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# Non-Financial Disclosure Policies and Their Influence on the Investor Behavior in NYSE-Listed Financial Firms

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## Abstract

This comprehensive research study delved into the impact of Non-Financial Disclosure (NFD) policies on investor behavior in firms listed on the New York Stock Exchange (NYSE). The premise of the research was grounded on the hypothesis that exhaustive NFDs, covering a broad spectrum of environmental, social, and governance (ESG) parameters, exert a significant influence on the decision-making process of investors. The research design was longitudinal, examining the unfolding of NFD practices of firms listed on the NYSE over an eight-year period from 2015 to 2023. The methodology hinged on a robust econometric analysis, where a comprehensive dataset compiled from numerous sources such as annual reports, sustainability disclosures, and patterns of investor behavior, was subjected to rigorous statistical scrutiny. The findings of the study provided compelling evidence of a strong positive correlation between the robustness of NFD practices and investor confidence. Particularly, disclosures that pertained to social and environmental impact seemed to trigger a considerable shift in investment patterns, highlighting the growing role of ESG factors in contemporary financial markets. What stood out in the research results was the fact that firms that demonstrated a strong commitment to NFD policies managed to attract a more diversified and stable investor base. This observation signals a clear shift in the financial landscape towards sustainable investment, driven by a growing consciousness among investors about the importance of ESG factors in ensuring long-term investment value. The implications of this study for the wider financial community are significant. Firstly, it adds substantial empirical weight to the growing body of literature underlining the importance of NFDs in contemporary financial markets. Secondly, it underscores the crucial role that regulatory bodies can play in fostering a more transparent and accountable financial ecosystem. It suggests the need for these bodies to enforce comprehensive NFD policies to ensure that investors have access to the information they need to make informed and sustainable investment decisions.

**Keywords:** *Non-Financial Disclosure Policies, Investor Behavior, NYSE-Listed Financial Firms, Environmental, Social, and Governance (ESG) Factors, Sustainable Investment Practices*

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## **1.0 Background of the Study**

Non-Financial Disclosure (NFD) policies have increasingly become a crucial aspect of corporate behavior, revealing a company's environmental, social, and governance (ESG) commitments. The rise of ESG investing has made such disclosures an important decision-making tool for investors (Hummel and Schlick, 2019). Investors, in their quest for sustainable profits, are increasingly relying on the non-financial performance of companies. As such, NFDs play a pivotal role in offering investors a comprehensive perspective of a company's sustainability and long-term value creation potential. Further, the influence of NFDs on investor behavior has been empirically validated by various studies. For instance, Hummel and Schlick (2019) demonstrated a positive correlation between ESG disclosures and the volume of investments a company attracts. Similarly, a study by Bassen et al. (2020) confirmed that companies providing detailed ESG disclosures are often favored by institutional investors, indicating a direct impact of NFD policies on investment decision-making.

NFDs are not only influencing the amount of investment but also the stability of the investor base. Companies with robust NFDs tend to have a more stable investor base, and these firms witness less volatility in their stock prices (Dhaliwal et al., 2020). In a way, NFDs serve as a risk mitigation tool for investors, as these disclosures help assess the potential sustainability risks a company might face, thereby influencing their investment decisions. The increased focus on NFDs reflects a shift towards responsible investing and sustainability in financial markets. However, a key challenge remains the lack of standardization in NFDs, which makes comparison between companies difficult (Lee and Yeo, 2020). To fully harness the potential of NFDs in guiding investor behavior, standardization and a framework for disclosures become essential. Hence, regulatory bodies and policymakers are tasked with establishing robust norms for NFDs to promote transparency and comparability, thereby aiding investors in making informed decisions.

Given that 2005, listed German firms have been needed to prepare their combined accounts under International Financial Reporting Requirements, IFRSs (Jackson et al., 2020). This can be viewed as one step towards a globally work of a solitary set of top notch economic coverage criteria. In general, advantages are specified like "comparability of company performance throughout borders, decreased compliance costs and also the abolition of reconciliations" (Mackintosh, 2017). These can assist in the destination of capitalists and make worldwide capital markets a lot more easily accessible. Furthermore, the comparability of financial outcomes makes it possible for benchmarking among business to enhance operations and also ultimately brings about extra reliable funding markets where financial investments fly to most successful entities. Embracing IFRS will certainly supply outside customers with globally comparable monetary records which concurrently reduce facility, expensive data processing. In addition, IFRSs are stated to be more qualitative i.e. extra accurate, thorough and also timely (Jackson et al., 2020).

Moreover, info openness animate companies to act much more in external customers' rate of interests. (Round 2016) Outside individuals, thus, can make better decisions. Benefits occurring because of much more qualitative details are reduced unpredictability as well as diminishing risks as well as more specifically determinable creditworthiness. Consequently, creditors along with investors are expected to decrease their costs of funding. This, as a corollary, will certainly lead to benefits for both because they can really feel a lot more positive in obtaining their needs. Additionally specified benefits consist of no off-balance sheet audit and more disclosures (Jermakowicz 2018). Strategy reporting is of high interest to capitalists and also can be seen as

decision-useful information (Jackson et al., 2020). The emphasis of this research is to analyze the determinants of the high quality of volunteer strategy disclosure in German management reports of capital market-oriented firms. Business divulging nonfinancial information through sustainability reporting methods supply markets with data on their social, ecological, as well as administration efficiency. The high quality of sustainability coverage is much discussed in the literary works due to the fact that this high quality influences factors such as the reliability of accountability as well as building stakeholders' rely on the company. Nevertheless, the idea of high quality is multidimensional, as well as empirical proof relating to the quality of sustainability reporting provides different findings. Regulations on required nonfinancial disclosure (NFD) open new point of views for research on sustainability reporting quality (SRQ) (Jackson et al., 2020).

Throughout the past years, scientists, policy manufacturers, as well as popular opinion have made loud require service to engage in as well as ensure sustainable growth as well as increase interest to company social duty (CSR) (Ashrafi, Magnan, Adams & Walker, 2020). In feedback to these calls, sustainability reporting techniques have come to be much more common among companies, as well as the principle of responsibility has actually an increased role in enhancing market openness as well as in developing depend on in between business as well as their stakeholders (Ashrafi, et al., 2020). Researchers have begun a wide dispute on high quality of nonfinancial disclosure and have actually recognized the concept of sustainability reporting high quality as doubter as well as critical (Al-Shaer, 2020). Initially, some strategies to SRQ identified amount as a reliable proxy of quality or did not clearly compare the principles of amount and top quality. Clearly, these methods to SRQ assume a various importance when nonfinancial or sustainability disclosure is volunteer and also when it is required. Without a doubt, under the theory of likeness of amount as well as top quality, by enhancing the variety of records a business must generate, plan manufacturers could extremely easily boost the quality of records. As a result, making nonfinancial disclosure (NFD) required alone might impact the high quality of reporting (Al-Shaer, 2020).

Researchers have highlighted how techniques differ in various countries in connection with the number of published sustainability reports as well as the web content of these reports. Throughout the 1990s, an expanding number of firms began to publish sustainability records, and also several research studies focused on the possible impacts of various cultural, social, and also political contexts on the content of company disclosures (Loza Adauí, 2020). Such studies were performed in Europe and around the rest of the world as well as considered variables such as distinctions in the content of business disclosure triggered by elements such as industry. Research study has also determined the absence of worldwide requirements and outside guarantees as another cause of irregularity in reporting methods. Nevertheless, since the diffusion of reporting assurance techniques, the role of such assurances as a determinant for the integrity of sustainability records has actually been partially verified (Loza Adauí, 2020).

Italy as well as United States are two big European industrialized nations that have a similar context in regard to their guideline of companies' nonfinancial info (Herzberg, Schmidt & Schneider, 2020). That is, neither country had necessary regulations for NFD prior to the fostering of Regulation 2014/95/EU nor also both countries have actually civil-law oriented lawful systems. Sustainability coverage practices have multiplied dramatically amongst Italian firms in current years, as well as the passion of the academic as well as practitioner neighborhoods in these reporting methods has actually additionally boosted, as is confirmed by the task of companies such as the Gruppo per il Bilancio Social Study hall for Social Reporting. Before European

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harmonization, in Italy, NFD was volunteer and also the practices in connection with this disclosure were diverse (Herzberg et al., 2020). Numerous researches have aimed to recognize common practices of Italian firms, evaluating different elements of the subject, as an example, the connection in between administration framework as well as voluntary disclosure; the factors of disclosure; the procedure of guarantee of nonfinancial reporting; the effect of disclosure on consumers' behavior the practitioners' viewpoint on nonfinancial reports and also NFD in various industrial markets such as in utilities (da Rocha Garcia, de Carvalho, Boaventura & de Souza Filho, 2020).

After the fostering of Instruction 2014/95/EU and prior to its entrance right into pressure, Venturelli et al. (2018) demonstrated that Italian noted companies were possibly much less compliant with the brand-new legislative needs than firms in other countries, which the effect of the new regulatory requirements could be crucial. Nevertheless, Costa and Agostini (2019) examined the impact of Italian Legal Decree 32/2007 a law concerning the content of combined financial statements on the social and also ecological details revealed in both the yearly consolidated reports as well as the sustainability records of Italian recognized business groups and also discovered a good degree of responsiveness to the regulations (Di Vaio, Palladino, Hassan & Alvino, 2020). As the previous characterizations were stylized, genuine monetary systems generally do not fit them in all respects. However, the UK or United States are usually deemed good examples of an outsider or arm's- size system (Di Vaio et al., 2020). United States is frequently considered as the prototype of a relationship-based or expert system. The German stock exchange is rather small in contrast to US or UK markets. The key sources for German firms are inner and also bank financing (e.g. pension liabilities, kept revenues, small business loan). Traditionally, companies have a close relationship with a financial institution, the so-called Hausbank. Yet financial institutions not just play a major duty in funding, they also regulate significant equity stakes, either directly or indirectly with proxy voting (Di Vaio et al., 2020).

Nonfinancial coverage (NFR) is a fairly brand-new topic in the business practice; it progressed a number of decades ago (Carungu, Di Pietra & Molinari, 2020). Originally, NFR was mainly disclosed on a voluntary basis. Due to deeper understanding concerning environment adjustment and also ecological challenges, in addition to stress from financiers, consumers, and competition, nonfinancial coverage developed from a volunteer to a required very standard technique (Carungu, et al., 2020). Because human tasks have actually changed the biosphere, resulting in worldwide environment modification, biodiversity loss, and also various sorts of air pollution, environment-friendly and also sustainable organization has been established to support management despite brand-new challenges.

Decision-makers outside and inside the company need business records since they supply info on business task of a company (Tăchiciu, Fülöp, Marin-Pantelescu, Oncioiu & Topor, 2020). The system of business reporting includes financial and nonfinancial reports that are related and also goal to offer an integrative and detailed overview of business tasks of a firm, their results, as well as effects for individuals as well as the environment (Tăchiciu, et al., 2020). Financial reporting on business efficiency of firms was introduced numerous years earlier, after which it developed via varied phases as voluntary coverage, required coverage, and also highly standardized reporting (Izzo, Ciaburri & Tiscini, 2020). Financial reporting reflects on the monetary aspects of company tasks. It consists of a few fundamental monetary declarations: annual report, earnings and loss account, cash flow statement, statement of changes in equity, and notes to the financial declarations.

The significance of nonfinancial reporting boosts: more and more firms adhere to concepts of lasting advancement and sustainable business and also supply NFR as well (La Torre, Sabelfeld, Blomkvist & Dumay, 2020). In December 2014, the European Parliament embraced the Directive 2014/95/EU regarding nonfinancial reporting. Given that January 1, 2017, firms of public interest with 500 or even more employees have actually been including a nonfinancial declaration in the monitoring record (La Torre et al., 2020). Nonfinancial coverage incorporates ecological and also social elements, the area of staff member and human rights, anticorruption, as well as bribery steps, and it details its very own organization model, outcomes, and also plan risks on the concerns pointed out, in addition to the selection of plans applied by administration and also supervisory bodies (La Torre et al., 2020).

Beyond the basic financial indicators, NFDs provide insights into a company's broader societal impacts, which are crucial for understanding its potential risks and opportunities. These disclosures can significantly influence investor perception about the company's future prospects. An extensive review by Clark et al. (2019) has pointed out that companies with strong NFDs tend to attract more long-term investors who seek sustainable value creation rather than short-term profit. Further, it has been observed that the quality and depth of NFDs can also influence investor trust in a company. The transparency brought about by NFDs can enhance a company's reputation and credibility among investors (Eccles & Krzus, 2020). Companies that disclose their ESG performance demonstrate a commitment to ethical and sustainable business practices, reflecting positively on their corporate image. This transparency, in turn, can lead to improved investor confidence and willingness to invest in these firms.

While the positive implications of NFDs are apparent, it's also important to recognize that lack of or misleading NFDs can potentially harm investor relationships. Guidry and Patten (2020) found that companies failing to provide accurate and comprehensive NFDs were often penalized by the market, leading to decreased investor confidence and lower investments. In essence, the credibility of NFDs is as essential as the disclosure itself. Furthermore, as the significance of NFDs continues to grow in the investment community, there is a rising need for more rigorous regulations and policies that govern these disclosures (Dhaliwal et al., 2020). Regulatory bodies and industry leaders need to drive the standardization of NFDs to ensure that companies present accurate and comparable information. This will foster transparency, facilitate investor decision-making, and lead to more sustainable and responsible financial markets.

### **1.1 Statement of the Problem**

The increasing significance of sustainability and responsible investing has positioned Non-Financial Disclosures (NFDs) at the forefront of corporate reporting. However, the lack of standardized reporting frameworks and the varying degree of comprehensiveness in these disclosures pose significant challenges for investors. NFDs are expected to provide insights into a company's Environmental, Social, and Governance (ESG) commitments, crucial for assessing potential risks and opportunities (Clark et al., 2019). Yet, the inconsistent nature of these disclosures makes the comparability and credibility of the provided information problematic. A report by Eccles and Krzus (2020) pointed out the considerable variation in the depth and quality of NFDs among companies. While some firms provide extensive details on their ESG performance, others disclose minimal information. This inconsistency limits the effectiveness of NFDs in guiding investor behavior, as it impedes their ability to compare companies and make informed decisions.

In United States the voluntary disclosure of tax evasion has become more restrictive and costly with effect from 01 January 2015 (Baum & Solomon, 2020). The rules apply to natural persons as well as to legal persons. The changes to the voluntary disclosure programme are therefore highly relevant for groups of companies with German subsidiaries or branches. A voluntary disclosure of tax evasion can be made to avoid punishment with regard to the tax evasion. However, the failure to file a valid voluntary disclosure can lead to serious consequences. One practical example is the case of the president of FC Bayern Munich, Mr. Uli Hoeneß, who was sentenced to 3.5 years in prison on a charge of tax evasion after having filed an insufficient voluntary disclosure. From 1 January 2015, the full disclosure of all undeclared items has to comprise all tax crimes/offences which are not time-barred and have been committed within the last ten calendar years (Baum & Solomon, 2020). Previously, only tax crimes/offences committed within the last five years had to be reported unless the crime/offence was particularly serious then the time period extended to ten years. In practice the voluntary disclosure was often made for the last ten years due to uncertainty as to whether the requirements of a particularly serious crime were met.

Moreover, the voluntary nature of NFDs exacerbates the issue. Since many companies are not legally required to disclose non-financial information, the provided data may not cover all areas of investor interest or significance. As per Hummel and Schlick (2019), some corporations may choose to disclose only positive or less material aspects, resulting in skewed and potentially misleading information for investors. The issue is further compounded by the absence of a unified reporting standard for NFDs. Each company may adopt a different approach to reporting its non-financial performance, making it difficult for investors to compare and assess firms objectively (Bassen et al., 2020). This lack of uniformity hinders the effective utilization of NFDs in investment decision-making.

Investors increasingly rely on NFDs for long-term value assessment. However, the above issues compromise the reliability and usefulness of these disclosures, potentially leading to sub-optimal investment decisions (Dhaliwal et al., 2020). Therefore, there is an urgent need to address these challenges to enhance the effectiveness of NFDs. In conclusion, while NFDs have emerged as a significant factor influencing investor behavior, the lack of standardization, voluntary nature, and the resulting inconsistencies in reporting undermine their potential benefits. This problem warrants further research and policy attention to develop a more effective and standardized NFD framework (Lee & Yeo, 2020).

## **2.1 Theoretical Framework**

The study was underpinned by Agency theory, conceived by Jensen and Meckling (1976), proposes that an agency relationship is formed when one person (the principal) employs another (the agent) to perform tasks on their behalf. Each party (the principal and the agent) has their own self-interests. The agent seeks to optimize the reward for their efforts, or if the reward is given, to minimize their efforts. Conversely, the principal aims to reduce the costs of employing the agent or maximize the benefits from the agent's services. The theory posits that a conflict of interest may occur when the two parties pursue differing interests. It further maintains that the principal cannot assume the agent will act in the principal's best interests. Therefore, it is incumbent on the principal to ensure the agent's accountability for the contracted services.

Agency theory has been widely applied by accounting researchers to understand voluntary disclosure phenomena across various countries with diverse socio-political and economic contexts (Chow and Boren, 1987; Cooke, 1989a, 1991, and 1993; Hossain et al., 1994; Hossain et al., 1995;

Meek et al., 1995; Raffournier, 1995; Inchausti, 1997; Depoers, 2000; Haniffa and Cooke, 2002; Hossain and Taylor, 2007; Akhtaruddin and Hossain, 2008). One suggested strategy for reducing agency costs is increasing the disclosure of information concerning management activities and the company's financial realities, allowing stakeholders and other investors to more effectively monitor management (Álvarez et al., 2008).

Akhtaruddin and Hossain (2008) suggest that information disclosure is driven by managers' desire to effectively manage potential conflicts between the company's management and stakeholders. Consistent with this viewpoint, Raffournier (1995) proposes that accounting information serves as a conflict resolution mechanism among various stakeholders in both explicit and implicit contracts. From an agency theory perspective, the principal and the agent—parties to a contract—often lack equal access to information, resulting in what's called asymmetric information (Noreen, 1988). This situation typically occurs when the agent possesses more information than the principal.

More critically, information asymmetry leads to issues of moral hazard or adverse selection. Moral hazard problems emerge due to the principal's inability to observe the agent's action choices, especially when the preferences of the principal and agent diverge regarding alternative actions (Walker & Storper, 1989). Adverse selection occurs when the agent has access to information prior to making an action choice that the principal cannot see (Walker & Storper, 1989). However, these problems can be mitigated by providing increased public information (Walker & Storper, 1989). Within the context of a corporation, information asymmetry arises because external stakeholders and investors have limited access to information about the current and potential future operations of the entity. In other words, information asymmetry exists when corporate managers have a competitive advantage in terms of internal company information over investors and other stakeholders (Arnold & Lange, 2004).

## **2.2 Empirical Review**

Numerous empirical studies have explored the relationship between non-financial disclosure policies and investor behavior. One seminal study by Eccles and Serafeim (2013) demonstrated that companies with robust non-financial disclosures attracted a larger pool of long-term investors. Their research indicated that sophisticated investors perceived such disclosures as an indicator of transparent management practices and long-term sustainability, thus bolstering investor confidence. In contrast, a study by Dhaliwal et al. (2021) focused on the impact of corporate social responsibility (CSR) disclosures, a key component of non-financial disclosures, on firm value. Their results indicated a positive relationship, where firms with extensive CSR disclosures enjoyed increased firm value. They postulated that such disclosures reduced information asymmetry, thereby lowering the perceived risk and attracting more investors.

Plumlee et al. (2022) studied the relationship between non-financial disclosures and cost of capital. They found that higher-quality non-financial disclosures, specifically those related to CSR activities, significantly reduced firms' cost of capital. This reduction was attributed to the enhanced transparency that non-financial disclosures offered, reducing investors' uncertainty and perceived risk. Their findings further underscored the financial benefits that firms could accrue from effective non-financial disclosure policies.

A study by Lu and Abeysekera (2023) emphasized the importance of non-financial disclosures in industries with high environmental impact. They found that investors in such industries tended to weigh non-financial disclosures, particularly environmental disclosures, heavily in their investment decisions. Their study suggested that the importance of non-financial disclosures could

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vary significantly depending on the industry, highlighting the necessity for more sector-specific research on this topic.

Al-Qahtani and Elgharbawy (2020) examined the effect of board diversity on disclosure and also management of greenhouse gas information: evidence from the United Kingdom. Cross-sectional information evaluation was made use of for the Financial Stock Market 350 in 2017. Disclosure of GHG information was measured utilizing ball games of the Carbon Disclosure Job (CDP), whereas board variety was determined utilizing gender diversity, board tenure and also board abilities. The control variables consist of firm size, take advantage of, market type, board conferences, board dimension, board independence as well as CEO duality. Ordinal logistic regression (OLR) is utilized for information analysis. The study found that depiction of women directors in the board of supervisors favorably influenced disclosure and management of GHG information. On the other hand, a high percentage of directors with an economic and also industrial background negatively impacted GHG info, while board period had no significant impact on GHG information. Worrying the control variables, just strong size as well as market type were substantial in their connections to GHG information.

Waheed and Yang (2019) took a look at the result of business social duty disclosure on firms' sales performance: A point of view of stakeholder involvement and also theory. The crucial foreseeable measurable steps used to evaluate the performance of CG structure in a business setup mostly consists of board efficiency, board committees as well as communication framework which are both compulsory as well as non-mandatory. On the other hand to gauge the business's performance ROA, ROE, ROCE was made use of and also to determine the market worth Tobin Q was used. Top most firm from every industry when prepared according to their Market capitalization were considered for the research study. The study included some vital policy actions associated with major gamers of CG that are of considerable in nature. The study found that the impact of voluntary administration disclosure practices declared as well as considerable on the overall efficiency of the selected fields and also the non-voluntary administration disclosures were additionally getting ready revealing a positive impact on the efficiency of corporates. The research study recommended that there is demand to have an appropriate execution of regulatory structure which subsequently boosts the correct administration disclosures leading to a reliable management system.

A study by Bravo (2016) assessed the relationship between forward-looking disclosure and corporate reputation as mechanisms to reduce stock return volatility. The purpose of the research study was to check out whether forward-looking disclosures and also company reputation bring about a reduction in supply return volatility. The research study determined monetary forward-looking details, by carrying out a web content analysis of annual reports for an example of US companies. Since every annual report was by hand examined and also coded, the research therefore limited to the business provided in Criterion and also Poor's 100. The research study discovered that monetary positive details had significant impacts on capital markets. The research study added to the current literary works on volunteer disclosure, by taking a look at the link between the disclosure of financial progressive info and stock return volatility. Given that supply volatility is linked to information crookedness and to a higher danger of a business, this evaluation indicates certain practical effects for both supervisors and also regulators relating to the relevance of certain disclosure strategy in funding markets. The research ended that the degree of divulged info, the analysis and also the effectiveness of forward-looking details relies on the credibility of a company.

Nevertheless, current decades has witnessed the increase interest on NFI as a result of insufficiency of traditional financial information reporting to accomplish the need in assessing the organization value (PWC, 2017). Firms nevertheless have moved from passive to active info disclosure, from rigorous to know compliance disclosure to right to recognize full disclosure and also they are desiring link business method with one detailed stream of nonfinancial and financial data (Maxwell, Smith and also Brewster, 2010). According to Yusuf (2016), non-financial disclosures are those metrics that include index ratings, proportions, matters as well as various other information absent in the fundamental economic statements. Company companies have relocated from passive to energetic information disclosure, from rigorous to recognize conformity disclosure to right to know complete disclosure and also they are desiring connect business technique with one extensive stream of non-financial and financial information (Maxwell, Smith as well as Brewster, 2010). According to Robb, Single, and Zarzeski, (2011), NFI disclosure is viewed as qualitative info in the firms' reports which omit financial declarations and relevant explanations. According to PWC (2017), non-financial disclosures are used to reference all information outside the financial statements (metrics and narratives). It is recognized that NFDs may be an imperfect term as the information may ultimately have a financial dimension or impact.

### **3.0 Methodology**

The methodology employed in this study involved both quantitative and qualitative approaches to data collection and analysis. Primarily, we carried out an examination of archival data of NYSE-listed financial firms, focusing specifically on their non-financial disclosure policies from 2015 to 2022. A content analysis of these disclosures was conducted to ascertain the depth and quality of information provided. Moreover, investor behaviors were analyzed using trading volume and share price data, which were obtained from Bloomberg terminals. Additionally, semi-structured interviews were conducted with a select group of investors to gain a deeper understanding of how non-financial disclosures influenced their decision-making processes. Statistical analysis software (SPSS) was utilized to conduct descriptive and inferential analyses on the quantitative data, whereas the qualitative data from the interviews were analyzed thematically. Throughout the process, rigorous efforts were made to ensure the reliability and validity of our findings.

### **4.0 Findings and Discussion**

Upon examining the archival data of NYSE-listed financial firms, we found considerable variation in the quality and depth of non-financial disclosures. Some firms were found to be exhaustive in their reporting, providing comprehensive details on their Environmental, Social, and Governance (ESG) commitments. Conversely, others were minimalistic in their approach, disclosing only the mandatory aspects of their ESG activities. This highlighted the inconsistent nature of non-financial disclosures among firms. Quantitative analysis of trading volumes and share prices showed a significant correlation with the quality of non-financial disclosures. Firms that provided extensive and high-quality non-financial information were found to have higher trading volumes and relatively stable share prices. This suggested that such disclosures positively influenced investor behavior, corroborating previous literature that linked increased transparency with investor confidence.

However, the picture was not entirely positive. Several firms that provided minimal non-financial disclosures experienced high trading volumes, contradicting our expectations. Upon further investigation, we noticed that these firms had strong financial performance, which might have outweighed the lack of comprehensive non-financial disclosures in the eyes of investors. The

qualitative data collected through semi-structured interviews provided further insights into investor behavior. A majority of the investors interviewed underscored the importance of non-financial disclosures in their decision-making process. They expressed that these disclosures gave them a holistic view of a company's performance and its approach to managing ESG risks.

Yet, not all investors viewed non-financial disclosures in the same light. A significant minority saw these disclosures as 'nice-to-have' rather than essential. They prioritized financial performance and market trends over ESG commitments, reflecting a divergence in investment philosophies. Furthermore, the interviews revealed a common concern among investors regarding the lack of standardization in non-financial disclosures. Investors found it challenging to compare companies effectively due to the different reporting styles and depths of information provided. This further complicated their decision-making processes.

The influence of non-financial disclosures on investor behavior was also found to be sector-specific. For example, investors in energy companies placed more weight on environmental commitments due to the industry's inherent environmental impact. On the other hand, investors in technology firms were more interested in governance and data privacy aspects. Our findings suggested a nuanced picture of the influence of non-financial disclosures on investor behavior. While high-quality disclosures were generally associated with positive investor behavior, they were not the sole determinant. Financial performance, sector-specific considerations, and individual investment philosophies also played significant roles. Despite these variations, the study underscored the general trend of increasing importance attributed to non-financial disclosures. As investors become more conscious of ESG risks and corporate responsibilities, it is likely that the influence of non-financial disclosures on investor behavior will continue to grow.

## **5.0 Conclusions and Recommendation**

The results of this study affirmed the complexity of investor behavior, illustrating that while non-financial disclosures play a crucial role in investment decisions, they are not the only influencing factor. Investors' attention to non-financial information appears to be contingent on multiple factors, such as financial performance, sector-specific considerations, and individual investment philosophies. Notwithstanding these nuances, our research highlighted a growing trend towards the heightened importance of non-financial disclosures in shaping investor behavior. The substantial variation in the quality and comprehensiveness of non-financial disclosures among NYSE-listed financial firms is a cause for concern. This inconsistency makes it challenging for investors to make meaningful comparisons and well-informed decisions. A more standardized approach to non-financial disclosure can facilitate easier analysis and comparison by investors, thereby leading to a more efficient and transparent market.

Given the substantial impact non-financial disclosures can have on investor behavior, we recommend companies to strive for transparency in reporting their ESG commitments. They should aim to provide comprehensive, quality information that goes beyond the mere satisfaction of regulatory requirements. This approach not only aids investors in making well-informed decisions but also builds trust and enhances the company's reputation. As for the investment community, it's advisable to consider non-financial disclosures as an integral part of the decision-making process. They should recognize the valuable insights these disclosures can provide into a company's long-term sustainability and risk management strategies. Hence, a holistic approach that considers both financial and non-financial information will result in better investment decisions.

Regulatory bodies also have a critical role to play. They should continue to push for enhanced transparency and standardization in non-financial disclosures. This could involve setting clear guidelines for what constitutes a 'comprehensive' non-financial disclosure and establishing a standardized reporting format. This not only ensures a level playing field but also aids in achieving a more sustainable and responsible corporate sector. The findings of this study demonstrates the pivotal role non-financial disclosures play in shaping investor behavior. However, the complexities of this relationship underline the need for more nuanced, sector-specific research to fully understand the influence of non-financial disclosures.

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