Proceedings of the 7th International Conference on Economic Management and Green Development
DOI: 10.54254/2754-1169/41/20232066

Social Responsibility, Media Attention and Financial Risk of Listed Real Estate Companies in China

Jinyuan Chai[1,a,*]

[1]Undergraduate,School of Economics and Management,Northeast Normal University, Changchun, China
a. 385591408@qq.com
**corresponding author*

Abstract: In the past two years, real estate companies have been actively exploring new development models at the policy level. For the future sustainable development of real estate companies, ESG performance can reflect the overall credit quality of companies in non-financial aspects, while the fulfillment of social responsibility is an important factor in measuring the ESG performance of companies, and therefore gradually becomes a focus of attention. In order to analyse the relationship between social responsibility fulfillment and financial risk of real estate companies, this paper proposes hypotheses based on theories such as stakeholder theory, introduces media attention into the analysis framework, and selects data of Chinese A-share real estate listed companies from 2010 to 2019 for empirical testing. It is found that the fulfillment of social responsibility by real estate companies is negatively related to financial risk, while media attention plays a negative moderating role in this regard. The findings provide empirical support for the mechanism of the impact of social responsibility fulfillment on real estate companies' financial risk and offer policy options for real estate companies to reduce their own financial risk.

Keywords: social responsibility, financial risk, real estate

1. Introduction

Along with the gradual focus on ESG performance, more and more listed companies are actively participating in social responsibility activities and conducting professional social responsibility reporting. On the one hand, according to the traditional enterprise value maximization theory, companies aim at profit maximization, while the fulfillment of social responsibility may lead to substantial expenses and reduced financial returns, therefore many companies are not willing to actively participate in social responsibility [1] , and some executives of listed companies even consider social responsibility disclosure as a "self-interest tool" [2], which makes the corporate reporting environment deteriorate and the risk of share price collapse increase. On the other hand, from the perspective of stakeholder theory, the results of domestic and international studies show that the achievement of CSR can contribute to the enhancement of corporate value and the risk resilience of companies. Apart from the existing research findings, which still need to be clarified, existing studies have mainly focused on the role of different nature of companies and different degrees of commercialization in the relationship between CSR and economic consequences, but the impact and moderating effect of CSR on the financial position of real estate companies specifically

DOI: 10.54254/2754-1169/41/20232066

needs to be further explored. The real estate industry, as a typical capital-intensive industry, is prone to financial risk problems due to its high gearing and rapid expansion rate. In addition, existing literature mainly adopts the quality of CSR reports issued by companies to measure CSR performance, while this paper adopts the evaluation of CSR performance by third-party organizations to measure the social responsibility performance of companies. Therefore, this paper takes all listed real estate companies from 2010-2019 as a sample, introduces media attention into the analysis framework, studies the impact of social responsibility on the financial risk of specific real estate companies, and explores the impact of social responsibility on the financial risk of real estate companies and its mechanism of action, so as to fill the gap in the field of social responsibility research of real estate companies.

2. Research Hypothesis

Stakeholder theory suggests that by actively fulfilling their social responsibility, companies can, to a certain extent, meet the needs of their stakeholders and facilitate the establishment of close ties with many of them, thus gaining certain scarce and irreplaceable benefits, such as human resources, financial capital, brand awareness and sales networks. These resource advantages not only contribute to sustainable development, but also have a positive effect on the financial risk of the firm [3]. Therefore, we propose the following hypothesis

H1: Other things being equal, fulfilling social responsibility reduces the financial risk of real estate companies.

Signalling theory suggests that media coverage has a powerful ability to shape and mobilize public opinion and plays an important role among corporate stakeholders. In the case of real estate companies in particular, a lack of social responsibility can often lead to a huge financial crisis, and once these incidents are exposed in the media and fermented by public opinion, they are likely to cause damage to the company's image and exacerbate its financial risks. It follows that social responsibility seems to play a moderating role to a certain extent. Therefore, we propose the following hypothesis

H2: Other things being equal, media attention plays a negative moderating role in the impact of social responsibility on the financial risk of real estate companies.

3. Study Design

3.1. Sample Selection and Data Sources

This paper takes real estate companies listed on China A-shares from 2010-2019 as the research object, excluding ST, *ST category listed companies and samples with missing data and insolvency respectively, retaining real estate with profit after interest greater than zero and controlling for capital size, capital structure and debt interest rate, and finally obtaining 903 observations. Data on financial risk and control variables were obtained from the Guotaian database, data on social responsibility index were obtained from Hexun.com, and data on media attention were obtained from the database of financial news of listed companies in China.

3.2. Select and Design Variables

(1) Financial risk of real estate companies (Explanatory variable). The magnitude of the financial risk of an enterprise mainly depends on the magnitude of the financial leverage coefficient. This paper indicates the magnitude of the financial risk of an enterprise based on the magnitude of the logarithm of the financial leverage coefficient of the sample companies in each year.

DOI: 10.54254/2754-1169/41/20232066

(2) Social responsibility (Explanatory variable). This paper draws on existing research [4] and uses the composite CSR score published by Hexun.com statistics as the core explanatory variable.

(3) Media attention (Moderating variable). This paper takes the logarithm of the total number of negative media reports as a proxy variable to investigate the moderating role of media attention in the relationship between social responsibility and corporate financial risk.

(4) Control variables: Drawing on the studies of most scholars, this paper selects indicators as control variables in terms of enterprise size, operational capacity, profitability and corporate governance, including: year of establishment [5], equity concentration [6], sales [7], gearing ratio [8], capital size [8], profitability [9], inventory turnover and accounts receivable turnover [10].

In order to test whether there is an impact of H1 real estate companies' social responsibility performance on financial risk, the model 1 was set up:

$$\mathrm{Risk}_{it} = \alpha_0 + \alpha_1 \mathrm{csr}_{it-1} + X\beta + \mathrm{year} + \epsilon_{it} \tag{1}$$

Secondly, to test the moderating effect of H2 media attention on the performance of social responsibility of real estate firms on financial risk, a cross term of media attention and social responsibility variables was introduced.The model 2 are as follows.

$$\mathrm{Risk}_{it} = \alpha_0 + \alpha_1 \mathrm{csr}_{it-1} + \alpha_2 \mathrm{csr}_{it-1} \times \mathrm{news}_{it-1} + X\beta + \mathrm{year} + \epsilon_{it} \tag{2}$$

where Risk stands for corporate financial risk, csr stands for corporate social responsibility, news stands for media attention and$\mathrm{csr} \times$ news represents the cross-sectional term between media attention and social responsibility; X represents the control variable group and year represents the time fixed effect.

Table 1: Descriptive statistics for sample data.

Risk	Enterprise risk: taking the logarithm of the financial leverage factor	0.161	0.509	-1.392	3.714
csr	Social responsibility: overall score	34.61	17.65	-16.74	90.01
news	Media attention: total negative media coverage taken as a logarithm	4.603	1.313	0.693	10.04
fsd	Percentage of shareholding of the largest shareholder	41.12	16.24	7.120	80.65
sale	Sales growth rate	16.85	489.2	-0.976	14,883
adr	Gearing ratio	2.609	0.682	0.0643	3.791
asset	Asset size ($bn): Total assets plus 1 taken as a logarithm	22.82	4.113	0	28.18
npr	Net profit growth rate	7.201	58.60	-68.40	1,055
cur	Inventory turnover rate	6.446	47.60	0	843.6
ysr	Accounts Receivable Turnover Ratio	6,545	84,735	0	2.097e+06
age	Number of years in business	17.06	10.34	0	40.92

DOI: 10.54254/2754-1169/41/20232066

4. Empirical Analysis

4.1. Regression Analysis of Model 1

This result suggests that the fulfilment of social responsibility is effective in reducing the financial risk of real estate companies, and the hypothesis holds that the higher the level of fulfilment of social responsibility is, the more it helps to reduce the financial risk faced by real estate companies. The possible explanation is that the disclosure of social responsibility by real estate companies may effectively reduce the principal-agent problem of real estate companies, improve the transparency of information of real estate companies and give full play to the positive effect of external market supervision, thus reducing the financial risk of real estate companies. Among the control variables, the estimated coefficient of gearing ratio adr is significantly positive, indicating that the debt level of real estate companies is positively proportional to the level of financial risk. The estimated coefficient of net profit growth rate npr is significantly negative, indicating that the faster the growth rate of sales revenue of real estate companies, the higher the level of profitability and consequently the lower the level of financial risk. The regression coefficient of the age of real estate companies is positive, indicating that the longer the age, the higher the financial risk. The estimated coefficient for real estate firm size ASSET is negative, indicating that small-scale real estate firms are more inclined to invest in risky projects. The estimated coefficient of accounts receivable turnover ysr is negative, indicating that the higher the operating capacity of a real estate enterprise, the lower the level of financial risk.

Table 2: Regression results of model 1.

	(1)Risk	(2)Risk
csr	-0.002**	-0.003***
	(-2.35)	(-2.86)
fsd		-0.002
		(-1.49)
	(1)	(2)
	Risk	Risk
sale		-0.000
		(-1.58)
adr		0.095***
		(3.69)
asset		-0.001
		(-0.19)
npr		-0.001***
		(-2.58)
cur		0.000
		(0.44)
ysr		-0.000
		(-0.82)
age		0.001
		(0.78)
year	Yes	Yes
Constant	0.242***	0.081
	(6.29)	(0.68)

DOI: 10.54254/2754-1169/41/20232066

Table 2: (continued).

Observations	903	903
R-squared	0.006	0.036

***p<0.01,**p<0.05,*p<0.1

4.2. Regression Analysis of Model 2

Table 4 shows that when the cross-sectional term between social responsibility and media attention variables is introduced, its estimated coefficient is negative and to a certain extent plays a more or less negative moderating role. The plausible explanation is that, on the one hand, negative media coverage makes companies correct their mistakes in time to improve the quality of internal control due to market pressure. On the other hand, companies that are negatively reported on have a higher willingness to fulfil their social responsibility as a means of compensation, which is more conducive to optimising performance and reducing financial risk.

Table 3: Regression results of model 2.

	(1)	(2)
	Risk	Risk
csr	-0.002	0.000
	(-1.01)	(0.01)
csr ×news	-0.000	-0.001
	(-0.13)	(-1.39)
fsd		-0.002*
		(-1.75)
sale		-0.000
		(-1.59)
adr		0.103***
		(3.78)
asset		-0.000
		(-0.10)
npr		-0.001**
		(-2.57)
cur		0.000
		(0.39)
ysr		-0.000
		(-0.80)
age		0.001
		(0.82)
year		
Constant	0.241***	0.051
	(5.93)	(0.41)
Observations	903	903
R-squared	0.006	0.041

5. Conclusions And Insights

This paper incorporates social responsibility and media attention into the framework of financial risk analysis of real estate companies, analyses the impact mechanism of fulfilling social responsibility on the financial risk of companies and the moderating role of media attention using stakeholder theory and other factors, and conducts an empirical test based on panel data of all real estate listed companies in China's A-share market from 2010 to 2019. The study shows that active fulfillment of social responsibility by real estate companies helps to reduce their financial risk, while media attention plays a negative moderating role in this regard. The findings of this paper provide important practical guidance for understanding the importance of fulfilling social responsibility in improving the governance structure of real estate companies, strengthening financial risk management of real estate companies and even achieving quality economic development. Accordingly, the following policy recommendations are made:

First, government departments should continue to promote and implement social responsibility strategies for real estate companies, optimise the supervision of their social responsibility performance, mobilise the resources and strength of all sectors of society, effectively support the enhancement of the social responsibility management capabilities of real estate companies, and use social responsibility to stimulate the growth of the value of real estate companies.

Secondly, real estate companies should strengthen their awareness of social responsibility and the construction of a responsibility system. In addition to corporate obligations such as providing quality services, improving the working environment for employees and actively paying taxes in accordance with the law, they should more actively invest in charity, education, environmental protection and other public welfare causes.

Thirdly, real estate companies should disclose their social responsibility performance proactively and honestly. The public administration should regulate and guide the content dimensions and disclosure methods of social responsibility information of real estate companies according to their actual development status, and encourage them to fully disclose financial and non-financial information related to their development strategies and major decisions.

References

[1] *Gao YQ, Chen YJ & Zhang YJ. (2012). "Red scarf" or "green scarf": A study of private companies' motivation for charitable giving. Management World (08), 106-114+146.*

[2] *Quan S.F., Wu S.N. & Yin H.Y.. (2015). Corporate social responsibility and share price collapse risk: a "value sharper" or a "self-interest tool"? Economic Research (11), 49-64.*

[3] *MEHREZ A. (2020). Social responsibility and competitiveness in hotels: The role of customer loyalty. management science letters (8): 1797-180.*

[4] *Huang Jinbo, Chen Lingxi & Ding J. A new species of the genus Phyllostachys. (2022). Corporate social responsibility, media coverage and the risk of share price collapse. Chinese Management Science (03), 1-12.*

[5] *Wu D, Zhao QF & Han JY. (2020). Corporate social responsibility and technological innovation - Evidence from China. Nankai Economic Research (03), 140-160.*

[6] *Gu, Lei-Lei, Guo, Jian-Luan & Wang, Hong-Yu. (2020). Corporate social responsibility, financing constraints and corporate financialization. Financial Studies (02), 109-127.*

[7] *Wang, Jianling, Li, Yue-ting & Wu, Xuan. (2019). Corporate social responsibility and risk-taking:A resource dependence theory-based perspective. Forecasting (03), 45-51.*

[8] *Feng, Liyan, Xiao, Xiang & Cheng, Xiao Ke. (2016). The impact effect of social responsibility on corporate risk - an analysis based on China's economic environment. Nankai Management Review (06), 141-154.*

[9] *CAI L, CUI J, JO H. (2016).Corporate environmental responsibility and firm risk.Journal of business ethics (3): 563-594.*

[10] *Zhao Yuanxian & Wu Weirong. (2014). A study of corporate external regulation affecting the effectiveness of internal control - Empirical evidence from Chinese listed companies. China Soft Science (04), 126-137.*