

# How does corporate social responsibility affect the cost of equity capital through operating risk?

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## Abstrak

This paper investigates the impact of corporate social responsibility (CSR) performance by listed companies on the cost of equity capital from the perspectives of enterprise risk management and capital market risk pricing and discusses the mediating effects of operating risk. Using the causal steps approach, we conduct an empirical test with a sample of 7241 Chinese A-share listed companies from 2013 to 2018. This paper uses the price-earnings-growth (PEG) model and the Ohlson-Juettner (OJ) model to calculate the cost of equity capital and accounting earnings volatility to measure operating risk. Our results lead to the following conclusions: First, CSR performance is significantly negatively correlated with the cost of equity capital; second, CSR performance is significantly negatively correlated with operating risk; third, operating risk is a mediating variable between CSR performance and the cost of equity capital, and the mediating effect differs between long- and short-term risks. Our conclusions are confirmed by robustness tests.