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Analysis of the Impact of Information Disclosure on Financial Performance

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Abstract:
As a core component of corporate governance and the capital market, information disclosure has garnered significant attention due to its notable impact on corporate financial performance. Based on authoritative domestic and international literature, this paper aims to systematically examine the varying effects of various types of information disclosure, including carbon, environmental, safety, and Environmental Social and Governance (ESG), on financial performance. The study reveals that the disclosure of carbon, ESG, and environmental information by enterprises is positively correlated with financial performance. However, the role of safety information disclosure is opposite: financial safety information contributes to performance enhancement, while non-financial safety information may lead to a decline in performance. Nevertheless, regardless of the type, its impact on financial performance is more pronounced only when the external environment is favorable. This paper also examines the diverse effects of information disclosure levels on financial performance, including promotional effects, inhibitory effects, and more complex linear association patterns, providing theoretical references for enterprises to enhance the quality of various types of information disclosure and for the formulation of regulatory policies.

Keywords: Information disclosure; financial performance; corporate governance.

1. Introduction

Against the backdrop of rising expectations for operational transparency in various global markets, information disclosure has increasingly become a crucial aspect of corporate operations, urging enterprises to focus on diversified forms while adhering to unified and standardized norms in practice. In recent years, the global capital market has raised higher requirements for the transparency of information disclosure, with Environmental Social and Governance (ESG) disclosure gradually becoming a core component of corporate non-financial information disclosure. The continuous updates of the International Financial Reporting Standards (IFRS) have also propelled information disclosure towards a more standardized and comprehensive direction. The scope of corporate

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information disclosure has gradually expanded from traditional financial information to multiple dimensions such as environment, society, data, and security, with increasingly rich content and more complex impact mechanisms.
In the context of evolving information disclosure, it plays a crucial role as the core channel for communication between enterprises and external stakeholders such as investors, creditors, and regulators. Information disclosure not only directly affects the flow of information between enterprises and the outside world, but also, by enhancing the quality of data disclosure and the effectiveness of strategies, can further optimize resource allocation efficiency and enhance market trust in enterprises. Regarding the research on the correlation between information disclosure and financial performance, numerous scholars have conducted in-depth discussions from different perspectives. Some studies have pointed out that safety information disclosure may have a bidirectional effect on financial performance: for example, Wu Xiaoli et al. found that such information may enhance corporate reputation, but also bring cost pressure due to increased compliance investment. On the other hand, the quality of data information disclosure has also been proven to be positively correlated with financial performance. For instance, Xu Wenjing et al. showed that high-quality data disclosure can significantly reduce corporate financing costs, thereby improving financial performance. These studies collectively indicate that the quality of information disclosure is crucial for achieving corporate financial performance, and the actual state of financial performance will, in turn, influence the formulation of corporate information disclosure strategies.
Financial performance, as a key indicator for measuring the sustainable development ability of enterprises, can be related to information disclosure through various mechanisms. Information disclosure can have a positive impact on financial performance, and the key mechanisms lie in reducing internal and external information gaps, enhancing supervision effectiveness, and gaining market trust through improved management transparency. In the current environment of continuous development of global information disclosure norms, an in-depth exploration of the mechanism between information disclosure and financial performance is of practical significance for improving regulatory policies, optimizing corporate disclosure decisions, and supporting investment value judgments. Based on existing research, this paper attempts to systematically explain the mechanism of different types of information disclosure on financial performance, and then build an integrated theoretical model to reveal its multiple influence paths and corresponding constrained scenarios, providing a reference for research and practice in this field.

2. The Differential Impact of Different Types of Information Disclosure on Financial Performance.

With the continuous expansion of the scope of information disclosure, the research horizon of academia has extended from traditional financial data to a richer array of information disclosure forms. This section focuses on exploring the unique effects and limits of different types of disclosures, such as environmental, ESG, and carbon information, on corporate financial performance, revealing their respective values.

2.1 The Impact of Environmental Information Disclosure on Financial Performance

As an important component of non-financial information, the relationship between environmental information disclosure and financial performance has received widespread attention in the context of sustainable development. During the period from 2014 to 2016, Dai Yue and Shi Mengge manually collected and organized 714 valid data from 238 listed companies in the heavily polluting industries on the Shanghai Stock Exchange's main board A-share market. Using content analysis methods, they constructed a scoring system to assess the level of environmental information disclosure, and used the "Environmental Disclosure Index (EDI)" generated by this system as a metric for disclosure quality [1]. The research revealed a significant positive correlation between the quality of corporate environmental information disclosure and financial performance, which passed the test at a 1% confidence level, indicating that companies with higher disclosure quality often exhibit better financial performance. Furthermore, this positive effect exhibits a one-year lag and gradually diminishes over time. Further analysis found that this effect varies depending on the ownership nature of the company, being more pronounced in non-state-owned enterprises [1].
Focusing on the Shanghai and Shenzhen A-share markets from 2016 to 2020, Xie Yi zhang, Tang Xinyi, and Wu Jing lin selected balanced panel data from 198 listed companies in the chemical industry for their research and used factor analysis to derive a comprehensive score for financial performance. The study found that the quality of environmental information disclosure in the chemical industry has a positive impact on financial performance. Notably, this positive impact is significantly stronger in state-owned listed companies, while it is relatively weaker in non-state-owned enterprises [2].

2.2 The Relationship between ESG Information Disclosure and Financial Performance

ESG information integrates multiple dimensions of environment, society, and governance, and its impact on corporate financial performance is also more diverse. Chai Shang lei and other scholars focused on the intermediary mechanism of "media attention" to examine the impact of ESG disclosure on financial performance, and conducted a differential analysis from two aspects: regional digitalization level and industry environmental sensitivity [3]. The study pointed out that ESG information disclosure mainly has a positive impact on corporate financial performance through two paths: enhancing information transparency and strengthening external supervision. In the context of high media attention, ESG information is more easily recognized and evaluated by investors and regulators, thus being transformed into financial performance more quickly, reflecting the significant moderating effect of the media environment on the realization of ESG value [3].

Among listed companies in China's energy industry, high-quality ESG disclosure has a particularly prominent promoting effect on financial performance, and this effect is even more significant in state-owned enterprises. Wang et al. believe that the mechanism behind this phenomenon lies in the fact that ESG disclosure helps enterprises obtain financing convenience and enhance risk management capabilities, thereby promoting the improvement of financial performance [4].

2.3 Financial Effects of Carbon Information Disclosure

The disclosure of carbon information by enterprises, especially high-quality carbon information, can effectively alleviate information asymmetry between the outside world and the company. Xu Wenjing et al. pointed out that such information helps alleviate investors' concerns about corporate risks, making it easier for enterprises to obtain financing, and the financing cost also decreases accordingly [5]. The reduction in financing costs further optimizes the capital structure, enhances profitability, and ultimately drives financial performance improvement. This effect is more pronounced in industries with high carbon emissions, as investors tend to pay more attention to environmental risk information of these enterprises.

2.4 The Impact of Security Information Disclosure on Financial Performance

In the disclosure system of non-financial information, safety information has always occupied an important position. In recent years, regulatory authorities, investors, and academia have continuously increased their attention to it. Such information often has a dual effect on a company's financial performance and is easily affected by changes in the external environment. Wu Xiaoli and Shen Jun took the transportation industry as an example to explore how safety information disclosure affects corporate financial performance [6]. They found that the impact of safety information disclosure is not singular - when the disclosed content is financially related, it often helps broaden financing sources, thereby enhancing corporate performance; whereas safety information involving non-financial aspects may drag down performance in the short term due to increased compliance investment and operational pressure [6].

This dual effect reveals that the actual impact of safety information disclosure crucially depends on "what to disclose" and "how to disclose". Although disclosing safety accidents in excessive detail may damage a company's reputation in the short term, from a longer-term perspective, honest disclosure and tangible safety improvements will gradually win market trust, ultimately translating into enhancements in corporate value and financial performance.

3. Research on the Relationship between Information Disclosure and Financial Performance

The process through which information disclosure influences corporate financial performance is complex, often exhibiting nonlinear dynamic characteristics and presenting intricate multidimensional features. It not only has a significant positive impact but also carries potential negative effects, while also demonstrating nonlinear pathways of action.

From a positive perspective, the improvement of corporate financial performance often benefits from various synergistic mechanisms triggered by high-quality information disclosure. Wang Yaqin pointed out that there is a significant synergistic effect between the governance level of listed companies and the quality of information disclosure. Systematic and credible information disclosure can not only enhance investor trust but also effectively reduce the capital cost of enterprises, thereby creating favorable conditions for improving financial performance [7]. Zhou et al. conducted an empirical study using energy enterprises in the "the Belt and Road" region as samples and found that building a systematic and sustainable information release mechanism can not only enhance the attractiveness to long-term value-oriented investors but also help improve the enterprise's risk management and control capabilities, thus positively driving financial performance [8]. Chai Shanglei et al.'s research also found that in regions with a good digital foundation, environmentally sensitive industries, and various types of information disclosure, the disclosure of ESG-related content has a particularly significant effect on improving corporate financial performance [3].

However, information disclosure may also directly in-

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crease the operational costs of enterprises due to the substantial resource investment required to establish the system, thereby bringing about a non-negligible negative impact. More importantly, if enterprises disclose excessive details of risks, it may trigger an overreaction in the capital market, leading to abnormal fluctuations in stock prices. Especially in terms of information disclosure related to safety accidents, relevant research shows that overly detailed event disclosure may amplify market concerns in the short term, thereby having a negative impact on the market value of enterprises. It is noteworthy that the effect of information disclosure on financial performance is highly dependent on specific contexts. For example, in heavily polluting industries, the positive impact of environmental information disclosure is much higher than in other industries, reflecting significant industry differences. Some scholars have also found that there may be a "U-shaped" or "inverted U-shaped" curve relationship between the two - when the level of information disclosure reaches a certain threshold, its marginal benefits may decrease, or even produce a counter-effect due to information overload.

Based on existing research, it is evident that the impact of information disclosure on financial performance exhibits dual attributes of conditional dependence and hierarchical complexity. When formulating disclosure strategies, enterprises need to comprehensively consider multiple factors such as the characteristics of their industry, their own development stage, and the external market environment, and carefully weigh the benefits and costs of information disclosure. Regulatory authorities should also avoid a "one-size-fits-all" approach, and instead implement more targeted and differentiated information disclosure policies to better leverage the value creation function of information disclosure.

4. Conclusion

This article systematically reviews existing literature and draws the following main conclusions: Firstly, corporate financial performance is influenced by information disclosure, a process that exhibits the characteristics of coexistence of diversified channels and complex mechanisms. Specifically, environmental information disclosure often plays a role by enhancing the public image of the enterprise and reducing compliance risks. ESG information disclosure primarily exerts influence by improving transparency and strengthening external supervision mechanisms. Carbon information disclosure primarily plays a core driving role in financial performance by alleviating corporate financing constraints. However, safety information disclosure exhibits a more complex dual mechanism of action, with its impact not being unidirectional. Secondly, whether information disclosure can effectively drive financial performance is not a simple causal relationship, but is deeply influenced by the interplay of internal and external contexts. Factors such as the industry characteristics of the enterprise, ownership background, public attention, the maturity of policies and regulations, and the effectiveness of internal governance will all tangibly alter the value returns that information disclosure can bring.

Therefore, when formulating relevant strategies, enterprises should not simply apply templates, but should deeply examine their own conditions, including industry attributes, scale, and equity structure, and keenly perceive external regulatory guidance and market expectations, so as to adopt more flexible and adaptable disclosure practices. From the regulatory perspective, there is an urgent need to further refine and detail the guidance framework for information disclosure, especially in non-financial areas. It is necessary to accelerate the establishment of classification disclosure standards that match industry characteristics to achieve precise policy implementation. For enterprises, management must re-examine information disclosure from a strategic perspective. It is not only a compliance obligation but also an important part of enterprise value management. Through proactive, transparent, and high-quality disclosure, enterprises can accumulate market trust and transform information advantages into lasting competitiveness.

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