

Analyst coverage, corporate social responsibility, and firm value: evidence from China

Wanfang Xiong¹

¹Huazhong University of Science and Technology, China

ABSTRACT

This paper examines the impact of analyst coverage on corporate social responsibility (CSR) engagement. Using data on the Chinese firm-year CSR score and its components over the period of 2010–2017, we find that analyst coverage significantly enhances CSR engagement and its major components for those listed companies. This positive relationship is more profound for state-owned enterprises when compared with private enterprises. In addition, we conclude that negative media reporting demonstrates the positive effect of analyst coverage on firms' CSR scores. Furthermore, we implement an instrumental variables specification that provides causal estimates of the impact of analyst coverage on CSR engagement. We also provide evidence that a CSR analyst is value-enhancing. Overall, our results indicate that companies followed by financial analysts exhibit more CSR engagement, which is consistent with the notion that financial analysts can serve as an external monitoring role.

KEYWORDS Analyst Coverage; Corporate Social Responsibility; Firm Value; China

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