



Research on the Impact of Enterprise Information Disclosure Quality on Corporate Operation

—An Analysis Perspective Based on the Mandatory or Non-Mandatory Nature of Information Disclosure and Disclosure Media

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Abstract. Corporate disclosure has received increasing attention in recent years as a way for investors to understand companies. While existing research focuses on the truthfulness of corporate disclosure, this paper analyzes the impact of corporate disclosure quality on both internal and external aspects of the firm, and further analyzes the impact of disclosure quality on the firm by integrating the medium of disclosure and the impact of CSR disclosure on the firm. Finally finds that high-quality disclosure effectively reduces corporate risk by alleviating information inequality between companies and investors, and benefits companies both internally and externally. Corporate social responsibility disclosures have become a priority for companies as part of investors' concerns. In addition, new media, as a new way of corporate information disclosure, also brings positive influence to enterprises, and enterprises use new media reasonably to disclose and disclose high-quality social responsibility information more easily to obtain investors' favor.

Keywords: Information disclosure, selectivity, digital media, corporate management

1 Introduction

Information disclosure is an important channel for investors to understand enterprises, so in order to prevent some enterprises from using information disclosure to make false disclosures, the state has issued a series of policies to explicitly specify the content and requirements of information disclosure, and improve information disclosure laws and regulations is an effective mechanism to protect the rights and interests of investors and maintain fair competition of enterprises. Since China is a late starter in economic development, it can fully learn from the painful development experience of the Western stock market and develop a more perfect disclosure

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regulation that is in line with China's national conditions. From 1992 to 1993, China completed the construction of a prototype information disclosure system, and the initial framework of information disclosure was formed, including the "Company Law", the "Interim Regulations on the Administration of Stock Issuance and Trading", the "Share Limited Company's Standard Opinion", and the "Rules for the Implementation of Information Disclosure by Companies Issuing Public Shares (for Trial Implementation)"; From 1994 to 1999, the information disclosure system forming the shape. The China Securities Regulatory Commission refined the principle regulations in the embryonic stage and issued a series of "Guidelines on the Content and Format of Information Disclosure by Companies Issuing Public Stocks" one after another; on December 29, 1998, the National People's Congress passed the "Securities Law" and the superior law of the securities market was formally implemented, followed by the Shanghai and Shenzhen Stock Exchanges in accordance with the "Company Law" and the "Securities Law", the Stock Listing Rules were issued one after another, and by the end of 1999, China completed the framework of the information disclosure system and formed a four-level information disclosure system of basic laws, administrative regulations, departmental rules and self-regulatory rules; from 2000 to the present, it is the stage of continuous improvement of the information disclosure system, because of the continuous development of the capital market and the changing reality, the requirements of information disclosure are bound to be revised and adjusted continuously, the CSRC is also constantly formulating new systems to more effectively regulate the information disclosure of listed companies.

The practical role of information disclosure in business is multifaceted, for example, it can lead investors to buy more shares for investment and create more room for companies to create wealth. Disclosure can also have a positive impact on a company, making it more competitive in its industry. Due to the improvement of laws and regulations, listed companies nowadays focus on disclosing the company's annual report, listing announcement, the company's shareholders' shareholdings, etc. These disclosures can reflect the company's status to investors well and reduce investors' information errors about the company. However, some companies choose to mislead investors by withholding information in order to avoid negative information such as financial fraud within the company. Such behavior is extremely harmful to the market, and false information disclosure is not only ineffective in the long run, but also makes the company's interests more vulnerable.

Since disclosure is important to investors and the market, its quality is important to every company. For the information that must be disclosed, most companies choose to disclose complete and truthful information because of the current strict national regulations. For those who choose to disclose information, such as the contribution to social responsibility, environmental protection, employee well-being, and so on, most companies have different ways of disclosure. For example, with the development of the new generation of information technology such as the Internet, mobile Internet, and artificial intelligence, the information disclosure media of enterprises are undergoing dramatic changes, and new information media such as online news, social media, search engines, Internet postings, etc. are emerging. Compared with traditional media such as newspapers, radio, and television, online media has the advantages of

large amount of information, fast dissemination, high customization, and low acquisition cost. (Zhao Yang and Zhao Zeming, 2018) [1]. But overall, relatively complete and high-quality selective disclosure information will have a great positive impact on the company. High-quality disclosure reduces uncertainty for investors and thus reduces the cost of capital for firms (Healy et al., 1999; Healy and Palepu, 2001) [2-3]. Specifically, investors will judge their investment risk based on the information disclosed by listed companies, and the more and better quality of information disclosed by the company, the fewer uncertainty investors will have about this investment and therefore will reduce the required investment return (Barry and Brown, 1985; Clarkson et al., 1996) [4]. Bhattacharya et al. (2003) [5] find that The greater the transparency of information disclosure, the lower the cost of financing for the firm, and the more liquid the stock. In contrast, for those relatively one-sided and low-quality information, there is an information gap between the investor and the company, which may lead to a decrease in investor trust and thus have a negative impact on the company. If a listed company discloses incomplete information, has material omissions, or selectively discloses good news and hides bad news, it may easily trigger the risk of a stock price crash, which greatly damages investors' interests. Similarly, untimely disclosure of company information (especially negative information) increases the risk of stock price collapse (Xiao Tusheng et al., 2017) [6].

2 Literature Review

There are few studies on selective information disclosure on listed companies in the market, lacking detailed classification as well as research, this paper focuses on the impact of selective information disclosure on the company. In this paper, we believe that the impact of information disclosure quality on the company is mainly reflected in the internal and external company, and the impact in the internal company can be based on the theory of information asymmetry, for example, the possible impact of information disclosure quality on the internal company can be reflected in the quality of the company's export products. Export products are more subject to information asymmetry than domestic products, because producers have more information about the goods than consumers do, which can lead some companies to lower the quality of goods to gain more benefits. At the macro level, high-quality corporate information disclosure can improve the efficiency of market resource allocation and enhance market trading activity by improving the information asymmetry in overall market transactions. (Chen Lili and Dai Yi, 2021) [7]. Therefore, high-quality information disclosure not only provides stakeholders with true and effective information about the enterprise's business performance and lays the foundation for them to make accurate judgments about the enterprise's capabilities and development trends, but also helps to convey to them information about the quality and value level of the enterprise's managers (Baeketal et al., 2004) , effectively weakens the objective information asymmetry between the enterprise and its stakeholders, effectively safeguarding the rights and interests of stakeholders, and promoting the optimization of external resources of enterprises (Lang and Lundholm, 1993) [8]. On the contrary,

low-quality information disclosure will bring more serious information asymmetry and the quality of exported products may be significantly reduced, thus increasing the risk of investors and the two-way moral hazard within the firm. In addition, the quality of information disclosure also has a great impact on corporate innovation. High-quality information disclosure can reduce the information asymmetry between companies and investors, thus further reducing the investment risk to investors and making investors more aware of the investment projects so that corporate innovation can progress. High-quality voluntary information disclosure can help reduce the information asymmetry between investors and companies, help investors fully understand and assess the potential investment value and future development potential of enterprises, reduce investment uncertainty and risk, thus inhibiting adverse selection behavior, reduce the risk premium demanded by investors, and make it easier for enterprises to obtain external financial support. (Gao, Minghua and Liu, Bobo, 2022) [9] On the contrary, if low-quality information is disclosed, this may lead to information asymmetry between firms and investors, and investors are unable to obtain a comprehensive financial and operational situation of the firm, and cannot reasonably predict the future of the firm and make optimal choices.

In addition the external impact of information disclosure quality on the company can be mainly reflected in the aspects of stockholders, consumers and society, among which the fluctuation of share price is the concern of most stakeholders. For listed companies, management will be reluctant to disclose negative news in time for their interest, but when negative information is disclosed this may lead to a fall in share price, thus affecting the interests of investors. Good disclosure helps to reduce the degree of information asymmetry between investors and the company, and can affect the fluctuation of the company's share price in the following ways: First, good disclosure enables investors to have a truer understanding of the actual operation of the company, thus avoiding a sudden collapse in the future that may result from an inflated share price. Second, good information disclosure increases corporate transparency and can help investors and shareholders better identify and prevent management from investing in projects with a negative net present value in advance, thereby avoiding a sudden stock price crash in the future that may result from large losses (Xiao Tusheng et al., 2017) [6]. On the contrary, the lower the quality of corporate disclosure, the less transparent the information between the company and investors, the fewer investors know about the real performance of the company, which may affect investors' judgment about the future, which may lead to weakened investor confidence and thus affect the company's share price. In addition, the quality of information disclosure will affect the stable relationship between the company and its upstream and downstream customers. High-quality information disclosure not only transmits information about the value of the firm to stakeholders, but also reduces the level of information asymmetry with the outside world and guides stakeholders to make correct decisions (Healy and Palepu, 2001) [3]. High-quality information disclosure allows upstream and downstream customers to fully understand the company, and the trust between the company and upstream and downstream customers increases. On the contrary, if the low-quality disclosure will make the information between the company and upstream and downstream customers less

transparent, customers do not understand the company's operations, thus reducing the level of trust in the company. A stable customer relationship is based on the accumulation of customers' comprehensive listed company information and decision-making, customers will be based on the information disclosed by the object of negotiation to judge its operating conditions, development capacity, default risk, etc., and then decide whether to cooperate with it. The information asymmetry between enterprises in the supply chain is an important factor affecting the stability of customer relationships, and in the case of information asymmetry, customer enterprises will be constrained by information opacity in selecting suppliers, and thus it is difficult to make reasonable predictions about upstream enterprises (Fang Hongxing et al., 2017) [10].

After combing through the relevant literature, it is easy to find that scholars are more around the different effects of information disclosure quality on many aspects of the company. However, few scholars have focused on selective information disclosure and the medium of information disclosure to conduct in-depth analysis. Nowadays, listed companies choose to disclose selective information after disclosing the information required by the state this is to gain more favor from investors. The quality of selective information disclosure will also have some impact on the enterprise. Secondly, with the development of technology, the medium of information disclosure has also changed with the development of technology, and the stakeholders of enterprises can have more convenient access to such information, so how the quality of corporate information disclosure will change under such a dividend, and how it will affect the enterprises. This paper will then focus on these two aspects for an in-depth study.

3 Discussion and Analysis

Nowadays, due to the improvement of laws and regulations, enterprises pay more and more attention to the information that is required to be disclosed by law, and the quality of information disclosed by enterprises is also getting higher and higher. However, there are still some listed companies choose to disclose false information for their own selfish interests. In the short term, investors may choose to believe it, but in the long term, once the false information is revealed, the enterprise may lose a huge amount of property. There are not a few cases of share price collapse in China. For example, Luckin Coffee issued an announcement in 2020 admitting false transactions of RMB 2.2 billion, which caused the stock price to plummet 80% and suspended trading several times during the day. Jin and Myers (2006) [11] elaborated the causes of stock price crash risk from the perspective of information asymmetry between information releasers and receivers, arguing that for self-interest reasons, management is reluctant to disclose negative company news in a timely manner, and negative news The accumulation of negative news to a certain extent and the sudden concentration of disclosure will trigger a stock price crash. The negative impact of disclosing false news on the share price of listed companies is very great, and the companies may face the risk of bankruptcy as a result.

Currently, the quality of substantive information disclosure depends on the truthfulness of the information, while the quality of selective information disclosure depends on the degree of disclosure and the willingness of the company to disclose. As an important selective information disclosure object, environmental information can affect the perception and judgment of external investors on enterprises. High-quality environmental information disclosure sends a positive signal to stakeholders that the company has well sustainable development and environmental management ability, which is conducive to enhancing investors' recognition of the company and their willingness to hold investments for a long time, and the more stable the growth trend of the company's stock price, the lower the risk of stock price collapse (Cheng, Lingsha and Zhang, Shidi, 2022) [12]. However, nowadays, enterprises in China do not disclose selective information with high quality, which also leads to losses for enterprises. For example, companies disclose information with a positive bias, and they selectively disclose information that is favorable to them and choose to disclose less or not to disclose some negative information which will cause a continuous information asymmetry, thus making investors' trust in the company decrease. Shang Leyuan (2013) [13] found that the number of negative information disclosed by central enterprises deviated seriously from the actual number through a study of central enterprises' social responsibility reports. Even if they do disclose, the information is often expressed in a general and brief manner with only relevant indicators such as "death rate" and "accident rate", and there is a lack of in-depth and detailed information on the explanation and reflection of the problems that occurred. Secondly, enterprises have limited tracking of disclosure events. Most companies do not provide timely feedback on their progress after disclosing social responsibility information for the first time, resulting in a continuous information asymmetry as investors do not have access to complete information to assess the quality of the company's achievements. This makes it possible for stakeholders to believe that companies do not have the ability to sustain their development, which is detrimental to investors' investment.

At the same time, the medium of information disclosure is conducive to improving the quality of information disclosure and the timeliness of information, etc. With the advancement of technology in today's society, the medium and way of information disclosure are also very different from before. New media is different from traditional information disclosure mediums such as annual reports, which reduces information asymmetry through dynamic two-way communication between corporate managers and stakeholders, and not only provides a reference for investors to make investment decisions, but also enables investors to make better judgments, thus enhancing market value and corporate reputation. This paper argues that the use of new media for disclosure can provide a platform for communication between companies and investors, allowing investors to have the opportunity to communicate directly with the company's management. In contrast to new media disclosure, under the traditional model of disclosure, listed companies mainly disclose internal information to the market in the form of formal announcements (Cade, 2018) [14]. The drawback of this one-way information flow is that management is the main decision maker for information screening and release, while investors are only passive recipients of

information, which results in poor communication and information barriers between the information supply and demand sides (Zhao, Yang, and Zhao, Zeming, 2018) [1]. And today's new media disclosure methods make the communication barrier non-existent. The emergence of some communication platforms has enabled direct dialogue between management and investors, and because investors are more relevant to the attributes of the general consumer, their comments to companies are often more relevant to consumer needs. For example, Ford Motor has made its official microblog an important platform for responding to news events and disclosing earnings information, frequently live-streaming content related to corporate earnings conference calls, and opening chat rooms to answer public questions so that stakeholders are in the first place (Bartov et al., 2016) [15]. The integration of these suggestions and changes made by corporate executives often lead to substantial changes, allowing the company's products and services to gain greater benefits in the marketplace by gaining the favor of consumers. Second, new media has the characteristics of timeliness and wide dissemination, so compared with traditional information disclosure channels, the audience of new media will be more extensive. Statistics show that 65% of adults and 78% of Internet users around the world use new media to share what they hear, see and think in their daily lives with the public and to share information instantly. The sheer volume of views and click-through rates of new media is also attracting more and more companies to join them. The Securities and Exchange Commission (SEC) announced in 2013 that public companies can use new media such as Twitter to disclose material information. Since then, more and more companies have chosen new media as their platform for communicating with stakeholders (Hao, Qihong, et al., 2019) [16]. This leads to more people receiving this information, and some companies use new media such as Micro-blog or Facebook to make disclosures, the positive impact of which can be tremendous. For example, Starbucks often showcases financial results, the latest product messages for the season and limited-time promotions on Twitter, while collaborating with popular celebrities to launch limited-edition charity items, which not only saves money on advertising and promotion but also enhances the brand image (Jung et al., 2018) [17]. More people learn positive news about a company, which often means an increase in investors in the company, which is of great help to the development of enterprises. But there are also risks in using new media for disclosure, for example, some unidentified people make rumors about the company, and under the fermentation of new media these negative information will spread rapidly in a short period thus affecting the trust level and goodwill of the company's investors, who may choose to give up further investment and the company's share price may fall sharply in a short period of time. For example, Haitian Flavor was caught up in the food additive controversy this year, which caused Haitian Flavor's stock to fall more than 9% after the incident. Although Haitian clarified this incident twice at one point, Haitian's poor response still severely undermined consumer as well as investor confidence, causing a decline in performance. cade (2018) [14] found that instead of sitting on the sidelines when negative news breaks, management can use social media to respond to internet users' criticism and can even direct their attention to positive aspects to eliminate the negative impact of negative public opinion. Lee et al. (2015) [18] found that when

emergency adverse events such as product recalls occur, companies use social platforms such as Facebook and Twitter to respond to public queries and quickly clarify online rumors and untrue news, in order to reduce the adverse effects of events such as product recalls on the company's stock price.

4 Conclusion

The importance of corporate information disclosure as an important channel for investors to understand the enterprise cannot be overstated. Therefore, improving the quality of corporate information disclosure should be the goal of every listed enterprise, which can help enterprises eliminate the problem of information inequality among their own internal investors, improve the efficiency of market resource allocation, and quickly gain investors' trust. Externally, non-mandatory disclosures, such as CSR information, can also have a catalytic effect on companies. Enterprises can also gain favor from investors if they can disclose social responsibility information consistently and truthfully. At the same time, the proper use of new media for information disclosure can also bring great benefits to companies. The wide audience of new media and the communication platform between enterprises and investors can help enterprises to strengthen their disclosure ability, and their profitability can benefit greatly.

Accordingly, this paper obtains the following conclusions. For enterprise managers, in order to ensure the quality of information disclosed by enterprises, enterprises should set up perfect information exchange channels, standardize information reporting procedures, and strengthen their own internal audit procedures. This is the starting point to promote the improvement of the internal management of enterprises and to provide long-term motivation for the development of enterprises. For the government, should improve the evaluation criteria for corporate information disclosure, strengthen the supervision of corporate information disclosure, and punish some non-compliant enterprises. This will stimulate the enthusiasm of production among various industries in China and make China more competitive in the international market.

The research in this paper has some limitations and should be improved as soon as possible in the future. This paper does not provide an in-depth analysis of the examples of corporate disclosure and lacks the integrity of the study. Future research should be more complete, with more in-depth analysis and discussion and the use of reasonable examples for example analysis, in order to come up with a more instructive theory.

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