

Static and Dynamic return on corporate environmental investment activity: Empirical evidence from Japan

Keiko Yamaguchi *

Graduate School of Economics, Kobe University

Abstract

This paper examines the influence of corporate environmental conservation cost including environmental investment, on corporate financial performance using static and dynamic panel data models. Further, by using a causality test, we investigate whether there exists a two-way or a one-way connection. The results show that in the static panel data model, corporate environmental conservation cost has a negative impact on financial performance, whereas this trend does not arise in the dynamic panel data model. From the causality test, a one-way connection was found to exist from the past return on asset (ROA) to the present corporate environmental conservation cost.

Keywords: Environmental conservation cost; Dynamic panel data model; Causality
JEL Classification Numbers: C23; L20; Q20

*Corresponding 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