

Analyst coverage and Stock Price Crash Risk: Based on the Perspective of Social Trust

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Abstract: The "14th Five-Year Plan" points out the need to establish and improve a comprehensive system for risk prevention, early warning, response, and accountability, while also strengthening integrity construction and building an efficient, standardized, and fair competitive market. This article is based on data from Chinese A-share listed companies from 2003 to 2018 and employs a multiple regression model to explore the relationship between analyst attention and stock price crash risk from the perspective of social trust. Research findings indicate that analyst attention increases the risk of stock price crashes for companies. Further research results suggest that in regions with higher social trust, the positive impact of media attention on the risk of stock price crashes is significantly reduced. The conclusion of this study remains valid after a series of robustness tests.

Keywords: Analyst coverage; Crash Risk; Social Trust.

1. Introduction

In 2008, the Chinese A-share market experienced significant fluctuations, with the Shanghai Composite Index falling by a total of 3,445 points throughout the year, representing a decline of 65.39%, marking the largest drop in the 18-year history of A-shares. The Shanghai Composite Index fell from its historical high of 6124 points in October 2007 to a low of 1664.93 points in 2008, resulting in a cumulative decline of 72% over the course of one year, with both the market capitalization and circulating market value of the Shanghai and Shenzhen stock markets shrinking by more than 60%. In 2015, the Chinese A-share market experienced a severe stock price crash, reaching a peak of 5178 points in June 2015, after which the market began to plummet dramatically. Within just 17 trading days, the Shanghai Composite Index fell by more than 30%, dropping to 2850 points (Tian, 2020). The two "plummeting" stock prices in China's A-share market have seriously impacted the healthy development of China's capital market and investors' investment confidence and wealth (Meng et al., 2017). Therefore, it is of great theoretical and practical significance to explore the formation factors and governance methods of stock price crash risk to reduce the financial risk of China's capital market and promote the healthy and stable development of the market (Yang et al., 2018).

As the "information bridge" between the capital market and investors (Tian, 2020), analysts can interpret the information of the financial market and then transmit it to investors. Analysts' investment income forecasts for listed companies and corporate investment income ratings provide an important reference for investors' investment decisions, which can effectively promote the effective allocation of market resources for the entire financial market. In addition, analysts can also be used as a substitute for corporate governance, which can effectively improve the authenticity of corporate information disclosure, thereby reducing the risk of corporate stock price crash (Pan, 2011). On the contrary, analysts' optimism bias may increase the risk of stock price crash (Xu, 2012), and the increase in analyst attention will

increase market sentiment, which will lead to irrational factors in stock prices and increase the risk of stock price crash; In addition, analysts' concerns increase the pressure on managers to achieve short-term earnings targets, prompting them to engage in upward earnings management information manipulation, thereby increasing the risk of future stock price crashes (Han et al., 2021). As an informal system, regional social trust can inhibit the incentive of firms to conceal bad news, thereby reducing the risk of stock price crash (Liu et al., 2016). At the same time, firms in areas with high social trust tend to be associated with higher accounting soundness and fewer financial restatements, thereby reducing the risk of a firm's stock price crash (Li et al. 2017). Social trust will also have a positive impact on corporate information disclosure and investment and financing behavior, thereby reducing the risk of stock price crash (Nie & Ran, 2020).

In summary, it is of great significance to explore the impact of analysts' attention on stock price crash risk from the perspective of social trust for the stable development of China's capital market and society. Compared with the previous literature, this paper introduces the moderating effect of social trust into the impact of analysts' attention on stock price crash risk, and enriches the articles on stock price crash risk; it also provides a reference scheme of practical significance for the formulation of national policies and the maintenance of the long-term and stable development of China's financial market.

2. Theoretical Analysis and Research Hypotheses

Stock price crash risk refers to a situation in which a company's stock falls significantly in a short period of time (Jin & Myers, 2006). Previous cases have shown that there are two triggers for stock price crash risk, one is agency problems, which can lead to opportunistic behavior in corporate management, which can lead to the risk of stock price crash (Liang & Zeng, 2016). The "hollowing out" of the management and the opportunistic behavior of obtaining more self-interest will cause the company to hoard more

"negative news", and when the "negative news" hoards to a certain extent, it will be released in a large amount in a short period of time, thus causing the company's stock price to crash. The second is the opacity of information disclosure of listed companies, and companies will selectively disclose some good information and hoard "bad news", This information asymmetry prevents external investors from making the right investment behavior, and when the "bad news" can no longer be hoarded, it is released externally, at which point the market reacts, causing the company's stock price to plummet (Hutton et al. 2009).

2.1. Analyst focus and stock price crash risk

As an information intermediary between investors and listed companies, analysts screen and transmit investment signals to investors in the financial market, which will increase the value of the company's stock price information and reduce the synchronization of the company's stock price to a certain extent (Li et al., 2016). However, the role of analysts as information intermediaries is not always positive, and it can be seen from the relationship between media attention and analyst attention that analysts will enhance the media attention of enterprises, thereby increasing the risk of stock price crash of enterprises (Cu&San, 2022); Moreover, the impact of analysts' concerns on corporate earnings management varies depending on the development of capital markets (Degeorge et al. 2013); In addition, the positive effect of cash flow risk on stock price crash risk will be more significant in places where analysts pay more attention (Pei , 2021). Therefore, the increase in analyst attention will not only not improve the information transparency of enterprises, but will also increase information asymmetry, thereby increasing the risk of stock price crash. Therefore, this article proposes Hypothesis 1:

H1: The higher the analyst focus, the higher the risk of a company's stock price crash.

2.2. Social trust, Analyst focus and stock price crash risk

Regional social trust is an informal system that inhibits management's opportunistic behavior of concealing "bad news" (Liu et al., 2016), while firms in regions with higher levels of social trust tend to be associated with higher accounting robustness and less financial restatement (Li et al. 2017), Social trust also reduces the agency costs and tax evasion levels of enterprises (Shen , 2019), indicating that in regions with higher levels of social trust, corporate decision-makers are more likely to internalize the values of honesty and integrity as personal qualities, thereby reducing agency problems and the motivation to conceal negative information. Therefore, this article proposes Hypothesis 2:

H2: Regions with higher social trust mitigate the positive relationship between analyst attention and stock price crash risk.

3. Research Design

3.1. Sample selection and processing

The research sample selected in this article consists of all A-share listed companies from 2004 to 2019. In this paper, the number of analyst trackers of each company is selected as the indicator of analyst attention, and the stock price crash risk data comes from the CSMAR database, and the rest of the data comes from the WIND database. The text filters the data

as follows: (1) samples with annual transaction data of less than 26 weeks are excluded, (2) samples from PT&ST companies are excluded, (3) samples with missing data are excluded, (4) all continuous control variables undergo a winsorization process at the 1% upper and lower tails, resulting in a final total of 26,768 annual samples from companies.

3.2. Variable selection and measurement

3.2.1. Stock price crash risk

This paper refers to the practice of existing literature (Liang and Zeng , 2016, Hutton et al., 2009) to exclude the impact of market systemic risk through the following model:

$$RET_{i,t} = \alpha_t + \beta_{i1} MARKET_{it-2} + \beta_{i2} MARKET_{it-1} + \beta_{i3} MARKET_{it} + \beta_{i4} MARKET_{it+1} + \beta_{i5} MARKET_{it+2} + \varepsilon_{it} \quad (1)$$

In the formula, the subscript i and t represent the company and the week, respectively, and RET is the weekly return of individual stocks; $MARKET$ is the adjusted market rate of return weighted by the circulating market value of all listed companies (excluding the i th company); ε is the random error term. In this paper, we add data from the leading and lagging periods to model (1) to mitigate the bias caused by the asynchronous nature of transactions (French et al., 1987). The company's characteristic yield is:

$$\omega = \log(1 + \varepsilon) \quad (2)$$

where ε is the residual value in model (1), with reference to Hutton et al. (2009), Kim et al. (2011a,b) and Chen et al. (2001), this paper uses three indicators to measure the risk of stock price crash.

Referring to the practice of Liang and Zeng (2016), the negative value of the skewness of the company's characteristic return ($NSKEW$) is used to measure the risk of stock price crash: the larger the $NSKEW$, the greater the likelihood of a stock price crash, The $NSKEW$ of the company in the year i is:

$$NSKEW_{it} = -[n(n-1)^{3/2} \sum \omega_{it}^3] / [(n-1)(n-2)(\sum \omega_{it}^2)^{3/2}] \quad (3)$$

Referring to the practice of Xu et al. (2012), the second indicator to measure the risk of stock price crash is the ratio of falling volatility to rising volatility, and the larger the $DUVOL$, the higher the risk of stock price crash:

$$DUVOL_{it} = \log\{(n_u - 1) \sum_{down} \omega_{it}^2 / (n_d - 1) \sum_{up} \omega_{it}^2\} \quad (4)$$

Where n_u and n_d represent the number of weeks of decline and the number of weeks of growth, respectively.

Referring to Wu et al. (2019), the third indicator in this paper is $COUNT$, which indicates the difference between the frequency of downward and upward stock returns in a year, and the larger the difference, the higher the risk of stock price crash:

$$COUNT = Crash_{down} - Crash_{up} \quad (5)$$

Which $Crash_{down}$ indicates the frequency of upward movement of stock returns, and $Crash_{up}$ indicates the

frequency of downward movement of stock returns.

3.2.2. Analyst coverage

Referring to the practices of Zhou et al. (2016) and Cui et al. (2022), this paper selects the sum of all analysts who have reported on the company in one year, and takes the logarithm of 1 + number of analysts to obtain the analyst attention index ANANUM.

3.2.3. Regional social trust

In this paper, the indicators composed of the five options of CGSS and CGSS were selected, and the indicators were distinguished by the sample mean, if the sample mean was exceeded, 1 was taken, otherwise 0 was taken, so as to construct the TRUSTDUMM1 and TRUSTDUMM2 of the regional social trust dummy variables.

3.2.4. Control variables

The article selects the following control variables based on the research results of previous scholars: leverage ratio (LEV), market-to-book ratio (MTOB), company size (SIZE), return on assets (ROA), stock turnover rate (DTURN), information

transparency index (ABACC), earnings per share (EPS), degree of separation of rights (SEPRT), average weekly stock return (RET), standard deviation of average weekly stock return (SIGMA), and the current period's stock price crash risk indicator (NSKEW). To reduce variable bias, all control variables in this article are lagged by one period.

3.2.5. Model Design

This paper explores the relationship between analyst attention and stock price crash using the following model:

$$CRASH_{t+1} = \alpha + \beta_1 ANANUM + \beta_2 CONTROLVARIABLE + \theta_t + \delta_Y + \varepsilon_{it} \quad (6)$$

The term CRASH represents the risk of stock price collapse, ANANUM indicates analyst attention, and this article incorporates regional and year fixed effects in the regression, where ε denotes the residuals, with the primary focus being on the β_1 coefficient. Table 1 lists the definitions of each variable:

Table 1. Variable definitions

Variable name	Variable symbol	Variable Definition
Stock price crash risk	NSKEW	Negative value of the skewness of the company's trait returns
	DUVOL	The ratio of the falling volatility of a company's stock price to the rising volatility
	COUNT	Formula: The difference between how often a stock price goes up and down
Analyst attention	ANANUM	$\ln(1 + \text{Analyst number})$
	ANANUM2	The sum of the number of analysts
Social trust	TRUSTDUMM1	Variables consisting of the dumb CGSS variable, exceeding the sample mean by 1, otherwise 0.
	TRUSTDUMM2	The mean values of the samples calculated by the five indicators of CGSS are used as the boundary, and the value greater than the mean is 1, otherwise 0 is taken.
Debt-to-asset ratio	LEV	Total Liabilities/Total Assets
The size of the company	SIZE	$\ln(1 + \text{Total assets})$
Return on assets	ROA	Net Profit/Total Assets
Market capitalization-to-book ratio	MTOB	(Market value of outstanding shares + book value of non-tradable shares) / Book value of equity
Stock liquidity	DTURN	Turnover rate in year t - turnover rate in year t-1
Information transparency	ABACC	Operational accrual earnings management calculated by the modified Jones model
Earnings per share	EPS	Total Revenue/Total Number of Shares
Separation of powers	SEPRT	The control of the actual controller - the right to cash flow
Standard deviation of returns	SIGMA	The standard deviation of the company's earnings in year t.
Average returns	RET	Average weekly holding yield

4. Empirical Analysis Results

4.1. Descriptive statistics

The descriptive statistics of each variable are shown in Table 2, and the mean values of the stock price crash risk indicators (NSKEW, DUVOL, COUNT) are -0.485, 0.823 and -0.149, respectively, and the standard deviations are 0.753, 0.315 and 0.570, respectively. It shows that the risk of stock price crash varies greatly among different companies; The average analyst attention is 1.384, which indicates that the analyst coverage of listed companies is wide, and the variance is 1.150, which indicates that the analyst attention of different

companies varies greatly.

4.2. Multiple Regression Analysis

Firstly, the relationship between analyst attention and stock price crash risk is verified, as shown in Table 3. Regressions (1), (3) and (5) were the results without the addition of control variables, and the coefficients were 0.064, 0.018 and 0.033, respectively, which were significant at the level of 1%. After adding the control variables, the coefficients increased to 0.069, 0.021 and 0.040, respectively, and were significantly below the 1% level, indicating that the higher the analyst attention, the higher the risk of a company's stock price crash, validating hypothesis H1.

Table 2. Descriptive statistics

	OBS	Mean	SD	Min	p25	p50	p75	Max
NSKEW _{t+1}	26768	-0.485	0.753	-5.555	-0.850	-0.412	-0.034	4.181
DUVOL _{t+1}	26768	0.823	0.315	0.130	0.610	0.775	0.974	4.640
COUNT _{t+1}	26768	-0.149	0.570	-2.000	0.000	0.000	0.000	2.000
ANANUM _t	26768	1.384	1.150	0.000	0.000	1.386	2.303	4.331
TRUSTDUMM1 _t	21844	0.607	0.081	0.317	0.538	0.628	0.647	0.865
TRUSTDUMM2 _t	21844	0.417	0.161	-0.270	0.323	0.440	0.490	1.040
LEV _t	26768	0.451	0.203	0.051	0.295	0.456	0.608	0.886
SIZE _t	26768	22.291	1.039	20.041	21.568	22.227	22.924	25.186
ROA _t	26768	0.040	0.058	-0.197	0.013	0.036	0.067	0.213
MTOB _t	26768	1.915	1.199	0.842	1.174	1.511	2.183	7.997
DTURN _t	26768	-0.100	0.461	-1.879	-0.277	-0.038	0.136	0.953
ABACC _t	26768	0.076	0.078	0.001	0.024	0.052	0.100	0.452
EPS _t	26768	0.332	0.494	-1.182	0.081	0.249	0.508	2.409
SEPR _t	26768	5.071	7.925	-0.012	0.000	0.000	9.045	49.398
NSKEW _t	26768	-0.447	0.703	-2.704	-0.814	-0.383	-0.008	1.283
SIGMA _t	26768	0.048	0.019	0.017	0.035	0.045	0.058	0.113
RET _t	26768	-0.134	0.114	-0.635	-0.168	-0.099	-0.059	-0.015

Table 3. Main regression results

	(1)	(2)	(3)	(4)	(5)	(6)
	NSKEW _{t+1}	NSKEW _{t+1}	DUVOL _{t+1}	DUVOL _{t+1}	COUNT _{t+1}	COUNT _{t+1}
ANANUM _t	0.064*** (14.55)	0.069*** (12.80)	0.018*** (9.58)	0.021*** (9.19)	0.033*** (10.30)	0.040*** (9.81)
LEV _t		0.014 (0.49)		-0.010 (-0.82)		0.028 (1.18)
SIZE _t		-0.075*** (-12.55)		-0.024*** (-9.30)		-0.038*** (-8.38)
ROA _t		-0.799*** (-5.66)		-0.249*** (-4.08)		-0.370*** (-3.46)
MTOB _t		0.031*** (5.99)		0.012*** (5.16)		0.018*** (4.54)
DTURN _t		-0.011 (-0.95)		-0.013*** (-2.63)		-0.012 (-1.35)
ABACC _t		0.274*** (4.79)		0.103*** (4.17)		0.139*** (2.96)
EPS _t		0.079*** (5.01)		0.022*** (3.29)		0.046*** (3.82)
SEPR _t		-0.000 (-0.79)		-0.000 (-0.19)		-0.000 (-0.82)
NSKEW _t		0.034*** (5.09)		0.015*** (5.27)		0.018*** (3.41)
SIGMA _t		0.268 (0.23)		0.856* (1.74)		3.787*** (4.53)
RET _t		2.231*** (11.07)		0.769*** (9.61)		1.303*** (9.40)
Constant	-0.573*** (-69.19)	1.288*** (9.23)	0.798*** (241.90)	1.360*** (22.58)	-0.195*** (-32.79)	0.565*** (5.44)
Observations	26,768	26,768	26,768	26,768	26,768	26,768
AdjR2	0.055	0.129	0.057	0.097	0.030	0.048
Industry FE	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL
Year FE	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL

*, **, and *** represent significant levels of 10%, 5%, and 1%, respectively, and the T value is in parentheses, the same below.

5. Empirical Analysis Results

5.1. Replace explanatory variables

As shown in Table 4, ANANUM_{2t} is the replacement

indicator, and it can be seen from Table 4 that the stock price crash risk indicator is still significant at the level of 1% after the explanatory variable substitution.

Table 4. Robustness test1

	(1)	(2)	(3)	(4)	(5)	(6)
	NSKEW _{t+1}	NSKEW _{t+1}	DUVOL _{t+1}	DUVOL _{t+1}	COUNT _{t+1}	COUNT _{t+1}
ANANUM _{2t}	0.009*** (16.33)	0.009*** (13.99)	0.003*** (11.13)	0.003*** (10.47)	0.005*** (11.84)	0.005*** (10.79)
LEV _t		0.011 (0.39)		-0.010 (-0.81)		0.026 (1.13)
SIZE _t		-0.074*** (-12.57)		-0.025*** (-9.64)		-0.038*** (-8.41)
ROA _t		-0.666*** (-4.79)		-0.212*** (-3.52)		-0.294*** (-2.78)
MTOB _t		0.026*** (4.99)		0.010*** (4.29)		0.015*** (3.71)
DTURN _t		-0.016 (-1.40)		-0.015*** (-2.98)		-0.015* (-1.69)
ABACC _t		0.271*** (4.74)		0.102*** (4.12)		0.137*** (2.92)
EPS _t		0.063*** (3.96)		0.016** (2.34)		0.036*** (2.95)
SEPR _t		-0.000 (-0.64)		-0.000 (-0.07)		-0.000 (-0.70)
NSKEW _t		0.032*** (4.79)		0.014*** (4.95)		0.017*** (3.18)
SIGMA _t		0.381 (0.33)		0.870* (1.77)		3.845*** (4.61)
RET _t		2.250*** (11.17)		0.772*** (9.65)		1.313*** (9.49)
Constant	-0.541*** (-86.30)	1.316*** (9.43)	0.806*** (320.48)	1.389*** (22.98)	-0.179*** (-39.34)	0.589*** (5.64)
Observations	26,768	26,768	26,768	26,768	26,768	26,768
AdjR2	0.056	0.130	0.059	0.098	0.031	0.049
Industry FE	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL
Year FE	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL

5.2. Excluded fluctuating years

In order to avoid the impact of stock price fluctuation year

data on the empirical results of this paper, the data of 2008, 2009, 2015 and 2016 are excluded in this paper, and the regression results are shown in Table 5.

Table 5. Robustness test2

	(1)	(2)	(3)
	NSKEW _{t+1}	DUVOL _{t+1}	COUNT _{t+1}
ANANUM _t	0.074*** (11.779)	0.022*** (8.442)	0.042*** (8.69)
LEV _t	-0.036 (-1.080)	-0.031** (-2.188)	0.002 (0.08)
SIZE _t	-0.059*** (-8.415)	-0.015*** (-4.948)	-0.028*** (-5.40)
ROA _t	-0.970*** (-5.715)	-0.302*** (-4.118)	-0.497*** (-3.79)
MTOB _t	0.040*** (5.974)	0.015*** (4.937)	0.023*** (4.46)
DTURN _t	-0.005 (-0.347)	-0.014** (-2.367)	-0.011 (-1.02)
ABACC _t	0.307*** (4.254)	0.108*** (3.548)	0.163*** (2.72)
EPS _t	0.081*** (4.402)	0.019** (2.389)	0.055*** (3.91)
SEPR _t	-0.000 (-0.178)	0.000 (0.584)	-0.000 (-0.75)
NSKEW _t	0.032*** (4.288)	0.013*** (4.135)	0.014** (2.38)
SIGMA _t	-0.321 (-0.247)	1.432** (2.547)	3.209*** (3.38)
RET _t	1.972*** (9.166)	0.789*** (9.184)	1.147*** (7.51)
Constant	0.963*** (5.910)	1.147*** (16.354)	0.379*** (3.15)
Observations	19,760	19,760	19,760
Adjusted R-squared	0.115	0.075	0.042
Industry FE	CONTROL	CONTROL	CONTROL
Year FE	CONTROL	CONTROL	CONTROL

5.3. Firm fixed effects and high-dimensional fixed effects

In order to eliminate individual differences, improve the explanatory power of the model, reduce the endogeneity problem of this paper, and improve the accuracy and reliability of the model estimation in this paper, the firm fixed effect and the high latitude fixed effect are added in this paper,

and the results are shown in Table 6. Columns (1), (2), and (3) added the annual and individual fixed effects, with coefficients of 0.034, 0.011, and 0.019, respectively, and were significant at the 1% level, Columns (4), 5, and 6 add the high latitude fixed effect and firm fixed effect, and the stock price crash risk index coefficients are 0.036, 0.012 and 0.020, respectively, which are still significant at the level of 1%.

Table 6. Robustness test3

	(1)	(2)	(3)	(4)	(5)	(6)
	NSKEW _{t+1}	DUVOL _{t+1}	COUNT _{t+1}	NSKEW _{t+1}	DUVOL _{t+1}	COUNT _{t+1}
ANANUM _t	0.034*** (4.43)	0.011*** (3.46)	0.019*** (3.26)	0.036*** (4.60)	0.012*** (3.60)	0.020*** (3.39)
LEV _t	-0.083* (-1.66)	-0.041* (-1.95)	-0.032 (-0.84)	-0.062 (-1.21)	-0.033 (-1.53)	-0.025 (-0.63)
SIZE _t	0.026* (1.92)	0.018*** (3.20)	0.017 (1.64)	0.037*** (2.65)	0.023*** (3.82)	0.023** (2.11)
ROA _t	-0.728*** (-4.21)	-0.202*** (-2.76)	-0.343** (-2.51)	-0.769*** (-4.42)	-0.211*** (-2.87)	-0.386*** (-2.81)
MTOB _t	0.063*** (9.10)	0.027*** (8.72)	0.034*** (6.27)	0.062*** (8.75)	0.027*** (8.43)	0.032*** (5.81)
DTURN _t	0.008 (0.59)	-0.008 (-1.48)	-0.009 (-0.90)	0.007 (0.54)	-0.009 (-1.51)	-0.009 (-0.88)
ABACC _t	0.225*** (3.57)	0.086*** (3.13)	0.131** (2.55)	0.236*** (3.68)	0.091*** (3.21)	0.134** (2.53)
EPS _t	0.059*** (2.86)	0.015* (1.77)	0.032** (2.02)	0.056*** (2.67)	0.012 (1.44)	0.033** (2.04)
SEPRT _t	0.001 (1.06)	0.001 (1.47)	0.000 (0.30)	0.001 (0.89)	0.001 (1.13)	0.000 (0.10)
NSKEW _t	-0.079*** (-11.42)	-0.030*** (-10.38)	-0.049*** (-8.86)	-0.083*** (-11.99)	-0.031*** (-10.67)	-0.051*** (-9.15)
SIGMA _t	-3.878*** (-3.06)	0.125 (0.24)	0.982 (1.07)	-3.241** (-2.49)	0.360 (0.66)	1.369 (1.45)
RET _t	1.674*** (7.87)	0.660*** (7.94)	0.896*** (6.06)	1.798*** (8.16)	0.695*** (8.07)	0.969*** (6.31)
Constant	-0.823*** (-2.75)	0.430*** (3.37)	-0.563** (-2.45)	-1.096*** (-3.53)	0.330** (2.53)	-0.692*** (-2.94)
Observations	26,388	26,388	26,388	26,375	26,375	26,375
AdjR2	0.157	0.127	0.063	0.168	0.135	0.068
Year FE	CONTROL	CONTROL	CONTROL			
ID FE	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL
Year*Ind FE				CONTROL	CONTROL	CONTROL

6. The alleviating effect of trust in the local community

It was mentioned earlier that regional social trust can suppress management's concealment of negative information (Liu et al., 2016) and can also enhance the accounting conservatism of companies in that region (Li et al., 2017; Shen, 2019), indicating that in areas with a higher level of social trust, the risk of stock price collapse for companies is reduced. In order to test this conjecture, this paper cross-multiplies two dummy variables that measure regional social

trust with the explanatory variables of this paper, and the results are shown in Table 7. From the data in Table 7, it can be seen that the coefficients of the interaction terms between the regional social trust index TRUSTDUMM1 and the analyst attention index are -0.024, -0.010 and -0.013, respectively. The coefficients of the interaction terms between the TRUSTDUMM2 of the regional social trust index and the analyst attention index were -0.016, -0.008 and -0.014, respectively, and all of them were significant at the level of 1%, indicating that regional social trust would alleviate the positive effect between analysts' attention and the risk of stock price crash, and verify hypothesis H2.

Table 7. Mechanism Inspection

	(1)	(2)	(3)	(4)	(5)	(6)
	NSKEW _{t+1}	DUVOL _{t+1}	COUNT _{t+1}	NSKEW _{t+1}	DUVOL _{t+1}	COUNT _{t+1}
ANANUM _t	0.084*** (10.93)	0.027*** (8.48)	0.048*** (8.30)	0.079*** (10.46)	0.026*** (8.17)	0.048*** (8.37)
TRUSTDUMM1	0.055*** (3.13)	0.021*** (3.02)	0.032** (2.43)			
ANANUM _t ×TRUSTDUMM1	-0.024*** (-2.86)	-0.010*** (-2.86)	-0.013** (-1.99)			
TRUSTDUMM2				0.048*** (2.73)	0.020*** (2.78)	0.035*** (2.63)
ANANUM _t ×TRUSTDUMM2				-0.016* (-1.96)	-0.008** (-2.15)	-0.014** (-2.10)
LEV _t	0.013 (0.45)	-0.010 (-0.85)	0.027 (1.15)	0.013 (0.45)	-0.010 (-0.85)	0.027 (1.15)
SIZE _t	-0.075*** (-12.50)	-0.024*** (-9.25)	-0.037*** (-8.33)	-0.075*** (-12.51)	-0.024*** (-9.25)	-0.037*** (-8.33)
ROA _t	-0.786*** (-5.56)	-0.244*** (-4.00)	-0.362*** (-3.39)	-0.789*** (-5.60)	-0.245*** (-4.02)	-0.362*** (-3.39)
MTOB _t	0.032*** (6.06)	0.012*** (5.20)	0.018*** (4.60)	0.031*** (6.04)	0.012*** (5.19)	0.018*** (4.57)
DTURN _t	-0.011 (-0.93)	-0.013*** (-2.61)	-0.012 (-1.33)	-0.011 (-0.95)	-0.013*** (-2.63)	-0.012 (-1.35)
ABACC _t	0.277*** (4.84)	0.105*** (4.22)	0.140*** (2.99)	0.276*** (4.83)	0.104*** (4.21)	0.141*** (2.99)
EPSt	0.079*** (4.95)	0.022*** (3.23)	0.045*** (3.78)	0.079*** (4.99)	0.022*** (3.26)	0.045*** (3.79)
SEPR _t	-0.000 (-0.83)	-0.000 (-0.22)	-0.000 (-0.86)	-0.000 (-0.83)	-0.000 (-0.22)	-0.000 (-0.85)
NSKEW _t	0.033*** (5.01)	0.015*** (5.20)	0.017*** (3.36)	0.033*** (5.03)	0.015*** (5.21)	0.017*** (3.36)
SIGMA _t	0.347 (0.30)	0.888* (1.80)	3.832*** (4.59)	0.345 (0.30)	0.889* (1.80)	3.846*** (4.60)
RET _t	2.242*** (11.10)	0.774*** (9.64)	1.309*** (9.44)	2.241*** (11.09)	0.774*** (9.64)	1.311*** (9.45)
Constant	1.241*** (8.88)	1.342*** (22.22)	0.538*** (5.17)	1.249*** (8.92)	1.344*** (22.24)	0.536*** (5.15)
Observations	26,768	26,768	26,768	26,768	26,768	26,768
AdjR2	0.129	0.097	0.048	0.129	0.097	0.048
Industry FE	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL
Year FE	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL	CONTROL

7. Conclusion and Recommendations

7.1. Conclusion

(1) The analysts in our country's financial market are unable to fully perform their role as information intermediaries, failing to act as interpreters and transmitters of information between investors and listed companies. The increased attention on analysts may lead company decision-makers to make more decisions to conceal negative news, thereby increasing the risk of a stock price collapse for enterprises.

(2) In regions with a higher level of social trust, the positive relationship between analysts' attention and the risk of stock price crashes significantly weakens. This is because social trust, as an informal institution, suppresses the management of companies in these regions from concealing negative news, thereby enhancing the transparency of corporate information and the robustness of accounting, which in turn reduces the risk of stock price crashes for listed companies in these areas.

7.2. Recommendations

(1) Currently, analysts in our country merely serve the role of conveying information from the capital market, and are unable to effectively analyze and interpret this information, thereby failing to fully exert their role as supervisors. It is necessary to enhance the professionalism of analysts, strengthen the regulation of analysts, and establish their authority and credibility.

(2) Regional social trust, as an external institution, can reduce information asymmetry, inhibit management's behavior of concealing adverse information, enhance the transparency of accounting information, and thereby reduce the risk of abnormal declines in stock prices. Therefore, it is necessary to maintain a positive relationship between social trust, the quality of corporate governance, investor protection, and the degree of improvement of formal systems, in order to uphold the stability of the capital market.

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