

Can Social Responsibility Information Discloses to Reduce Capital Costs?

Jianwei Ma*, Shuqi Zhang and Zhaohua Jiang

Lanzhou University of Technology, Lanzhou 730050, Gansu, China
1328887277@qq.com

*corresponding author

Abstract: 2020 sudden public health incidents not only put forward major examinations in my country's governance systems, but also test whether my country's listed companies actively fulfill social responsibilities. Based on this, the 2015-2018 A-share listed company is the effects between the information disclosure of corporate social responsibility and the cost of rights and interests. The study found that there is a u-type relationship between the information disclosure of corporate social responsibility and the cost of low interest capital. The cost of equity capital is positively related to financial risks. However, due to its own characteristics, the heavy pollution industry has actively disclosed social responsibility information, but the reduction in the cost of equity capital is not obvious.

Keywords: social responsibility, information disclosure, rights capital costs

1. Introduction

Social and enterprises are interdependent, and actively undertake social responsibility is not only corporate obligations, but also the weight of the development of social harmony. At the beginning of the Rat Year, the large-scale spread of the neoghm pneumonia virus is not only tested to the response capabilities of the government, social organizations and enterprises, but also the effectiveness of the modern governance system and governance capacity. As the main body of the public economy, listed companies should actively participate in the epidemic to ensure the health and society of the society. This is also an important manifestation of enterprises to actively fulfill social responsibility. Good corporate social responsibility information disclosure quality, convey the good news to the outside world, reducing the risk caused by information asymmetry, can have an impact on the cost of equity capital costs.

In China's corporate social responsibility information disclosure, there are some problems, such as the social responsibility information can't be accurately confirmed, the measurement and related social responsibility disclosure contents are not fully reflected, etc. Besides, the related social responsibility forms disclosed are relatively simple and superficial. The establishment of a fair, just and reasonable new socialist market economic order is also conducive to China's listed companies to make scientific response decisions when faced with social responsibility problems, so that enterprises can enjoy their rights and fulfill their corresponding obligations. Therefore, it is of great significance to strengthen the research on this issue.

2. Overview of Corporate Social Responsibility Information Disclosure

Social responsibility mainly means that an enterprise should take corresponding responsibilities to society. Social responsibility often means that the responsibility of an enterprise is far greater than the responsibility of the organization's own goals. An enterprise that is responsible to the public not only bears the obligations of laws, regulations and economy, but also bears the obligations that have long-term benefits for the society. China's National Resources Management Committee defines the social responsibility of enterprises as: enterprises not only aim at realizing their own values and the common sustainable development of society, but also abide by morality, laws and regulations and business ethics, voluntarily take responsibility for stakeholders and natural environmental resources in the process of operation and management of listed companies, and pursue the behavior of maximizing the comprehensive value of economy, environment and society.

For long-term development, enterprises need to take corresponding responsibilities for all aspects of society. For example, for consumers, they must fully respect their legal rights such as free choice of products and right to know about products, and satisfy consumers' recognition and authenticity of services and product information provided by enterprises. In social welfare activities, the performance of enterprises includes donating money and materials, providing help to specific social groups, supporting social policies and guidelines, and serving the society. For competitors, enterprises should compete fairly and abide by the principles of openness, fairness and justice. The listed company's responsibility to suppliers is to pay attention to the reputation of the company and fulfill its obligations according to the corresponding clauses of the signed contract. For doubtful clauses and the recovery of creditor's rights, the company should regularly and timely evaluate and verify the suppliers accurately. Only enterprises that treat their employees well can have a sense of social responsibility. It is the responsibility of the enterprise to give full play to the creativity of employees, respect the intrinsic value of employees and provide a healthy and safe working atmosphere for employees. Enterprises should provide employees with fair competition opportunities, listen to their opinions and demands, and prevent employees' legitimate rights and interests from being infringed. It is also responsible to the creditors of the enterprise. Enterprises should be honest and trustworthy, do not arbitrarily misinterpret creditors' wishes, do not arbitrarily change or conceal the company's financial situation, and actively repay creditors' related debts.

3. Theoretical Analysis and Research Hypothesis

Enterprises that fulfill social responsibility will have certain waste of their resources and capital, and actively fulfill social responsibility and disclose relevant information, companies that do not fulfill social responsibilities and disclose relevant information will have lower short-term financial performance and poor finance. Performance, thereby causing investors to increase risk premium. Meng Xiaojun, etc. (2010), based on information, indicating that social responsibility information is not unidirectionally affecting the capital cost of enterprises, and the two are u-type relationships. Proven this article assumption:

H1: Compared to companies that have not disclosed corporate social responsibility information, companies that disclose corporate social responsibility information have lower equity capital costs.

Enterprises can reduce information asymmetry and reduce investment yields required by the company, which makes the company's financing costs and is bound. And companies can reduce the reverse choice of information asymmetry due to the active disclosure of social responsibility information. Therefore, external investors have measured and evaluate a certain enterprise risk, which is the quality of the company's information disclosure. The more quality, the more you attract a large number of potential investors, the more you know the business, the more it is, it is conducive to the reduction of rights and interest capital costs. However, the quality of corporate social responsibility information disclosure is not a negative correlation between rights and interest capital costs. If it exceeds a certain degree, the cost of capital will increase. According to this, it is proposed to assume 2:

H2: There is a U-shaped relationship between the disclosure level of social responsibility information and the cost of enterprise equity capital.

The degree of the company's debt is reflected by the asset-liability ratio, and the complexity of the enterprise increases with the increase of the asset-liability ratio, which will not only bring more leverage benefits to the enterprise but also bring greater financial risks to the enterprise. Rational investors are risk averse, and the higher the financial risk, the higher the return rate of equity capital cost required by investors. Therefore, hypothesis 3 is put forward:

H3: The cost of equity capital is positively correlated with financial risk.

"We need both green mountains and green mountains, and golden mountains and silver mountains". Heavy polluting industries should take the initiative to shoulder the burden of protecting the environment, actively disclose corporate social responsibility information, convey favorable information, establish a good image of enterprises and win the favor of investors. It is also beneficial to obtain government support, and the necessary rate of return required by external investors is reduced. Propose hypothesis 4:

H4: Compared with non-polluting enterprises, the higher the quality of social responsibility information disclosure of heavily polluting enterprises, the lower the cost of equity capital.

4. Research and Design

A-share listed companies in 2015-2018 are the research samples, and the following samples are excluded: (1)ST and PT companies, (2) financial listed companies, (3) companies with unavailable data, and (4) $EPS_{i,t+2}-EPS_{i,t+1}<0$ are excluded. After screening, the sample data of 1802 listed companies were obtained.

4.1. Variable Design

Table 1: Variable indicators and codes

variable	index	code	Calculation method
Explained variable	Right capital cost	Re	Estimated by PEG model
Explanatory variable	Social Responsibility Information Disclosure	CSR	If the listed company disclosed the assurance opinion of social responsibility report in the current year, the assurance value was 1, otherwise it was 0.
	Social responsibility information disclosure quality	CRSd	Rankins CSR Ratings, RKS Social Responsibility Report Rating Score
regulated variable	Heavy polluting enterprises	ENV	Heavy polluting enterprises take the value of 1, otherwise it is 0.
	management risk coefficient	LEV	(Sales revenue-variable cost)/(Sales revenue-variable cost+financial expenses)
Control variable	Asset-liability ratio	DEBT	Total liabilities/total assets
	profitability	ROE	Net profit/net assets
	Tobin's Q	TQ	Market value of enterprise/total assets at the end of the period

4.2. Model Building

Construct regression model to verify hypothesis:

$$Re = \beta_1 + \beta_2 CSR + \beta_3 Lev + \beta_4 ROE + \beta_5 TQ + \varepsilon \quad (1)$$

$$Re = \beta_1 + \beta_2 CSRd + \beta_3 Lev + \beta_4 ROE + \beta_5 TQ + \varepsilon \quad (2)$$

$$Re = \beta_1 + \beta_2 DEBT + \beta_3 Lev + \beta_4 ROE + \beta_5 TQ + \varepsilon \quad (3)$$

$$Re = \beta_1 + \beta_2 ENV + \beta_3 CSRd + \beta_4 CSRd \times ENV + \beta_5 Lev + \beta_6 ROE + \beta_7 TQ + \varepsilon \quad (4)$$

5. Empirical Analysis

5.1. Correlation Analysis

The correlation coefficient between the level of corporate social responsibility information disclosure and the cost of equity capital is 0.174, which shows a significant correlation at 1%. Initial confirmation of hypothesis 2. There is a significant positive correlation between operating risk coefficient, profitability and cost of equity capital, and the correlation coefficient is the same as the predicted results. Tobin Q value has a negative correlation with the cost of equity capital of the enterprise. Investors believe that the enterprise has a strong growth ability. Investors believe that the enterprise has more opportunities for future development, and the enterprise with better growth is easier to finance and the cost of equity capital is lower.

Table 2: Correlation analysis of main variables

variable	Re	CSRd	ENV	CSRd*E NV	Lev	ROE	TQ
Re	1						
CSRd	.174***	1					
ENV	.017	.104***	1				

CSRd*EN V	.071***	.403***	.917***	1			
Lev	.151***	.092***	.022	.033*	1		
ROE	.156***	.055***	-.016	-.003	.131***	1	
TQ	-.119**	-.199***	-.046**	.103***	.000	.095***	1

Note: * * * is significant at 1%, * * is significant at 5% and * is significant at 10%.

5.2. Multiple Regression Analysis

The adjusted R2 of model (1) is 0.583, and the regression coefficient of CSR score is 0.016, which is significantly positively correlated at the level of 1%, indicating that the cost of equity capital will be higher if the degree of CSR information disclosure is improved. Hypothesis 1 fails the test. The reasons are: (1) China's social responsibility information disclosure system is not perfect, and the voluntary principle of whether to disclose corporate social responsibility is adopted at present. (2) Social responsibility information disclosure reflects the future development of enterprises, and its impact on the cost of enterprise equity capital is lagging behind. (3) A-shares contain a large number of state-owned enterprises, which have a high concentration of equity, resulting in huge agency costs, resulting in higher cost of equity capital. (4) For some enterprises with high asset-liability ratio, investors may ask enterprises to give investment returns equivalent to the risk level, thus leading to an increase in the cost of equity capital. Tobin Q value is negatively correlated with 1%, which shows that the better the development prospect, the better the enterprise market's expectation for the future of the enterprise, the easier it is to raise funds, and the lower its relative cost of equity capital.

Table 3: Linear regression results of the model

variable	Model one	Model two	Model three	Model four
	Re	Re	Re	Re
constant	.065*** (57.968)	0.039*** (6.427)	.032*** (5.647)	.043*** (5.614)
ENV	--	--	--	-.009 (-.949)
CSR	.016*** (10.964)	--	--	--
CSRd	--	0.001*** (5.762)	.000*** (2.982)	.000*** (2.982)
CSRd2	--	.058*** (5.475)	.058*** (5.475)	--
ENV*CSRd	--	--	--	.000 (.932)
Lev	.000** (2.458)	0.020*** (5.205)	.019*** (5.475)	.020*** (5.249)
DEBT	--	--	.036*** (5.023)	
ROE	.003*** (4.211)	0.043*** (6.175)	.043*** (6.271)	.043*** (6.183)
TQ	-.010*** (-3.710)	-0.003*** (-4.177)	-.001 (-1.545)	-.003*** (-4.191)
Adjusted R2	.583	.73	.81	.731

Note: * * * is significant at 1%, * * is significant at 5% and * is significant at 10%.

The regression coefficient of corporate social responsibility information disclosure quality is 0.001, which is significantly correlated at the level of 1%. The correlation coefficient between CSRd2 and the cost of equity capital is 0.058, and it is significantly correlated at the level of 1%, assuming that 2 passes the test. The regression coefficient of asset-liability ratio is 0.036, which is significantly correlated at 1% level. 3 Assumptions are tested.

The regression coefficient of the cross term between the quality of social responsibility information disclosure and heavily polluting enterprises is 0, and hypothesis 4 fails the test. In China's capital market, the quality of corporate social responsibility information disclosure in heavily polluting industries has no significant influence on the cost of equity capital. First of all, the particularity of heavily polluting industries and the high attention of the public and the media force such enterprises to

have a higher awareness of corporate social responsibility, and the enterprises themselves will be more active in fulfilling their social responsibilities. But it doesn't mean that it will inevitably affect the cost of equity capital, and the fulfillment of social responsibility has not effectively affected the cost of enterprise equity assets. Secondly, in the imperfect capital market, investors and stakeholders pay more attention to the financial reports of enterprises. Even if enterprises actively establish an attitude and image of being responsible for the environment, they still cannot effectively reduce the cost of equity capital. Finally, China's corporate social responsibility information disclosure lacks uniform standards and norms, and the motivation of corporate disclosure is not strong. Some enterprises will whitewash the quality of corporate social responsibility information disclosure for the benefit.

6. Conclusions and Suggestions

Through the above research, the conclusions are as follows: (1) There is a U-shaped relationship between the positive disclosure of social responsibility information by enterprises and the cost of equity capital; (2) The cost of equity capital is positively correlated with financial risk. (3) The disclosure of social responsibility information of heavily polluting enterprises has little influence on the reduction of the cost of equity capital. It may be caused by the poor disclosure quality of social responsibility information of heavily polluting enterprises and the particularity of heavily polluting industries.

According to the above conclusions, the following suggestions are put forward:

First, improve the corporate social responsibility information disclosure mechanism. The pollution control of enterprises in China is not ideal. On the one hand, compared with the high control cost, most of them prefer to pay relatively low sewage charges. On the other hand, the local government is more indulgent to polluting enterprises because it collects corresponding sewage charges from enterprises to increase fiscal revenue. In order to better realize the optimal allocation of resources, governments at all levels should improve the information disclosure mechanism of corporate social responsibility, strengthen the control and management of social responsibility, and improve the optimal allocation of environmental resources. The government specially hires scholars and experts who study the disclosure of social responsibility information for enterprises. These experts track and supervise different enterprises, formulate relevant guidelines for the disclosure of social responsibility information and the mode of social accounting information disclosure, etc., thus standardizing the disclosure of social responsibility information and making the responsibilities borne by enterprises clearer. These behaviors can enable enterprises to maximize their benefits without harming the sustainable development of society. Under the guidance of developing a harmonious society, the maximization of social benefits and the maximization of enterprise benefits can be linked through system construction.

Second, establish the awareness of corporate social responsibility information disclosure. Disclosure of corporate social responsibility information can effectively alleviate the problem of unequal information. On the one hand, it is beneficial for investors to reduce investment risks; on the other hand, it is in line with their own interests, bringing social responsibility into the rules and regulations of enterprises, constantly revising and perfecting the work related to social responsibility, and establishing the awareness of social responsibility information disclosure. The government should devote itself to increasing the investment intensity of funds, raising the awareness of the importance of social responsibility of listed companies by means of public advertising, broadcasting, television, newspapers and magazines, etc., mobilizing the enthusiasm of the public and making people participate extensively.

Third, the government governance mechanism still needs to be strengthened. This major public health incident puts forward new requirements for government work, which shows that the top-level design of emergency management in China needs to be improved, and there are still shortcomings in the government governance mechanism. The state should speed up the promulgation of relevant legal norms and reference standards for information disclosure, and strengthen the concept of social responsibility within enterprises. Strengthen the supervision and management of corporate social responsibility by relevant departments. The government can give preferential treatment to listed companies that fulfill their social responsibilities in terms of financial policies and tax policies. If the companies' fulfillment of social responsibilities worsens, the relevant government departments will severely punish them.

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