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THE ABNORMAL RETURNS OF CORPORATE ENVIRONMENTAL INITIATIVES IN CHINA: A CUSTOMER AWARENESS PERSPECTIVE

Abstract:

The abnormal returns of corporate environmental initiatives (CEIs) in developed countries such as USA has been intensively studied, but there is a scarcity of related research in the context of developing countries such as China. This may be due to the belief that firms in China are unable to get any positive returns from their CEIs because of the relatively low environmental awareness of Chinese customers. While we agree that the abnormal returns of CEIs in China, on average, might be not statistically significant, we argue that the magnitude of the abnormal returns should vary across CEIs depending on the customer awareness of the specific CEIs concerned. As a result, we hypothesize that the abnormal returns will be more positive for those CEIs with higher customer awareness, such as recent (rather than early) CEIs, product-driven (rather than process-driven) CEIs, and third-party verified (rather than self-declared) CEIs. We will conduct an event study based on the CEIs announcements of public firms listed in China to test our hypotheses.

Keywords:

corporate environmental initiatives; abnormal returns; event study; China.