Voluntary environmental information disclosure and corporate green investment: Evidence from a quasi-natural experiment in China

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CONFLICT OF INTEREST
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Abstract

Can firms' voluntary environmental disclosures generate real effects? We use a plausibly exogenous variation in how much firms' supply environmental information to examine whether and how firms' voluntary environmental disclosure affects their green investment. We utilize a regulation enacted in China that mandates that environmental information in financial reports be relocated from a subsection of the "Significant Events" section to a new separate section called "Environmental and Social Responsibility," which may have the effect of encouraging firms to disclose more environmental information voluntarily. We find that these voluntary environmental disclosures are associated with an increase in the disclosing firms' green investment. The effects are more prominent for firms whose investors are more concerned with environmental information, for firms with more-severe environmental information asymmetry, and for firms with a greater capacity to adjust their green investment. Our findings not only contribute to the debate on the regulation's effects but also speak to the literature on the real effects of voluntary disclosures by examining how this quasi-exogenous change in voluntary environmental disclosures affects the disclosing firms' green investment.

Keywords: Voluntary environmental disclosures; Green investment; Real effects; Plausibly exogenous variation