

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

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1) What are the research questions ?

Will retail investors adjust their portfolio holdings in response to firms' ESG disclosures and why?

2) Why are the research questions interesting?

- Investor preferences on ESG disclosures are important.
- Give rise to investor clientele and base effects.
- Influence firms' cost of capital and future operating decisions
- Evidence on retail investors trading individual company stocks is limited to experimental studies.

3) What is the paper's contribution?

- Literature on how ESG disclosures affect firms' shareholder base composition.
- Prior studies: ESG disclosures attract investors who have ESG taste, dedicated institutional investors, firms' commitment, mutual fund flow (Friedman and Heine, 2016.....)
- This study: Retail investors do not adjust their stock holdings in response to firm-initiated ESG disclosures.

Literature on how investors respond to firms' ESG disclosures.

- Prior studies: ESG disclosure are economically important, highly visible. Subjects transact based on ESG disclosures (Cheng et al. 2015, Martin and Moser 2016).
- Extend: Narrowing the unit of analysis to retail investors.
- Literature on the development of ESG disclosures by various regulatory entities.
- Prior studies: Feedback on disclosure proposals come from institutional investors; Investors are homogeneous. (Pawliczek et al. 2022).
- Extend: Retail investors have different informational needs on ESG disclosures.

4) What hypotheses are tested in the paper?

H1: Retail investor response to ESG press releases.

H2: The reason why Retail investors unresponsive to ESG press releases is the information lacks of economic content and visibility, difficult to integrate.

-The logic of hypotheses

- Use an experiment approach.
- Retail investors do not incorporate information from ESG press releases into investment decisions even when it is economically important, highly visible, and easy to evaluate.

5) Sample

Data from Robinhood Markets Inc, where publishes the number of Robinhood investors who own each security in real time. The data suits for this study —examine question using an empirical archival approach.

6) Dependent and independent variables

Dependent variables: RI RESPONSE (capture broad insights into retail investor portfolio holdings).

Independent variables: ESG PR Day, Non-ESG PR Day, and EA Day (capture differential retail investor response).

7) Regression/prediction model specification

Include two sets of fixed effects, firm and date.

8) What difficulties arise in drawing inferences from the empirical work?

The trading decisions of Robinhood traders may not generalize to other retail traders, could there be a possibility that using other data lead to a different conclusion.

9) Describe at least one publishable and feasible extension of this research.

- Compare retail investor responses to ESG disclosures in different countries.
- Cultural differences affect investors' interpretation of ESG disclosures.