

# The Economic Impact of ESG Information Disclosure

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**Abstract.** As Environmental, Social, and Governance (ESG) disclosure shifts from voluntary to mandatory practice worldwide, its economic implications are becoming increasingly significant. This paper systematically reviews the economic effects of ESG disclosure across micro, meso, and macro levels. At the micro level, ESG disclosure reduces information asymmetry, lowers financing costs, improves operational performance, and enhances risk management. However, these effects are highly heterogeneous and influenced by factors such as firm size, industry type, and ownership structure. At the meso level, ESG promotes efficient resource allocation in markets, curbs stock market manipulation, and strengthens investor confidence, thereby contributing to healthier retail and capital markets. At the macro level, ESG disclosure drives green economic transformation, fosters regional coordinated development, and enhances international competitiveness and national image. Current research remains fragmented, often focusing on isolated aspects or specific markets. Future studies should further quantify the differential impacts of ESG and strengthen disclosure frameworks and transparency to support high-quality and sustainable economic development.

**Keywords:** Systematic analysis; financing cost; operational performance; market resource allocation; regional coordinated development.

## 1. Introduction

Against the backdrop of frequent extreme weather events triggered by global warming, the growing prominence of social equity issues, and the occasional exposure of corporate governance scandals, Environmental, Social, and Governance (ESG) has ceased to be an "optional bonus item" within the scope of corporate social responsibility. Instead, it has become a core indicator for measuring a company's sustainable development capabilities, market competitiveness, and even a country's green transformation effectiveness. Among these, ESG information disclosure, as a key link connecting enterprises with diverse stakeholders such as investors, governments, and the public, is gaining increasing significance with the deepening of the global consensus on sustainable development and is reshaping global business rules and the logic of economic development.

Against this backdrop, in-depth exploration of the economic impact of ESG information disclosure holds significant theoretical value and practical significance. From the perspective of theoretical research, existing achievements have formed distinct divergences regarding the relationship between ESG disclosure, corporate behavior, and market reactions. Proponents, based on the "information asymmetry theory", argue that high-quality ESG disclosure can reduce the information gap between enterprises and investors, helping enterprises attract long-term capital, enhance brand value, and improve corporate valuation. For instance, some empirical studies have shown that enterprises with higher ESG disclosure scores have an average financing cost 10%-15% lower than their peers. On the other hand, opponents, from the "cost-benefit perspective", question that ESG disclosure requires a large amount of human and material resources for data collection, report preparation, and third-party auditing, which may increase corporate compliance costs. It may even be used by some enterprises as a "greenwashing" tool—misleading market perception and harming investor interests by selectively disclosing positive information and concealing negative data. This theoretical controversy means that a unified conclusion on the economic effects of ESG disclosure has not yet been reached, and a more systematic analytical framework is urgently needed to clarify this.

From the perspective of practical application, the dilemmas faced by different entities further highlight the necessity of this research. For enterprises, the choice of "what to disclose" and "how to disclose" has become a dilemma: insufficient disclosure may cause them to miss out on ESG investment opportunities, while excessive disclosure may lead to the leakage of commercial secrets. Moreover, there is a significant gap in disclosure capabilities between small and medium-sized enterprises (SMEs) and large enterprises. Large enterprises, relying on their resource advantages, can easily meet complex disclosure requirements and even build competitive advantages through ESG disclosure. In contrast, SMEs often fall into the predicament of "disclosure leading to losses" due to high compliance costs. According to the "2024 Report on ESG Information Disclosure Rate of Chinese Listed Companies", the ESG disclosure rate of A-share main board listed companies has reached 65%, while that of SMEs on the ChiNext Board and Beijing Stock Exchange is less than 30%. This disparity may exacerbate the Matthew effect in the distribution of market resources. For policymakers, they need to strike a balance between "strengthening disclosure supervision" and "reducing corporate burdens": overly loose standards will lead to the distortion of ESG information and market chaos, while excessively strict requirements may inhibit the vitality of SMEs. Therefore, designing a hierarchical and classified disclosure system has become a key task. For investors, the current lack of unified ESG disclosure standards and standardized indicators, with the correlation between ESG rating results released by different institutions being less than 50%, makes it difficult for investors to make effective decisions based on ESG information and may even lead to investment misjudgments.

Regrettably, most existing studies focus on a single dimension (such as only analyzing the impact of ESG disclosure on corporate financing costs) or specific markets (such as only studying A-share manufacturing enterprises). They lack systematic integration across the three levels of micro-enterprises, meso-markets, and macro-society, making it difficult to fully reveal the economic transmission mechanism and overall effects of ESG disclosure. Based on this, this paper takes the "economic impact of ESG information disclosure" as its core. Drawing on existing theoretical foundations and empirical results, it systematically sorts out the specific roles of ESG information disclosure at the enterprise (micro), market (meso), and social (macro) levels, conducts an in-depth analysis of the causes of differences in effects (such as enterprise size, industry attributes, and regional marketization level), summarizes the limitations and shortcomings of current research, and explores future research directions. It is expected to provide more targeted references for corporate ESG practices, the design of regulatory frameworks by policymakers, and investor decision-making, thereby contributing to the high-quality and sustainable development of the economy.

## **2. Microeconomic Impact of ESG Disclosure on Enterprises**

ESG disclosure enhances information transparency and reduces information asymmetry between enterprises and investors, thereby generating multiple economic effects. Zhang Hui from the School of Economics at Peking University pointed out in his paper *A Study on the Relationship between ESG Information Disclosure and Corporate Financing Costs - An Empirical Analysis Based on A-Share Listed Companies* that high-level ESG disclosure often lowers enterprises' cost of capital. By disclosing environmentally friendly initiatives and social responsibility practices, enterprises can attract more sustainable investment funds and reduce the interest rate premium on debt financing. As mentioned by Zhang Hui in the paper, after an empirical analysis of a large number of A-share listed companies, it was found that enterprises with a high level of disclosure have more advantages in financing. However, this benefit is not universal: due to limited resources, small enterprises may face increased compliance costs during the disclosure process, leading to greater short-term financial pressure, while large enterprises are more likely to benefit from it because they have stronger disclosure capabilities and market influence. The article *ESG Information Disclosure Rate of Chinese Listed Companies Continues to Rise* indicates that there are scale differences in the ESG disclosure

rate of listed companies, with leading enterprises having a higher disclosure rate, which also reflects the advantages of large enterprises in ESG disclosure from the side.

Secondly, in terms of operational performance, ESG disclosure can promote the internal optimization of enterprises, such as reducing agency problems through governance improvement and enhancing efficiency and innovation capabilities. This may be reflected in higher Tobin's Q or Return on Assets (ROA). Scholar Li Ming stated in *The Impact of ESG Practices on Corporate Operational Performance - A Case Study of the Manufacturing Industry* that ESG disclosure helps manufacturing enterprises optimize internal management processes, mitigate potential operational risks caused by poor governance, and further boost asset utilization efficiency, which is specifically manifested in the significant positive correlation between ESG disclosure quality and ROA of manufacturing enterprises.

### **3. The Meso-economic Impact after ESG Disclosure**

Based on research results, the connotation of ESG rating can be summarized as follows: The essence of ESG is the systematic management of the two-way impact of enterprises and the environment and society by organizations [1]. Xiao Hongjun proposed that ESG reconstructs the operating model by integrating environmental and social governance factors to minimize negative impacts and maximize positive impacts. It is a high-level paradigm that goes beyond traditional corporate social responsibility, promotes the balance of benefits between enterprises and society, and unifies organizational intentions, behaviors and performance with sustainable development goals [2]. Li Bo et al. pointed out that ESG rating is a tool for quantifying sustainable development risks and values [3]. Its connotation varies depending on the objectives of the defining subject: regulators focus on comprehensive coverage of evaluation activities (seeking "completeness"), while investment institutions focus on the correlation between risk and value (seeking "accuracy"), and both serve the sustainable development goals [4]. Research shows that theoretical perspectives (such as Xiao Hongjun) emphasize the transformative nature of ESG as a systematic management behavior, while practical perspectives (such as Li Bo et al.) reveal the functional differentiation of rating subjects, but both point to the core value of ESG in promoting sustainable development [5].

## **4. Analysis of Macroeconomic Impacts of ESG Disclosure**

### **4.1. Driving Green Transformation and Sustainable Growth of the Economic Structure**

In the global transition toward green and sustainable development, ESG disclosure plays a pivotal role as a key driver in optimizing macroeconomic structures and transforming growth patterns.

From the perspective of reshaping capital flows, ESG disclosure effectively mitigates information asymmetry in the market, thereby channeling financial resources toward sustainable sectors [5]. International studies indicate that investors increasingly allocate capital to firms with strong ESG performance. Similarly, Tan Hongyi observes a negative correlation between the quality of ESG disclosure and firms' equity financing costs [6]. This implies that enterprises characterized by high pollution, high energy consumption, and poor ESG performance face elevated financing barriers, whereas firms in sectors such as green energy and the circular economy benefit from easier access to capital. Such dynamics accelerate capital accumulation in sustainable industries and facilitate the green upgrading of industrial structures [7]. Qu Weihua further differentiates between substantive and strategic ESG behaviors [8]. They note that substantive disclosures leverage an "internal capital reallocation" mechanism to redirect production factors from high-carbon to low-carbon products, enabling profound economic restructuring [9]. In contrast, strategic disclosures often fail to generate sustained momentum for transformation.

At the level of technological innovation, ESG disclosure strengthens the interaction between public oversight and corporate green Research and Development (R&D). Luo Jian and Xiao Fang demonstrate that public environmental concerns influence corporate ESG performance through green

technological innovation, with ESG disclosure serving as an informational bridge that amplifies this effect [10]. International research corroborates that disclosing information on green patents and emission-reduction technologies attracts greater public and market attention, thereby incentivizing firms to increase green R&D investments to enhance their ESG competitiveness. This “disclosure–innovation–transformation” chain effectively facilitates the shift of the macroeconomy from traditional factor-driven growth to green innovation-driven development, injecting new momentum into sustainable economic expansion.

Concurrently, ESG disclosure imposes robust market discipline on highly polluting industries. Luo Jian posit that the public disclosure of negative information subjects firms to pressures, including rising financing costs and consumer boycotts, compelling them to pursue technological upgrades or exit the market. Studies abroad have shown that inadequate ESG performance and poor disclosure place firms at a competitive disadvantage, even endangering their viability. This market-based mechanism accelerates the phase-out of obsolete production capacities, promotes a dynamic balance between economic growth and environmental carrying capacity, and drives the macroeconomy toward a green and low-carbon transition.

#### **4.2. Promoting Regional Coordinated Development and Collaborative Governance**

The regional spillover effects of ESG disclosure offer novel pathways and opportunities for breaking down administrative barriers and fostering regional coordinated development, thereby contributing to balanced and sustainable regional economic growth.

Luo Jian and Xiao Fang find that public environmental concerns exhibit cross-regional spillover effects: increased public awareness in one region influences the ESG performance of firms in other regions through channels such as media coverage and policy emulation. This suggests that unified ESG disclosure standards can facilitate interregional sharing of environmental data and governance experience, avoiding detrimental competition such as “pollution transfer” and promoting coordinated regional economic development. International research also indicates that regional ESG information sharing and cooperation can generate synergistic effects, enhancing environmental governance and economic development quality across regions. By establishing interregional ESG information exchange platforms, firms from different areas can learn from each other, jointly advancing green technology innovation and industrial upgrading, and achieving coordinated economic progress.

Moreover, the interaction between local governmental environmental attention and ESG disclosure plays a significant role in narrowing regional development gaps. Chen Xiaoshan and Chen Simin note that the performance-enhancing effects of ESG disclosure are more pronounced in regions with higher levels of marketization and more favorable business environments. Improving the institutional environment in less developed regions can amplify the regional effects of ESG disclosure and promote the rational flow of production factors across regions. Studies abroad have found that governments can guide financial institutions to provide green credit support to firms in less developed regions through policy interventions, while also strengthening supervision and guidance on corporate ESG disclosure. Such measures improve the ESG performance of firms in these regions and promote balanced regional economic development. This model of interregional collaborative governance and balanced development aids in achieving sustainable national economic growth and social harmony and stability.

#### **4.3. Enhancing National and International Competitiveness and Image Spillovers**

Against the backdrop of economic globalization and the international consensus on sustainable development, ESG disclosure significantly enhances a country's influence and competitiveness within the global economic system by aligning with international standards, attracting global capital, and shaping national image.

In international trade, ESG disclosure is crucial for firms to overcome green trade barriers. As global attention to sustainable development intensifies, an increasing number of countries and regions are implementing stringent green trade policies, such as the European Union's Carbon Border

Adjustment Mechanism (CBAM). Liu Feng indicate that Chinese enterprises expanding overseas can meet compliance requirements of importing countries by improving ESG disclosure to demonstrate their efforts and achievements in low-carbon production and energy conservation. This enhances international recognition and competitiveness of their products, thereby expanding export market share. International research also shows that firms with high-quality ESG disclosure integrate more readily into global high-end supply chains, driving domestic industries upward in the global value chain and elevating the country's position in the international division of labor .

In terms of international capital flows, the expanding scale of global ESG investment has made the quality of ESG disclosure a core consideration in international capital allocation. Transparent and high-quality ESG information effectively reduces information asymmetry between domestic and foreign capital, attracting long-term capital inflows such as sovereign wealth funds and pensions. Research abroad finds that international investors increasingly emphasize corporate ESG performance and disclosure quality in investment decisions, using them as key indicators for assessing investment risks and returns. By strengthening ESG disclosure, Chinese firms can showcase their active efforts and achievements in sustainable development, attracting more international capital. This provides stable financial support for corporate growth and national economic development, enhancing the country's stature in global capital markets.

Furthermore, ESG disclosure produces significant spillover effects on national image. Empirical research by Liu Feng demonstrates that Chinese overseas enterprises actively fulfilling ESG responsibilities and disclosing their good performance enhance host countries' favorability and recognition of China. This positive effect is particularly evident among groups concerned with sustainable development. International studies also note that corporate ESG practices and disclosures can shape a country's positive image in the international community through media dissemination, creating a favorable external environment for its foreign investment and trade activities. By emphasizing environmental protection and the rights of local employees in overseas projects and disclosing related information in a timely manner, Chinese enterprises have gained recognition and praise from local societies, elevating China's international image and laying a solid foundation for the sustainable development of Chinese firms abroad.

## **5. Conclusion**

Based on our research, summarize the meaning of ESG ratings as follows: ESG is essentially the systematic management of an organization's impact on the business, the environment, and society. Xiao Hongjun proposes that ESG restructures operating models by integrating environmental and social governance factors, minimizing negative impacts and maximizing positive ones. This represents a higher-level paradigm that transcends traditional corporate social responsibility, promoting a balanced benefit between business and society and aligning organizational intentions, behavior, and performance with sustainable development goals. Li Bo et al. point out that ESG ratings are tools for quantifying sustainable development risks and values, and their connotations vary depending on the objectives of the defining entity: regulators focus on comprehensive assessment activities, while investment institutions focus on the correlation between risk and value.

Both contribute to sustainable development goals. Research shows that theoretical perspectives emphasize the transformative nature of ESG as a systematic management practice, while practical perspectives reveal the functional differentiation of rating entities. However, both perspectives point to the core value of ESG in promoting sustainable development. Research on the impact of ESG on meso-markets indicates that in the retail market, corporate ESG performance significantly enhances market value, attracts investment by reducing financing costs, boosts sales by strengthening brand loyalty, and creates a differentiated competitive advantage. It also optimizes the efficiency of market resource allocation and promotes the industry's transition to sustainable development. Government support policies can amplify these positive effects. In the capital market, ESG fund holdings significantly inhibit stock market manipulation by improving internal control quality and information

transparency. This effect is particularly pronounced in companies with weak financial oversight, short-sighted management, and non-state-owned enterprises, offering a new path to capital market stability and fairness. Overall, by strengthening corporate governance and reducing information asymmetry, ESG investing not only enhances investor confidence but also promotes the long-term stability of the capital market.

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