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The Impact of ESG Information Disclosure on Corporate Value: A Literature Review

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Abstract. In recent decades, with the global trend of improving ESG regulatory rules and expanding mandatory disclosure for listed firms, the value effect of ESG information disclosure has remained controversial in academia. Accordingly, it is necessary to review relevant literature to sort conflicting findings and clarify the actual economic impact of ESG disclosure. Focusing on the relationship between ESG information disclosure and corporate value, this paper reviews empirical studies conducted across different countries and institutional contexts. The reviewed literature is categorized into three results: positive relationship, negative relationship, and insignificant relationship. Conflicting conclusions are caused by diverse measurement indicators, sample features, inconsistent rating criteria, and institutional gaps. Three major influencing channels, including information asymmetry relief, stakeholder collaboration, and innovation promotion, are summarized, and obvious heterogeneity exists in firm ownership, region, and pollution type. Empirically, this paper points out existing research defects and proposes specific suggestions for future detailed empirical and cross-country research.

Keywords: ESG and financial performance, ESG disclosure, Sustainable finance, Firm value, Corporate sustainability

1. Introduction

With global sustainable policies promoting mandatory ESG disclosure, scholars have carried out abundant relevant studies. Combined with four research samples, ESG disclosure was first put forward empirically in positive impacts; most scholars explain that ESG disclosure exerts a positive effect on corporate value to a certain extent [1-4]. Many effective methods have also been found in literature, like Giannopoulos et al. found ESG effects differ greatly when adopting Tobin's Q or ROA as explained indicators [5]. Saygili et al. proved environmental disclosure raises operating costs and cuts corporate earnings [6]. Duan et al. verified significant heterogeneous results across regions, ownership, and pollution attributes [7]. However, inconsistent research findings remain prevalent, requiring systematic collation.

This paper sets three core research questions: First, what leads to conflicting empirical conclusions in existing literature? Second, what internal transmission channels connect ESG disclosure and firm value? Third, how do firm features trigger heterogeneous influence? To answer these questions, this study uses the literature review approach. It collects and arranges published

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research from China, Turkey, India, and European nations to systematically summarize existing viewpoints and empirical regulations. This paper distinguishes ESG disclosure from real operational performance to avoid empirical confusion for future academic research. The findings also provide practical reference for enterprises and regulators to optimize ESG management rules.

2. Concept of ESG information disclosure

ESG information disclosure refers to the process through which firms communicate environmental, social and governance-related information to external stakeholders. Although ESG disclosure is closely associated with corporate sustainability practices, it is conceptually different from ESG performance. ESG disclosure involves the release of both qualitative and quantitative non-financial information according to recognized reporting standards, such as the Global Reporting Initiative. In contrast, ESG performance represents the substantive implementation and effectiveness of sustainability practices. The divergence between disclosure and actual performance may create opportunities for greenwashing behavior, in which firms provide favorable ESG information while their actual sustainability performance remains limited [1]. From an institutional perspective, ESG disclosure can be viewed as a dual system containing mandatory and voluntary reporting rules, which only regulates information submission instead of firms' practical ESG implementation [3]. Furthermore, international accounting research suggests that ESG is extended from corporate social responsibility (CSR) with extra governance items, and disclosure acts merely as an information carrier rather than the full reflection of corporate real ESG achievements [4]. Focusing on China's capital market practice, Xu et al. note that ESG disclosure is more quantified than traditional CSR descriptive reporting, and Huazheng rating is commonly used to measure disclosure quality in domestic empirical tests. However, the mixing of disclosed content and real performance within such ratings easily causes conceptual confusion [2].

Consistently, all the above scholars agree that disclosure concentrates on information output and performance on practical outcomes, and the confusion of these two concepts is a key source of inconsistent empirical results in previous studies.

3. Controversies of the impacts of ESG information disclosure on corporate value

3.1. Positive impacts

Table 1. Short caption

Research Sample	Core Findings
Chinese listed firms	Improving operating efficiency and corporate market value [8]
Chinese A-share firms	Alleviating financing constraints and reducing operational risks [9]
European listed firms	Boost operating income growth [10]
China's manufacturing listed firms	Promoting innovation; stronger effect in non-SOE & clean industries [11]

Numerous studies have confirmed the positive linkage between ESG information disclosure and corporate value. As shown in Table 1, Zhou et al. argued that reliable ESG disclosure enhances firms' operating efficiency and further boosts market value by improving financial performance [8]. Wang et al. demonstrated that superior ESG disclosure alleviates financing constraints, reduces operational risks, and ultimately promotes enterprise valuation [9]. Carnini Pulino et al. verified that environmental and social disclosure contributes to the growth of operating income [10]. Meanwhile,

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Xu and Zhu added that adequate ESG disclosure facilitates corporate innovation and eases financing frictions, and such a value-enhancing effect is more pronounced among non-state-owned and non-high-pollution firms [11]. In the long term, firms obtains reputational and innovative benefits after exceeding the initial cost threshold, thus realizing value appreciation [12].

3.2. Negative and statistically insignificant impacts

Several emerging-market studies document adverse or insignificant impacts of ESG disclosure on corporate value. From the perspective of different developing economies, Saygili et al. adopt Turkish listed firm samples and confirm that increased green investment expenses triggered by environmental disclosure cut firms' financial returns, whereas social and governance-related disclosure cannot generate obvious profitability changes statistically [6]. Focusing on India's Nifty50 constituent firms, Rao et al. observe that environmental and governance disclosure exerts persistent negative effects on short-term ROE; meanwhile, social disclosure only hurts the performance of low-profit firms without significant influences on profitable enterprises [13]. In the context of China's manufacturing sector, Wu et al. further point out that ESG disclosure cannot bring evident value growth for listed companies located in central China, and high executive ownership reverses the value-enhancing effect of ESG and finally suppresses corporate market value. Table 2 shows that the interaction coefficient of ESG×Mhold is significantly negative at the 10% significance level and verifies that high managerial ownership reverses the positive value-added effect of ESG disclosure; when executive shareholding is excessively high, ESG disclosure fails to promote corporate value and even restrains market valuation [14].

Table 2. Regression results for moderating effect of managerial ownership [14]

Variables	(6)	(7)	(8)	(9)
ESG	0.017 (0.36)	0.071 ** (2.36)	0.069 *** (3.14)	-0.078 ** (-2.20)
Top	0.088 (0.11)			
Z		0.173 (1.30)		
Mhold			1.603** (2.24)	
Inst				-1.178 (-0.28)
ESG × Top	0.101 (0.67)			
ESG × Z		-0.027 (-0.91)		
ESG × Mhold			-0.306* (-1.79)	
ESG × Inst				0.336*** (3.07)
Lev	-1.698*** (-5.14)	-1.665*** (-5.13)	-1.684*** (-5.12)	-1.533*** (-4.64)
Size	-0.704*** (-6.17)	-0.758*** (-6.39)	-0.752*** (-6.33)	-0.828*** (-6.87)
Growth	0.017 (0.27)	0.016 (0.33)	0.018 (0.34)	0.009 (0.16)
Pay	0.210*** (3.86)	0.211*** (3.86)	0.208*** (3.82)	0.208*** (3.81)
State	-0.366*** (-3.37)	-0.370*** (-3.42)	-0.382*** (-3.67)	-0.480*** (-3.98)
ROE	0.771*** (5.26)	0.788*** (5.33)	0.736*** (5.31)	0.791*** (5.38)
Year	Control	Control	Control	Control
Constant	16.403*** (6.55)	16.566*** (6.64)	16.810*** (6.68)	18.576*** (7.40)
Observations	4690	4690	4690	4690
R2	0.391	0.383	0.384	0.411

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Table 2. (continued)

F	147.07***	146.98***	147.11***	149.74***

3.3. Causes of research controversies

Existing literature suggests that the inconsistent conclusions regarding the linkage between ESG information disclosure and corporate value mainly originate from four aspects [5, 15, 16].

To begin with, the adoption of different value proxies, such as short-term accounting ROA and long-term Tobin's Q, leads to conflicting empirical results, given that ESG-related expenditure drags immediate profitability but facilitates long-term corporate market value. Scholars adopt two different dependent indicators: ROA for accounting performance and Tobin's Q for market value. Empirical results show that the coefficient β_1 is negative for ROA regression but positive for Tobin's Q regression, which explains why existing literature generates contradictory research conclusions when selecting different proxy variables [5]. Secondly, heterogeneous effects exist across firms with varied ownership, size, and industry attributes; non-state-owned enterprises and small-scale manufacturers obtain higher value premiums from ESG disclosure relative to large state-owned firms [15]. Thirdly, diversified ESG rating criteria and the widespread confusion between disclosure content and practical performance create empirical biases driven by corporate greenwashing activities [15]. Lastly, cross-national discrepancies in disclosure regulatory regimes and varied research periods further contribute to mixed empirical findings [16].

4. Mechanism and heterogeneity of ESG disclosure's influence on corporate value

4.1. Major influence mechanisms

Existing studies identify multiple core transmission channels through which ESG information disclosure affects corporate value: (1) Information asymmetry mitigation channel: standardized ESG disclosure bridges the information gap between firms and stakeholders, cuts financing expenses and improves long-term market value [16]. (2) Stakeholder cost-benefit channel: ESG disclosure optimizes cooperation with suppliers and financial institutions to reduce intermediate and debt financing costs, while attracting institutional shareholdings for sustainable capital support [17]. (3) Innovation-driven channel: regulated ES disclosure pushes firms to expand green R&D, realize innovation premium and boost profitability [18]. Besides, the influencing effect presents an obvious nonlinear characteristic. Specifically, early ESG compliance expenditure crowds out corporate profits, whereas reputation accumulation and innovation dividends gradually become dominant after the cost inflection point and finally realize value appreciation [16].

4.2. Heterogeneity analysis

Heterogeneous effects of ESG information disclosure on corporate value are widely documented across existing literature focusing on emerging economies and China's capital market [6, 7, 13, 19]. From the dimensions of enterprise scale and internal governance, empirical evidence from Turkey indicates that environmental disclosure negatively correlates with the market value of large listed firms, yet imposes no significant impacts on small-sized enterprises; meanwhile, governance disclosure creates more value for corporations with weak governance foundations [6]. When classified by profit level for Indian listed companies, social disclosure merely brings extra cost burdens to low-profit firms without observable influences on high-profit entities, and environmental

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plus governance disclosure persistently suppresses short-term earnings for all types of enterprises [13]. Using China's A-share listed firm dataset, Wang and Duan et al. obtain two identical conclusions: (1) ESG disclosure significantly enhances corporate value for non-state-owned enterprises and firms located in eastern China, while such an effect is statistically insignificant for state-owned enterprises and midwestern listed companies; (2) Some studies report stronger effects among heavily polluting manufacturing industries due to stricter regulatory pressure [7, 19].

As illustrated in Figure 1, heterogeneity analysis is developed from three research hypotheses (H4, H5, and H6), including ownership attribute, regional difference, and industrial pollution level. Based on these three classification dimensions, the heterogeneous impacts of ESG performance disclosure on corporate value are further examined [7]. The figure empirically proves obvious heterogeneous effects of ESG disclosure: value enhancement is stronger for non-SOE, eastern, and heavily polluting manufacturing firms than other enterprises.

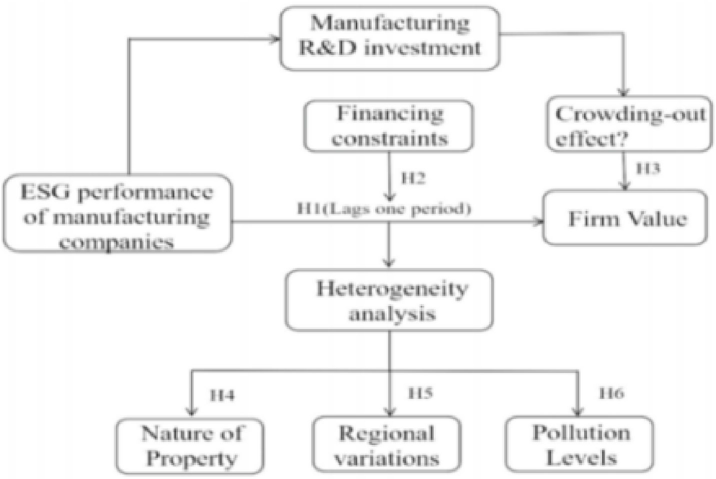

Figure 1. Theoretical framework [7]

5. Discussion

Three core research deficiencies are summarized. First, in variable measurement, most literature employs a composite ESG score without separating environment, social and government disclosure items and frequently mixes ESG real performance with disclosure quality, leading to empirical bias caused by corporate greenwashing [11, 20]. Second, in empirical design, existing studies overly focus on linear correlation while neglecting nonlinear and threshold effects; static panel models are widely used but fail to capture long lag impacts of ESG disclosure, and quasi-natural experiments based on disclosure policy reform are insufficient [14, 20]. Third, in heterogeneity and sample design, prior research is restricted to ownership and polluting-industry grouping, ignoring regional marketization and mandatory/voluntary disclosure rules; samples are mostly confined to domestic manufacturing enterprises without cross-country expansion [11, 14]. Besides, intermediate channels beyond financing constraints remain under-explored in current mechanism research.

Several promising research directions deserve further exploration. First, scholars can separate ESG disclosure indicators to conduct granular empirical analysis and avoid aggregate index bias [4]. Second, more quasi-natural experiment designs based on mandatory ESG disclosure regulatory reforms should be adopted to alleviate endogeneity and identify accurate causal linkage between disclosure and firm value. Third, future research can subdivide heterogeneous stakeholder groups and combine diversified national cultural measurement systems to explore cross-country moderating

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differences [21]. Fourth, it is necessary to focus on ESG rating inconsistency among different rating agencies and its interference on disclosure's economic consequences. Besides, long-term dynamic panel data can be used to capture the lagged influence of ESG disclosure and distinguish short-run cost effects and long-run value growth effects.

6. Conclusion

This paper takes the link between ESG disclosure and corporate value as the core research topic and summarizes relevant studies from China, Turkey, India, and European countries. At first, this study clarifies the conceptual distinction between ESG disclosure behavior and substantive corporate ESG performance. Reviewed literature is sorted into three divergent empirical findings: significant positive value enhancement, adverse value reduction caused by excessive compliance expenditure, and statistically insignificant correlation. The inconsistency of research results can be explained by four key factors, namely, diversified value measurement indicators, heterogeneous sample attributes, inconsistent ESG rating criteria, and varied institutional environments among economies. Three underlying transmission mechanisms are then concluded, including information asymmetry reduction, stakeholder benefit coordination, and corporate green innovation stimulation. Consistent with existing heterogeneous evidence, ESG disclosure generates more prominent value-adding effects for non-state-owned, eastern-region, and heavily polluting manufacturing enterprises compared with their counterparts.

Nevertheless, existing literature still has noticeable limitations. Most studies fail to distinguish sub-dimensional environmental, social, and governmental indicators and easily mix disclosure quality with real ESG performance, while ignoring nonlinear and lagged effects with narrow, domestic-oriented samples. Future research can separate three ESG sub-items and adopt a quasi-natural experiment based on disclosure policies.

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