

# CENTRE FOR APPLIED FINANCE AND ECONOMICS

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## Seminar

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**Dr George Shan, University of Western Australia**

***Signaling through Corporate Philanthropy: An Investigation of Excess Donations***

**Abstract:** We decompose corporate philanthropy donations (CPD) into expected and excess CPDs, and examine the impacts of expected and excess CPDs on firms' future market performance. We also consider various moderation effects including analyst following, political connection and market development. Using a data set comprising 13,939 firm-year observations for A-shares listed firms on Shenzhen and Shanghai Stock Exchanges between 2003 and 2014. Our findings are fourfold. First, our results indicate that expected CPD is not related with firm's future market returns, whereas a positive association between excess CPD and market returns is found which is supported by signaling hypothesis. Second, using the moderation factor of analyst following, we find that analysts not only help investors to better identify the donations associated with firm's fundamentals, but also assist investors to reduce overreactions on excess CPD. Third, the concurrence of excess CPD and state-owned enterprises (SOEs) is negatively related to firms' future market reactions. This is because investors realize SOEs CPD activities as forced apportion. Fourth, market reactions are better if firms locate in less developed regions and contribute excess CPD.

**Date:** Friday 20 July 2018

**Time:** 12:00pm – 1:30pm

**Location:** GK5.24 (Level 5, Room 24, Sir George Kingston Building) City West  
[\[campus map\]](#)

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