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# Reexamination of stock price reaction to environmental performance: a GARCH application

Keiko Yamaguchi \*

*Graduate School of Economics, Kobe University*

## Abstract

This paper examines how the corporate environmental performance of a firm—evaluated by the *Nikkei Environmental Management Ranking*—affects the ranked firm's stock price, using the market model that accounts for Generalized Autoregressive Conditional Heteroskedasticity (GARCH) effects. The obtained results indicate that the stock prices of firms ranked above thirty in the *Nikkei Environmental Management Ranking* have risen, fallen, or remained constant, on the event day. The finding suggests that market reaction to corporate environmental performance changes as the frequency of ranking increases.

Keywords: Environmental performance, Event study, GARCH, Stock price

JEL Classification Numbers: C22, G14, Q20

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\*Corresponding Author. Address: Graduate School of Economics, Kobe University, Rokkodai-cho 2-1, Nada-ku, Kobe 657-8501, Japan. E-mail: 041d207e@stu.kobe-u.ac.jp