The Impact of Investor Attention on Corporate Debt Default Risk Based on Corporate ESG Performance and Information Disclosure Quality

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Abstract. In the context of sustainable economic transformation, investor attention holds great significance for corporate debt governance and the alleviation of default risks.This paper takes A-share listed companies from 2011 to 2023 as study sample to investigate impact of investor attention on corporate debt default risk. The research outcomes indicate a notable inverse correlation between investor attention and corporate debt default risk. The mechanism analysis reveals that investor attention mitigates corporate debt default risks by boosting corporate information disclosure quality and corporate ESG performance.Further exploration shows that the inhibitory effect of investor attention on corporate debt default risk is more pronounced in companies with a large workforce and low market investment value. And the shareholding ratio of institutional investors plays an important moderating role. This study provides useful references for enterprises to devise scientific debt management strategies, for investors to make informed investment choices, and for regulators to refine regulatory mechanisms.

Keywords: Investor Attention, Corporate Debt Default Risk, Information Disclosure Quality, ESG Performance.

1. Introduction

In recent years,corporate debt defaults have become more prominent, driven by sluggish global economic growth and a changing politico economic landscape. Standard & Poor's Global Ratings data shows that in 2024,the number of companies that defaulted on their debt globally reached its highest since the financial crisis, with 29 global corporate defaults, the highest in nearly a decade.Effective risk management is essential to curb such defaults; otherwise, systemic financial risks may emerge, endangering market stability and economic growth[1]. In the capital market, investor attention, as an important factor, can influence corporate operations. Previous research indicates investors are highly concerned about corporate debt default risk. Therefore, studying how investor attention impacts corporate debt default risk holds significant value.

As demonstrated in the extant research on the economic consequences of investor attention, the majority of scholars concentrate on the impact of investor attention on corporate ESG performance, information disclosure quality, stock returns, and stock price collapse risk,etc[2-4]. Studies addressing the impact of investor attention on corporate debt default risk is less. The research on the influencing factors of corporate debt default risk is mainly divided into internal drivers and external influencing factors. In terms of the external factors, some scholars have considered external regulation, financial cycle, financial asset allocation,etc[5-7]. In terms of internal drivers, scholars have focused on the impact of corporate developmental characteristics,including corporate financial status, financial leverage ratio ,differences in corporate strategic position and performance expectations and corporate social relationship network,etc[8-10].

The innovations of this study are: First, while existing literature mainly examines the economic consequences of investor attention in terms of corporate ESG performance, information disclosure, and stock returns, it analyzes how it affects the risk of corporate debt defaulting, thus enriching relevant research. Second, it is a valuable addition to the research on the drivers of corporate debt default risk. It offers empirical evidence on how investor attention reduces debt risk, explores the

moderating role of institutional investor shareholding, analyzes heterogeneity across employee count and investment value,and expands the breadth of existing research. Third, it uncovers the mechanisms linking corporate ESG performance and information disclosure quality, further proving the impact of investor attention on firm's debt default risk. Finally, its findings offer practical insights for corporate managers, investors, and policymakers.

2. Theoretical analysis and research hypothesis

Investor attention refers to the market's focused examination of corporations. As investor attention intensifies, the market exerts monitoring pressure on management. To safeguard corporate reputation and contain costs, management is motivated to disclose high quality information [11]. This leads management to carefully compile and disclose financial reports, covering strategic plans, operational results, and potential risks, thus enhancing information transparency and reducing information asymmetry.Improved corporate information disclosure quality mitigates corporate debt default risk. It reduces the information gap between owners and management, enabling owners to effectively monitor management. This prompts management to maximize enterprise value and drive long term development. Moreover, high quality disclosure signals healthy operations and good governance to the capital market, boosting investors' confidence. As a result, firms can secure more favorable financing terms, lower financing costs, ease financing constraints, and reduce the probability of default risk [12].

Institutional investors leverage ESG ratings to filter investments and tighten requirements for firms failing to meet ESG standards. This, along with individual investors' increasing environmental and social consciousness influencing their investment choices, compels companies to enhance ESG performance.Actively practicing ESG is not only a necessary means of responding to external pressures, e.g.,policy and regulation, but also a core strategy for realizing sustainable development through additional sources of funding. Positive ESG performance eases financing constraints and heightens competitiveness[13].ESG performance a key determinant of risk mitigation for corporate debt issuers. Externally, it projects social responsibility,environmental adaptation and sound governance to the capital market, thus improving the firm's reputation. Internally, it refines corporate governance, boosts operational efficiency, profitability, and solvency,fundamentally reducing the possibility of corporate debt default risk[14][15]. Given above comprehensive analysis, hypothesis H1 is put forward, aiming to further explore and verify these relationships.

H1: Investor attention exhibits a negative relationship with corporate debt default risk.

3. Research design

3.1. Sample selection and data sources

This study selected A-share listed companies from 2011 to 2023 as the initial sample and processed the data. To ensure data quality and reliability, the initial sample underwent screening: ST and *ST companies, financial and insurance firms, and those with missing data were excluded. To address extreme values, all continuous variables were winsorized at the 1% and 99% levels. The final sample contained 29,903 observations.Data on corporate debt default risk mainly came from Guotai Junan Securities. The investor attention independent variable was sourced from the Chinese Research Data Services. Other control variables were came from CSMAR and WIND.

3.2. Description of variables and model building

3.2.1 Dependent Variable

Corporate debt default risk (EDF). It is calculated by Merton's KMV model. The formula is as follows:D is the value of corporate debt, μ is the risk-free interest rate, T is maturity period of the debt, N(d) is the cumulative distribution function of the standard normal distribution, σ_V is the

volatility enterprise asset value and V is enterprise asset value. The specific calculation process refers to previous studiesand will not be repeated in this paper [15].

$$DD = \frac{\ln\left(\frac{V}{D}\right)+\left(\mu-\frac{\sigma_V^2}{2}\right)T}{\sqrt{T}\sigma_V} \quad (1)$$

Finally, use standard normal distribution function to calculate the corporate default risk index, EDF:

$$EDF = N(-DD) \quad (2)$$

In the above equation, EDF is a metric of the dependent variable. The larger the EDF, the higher the risk that a company will default on its debts.

3.2.2 Independent Variable

Investor Attention (Ina). At first, web search information is gathered using keywords like corporate stock code, short company name, and full company name.These keywords can comprehensively capture the primary search terms that investors might utilize when seeking company-related information, ensuring the completeness of data. Subsequently, the search values for each keyword are aggregated. In order to circumvent the repercussions of zero values on subsequent calculations, the summed value is augmented by one. Finally, the natural logarithm of the plus-one processed value is taken as a quantitative indicator of investor attention, with larger indicators denoting higher investor attention.

3.2.3 Control variable

Based on earlier studies, the control variables are selected to consist of corporate size (Size), gearing ratio (Lev), return on equity (ROE), growth rate of operating income (Growth), total asset turnover (ATO), shareholding ratio of the largest shareholder(Top1), nature of equity (SOE), industry dummy variable (Ind), and year dummy variable (year). As delineated in Table 1, specific explanations are provided.

Table.1. Main variables

Variable type	Variable name	Variable symbols	Variable explanation
Dependent variable	Corporate debt default risk	EDF	Derived based on the KMV model
Independent variable	Investor attention	Ina	Web search index sums plus one to take logarithms
Mechanism variable	ESG Performance	ESG	Standard deviation of rating assignments for six Chinese securities firms
	Information Disclosure Quality	kv	Indicators of corporate information disclosure
Control variable	corporate size	Size	Natural logarithm of total assets for the year
	gearing ratio	Lev	Total liabilities at year-end/total assets at year-end
	return on equity	ROE	Net profit/average balance of shareholders' equity

Table.1. (Continued) Main variables

Variable type	Variable name	Variable symbols	Variable explanation
Control variable	growth rate of operating income	Growth	Current year's operating income/previous year's operating income - 1
	Largest shareholder's shareholding	Top1	Number of shares held by the largest shareholder/total number of shares
	total asset turnover	ATO	Operating income/average total assets
	nature of equity	SOE	State-controlled enterprises take the value 1, others 0
	industry	Ind	industry dummy variable
	year	year	year dummy variable

3.2.4 model building

To test the hypothesis and see how investor attention affects the risk of corporate defaulting on its debt, the following regression model is constructed:

$$EDF = \alpha_0 + \alpha_1 Ina + \alpha_2 Controls + \sum Ind + \sum year + \varepsilon \quad (3)$$

While EDF represents the corporate debt default risk level, Ina denotes the level of investor attention. According to the hypothesis H1, when investor attention to the corporate increases, the corporate debt default risk decreases and α_1 is expected to be negative.

Controls represent control variables and ε are error terms. The model also controls industry effects and year effects, introducing these two dummy variables to better control the impact on corporate default risk due to different competitive market environments, development trends and risk characteristics in different industries and years.

4. Empirical analysis

4.1. Descriptive statistics

The results of the descriptive statistics for each relevant variable are presented in Table 2. As can be seen from Table 2,EDF has a mean of 0.016 and a standard deviation of 0.097, suggesting significant variations in debt default risk across different corporations. The minimum value is 0, indicating that some corporate debt default risk is far away from the default point, and the financial condition is more robust; The maximum value is 0.790. And the mean value of Ina is 12.43, with a standard deviation of 1.692, reflecting that investors pay mixed attention to different enterprises. As for the other control variables, their descriptive statistics align with previous research findings, and thus, detailed elaboration is omitted in this study.

Table.2. Results of descriptive statistics

Variable	N	Mean	SD	Min	p50	Max
EDF	29903	0.016	0.097	0	0	0.790
Ina	29903	12.43	1.692	0	12.59	14.71
Size	29903	22.37	1.279	20.00	22.19	26.14
Lev	29903	0.439	0.202	0.064	0.434	0.894
ROE	29903	0.055	0.134	-0.625	0.066	0.332
ATO	29903	0.638	0.425	0.078	0.543	2.388
INST	29903	0.435	0.240	0.005	0.451	0.905
TobinQ	29903	2.021	1.255	0.834	1.607	7.687
Growth	29903	0.148	0.356	-0.525	0.094	1.824

4.2. Basic regression analysis

Table 3 shows the results of the basic regression. In Table 3, group1 does not take year and industry fixed effects into account, group2 adds year fixed effects, while group3 further controls for industry and year fixed effects. The results of the base regression show that investor attention on corporate default risk index are all significantly negative on 1%, indicating that investor attention is significantly negatively correlated with corporate debt default risk index, i.e., the higher the investor attention, the lower the corporate debt default risk, which is consistent with hypothesis H1.

Table.3. Results of basic regression

	Group1	Group2	Group3
VARIABLES	EDF	EDF	EDF
Ina	-0.0022***	-0.0026***	-0.0018***
	(-6.71)	(-9.61)	(-8.23)
Size	0.0132***	0.0178***	0.0134***
	(25.28)	(13.82)	(13.34)
Lev	0.0828***	0.0790***	0.0576***
	(25.39)	(15.78)	(13.03)
ROE	-0.0511***	-0.0021***	-0.0634***
	(-11.09)	(-8.66)	(-7.56)
ATO	-0.0086***	0.0146***	-0.0053**
	(-6.52)	(13.45)	(-2.43)
Top1	0.0063	0.0778***	-0.0053
	(1.62)	(15.60)	(-1.01)
Growth	-0.0045***	-0.0565***	-0.0033**
	(-2.82)	(-6.79)	(-2.07)
SOE	0.0013	-0.0098***	0.0009
	(1.13)	(-4.18)	(0.50)
Constant	-0.2831***	0.0013	-0.2794***
	(-26.43)	(0.23)	(-13.48)
Observations	29,903	29,903	29,903
Number of stkcd	3,899	3,899	3,899
R-squared	0.2565	0.2560	0.3351
Year FE	NO	YES	YES
Industry FE	NO	NO	YES

4.3. Robustness check

4.3.1 Replace dependent variable

To ensure the robustness of the research results, the basic regression results are first validated using the replacement variable method. The dependent variable EDF is replaced with the distance to default (DD). A larger value of DD indicates a lower risk of corporate debt default, as the corporation is farther away from the node of default.

Column (1) of Table 4 shows that the coefficient of investor attention is 0.2025 and significantly positive at 1%, indicating that the higher the investor attention, the farther the firm is from the node of debt default and the lower the corporate debt default risk, which is consistent with the results of the basic regression. This indicates that the direction and significance of the impact of investor attention on corporate debt default risk remain stable even if different corporate debt default risk metrics are used, further verifying the reliability of hypothesis H1.

4.3.2 Multidimensional fixed-effects

Due to the differences in economic level, marketization degree, policy regulations, culture and other factors in different provinces, province dummy variables are added in consideration of the fact that these differences may have a certain impact on the regression results.

The data presented in column (2) of Table 4 reveal that upon incorporating the province fixed effect, the coefficient of investor attention is -0.0018 which exhibits a significant negative relationship at the 1% significance level. The result provides additional evidence supporting the inverse correlation between investor attention and corporate debt default risk.

4.3.3 Adding control variables

Considering the possibility of omission of control variables in the basic regression, to ensure reliability and stability, the basic regression model is tested for robustness with the addition of control variables. Based on the previous paper, four control variables,institutional investor shareholding (INST), Tobin's Q value (TobinQ), duality of chairman and general manager(Dual) and company's cashflow ratio (Cashflow), are added and re-regressed.

The regression outcomes with the addition of control variables are presented in Table 4 Column (3). From these results, the coefficient of the independent variable Ina is -0.0022, and it is negative at 1% significance level. This implies that, even after accounting for additional factors that could influence the dependent variable, the relationship between independent variable and independent variable remains stable. This finding validates the robustness of the initial study's results..

4.3.4 Instrumental variable

To address potential endogeneity issues, the instrumental variable method is employed. Drawing on prior research, the natural logarithm of a company's listing years is selected as instrumental variable for 2SLS regression[16].This variable satisfies the correlation and exogeneity requirements. Investors tend to favor stocks of long-listed companies, and existing studies suggest that corporate debt default risk is mainly driven by macroeconomic factors, with listing years not being an independent determinant. Thus, it is a suitable instrumental variable.

Table 4 column (4) shows that the coefficient for investor attention is -0.0073, and it is significantly negative at the 1% level. This implies that there remains a significant negative correlation between investor attention and corporate debt default risk. This finding aligns with the results of the basic regression and further validates Hypothesis H1.

4.3.5 Propensity score matching method(PSM)

To alleviate endogeneity, this paper adopts PSM for analysis.

In this study, independent variable investor attention is categorized based on the median value. Investor attention values exceeding the median are designated as the treatment group, to which the dummy variable is assigned a value of 1. Conversely, values below or equal to the median form the control group, with the dummy variable assigned a value of 0. The control variables serve as matching variables, and regressions are conducted using 1:1 nearest neighbor matching and kernel density matching methods. All matching variables successfully pass the balance test.

Columns (5) and (6) present regression results. In the 1:1 nearest - neighbor matching of column (5), the investor attention coefficient is -0.0016, significantly negative at 1%. In the kernel density matching, the coefficient is -0.0018, also significantly negative at 1%. After addressing endogeneity using PSM, investor attention coefficients and the corporate debt default risk index retain a negative relationship, aligning with basic regression outcomes. This proving the robustness of the basic regression, suggesting the reliability of the impact of investor attention on the corporate debt default risk even after accounting for endogeneity.

Table.4. Results of Robustness check

	(1)Replace dependent variable	(2)Multidimensional fixed-effects	(3)Adding control variables	(4)Instrumental variable	(5)nearest neighbor matching	(6)kernel density matching
VARIABLES	DD	EDF	EDF	EDF	EDF	EDF
Ina	0.2025***	-0.0018***	-0.0022***	-0.0073***	-0.0016***	-0.0018***
	(5.91)	(-8.41)	(-9.32)	(-5.83)	(-5.17)	(-8.23)
Size	-1.4020***	0.0134***	0.0166***	0.0161***	0.0140***	0.0134***
	(-17.13)	(13.46)	(13.92)	(19.90)	(10.01)	(13.33)
Lev	-26.0722***	0.0566***	0.0584***	0.0557***	0.0645***	0.0576***
	(-59.57)	(12.99)	(13.11)	(15.97)	(11.11)	(12.99)
ROE	6.1986***	-0.0629***	-0.0702***	-0.0672***	-0.0525***	-0.0634***
	(14.02)	(-7.55)	(-7.78)	(-14.27)	(-4.71)	(-7.54)
ATO	0.2512	-0.0053**	-0.0052**	-0.0046***	-0.0051*	-0.0053**
	(1.40)	(-2.42)	(-2.37)	(-2.95)	(-1.94)	(-2.43)
Top1	2.1159***	-0.0051	0.0066	-0.0042***	-0.0018	-0.0033**
	(4.66)	(-0.99)	(1.17)	(-2.62)	(-0.85)	(-2.07)
Growth	0.2831**	-0.0034**	-0.0035**	-0.0119***	-0.0064	-0.0053
	(2.09)	(-2.13)	(-2.22)	(-2.86)	(-0.90)	(-1.01)
SOE	-0.2331	0.0004	0.0033*	0.0021*	0.0022	0.0009
	(-1.46)	(0.24)	(1.88)	(1.71)	(1.06)	(0.49)
INST	/	/	-0.0204***	/	/	/
	/	/	(-6.12)	/	/	/
TobinQ	/	/	0.0046***	/	/	/
	/	/	(10.15)	/	/	/
Dual	/	/	0.0018	/	/	/
	/	/	(1.34)	/	/	/
Cashflow	/	/	0.0187*	/	/	/
	/	/	(1.75)	/	/	/
Constant	55.0164***	-0.2852***	-0.3496***	-0.2610***	-0.3043***	-0.2795***
	(30.68)	(-13.75)	(-14.02)	(-20.11)	(-10.61)	(-13.47)
Observations	29,903	29,903	29,903	29,903	14,250	29,899
R-squared	0.6456	0.3491	0.3321	0.137	0.2657	0.3351
year FE	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES
province	NO	YES	NO	NO	NO	NO

5. Further study

5.1. Heterogeneity analysis

5.1.1 Based on the number of employees in the corporate

Investor attention's impact on corporate debt default risk may vary with corporate employee count, which is an important indicator of the state of corporation itself. Corporations with more employees typically exhibit higher information transparency, lower financing costs, and superior corporate governance.In this paper, the sample firms are categorized into groups with large number of employees and groups with small number of employees based on the median number of employees in the firms.

The results of Table5 group1 and 2 reveals that the regression coefficient for investor attention stands at -0.003, exhibiting a significant negative value at the 1% significance level among corporations with a large number of employees. The result suggests that investor attention exerts a more pronounced mitigating effect on the risk of corporate debt default among corporations characterized by a large number of employees.

5.1.2 Based on the value of the enterprise's market investments

The impact of investor attention on corporate debt default risk varies across firms with different market investment values. This paper uses the price-to-book (PB) ratio to measure corporate market investment value. A higher PB ratio signals market optimism about the corporate investment prospects and a stock price premium over book value, while a lower PB ratio may suggest market pessimism. The sample is then divided into low and high investment value groups based on the median PB ratio.

As can be seen from group3 and group4 of Table5, the regression coefficient of investor attention is -0.0037 for low investment value corporations and is significant at 1% level, indicating that increased investor attention has a more significant mitigating effect on corporate debt default risk for corporations with low investment value than for corporations with high investment value.

5.2. Moderating effect based on institutional investors' shareholding

As the shareholding proportion of institutional investors increases, their supervision over the business decisions of listed companies strengthens. With a higher institutional shareholding ratio, enterprises are under the dual attention of individual and institutional investors, which reinforces the inhibitory effect of investor attention on the enterprise default risk [17]. Thus, taking monitoring effect of institutional investors' shareholding into account, the moderating effect of the institutional investor shareholding ratio is examined. As shown in Table5 group5, the cross-multiplier term of the institutional investor shareholding ratio INST and ordinary investor attention, Ina*INST, has a significant relationship with the corporate default risk EDF at the 1% significance level, with a coefficient of -0.0041. This indicates that the shareholding ratio of institutional investors can notably strengthen the inverse relationship between investor attention and the risk of corporate debt default.

Table.5. Heterogeneity analysis and moderating effects

	Heterogeneity analysis				moderating effects
	Number of employees		enterprise's market investments value		institutional investors' shareholding
VARIABLES	Group1 large number	Group2 small number	Group3 low value	Group 4 high value	Group 5
Ina	-0.0030***	-0.0005*	-0.0037***	-0.0003	-0.0022***
	(-3.49)	(-1.89)	(-4.53)	(-1.22)	(-6.01)
INST	/	/	/	/	-0.0158***
	/	/	/	/	(-5.27)
Ina*INST	/	/	/	/	-0.0041***
	/	/	/	/	(-3.21)
Size	0.0149***	0.0130***	0.0181***	0.0037***	0.0146***
	(13.88)	(17.17)	(15.34)	(7.14)	(24.29)
Lev	0.0943***	0.0347***	0.1236***	0.0120***	0.0571***
	(14.59)	(10.59)	(17.41)	(4.70)	(16.54)
ROE	-0.1060***	-0.0218***	-0.1456***	-0.0393***	-0.0623***
	(-12.77)	(-4.87)	(-13.92)	(-14.59)	(-13.46)
ATO	-0.0015	-0.0042**	-0.0063**	-0.0026**	-0.0048***
	(-0.58)	(-2.57)	(-2.21)	(-2.03)	(-3.10)
Growth	-0.0063**	-0.0013	-0.0058*	0.0012	-0.0032**
	(-2.11)	(-0.90)	(-1.79)	(1.33)	(-2.03)
Top1	-0.0157**	0.0013	-0.0135*	0.0077**	0.0049
	(-2.41)	(0.33)	(-1.86)	(2.26)	(1.12)
SOE	0.0023	-0.0004	-0.0003	0.0010	0.0024*
	(1.09)	(-0.33)	(-0.14)	(0.84)	(1.88)
Constant	-0.3150***	-0.2753***	-0.3847***	-0.0815***	-0.2961***
	(-13.17)	(-16.82)	(-14.86)	(-7.19)	(-23.27)
Observations	14,939	14,943	14,924	14,958	29,903
R-squared	0.3733	0.2189	0.3325	0.0952	0.3335
Year	YES	YES	YES	YES	YES
Industry	YES	YES	YES	YES	YES
P	0.000***		0.000***		/

6. Mechanism analysis

6.1. Based on ESG performance

As modern corporations develop, ESG concepts increasingly guide sustainable development. An enterprise's ESG rating, reflecting its environmental, social, and governance performance, impacts long - term growth. To explore how investor attention affects corporate debt default risk, this paper examines the mechanism through ESG ratings. It uses the standard deviation of ESG ratings from six securities firms as the corporate ESG index— a mechanism variable in the impact of investor attention on debt default risk. Two regression models are then constructed for the mechanism test.

$$ESG = \alpha_0 + \alpha_1 Ina + \alpha_2 Controls + \sum Ind + \sum year + \varepsilon \quad (4)$$

$$EDF = \alpha_0 + \alpha_1 ESG + \alpha_2 Controls + \sum Ind + \sum year + \varepsilon \quad (5)$$

Investor attention, leading to stakeholder demands, corporate sustainable development imperatives, and external regulatory pressures, significantly impacts corporate ESG performance [18]. As shown

in Table 6(1), the regression indicates significant positive relationship at 1% level between investor attention and corporate ESG performance.

In turn, ESG performance bolsters corporate access to external resources, augments cash holdings, and improves internal governance, thereby reducing corporate debt default risk [19]. Table 6(2) reveals a regression coefficient of - 0.0044 for corporate ESG performance on corporate debt default risk, significant at 1% level, evidencing a negative correlation.

In general, the performance of ESG initiatives within a corporation plays a crucial role in influencing the relationship between investor attention and the risk of corporate debt default.

6.2. Based on Information Disclosure Quality

The quality of corporate information disclosure exerts an impact on the correlation between investor attention and the risk of corporate debt default. To this end, this study employs the KV index as a metric for corporate disclosure. A higher KV index indicates that the market places more reliance on corporate trading volume rather than the disclosed information, signifying a weaker corporate disclosure capability. Subsequently, the following two regression models are established:

$$KV = \alpha_0 + \alpha_1 Ina + \alpha_2 Controls + \sum Ind + \sum year + \varepsilon \quad (6)$$

$$EDF = \alpha_0 + \alpha_1 KV + \alpha_2 Controls + \sum Ind + \sum year + \varepsilon \quad (7)$$

Research indicates investor attention exerts external governance via market pressure transmission. Heightened investor attention compels management to disclose higher quality information, reducing information asymmetry and market risks [19]. Thus, it improves corporate information disclosure quality. High quality disclosure mitigates information asymmetry between owners and management, enabling better managerial decisions, easing financing constraints, improving investment efficiency, and reducing corporate debt default risk [12].

Table 6(3) presents the investor attention coefficient on the KV index of corporate information disclosure is negative at 1% significance level,meaning high investor attention significantly reduces KV index, i.e., improves corporate information disclosure quality.Column (4) reveals a 1% level significant positive correlation between the KV index and debt default risk,i.e.,lower KV indicates higher disclosure quality and lower default risk. Overall, corporate information disclosure quality mediates the relationship between investor attention and corporate debt default risk.

Table.6. Mechanism analysis

	ESG performance		Information disclosure quality	
	(1)	(2)	(3)	(4)
VARIABLES	ESG	EDF	kv	EDF
Ina	0.0172***	/	-0.0195***	/
	(6.34)	/	(-12.11)	/
ESG	/	-0.0044***	/	/
	/	(-4.60)	/	/
kv	/	/	/	0.0139***
	/	/	/	(5.56)
Size	0.1081***	0.0102***	-0.0221***	0.0121***
	(17.09)	(16.93)	(-10.14)	(12.12)
Lev	0.0278	0.0576***	-0.0471***	0.0584***
	(0.79)	(14.87)	(-4.98)	(12.43)
ROE	-0.0946***	-0.0370***	0.0441***	-0.0531***
	(-2.60)	(-7.21)	(6.97)	(-6.57)
ATO	0.0032	-0.0063***	-0.0071*	-0.0060***

Table.6. (Continued) Mechanism analysis

VARIABLES	ESG	EDF	kv	EDF
	(0.20)	(-3.64)	(-1.89)	(-2.67)
Growth	-0.0359***	-0.0039**	0.0115***	-0.0037**
	(-3.10)	(-2.23)	(5.80)	(-2.20)
Top1	0.0352	-0.0113***	0.1578***	-0.0101*
	(0.80)	(-2.63)	(12.14)	(-1.94)
SOE	0.0059	0.0024*	-0.0700***	0.0025
	(0.37)	(1.80)	(-10.59)	(1.53)
Constant	-2.4090***	-0.2560***	0.9014***	-0.2770***
	(-16.48)	(-18.40)	(17.77)	(-12.99)
Observations	21,269	21,269	27,747	27,747
Number of stkcd	3,638	3,638	3,680	3,680
R-squared	0.2758	0.3235	0.1408	0.3219
Year FE	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES

7. Conclusions

This paper adopts A-share listed companies from 2011 to 2023 as a sample, and investigates the impact of investor attention on corporate debt default risk. Through study, the following conclusions are obtained. First, investor attention exhibits a negative correlation with corporate debt default risk, indicating that as investor attention increases, corporate debt default risk decreases. Second, higher investor attention reduces corporate debt default risk by further improving information disclosure quality and corporate ESG performance. Third, further analysis shows that institutional investor shareholding significantly enhances the negative correlation between investor attention and corporate debt default risk. Fourth, heterogeneity analysis demonstrates that the negative impact of investor attention on corporate debt default risk is more significant among corporations with a large number of employees and small investment value.

In light of the aforementioned conclusions, the following recommendations are proposed.

For regulatory authorities, on the one hand, they can strengthen the supervision of the capital market, improve the information disclosure system, raise the standards for information disclosure, and tighten the auditing and regulation, so as to ensure corporate information disclosure quality. To another degree, it should establish a sound investor protection mechanism, and improve their risk awareness and self-protection ability.

Investors should enhance their professionalism, avoid herd behavior, and better assess corporate debt default risk. Institutional investors, in particular, should use their expertise to monitor and participate in corporate governance.

For corporations,firstly, they should prioritize investor attention by enhancing information disclosure quality through regular, detailed, and accurate reporting and boost ESG performance with increased investment to lower debt default risk. Finally, they should maintain an appropriate number of employees, not over-employment, and try to improve their market investment value, so that investor attention can play the biggest role in mitigating the risk of corporate default.

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