli et al. The study found that in areas where formal external supervision mechanisms are absent, traditional religious culture can play a greater role in reducing the company's equity finance costs^[32].

3. Research design

3.1 Sample selection and data source

Since 2007, China has implemented new accounting standards. In order to avoid the possible impact of changes in standards, this paper selects A listed companies in Shanghai and Shenzhen from 2007 to 2015 as initial observation samples, and carries out the following processing respectively: (1) to eliminate the samples of financial and insurance listed companies; (2) reject samples in abnormal STate such as st, st and PT; (3) Excluding samples with a market entry period of less than one year; (4) Excluding samples with asset-liability ratio greater than or equal to 1 and equal to 0; (5) Excluding Observations

Samples with missing data. Finally, 14871 sample observations were obtained. In order to eliminate the influence of extreme values, all continuous variables are Winsorize shortened by 1% up and down. The data of religious traditional

cultural variables are collected manually, and the rest are all from the national Taian database.

3.2 Variable Definition and Model Setting

Regarding the measurement of senior executives' on-the-job consumption, the existing research adopts the method of adding up eight detailed data such as office expenses, business entertainment expenses and directors' membership fees disclosed in the notes to the annual report "payment of other cash flow related to business activities". Based on the above data limitations, this paper uses the practices of Wu Chengsong and others^[33], Xiao Xing and Chen Xi^[34] to measure the actual on-the-job consumption of senior executives by using other cash flows paid in the cash flow statement related to business activities as alternative variables.

In this paper, the excess in-service consumption is measured by the difference between the actual in-service consumption of senior executives and the reasonable in-service consumption determined by economic factors.

4. Results

4.1 Descriptive statistics

Descriptive statistical results of the main variables in table 1 show that the average value of excess on-the-job consumption (Exeperks) is 0.03, the maximum value is 0.363, the median and minimum values are both 0 and the standard deviation is 0.062, indicating that the level of excess on-the-job consumption of listed companies is poor.

4.2 Multiple regression results

First of all, we will examine the influence of religious traditional culture on the excessive on-the-job consumption of senior executives, and distinguish religious traditional culture between the place of registration and the place of office to see if there is any difference between the two.

This paper subdivides the variables of traditional religious culture into Buddhist and Taoist cultures, and explores whether there are differences in the influence of different traditional religious cultures on the over-consumption behavior of senior executives. Among them, there are a total of 163 national key temples and 142 Buddhist key temples.

In order to ensure the robustness of the results, the following robustness tests were carried out: (1) changing the measurement basis of religious traditional culture, using different geographical intervals, the recalculation of religious traditional culture variables with 120, 140, 160, 180, 220, 240, 260, 280 and 150 and 250 kilometers as distance standards was tested, and the research assumptions of this paper were rechecked. The conclusion is consistent with the previous one. (2) Replace the measurement method of the variables of religious traditional culture, take the number of national key religious sites within each province as the variables of religious traditional culture at the provincial level, re-examine the research hypothesis of this paper, and the conclusion remains unchanged. (3) In order to avoid the influence of religious and cultural differences in ethnic minority areas, this paper excludes samples from five ethnic minority autonomous regions, and the conclusion is consistent with the above. (4) In order to avoid the interference of artificial processing of data on excess on-the-job consumption, this paper excludes samples with excess on-the-job consumption less than zero. The test results show that the research conclusion is not interfered by data processing. (The above results are not listed at length).

5. Conclusion

Listed companies in China are distributed in a wide range of regions. Due to historical, geographical and other factors, there are great differences in religious and cultural traditions in different regions. Such differences in cultural traditions have an important impact on the behavior of individuals and organizations in these regions. Based on the perspective of religious and cultural traditions, this paper studies the influence of traditional cultural factors on the over-consumption behavior of executives in listed companies. Using the number of religious temples in a certain geographical area of listed companies as the proxy variable for the influence of religious tradition and culture, the study found that the deeper the influence of religious culture and tradition on listed companies, the more obvious the inhibition on the excess on-the-job consumption behavior of management is. In addition, compared with the state-owned companies with strong regulatory constraints, the excessive on-the-job consumption behavior of private enterprise executives is

more significantly influenced by religious traditional culture. At the same time, this paper also finds that both Buddhist culture and Taoist culture have a significant inhibitory effect on the excessive on-the-job consumption behavior of senior executives.

The research results of this article further show that traditional cultural factors (Buddhist cultural tradition and Taoist cultural tradition) as an important social norm and cultural factor have an important influence on the values and attitudes of individuals and organizations. They can urge individuals to follow business ethics and moral norms, restrain their pursuit of self-interest and reduce risk preference. This conclusion also provides important enlightenment for China's micro-level corporate governance and macro-level economic and social development. On the one hand, in modern corporate governance, we should attach importance to the important role of cultural factors in the organization and individual behavior, strive to create a good corporate culture, promote individuals to actively perform their duties, and improve the company's operating efficiency and governance level. On the other hand, in China, a new transitional country with profound cultural background and imperfect legal system formulation and implementation, we should pay attention to the informal system factors formed in the accumulation of thousands of years of history and culture and give full play to the positive role of implicit norms such as culture, customs and religion in economic and social development.

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