Summary of The Irrelevance of Environmental, Social, and Governance Disclosure to Retail Investors

作者：Moss et al. (2024)　　阅读：王梦涵

2024 年 5 月 7 日

1. **What are the research questions?**
   - How retail investors adjust their portfolio holdings in response to ESG disclosures?
2. **Why are the research questions interesting?**
   - Prior studies suggest that ESG disclosures attract investors who have a “taste” for these types of activities.
     - “Taste” matters because it give rise to investor clientele and base effects.
     - These studies focus on institution investors.
   - Evidence on retail investors trading individual company stocks is limited to experimental studies.
     - Use an empirical archival approach with data from Robinhood.
3. **What is the paper’s contribution?**
   - Contributing to literature on how ESG disclosures affect the composition of firms’ shareholder base.
     - Prior studies: ESG disclosures attract dedicated institutional investors, mutual fund...
     - Extension: Retail investors ignore company ESG disclosures when adjusting their investments.
   - Contributing to literature on how retail investors respond to firms’ ESG disclosures.
     - Prior studies: Subjects in experiments have been found to transact based on ESG disclosures
     - Extension: Indicate that ESG disclosures do not influence retail investors’ real-world portfolio choices by narrowing the unit of analysis to retail investors.
   - Contribute to the ongoing development of ESG disclosures by various regulatory entities.
     - Prior: Discussion of ESG disclosure proposals generally assumed investors are homogeneous and most feedback on these proposals to date has come from institutional investors
     - Extension: Retail investors do not incorporate existing disclosures like institutional investors do.
4. **What hypotheses are tested in the paper? list them explicitly**
   - H1: Retail investors don’t adjust their portfolio holdings in response to ESG disclosures
   - H2: Lack of economic content, lack of visibility, and integration difficulties can explain H1

   (a) **Do these hypotheses follow from and answer the research questions?**
   Yes

   (b) **Do these hypotheses follow from theory or are they otherwise adequately developed? Please explain the logic of the hypotheses (use visualization if possible)**
   - H1: Prior experiments that proved retail investors trading stocks on ESG disclosures may be biased as subjects may be influenced by social desirability due to awareness of being watched.

- H2: Intuitively, retail investors would be unresponsive to ESG press that don't contain economic info, that are disseminated narrowly, or that contain information that investors can't process.

5. **Sample: comment on the appropriateness of the sample selection procedures**
   - Choose unique data from Robinhood and address potential biases.
6. **Dependent and independent variables: comment on the appropriateness of variable definition and measurement (focus on the key dependent variables and independent variables)**
   - There are five dependent variables, which measures retail investors reaction comprehensively.
7. **Regression/prediction model specification: comment on the appropriateness of the regression/prediction model specification**
   - The control variables seem to be too few(Only include return data).
8. **What difficulties arise in drawing inferences from the empirical work**
   - This paper just consider the initial reaction of retail investors.
9. **Describe at least one publishable and feasible extension of this research**
   - Explore other long-term measures
   - Different areas may have different conclusions.

参考文献

Austin Moss, James P. Naughton, and Clare Wang. The irrelevance of environmental, social, and governance disclosure to retail investors. *Management Science*, 70(4):2626–2644, 2024.