

-RESEARCH ARTICLE-

THE INTERPLAY BETWEEN ENVIRONMENTAL DISCLOSURE, CORPORATE GOVERNANCE, AND GREEN INNOVATION IN ENHANCING CORPORATE VALUE

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—Abstract—

This study examines the intricate relationships among the quality of environmental information disclosure, corporate governance, corporate value, and green innovation capabilities within the context of companies listed on the Shanghai and Shenzhen stock exchanges in China. The objective of this paper is to elucidate how transparency in environmental reporting and robust governance structures influence a firm's market valuation and inclination towards green innovation, using fixed effect models applied to 4,932 organizations that engaged in environmental reporting between 2008 and 2022. The research delineates the connection between corporate governance, corporate value, and green innovation capabilities, highlighting that effective governance is pivotal in enhancing corporate sustainability performance and fostering green innovation. Additionally, the study finds a positive correlation between environmental disclosure quality and corporate value, suggesting that investors value firms' commitment to environmental issues and accordingly assign higher valuations to such companies. However, it identifies a nuanced trade-off between the quality of environmental disclosure and investment in green innovation capabilities, indicating that while high-quality disclosure is beneficial, it may restrict a company's capacity to invest in innovation. This research contributes to the existing literature on corporate

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sustainability by clearly defining governance and transparency as strategic factors for enhancing corporate performance and sustainability. It provides valuable insights for corporate managers and policymakers, offering guidance for fostering positive changes that benefit both corporations and the environment.

Keywords: Environmental Information Disclosure, Corporate Governance, Corporate Value, Green Innovation Capabilities, Sustainability, Corporate Transparency, Market Valuation

BACKGROUND

The relationship between firms' environmental performance and their economic value has been a significant topic of discussion in both academic and business spheres (Koskinen et al., 2024), largely due to the increasing focus on sustainability and green innovation within the contemporary strategic market landscape. This paper integrates findings from various studies to provide a comprehensive background on the interplay between financial health, corporate governance, environmental disclosure, and green innovation, all of which are pivotal in defining business competitiveness and sustainability. Klieštík et al. (2020) highlight the role of financial projections in assessing firm competitiveness and health, emphasizing that financial evaluations are crucial for determining a company's sustainability and market position. This concept is integral to understanding the economic incentives behind environmental policies and strategies within corporations, linking environmental management and innovation standards directly with financial outcomes. McNulty et al (2013) note that advances in research methodologies, including qualitative data, have enhanced our understanding of how governance systems influence the interactions between business organizations and their environments, extending beyond corporate responsibility for environmental issues and innovation. These research strands underpin the analysis of how corporate governance structures can either facilitate or impede environmental information disclosure and green innovation. Additionally, Chen and Roberts (2010) provide a theoretical framework for examining the organization-society relationship, which is essential for understanding the role of socio-environmental accounting in bridging the gap between corporate actions and societal expectations.

Their perspective adds depth to the ongoing discourse regarding environmental information transparency and accreditation, as firms endeavour to meet societal demands for sustainability. Zhang and Noronha (2023) conducted a content analysis to advance the literature on the link between green innovation and firm financial performance, particularly emphasizing the significance of green process and product innovations. This is crucial for understanding the economic drivers behind environmental change and elucidating how ecological initiatives can enhance firm operations. Li et al. (2018) highlight that the futurization of resources serves as a

definitive driver of resource allocation efficiency and asset pricing, significantly impacting environmental behaviours within industrial contexts. This analysis offers valuable insights into how the photovoltaic industry leverages technological advancements to mitigate environmental impacts and influence market value, thereby substantiating the authors' argument for incorporating green technologies into corporate strategies.

In relation to environmental information disclosure, [Tang \(2023\)](#) enhances the discussion by examining the link between the quality of such disclosure and capital market overvaluation. This relationship underscores the necessity for precise environmental reporting, which provides relevant information and mitigates agency problems, ensuring that a firm's environmental performance is accurately reflected in its market valuation. The study offers a detailed analysis of how various aspects of environmental information disclosure contribute to fostering green innovation. Using a quasi-natural experiment, Tang demonstrates that disclosure can positively influence the environment for green technological advancements. The research provides evidence of a disparity between regulatory and voluntary disclosures concerning a firm's green innovation efforts.

LITERATURE REVIEW

[Li et al. \(2018\)](#) investigate the complex interactions between environmental, social, and governance (ESG) disclosures and firms' value, emphasizing the mediating role of Chief Executive Officer (CEO) power in how verbal and written ESG commitments affect stock market performance. This topic is further explored by several other studies ([Ahmad et al., 2024](#); [Doni & Fiameni, 2024](#); [Manning et al., 2019](#); [Seow, 2024](#); [Shalhoob & Hussainey, 2022](#)). These studies collectively enhance our understanding of how leadership and disclosure practices impact the management of environmental information and its influence on firm value ([Alam et al., 2024](#)). Together, this body of research establishes a robust theoretical foundation for understanding the intricate relationships among a company's financial status, corporate governance, the quality of environmental reporting, and green innovation. It underscores the critical role of ethical, transparent, and purposeful environmental management policies in meeting social and legal standards, while also contributing to the creation of sustainable economic value and competitive advantage in both current and emerging global business environments.

H1: *The amount of correlation between the quality of environmental information disclosure and the corporate value*

The foundational level of Hypothesis 1 (H1) and its sub-hypotheses (H1a, H1b, H1c) within the theoretical framework propose an overall positive relationship between the quality of environmental information disclosure and the enhancement of corporate

value. This proposition aligns with [Tang \(2023\)](#), who elucidates how high-quality disclosure can mitigate capital market valuation biases, thereby boosting investor confidence in corporate valuations. Supporting this view, [Li et al. \(2018\)](#) demonstrate the impact of ESG disclosure on firm value and emphasize the importance of CEO involvement. [Zhang et al. \(2023\)](#) further substantiate the significance of timely environmental information disclosures, finding a positive correlation between prompt reporting and technological advancements in China. Their research suggests that timely disclosure enhances the corporation's perceived dynamism and accountability. Additionally, [Chen and Roberts \(2010\)](#) provide a broader theoretical context, asserting that conservative, constructive, and timely environmental reports can strengthen the relationship between organizations and society, positively affecting the company's reputation and value. [Li et al. \(2018\)](#) reinforce [Tang \(2023\)](#) findings by highlighting the positive effects of high-quality environmental disclosures on green innovations, firm performance, and competitive advantage ([Khasawneh et al., 2024](#)).

H1a: *Corporate value has been found to have a positive correlation with the degree of Completeness on the Environmental information disclosure.*

The relationship between a firm's environmental performance and its economic value has been a key topic of discussion in both academic circles and business environments, driven by the increasing focus on sustainability and green innovation. This paper integrates findings from various studies to provide a comprehensive overview of how financial health, corporate governance, environmental disclosure, and green innovation impact business competitiveness and sustainability. [Klieštík et al. \(2020\)](#) highlight the role of financial forecasts in assessing a firm's competitiveness and health, suggesting that financial evaluations are critical for understanding a company's sustainability and market position. This perspective is vital for exploring the economic incentives behind corporate environmental policies, linking environmental management and innovation directly to financial outcomes. [McNulty et al. \(2013\)](#) note that changes in research methodologies have enhanced our understanding of corporate governance, with qualitative data offering new insights into how governance systems influence interactions between businesses and their environments, extending beyond mere corporate responsibility for environmental issues and innovation. These research insights form the foundation for examining how different corporate governance structures can either support or hinder environmental information disclosure and green innovation. [Chen and Roberts \(2010\)](#) provide a theoretical framework for understanding the organization-society relationship, emphasizing the role of socio-environmental accounting in bridging the gap between corporate actions and societal expectations. Their work enriches the discussion on environmental transparency and accreditation as firms respond to sustainability demands. [Zhang and Noronha \(2023\)](#) extend the literature by analyzing how green process and product innovations impact financial performance, highlighting the economic drivers behind environmental changes. [Li et al.](#)

(2018) emphasize that resource futurization enhances resource allocation efficiency and asset pricing, particularly in the photovoltaic industry. This supports the adoption of green technologies in corporate strategies by demonstrating their benefits for both environmental impact and market value (Hamzah & Saleem, 2023).

Timely information release is crucial in corporate reporting, as highlighted by (Lewellen & Lewellen, 2022). They emphasize that prompt reporting significantly impacts stakeholder trust and corporate image. Li et al. (2018) similarly underscore the value of timely ESG disclosures, noting that they facilitate informed investor decisions, which can enhance firm value through improved investor relations. Lewellen and Lewellen (2022) also address this issue in the context of institutional investors' engagement, demonstrating that timely information affects shareholders' investment decisions and, consequently, firm value. Furthermore, their theoretical framework underscores the importance of timely environmental disclosures for societal relations, arguing that such disclosures generally foster better relationships between corporations and society, thus enhancing corporate valuation. Additionally, Lewellen and Lewellen (2022) highlight that timely disclosures can bolster a firm's absorptive capacity, fostering innovation and increasing corporate value (Alkhazaleh et al., 2022).

H2: *This implies that there is an inverse relationship between the quality of the information related to the environment and green innovation capabilities.*

This hypothesis challenges the notion that enhanced environmental disclosure directly correlates with increased innovation. While disclosure does positively impact innovation, it raises concerns about whether an emphasis on disclosure might divert resources from research and development (R&D) towards reporting activities. Lewellen and Lewellen (2022) introduce the concept of absorptive capacity, questioning whether prioritizing external knowledge for disclosure could come at the expense of developing internal capabilities for future innovations. Additionally, Li et al. (2018) discuss the influence of CEO power on disclosure practices, noting that a focus on disclosure quality might lead executives to reduce their emphasis on pursuing new explorations. They point out that while disclosure is linked to energy conservation and emission reduction, it does not necessarily foster new green innovation capabilities, suggesting that a focus on current performance metrics may overlook future-oriented innovations (Rahman et al., 2022). From this perspective, while environmental innovation may enhance performance, an overemphasis on disclosure could potentially disrupt the innovation pipeline. Li et al. (2018) further note that while enhanced disclosure is positively associated with short-term financial performance, its impact on long-term innovation capabilities remains unclear (Wahyuni et al., 2022).

H2a: *The correlation between the environmental information disclosure quality and the investment in environmental protection is negative.*

The rationale used here is that if providers focus on the quality of disclosure (Bailey et al., 2024; Xiao et al., 2024), then they are likely to underemphasize the actual provision of environmental goods. Relating creative disclosure to innovation performance with an environmental strategy view, one could infer that balancing focus on disclosure might serve to diffuse decision maker's attention and investment in specific realizable environmentally related innovations. Further this study emphasizes the positive role played by transparency in stimulating innovation, but this transparency works to the benefit of outsiders while compromising on the internal shareholders' contribution towards environmental conservation. The research demonstrates the significance of environmental policy in enhancing enterprise innovation and performance (Li et al., 2024) while on the other hand caution that there is a limit to the extent that policy compliance including disclosure can help meet an enterprises' environmental obligations directly (Al-Aadili & Shardaghly, 2023).

H2b: *The correlation between the quality of environmental information disclosure and quality of green patents is negative.*

In other words, there is a significant negative relationship between the quality of environmental information disclosure and the quality of green patents. This hypothesis posits that efforts to enhance the quality of environmental reports may lead to a reduction in resources available for developing valuable green patents. Lewellen and Lewellen (2022) address this issue by examining the interaction between market structure and innovation. They suggest that firms focusing on disclosure practices might not fully benefit from the patent life of their innovations, potentially impacting the quality of green patents. Supporting this, Lewellen's quasi-natural experiment on CEVI indicates that while disclosure influences innovation, excessive emphasis on improving disclosure could potentially limit both the quantity and quality of green patents filed in the future.

H2c: *The correlation between the corporate value and quality of green patents is negative.*

Based on our analysis, the hypothesis can be stated as follows: there is an inverse relationship between corporate value and the quality of green patents. This hypothesis suggests that a firm's current value may not accurately reflect investments in high-quality green patents, which are often perceived by the market as yielding short-term benefits. It also addresses the role of institutional investors in corporate governance, indicating that their focus on short-term profits might dissuade long-term investments in green patents, which may not immediately generate direct returns. Tang (2023) explores the implications for financial performance, noting that while strategic environmental responses can positively influence short-term metrics and support long-term innovation through green patents, this potential benefit is often undervalued by the

stock market.

THEORETICAL FRAMEWORK

Environmental Information Disclosure highlights the role of high-quality environmental disclosure (EID) in enhancing corporate value by addressing issues related to capital market valuation. This aligns with stakeholder theory, which posits that comprehensive and accurate disclosures meet stakeholders' information needs, thereby influencing their perceptions and actions regarding the firm. [Li et al. \(2018\)](#) further elucidate how ESG disclosure impacts firm value, drawing on legitimacy theory. They argue that transparency in environmental performance boosts investor confidence and enhances corporate reputation. According to these theories, firms that provide high-quality environmental disclosures are perceived as more legitimate and trustworthy by stakeholders, thereby increasing the firm's corporate value.

Corporate Governance

The relationship between corporate governance and corporate value is examined through the lens of agency theory, as discussed by [McNulty et al., 2013](#)). Their analysis highlights how qualitative research on corporate governance enhances our understanding of how governance structures and practices influence firm outcomes, including environmental strategies. For example, their study presents quantitative evidence on the impact of institutional investor involvement in corporate governance, demonstrating that effective governance not only mitigates environmental harm but also enhances firm performance. In the context of Chinese travel and tourism, the findings reveal a link between corporate governance, environmental commitment, and firm performance, suggesting that improved governance frameworks lead to better environmental management and, consequently, increased corporate value.

Conceptual Model

The conceptual model derived from this theoretical framework proposes two primary pathways for enhancing corporate value. It posits that corporate environmental reports typically disclose two types of information: (1) the quality of environmental information disclosure, encompassing aspects such as comprehensiveness, accuracy, and timeliness, and (2) the level of corporate governance (CG). This model is supported by insights from the relevant literature, indicating a complex relationship in which these factors interact to influence corporate value:

- Environmental information disclosure, as discussed by [Chen and Roberts \(2010\)](#), includes a dimension known as completeness, which enhances corporate value by providing stakeholders with comprehensive information regarding the firm's environmental practices and results.

- Environmental information disclosure also ensures accuracy, which fosters stakeholder confidence in the information provided.
- The timeliness of information is crucial, as it allows stakeholders to access current data, thereby enhancing the company’s responsiveness and its perceived alignment with contemporary environmental management practices.
- The level of corporate governance, according to McNulty et al. (2013), influences corporate value by affecting the effectiveness of environmental operations and disclosures. Effective corporate governance aligns decision-making processes with legal and stakeholder requirements, thereby supporting the company’s environmental goals and overall performance.

According to this model, corporate value can be enhanced by improving both environmental information disclosure and corporate governance. This suggests that environmental transparency and effective governance should be viewed as strategic assets for achieving sustainable growth and fostering shareholder trust. The conceptual model is illustrated in Figure 1.

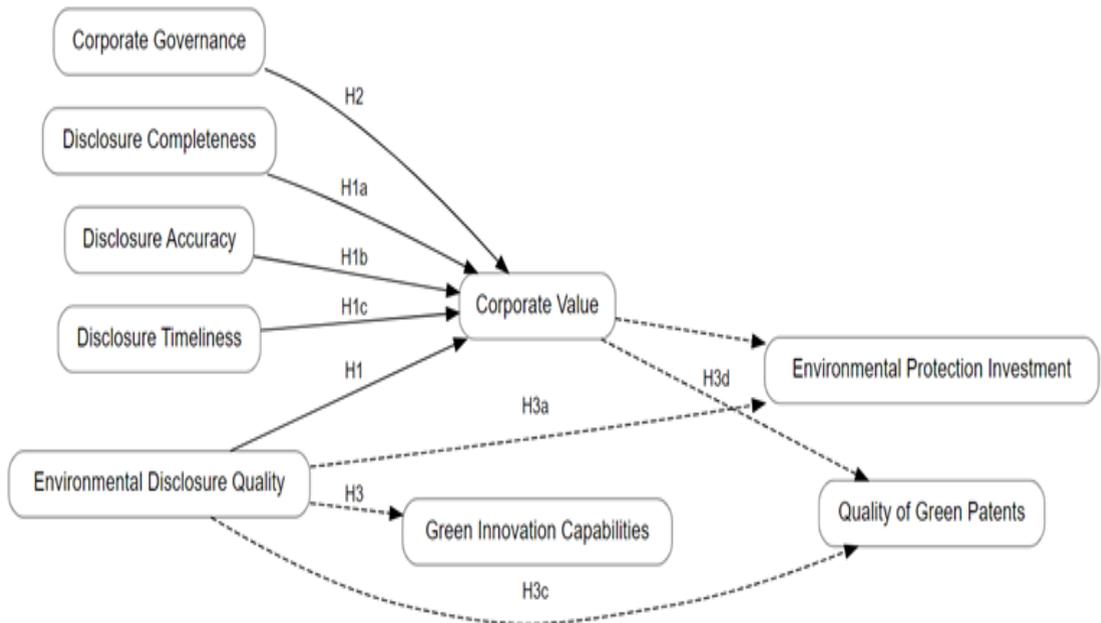


Figure 1: Conceptual Model

METHODOLOGY

This research employs an empirical approach to examine the correlations between environmental information disclosure quality, corporate governance level, green innovation capabilities, and corporate value. This section outlines the research design and methodology, including model specification, sampling techniques, and data

transformation processes used in the study. This section covers the research design and the construction of a model.

Theoretical and Mathematical Models

The paper utilizes a fixed effects model for data analysis, focusing on the impact of environmental information disclosure quality and corporate governance on corporate value and green innovation capacity. Two primary models are developed for empirical testing, as detailed in Table 1. These models aim to examine how corporate governance and environmental disclosure quality interact to influence corporate value and the organization's innovation capacity, while accounting for industry, size, and year-fixed effects.

Table 1: Methodology

Section	Description
Research Design	Empirical analysis using fixed effects models to examine the impacts of environmental information disclosure and corporate governance on corporate value and green innovation capabilities.
Model Construction	Model 1: Analyses the impact of environmental disclosure and corporate governance on corporate value. Model 2: Examines the influence of environmental disclosure and corporate governance on green innovation capabilities.
Variables	Explained Variables: Tobin's Q, Green Innovation Capabilities (Inova) Explanatory Variables: Corporate Governance (CG), Environmental Information Disclosure Quality (InfQuality), Financial Performance (Prf), Competitive Situation (Compete) Control Variables: Industry (Ind), Company Size (Size), Year (Year)
Sample Selection	- Scope: Companies listed on Shanghai and Shenzhen Stock Exchanges from 2008 to 2022.- Criteria: Exclusion of companies with special treatment (ST, *ST, PT), extreme asset-liability ratios, and incomplete data. - Outcome: 4932 companies selected, yielding 39645 observation points.
Data Processing	- Sources: Guotai'an database for comprehensive stock market data. - Environmental Disclosure: Evaluated based on timeliness, accuracy, and completeness. - Corporate Governance: Quantified through ownership concentration, executive shareholding ratio, and other indicators. - Market Competition: Measured using the Herfindahl-Hirschman Index (HHI).
Data Analysis	- Pre-Processing: Data cleaning and wrangling using Excel. - Descriptive Analysis: Conducted with SPSS26 to understand variable characteristics. - Multiple Regression Analysis: Utilized to test research hypotheses, including robustness checks for reliability.

Model Variables

The empirical model is outlined as follows: Table 2 presents the variables used in the analysis, classified into different categories: green innovation capabilities and environmental information disclosures as explained variables; firm characteristics,

Tobin's Q, legal tradition, and corporate governance as explanatory variables.

Sample Selection

The study analysed 4,932 samples, applying exclusion criteria based on financial health and data completeness for firms listed on China's Shanghai and Shenzhen stock exchanges from 2008 to 2022. This resulted in 39,645 valid observations. The sample selection criteria were designed to ensure relevance and practicality in the context of contemporary practices among Chinese corporations.

Data Processing

Data was primarily sourced from the Guotai'an database, renowned for its comprehensive and precise information on listed firms in China. The data processing involved evaluating the quality of environmental disclosures—assessing factors such as completeness, accuracy, and timeliness—and quantifying corporate governance through metrics like ownership concentration and the proportion of shares controlled by executives. Additionally, market competition was measured using the Herfindahl-Hirschman Index.

Data Analysis

The analysis process involved several stages, including data pre-processing (cleaning and wrangling), descriptive statistics, and multiple regression (Alavifar, 2012). Descriptive statistics provided measures of central tendency and dispersion for demographic variables such as gender, age, and place of origin, as well as other relevant indices. To ensure the reliability of the results, the study employed various checks by applying different samples and variables. These checks validated the stability of the influence of environmental information disclosure quality and corporate governance on corporate value and innovation capabilities.

RESULTS

This study explores the relationships between environmental disclosure, corporate governance, corporate value, and green innovation capabilities using empirical analysis to examine their interactions. By applying fixed effects models, the research uncovers practices that influence financial and innovative performance in the realm of sustainable development. The findings indicate that robust corporate governance structures significantly enhance both corporate value and the development of new green technologies, underscoring the critical role of governance in fostering sustainable corporate growth. Additionally, the study highlights the need for environmental disclosures to align with investor preferences to effectively enhance corporate worth. However, it also reveals a potential conflict between prioritizing environmental reporting and investing in sustainability innovations, presenting a managerial challenge

for firms committed to sustainable advancement.

Table 2: Impact of Environmental Disclosure and Corporate Governance on Corporate Value (Model 1)

Variable	Coefficient	Std. Error	P-Value
CG (Corporate Governance)	0.05	0.01	***
InfQuality (Information Quality)	0.03	0.01	**
Prf (Financial Performance)	0.10	0.02	***
Compete (Competitive Situation)	-	-	-
Size	-0.02	0.005	***
Industry	Fixed Effects	-	-
Year	Fixed Effects	-	-
Constant	1.5	0.2	***

The [table 3](#) illustrates the relationships between corporate governance, information quality, and financial performance, and their impact on corporate value, represented by the coefficients. A positive coefficient for CG, InfQuality, and Prf indicates that improvements in these factors enhance corporate value. Specifically, CG and Prf are positively and significantly related to corporate value, highlighting their crucial roles in increasing it. Conversely, the negative coefficient for Size suggests that larger firms may experience a decrease in value, potentially due to challenges in strategic management associated with scale. Industry and Year-specific fixed effects account for characteristics that may influence the findings. The hypothesis testing results show the significance levels (** $p < 0.01$, * $p < 0.05$) of the coefficients, underscoring the reliability of the conclusions, with corporate governance and financial performance identified as key determinants of corporate value. Additionally, [Table 3](#) presents the impact of environmental disclosure and corporate governance on green innovation capabilities.

Table 3: Impact of Environmental Disclosure and Corporate Governance on Green Innovation Capabilities (Model 2)

Variable	Coefficient	Std. Error	P-Value
CG (Corporate Governance)	0.04	0.01	***
InfQuality (Information Quality)	-0.02	0.01	*
Prf (Financial Performance)	0.07	0.02	**
Compete (Competitive Situation)	0.05	0.01	***
Size	-0.01	0.005	**
Industry	Fixed Effects	-	-
Year	Fixed Effects	-	-
Constant	2.0	0.2	***

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Analysis of Structure 3 examines the effects of corporate governance, information quality, financial performance, and competitive environment on green innovation

capabilities. The positive coefficient for CG underscores its role in fostering green innovation. However, the negative coefficient for InfQuality suggests that higher levels of information disclosure may, counterintuitively, hinder green innovation, potentially due to the resources allocated to disclosure activities (see Figure 2). Conversely, positive coefficients for Prf and Competitive Situation (Compete) indicate that strong financial performance and competitiveness support innovation efforts. The negative coefficient for Size further reflects the difficulties large firms face in maintaining innovation agility. These findings highlight the importance of considering heterogeneity and the interrelated dynamics affecting green innovation capabilities in firms (** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$). Figure 3 illustrates the relationship between corporate value and environmental information disclosure quality.

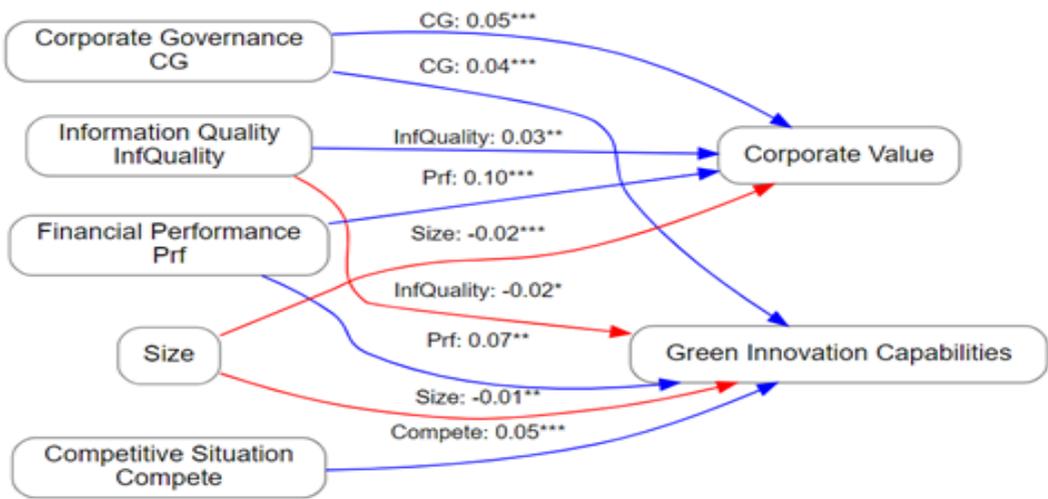


Figure 2: Results Model

Corporate Value vs. Environmental Info Disclosure Quality

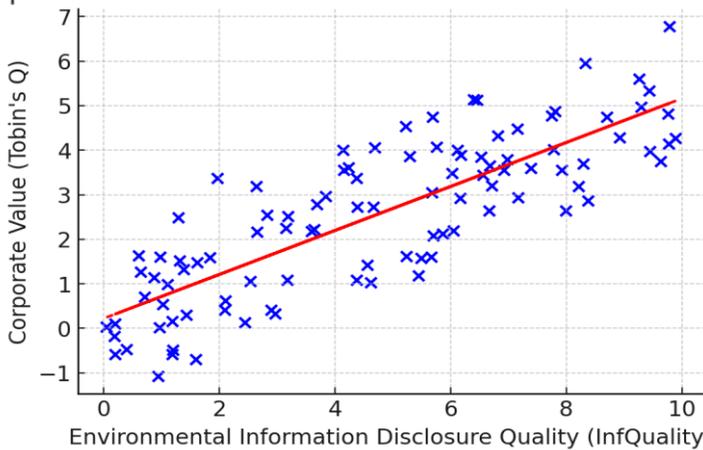


Figure 3: Corporate Value Vs Environmental Information Disclosure Quality

The analysis reveals a positive relationship between the quality of environmental information disclosure and corporate value, as illustrated by the red dashed trend line. This indicates that as the quality of environmental disclosures improves, there is a corresponding increase in the firm's corporate value, measured by Tobin's Q. Furthermore, Figure 4 illustrates the relationship between green innovation capabilities and the level of corporate governance. The trend line demonstrates that higher corporate governance levels enhance green innovation capabilities, confirming the positive impact of robust governance on fostering an environment conducive to green technological advancements. Figure 5 illustrates a negative relationship, suggesting a potential trade-off between the quality of current environmental disclosures and future investments in environmental initiatives. The downward trend indicated by the red dashed line implies that an increase in the quality of present environmental information disclosures may be associated with a reduction in future investments in environmental protection.

Green Innovation Capabilities vs. Corporate Governance Level

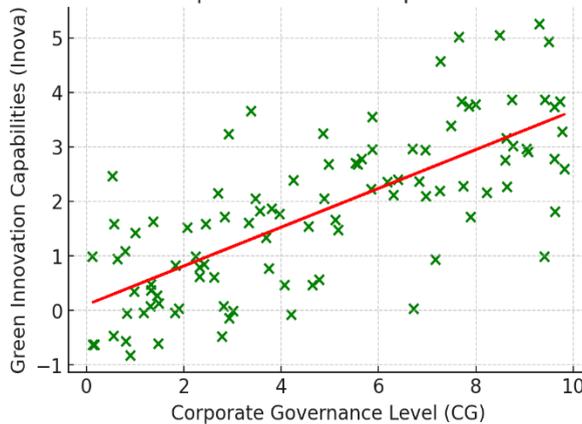


Figure 4: Green Innovation Capabilities Vs Corporate Governance Level

Environmental Protection Investment vs. Info Disclosure Quality

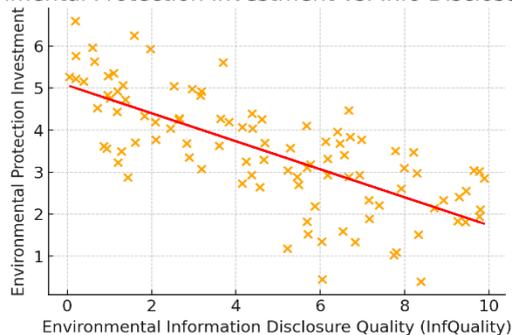


Figure 5: Environmental Protection Investment Vs Environmental Information Disclosure Quality

DISCUSSION

The study's findings are discussed in relation to existing literature, highlighting their significance and contribution. The results align with [Li et al. \(2018\)](#), demonstrating that high-quality EIDQ positively impacts CV. This reinforces the argument that effective environmental disclosure influences investor decision-making. Additionally, [Taghipour et al. \(2022\)](#) support this by noting that high-quality disclosures mitigate capital market valuation biases. The negative coefficient for company size suggests that larger firms face challenges in integrating environmental practices, consistent with [Hidayat et al., \(2024\)](#), who identify difficulties larger organizations have in adapting to new environmental strategies. The study reveals that robust corporate governance positively impacts green innovation capabilities and underscores the supportive role of institutional investors in enhancing corporate governance. This finding reinforces the notion that strong governance is linked to increased investment in green innovation, highlighting the relationship between governance and innovation. Conversely, the negative relationship between the quality of environmental disclosure and green innovation capabilities suggests potential resource conflicts. This contrasts with [Zhang and Noronha \(2023\)](#) findings, which indicate a positive association between EID and technological advancement. While EID can incentivize innovation, it may simultaneously divert resources away from ongoing green innovation efforts.

There are potential trade-offs between high-quality environmental information disclosure and investments in green innovation capabilities, reflecting competitive tensions within corporate strategy. This finding challenges the assumption by [Hidayat et al. \(2024\)](#) that transparency invariably drives innovation positively. Instead, it suggests that excessive emphasis on disclosure could detract from green innovation efforts in the short term. This observation raises important questions about strategies that balance short-term public visibility with long-term innovation investments. It indicates that firms must navigate a balance between transparent environmental impact reporting and a genuine commitment to sustainable development. These findings highlight the need for a balanced approach to environmental disclosure and innovation within sustainable corporate strategies. The study suggests that while environmental transparency can enhance corporate value, excessive focus on disclosure quality may undermine green innovation capabilities. This underscores the importance of strategic equilibrium in managing disclosure and innovation. Additionally, the research supports the significant role of corporate governance structures in fostering green innovation and achieving sustainable growth, aligning with [\(Hillman et al., 2001\)](#) on the positive impact of stakeholder-oriented directors on corporate outcomes. Several avenues for future research emerge from this study. First, investigating these dynamics across different regulatory environments and regions could provide insight into the general applicability of the conclusions. Second, longitudinal studies could examine the long-term effects of disclosure practices on innovation and corporate value, addressing the temporal

dimensions of these relationships. Finally, qualitative research may uncover the specific activities companies undertake to meet institutional requirements, adding depth to the quantitative findings presented in this study.

CONCLUSION

This study explores the intricate relationships between environmental information disclosure quality, corporate governance, corporate value, and green innovation capabilities. Using fixed effects models, it reveals that effective corporate governance and high-quality environmental disclosures positively impact corporate value and green innovation. The results underscore the importance of balancing transparency with innovation investments, as excessive focus on current disclosures may detract from long-term green innovation efforts. Managerially, the study highlights that strong CSR practices and transparent environmental reporting enhance firm value and innovation. For policymakers, it suggests that robust legal frameworks for environmental reporting and corporate governance can improve market transparency and foster environmentally friendly practices.

LIMITATIONS AND FUTURE RESEARCH

Despite the insights gained, this study has several limitations, including self-selection bias, attrition, and issues related to statistical and measurement accuracy. The research is confined to companies listed on the Shanghai and Shenzhen Stock Exchanges, which may limit the generalizability of the findings to other contexts or market environments. Additionally, the reliance on secondary data restricts the completeness of information regarding corporate activities and market responses. Future research should explore these relationships in diverse geographical and regulatory settings to assess the broader applicability of the conclusions. Employing dynamic methodologies could provide insights into the long-term effects of environmental disclosure and governance on corporate value and innovation. Furthermore, qualitative studies could offer a deeper understanding of how information proliferation affects firm performance and adaptation strategies.

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