Mandatory CSR Disclosure and Firm Investment Behaviour: Evidence from Quasi-Natural Experiment in China

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Abstract

In this article, we examine the effect of mandatory disclosure of corporate social responsibility on firm's investment behavior. Our analysis exploits China's 2008 mandatory requirement that firms disclose their corporate social responsibility activities. Using difference-in-difference design, the study finds that firms that were made to report their corporate social responsibility experience a decrease in the level of investment, but the firm investment efficiency improved, especially on alleviating over-investments. These findings suggest that mandatory CSR disclosure alters firm investment behavior and the implementation of such a disclosure requirement may need the government support.

Keywords

Corporate social responsibility, Mandatory, Disclosure, Investment, Firm