

The Influence of Social Responsibility Information Disclosure on Enterprise Value--Take Lens Technology for Example

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Abstract: Based on the perspective of financial statements, taking Lens Technology as an example, this paper analyzes the impact of social responsibility information disclosure on corporate value from four aspects including profitability, solvency, operating capacity and growth capacity. research funding:(1) There is no unified standard on the content of social responsibility information disclosure in China, which makes it impossible to determine the specific growth point of enterprise value when analyzing enterprise value from the perspective of financial statements;(2) Social responsibility information disclosure also has the lack of disclosure consciousness, unable to correctly understand the value of social responsibility information disclosure to enterprises, resulting in incomplete disclosure content and other problems. In view of the existing problems, this paper proposes to improve the laws and regulations of social responsibility information disclosure, organize relevant training to enhance the awareness of enterprise disclosure, which is conducive to promoting the establishment of a more perfect social responsibility information disclosure mechanism, and is conducive to the scientific estimation of enterprise value.

Keywords: Enterprise value, Social responsibility information, Lens Technology, Information disclosure

1. Introduction

With the official listing of China's carbon market rights trading market on July 16, 2021, China's attention to environmental issues is increasing. Does the conscientious fulfillment of social responsibility and disclosure by enterprises affect the value of enterprises? Through an empirical study of China's heavily polluting industries, it was found that corporate fulfillment of environmental responsibility helps companies create value, but the value effect brought about has a cyclical lag (Zang, Xiuqing, and Deng, Hongcheng, 2013). Taking TCL Group's fulfillment of environmental responsibility as an example, it was found that the fulfillment of environmental responsibility reduces corporate performance in the short term, but increases corporate value in the long term (Leng, J. Q., 2020). However, corporate value is also related to the quality of disclosure, and the quality of social responsibility information disclosure moves in the same direction as the gender equality concern of a region's culture, but moves inversely with its performance assessment (T. Zhang, 2019), and is also influenced by management competence, and the quality of disclosure moves in the same direction as management competence (H. Li, J. Wang, 2019). Full disclosure of social responsibility information contributes to the stability of stock price (Li, Qiu Dy, 2017) and also reduces the financial risk of the company (Han, Fang, Yang, Liu, 2021). Thus, it can be seen that disclosure of social responsibility information affects corporate value through different ways, but most of the literature that exists on the evaluation of corporate value conducts empirical studies, and there is less literature on analyzing the impact of social responsibility information disclosure on financial statements. Therefore, a study on the relationship between CSR disclosure and corporate value based on the financial statement perspective is initiated.

2. Influence Mechanism

The internal mechanism of social responsibility information disclosure affecting enterprise value See Figure 1.

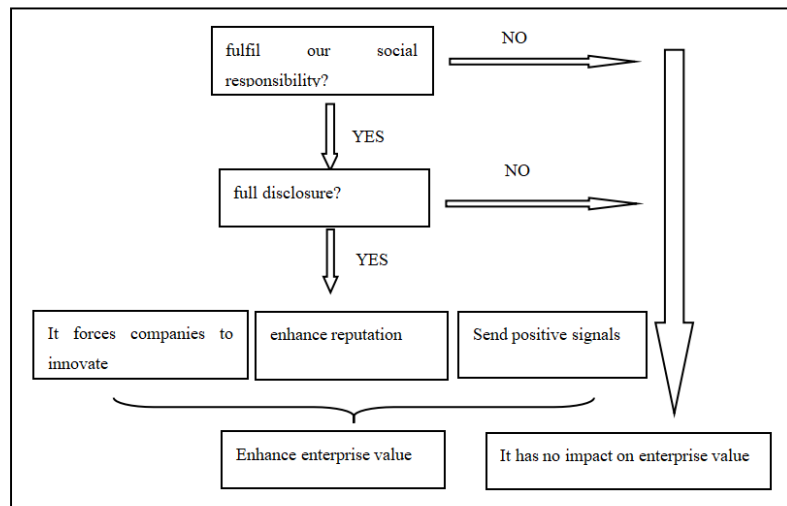


Figure 1: The internal mechanism of CSR information disclosure affecting corporate value

Because of the inherent limitations of information dissemination, there is asymmetry. In general, information users are expected to make decisions based on the signals released by enterprises, and this paper conducts research on this basis. The value of the enterprise itself includes tangible asset value, intangible asset value and goodwill. Goodwill is an intangible asset of an enterprise. If an enterprise is in good business condition, it can fulfill its social responsibility and make effective disclosure while pursuing profits, which will help improve its goodwill. From the perspective of financing, banks will grant enterprises with good reputation a higher loan line, which will enhance the liquidity of their assets. The upstream and downstream enterprises with good reputation will also be granted a larger commercial credit line, which will reduce the financing cost of enterprises and thus increase their profits. Financial indicators such as liquidity ratio, return on total assets and return on net assets can be used to analyze the impact of social responsibility information disclosure from the perspective of financial statements. Since goodwill is part of the value of the firm, the value of the firm will therefore be affected.

Companies that insist on fulfilling social responsibility and making disclosure can help improve corporate reputation, reduce corporate costs, and contribute to corporate profits and value. In addition, fulfillment of social responsibility requires a certain amount of financial support, and companies that fulfill their social responsibility and make disclosure can reflect that they have sufficient capital flow, which will attract more investors to invest. And the enterprise fulfills social responsibility will maintain the original profit or make the profit grow at the same time, which requires the enterprise to innovate continuously to make up for the cost paid for fulfilling social responsibility. Therefore, there is a certain backward mechanism between fulfilling social responsibility and corporate innovation.

3. Case Study

3.1. Motivation for disclosing social responsibility information

There are many ways to disclose social responsibility information. This paper selects social responsibility reports issued by enterprises and analyzes them from the perspectives of profitability, debt paying ability, operating ability and growth ability based on the perspective of financial statements. In terms of laws and regulations, China does not clearly stipulate that all enterprises must disclose information. However, in recent years, external stakeholders have paid more and more attention to social responsibility. From the analysis of the impact of social responsibility information disclosure on enterprises, it can be seen that the disclosure of social responsibility information will reduce the financing cost of enterprises. On April 10, 2019, Lens Technology announced that it planned to raise 15 billion yuan, which was one of the motivations for its disclosure. In addition, external stakeholders will also pay attention to the future development of the enterprise. In order to comply with the current development trend, Lens Technology wants external stakeholders to better understand the relevant situation of the enterprise, so it needs an independent report to disclose, which is the necessity of lens Technology to disclose social responsibility information.

3.2. Lens Technology's disclosure of social responsibility information

Lens Technology disclosed its social responsibility report in 2018 for the first time in 2019, and 2020 is the second year for lens Technology to disclose social responsibility information. This case study selects lens Technology's social responsibility information disclosure from 2018 to 2020 for analysis. Lens Technology has no significant difference in the overall framework of social responsibility information disclosure for two consecutive years, but there is a qualitative improvement in the specific content. In the following analysis, the specific performance of Lens Technology's disclosure quality improvement will be mentioned.

3.3. The influence of social responsibility information disclosure on solvency

The solvency of an enterprise can reflect its debt repayment capacity, financial status and operating capacity. The solvency indicators of Lens Technology from 2018 to 2020 are shown in Table 1:

Table 1: Analysis of Lens Technology's solvency.

The annual	2020/12/31	2019/12/31	2018/12/31
Current ratio	1.309	0.875	0.72
Cash flow ratio	0.28	0.381	0.244
The rights and interests multiplier	1.88	2.096	2.525
Total Assets (100 million Yuan)	795.80	470.30	431.40
Total owner's Equity (100 million Yuan)	423.20	224.40	170.90

(The data in this article are from the financial statements of Oriental Fortune and Lens Technology, which are manually sorted and obtained by the author, the same as below)

It can be seen from Table 1 that the current ratio and quick ratio of Lens Technology show an upward trend from 2018 to 2020, which may be due to the increase in the quality of disclosure of social responsibility information and reputation, the increase in the amount of funds received by Lens Technology in 2020, the increase in the current ratio and the enhancement of short-term debt repayment ability. For long-term debt paying ability, the equity multiplier is selected for comparative analysis with the industry average. The larger the equity multiplier is, the weaker the long-term debt paying ability is. The comparison is shown in Figure 2:

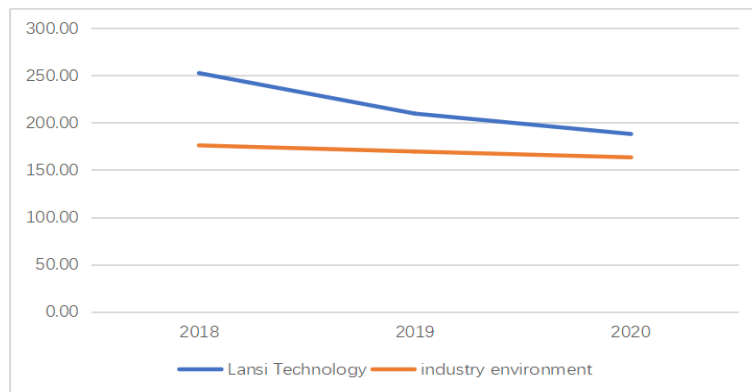


Figure 2: Equity multiplier industry comparison chart

As shown in Figure 2, Lens Technology's equity multiplier shows a downward trend from 2018 to 2020, indicating that there is some financial leverage and the financial risk it faces is higher than the average level of the industry, but it shows a downward trend. Long-term debt paying ability is developing in a good direction, but there is still a lot of room for progress to reach the average level of the industry. According to the financial statements of Lens Technology, external information users can obtain positive signals that lens Technology's debt paying ability is improving, which will attract external investors to invest. However, Lens Technology will selectively disclose social responsibility information when disclosing, which is not conducive to displaying lens Technology's advantages.

3.4. The impact of social responsibility information disclosure on profitability

Profitability usually refers to the ability of an enterprise's assets to earn income in the future. The profitability indicators of Lens Technology from 2018 to 2020 are shown in Table 2:

Table 2: Profitability analysis table of Lens Technology.

Profitability indicator	2020/12/31	2019/12/31	2018/12/31
Return on Equity (weighted)(%)	19.42	13.35	3.79
Return on Total Assets (weighted)(%)	7.83	5.39	1.52

As shown in Table 2, during the period from 2018 to 2020, lens Technology's roe has been on the rise, but it is lower than the increase of ROE. According to the formula of $ROE = (\text{net profit}/\text{shareholders' equity}) \times 100\%$, $ROE = (\text{net profit}/\text{average total assets}) \times 100\%$, The increase of return on total assets is lower than return on net assets, which may be caused by the high proportion of liabilities. The disclosure of social responsibility information will increase the proportion of accounts payable of enterprises, reduce the financing cost of enterprises, and thus increase the profits of enterprises. According to roe and ROA, it can be inferred that Lens Technology's profitability is constantly improving. Therefore, the disclosure of social responsibility information helps to enhance the profitability of enterprises. Compare Lens technology with the whole industry, analyze whether the continuous improvement of lens technology's profitability is related to the industry, observe the correlation between lens Technology's profitability and the disclosure of social responsibility information, and select the price-earnings ratio as an analysis indicator. The higher the value is, the more bubbles exist in the stock price of the enterprise. Industry comparison of Lens P/E ratio is shown in Figure 3:

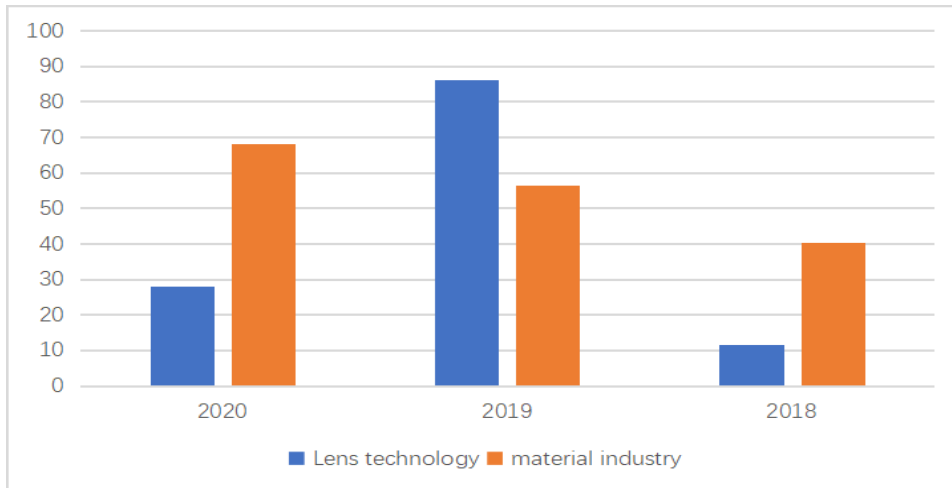


Figure 3: Industry comparison of P/E ratio

As can be seen from Figure 3, the P/E ratio of Lens Technology is higher than the average p/E ratio of the industry only in 2019, and lower than the industry level in the other two years, indicating that lens Technology's stock price in 2019 is too high or its earnings per share is too low, and its value may be overvalued. Therefore, the disclosure of social responsibility information can help the market price per share of an enterprise to be more consistent with the actual value of the enterprise.

3.5. The impact of social responsibility information disclosure on operational capacity

Operation capacity mainly refers to the ability of enterprises to reasonably allocate resources and properly deal with assets and other resources. The analysis of operating capacity indicators is shown in Table 3.

Table 3: Analysis table of Lens Technology's operating capacity index

The annual	2020	2019	2018
Total asset turnover days (days)	616.90	536.40	512.10
Inventory turnover days (days)	69.00	47.51	41.72
Accounts receivable turnover days (days)	73.01	77.23	77.95

From Table 3, it shows that the overall operating capacity of Lens Technology has declined. 2019 to 2020, Lens Technology discloses social responsibility information, and according to the impact mechanism, it is known that the downstream enterprises are more recognized for their operating conditions and their operating capacity is enhanced. The total asset turnover ratio is compared with the industry data and the comparison chart is shown in Figure 4:

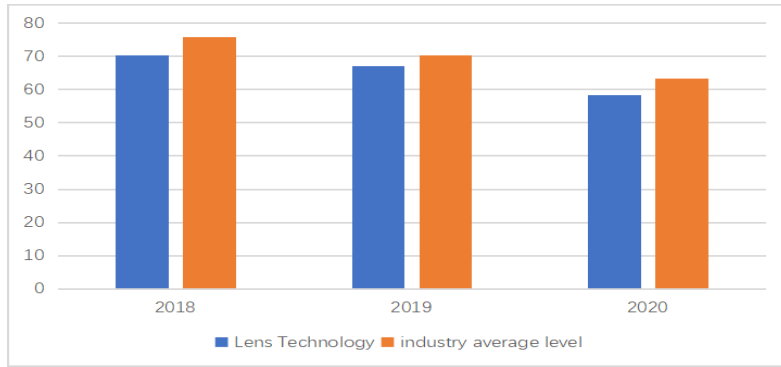


Figure 4: Industrial comparison of total asset turnover

As can be seen from Figure 4, the total asset turnover rate of Lens Technology is lower than the average value of the industry on the whole, but the change trend of Lens Technology is consistent with that of the industry, indicating that there are other factors in the industry of Blue Technology that reduce the total asset turnover rate. Overall, lens technology's total asset turnover rate needs to be improved, which is consistent with the results of long-term solvency analysis.

3.6. The influence of social responsibility information disclosure on growth ability

The growth capacity of an enterprise refers to the ability of an enterprise to increase its earnings year by year through sound management as the economic environment changes. The indicators of Lens Technology's growth capacity in 2018-2020 are shown in Table 5:

Table 5: Analysis table of Lens Technology's growth capacity.

Year	2020	2019	2018
Year-on-year growth of total operating revenue (%)	22.08	9.16	16.94
Attributable net profit increased by (%)	98.32	287.56	-68.88
Year-on-year growth rate of total assets (%)	69.21	9.02	20.77

As can be seen from Table 5, the year-on-year growth of Lens Technology's total assets in 2020 is obvious, which is mainly caused by the increase of fixed assets and long-term equity investment changes caused by lens Technology's merger and acquisition in 2020. In addition, the operating performance from 2018 to 2020 has been on the rise, whether it is related to the disclosure of social responsibility information, and then select lens Technology's operating performance in 2020 and the industry data for comparison. Industry comparison is shown in Figure 5:

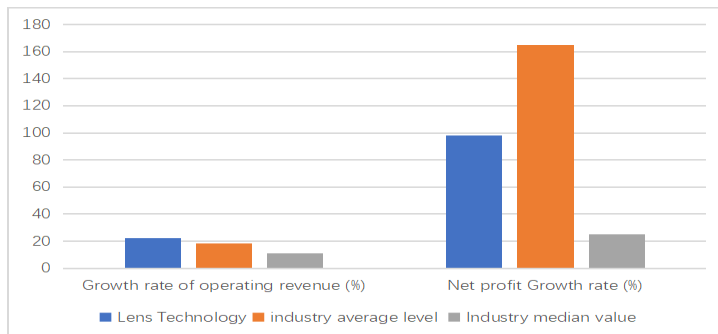


Figure 5: Comparison of growth capacity industries

It can be seen from Figure 5 that lens Technology's operating income is higher than the industry average and the industry median, but its net profit is lower than the industry average, indicating that lens Technology's costs are relatively high in the industry, but its operating income is at an upper level in the industry.

3.7. Lens Technology's overall financial status

The study selected three years of financial indicators of Lens Technology from 2018-2020 and analyzed them from four aspects to summarize its overall financial situation: from 2018-2020, Lens Technology's profitability is increasing, comparing it with its industry, and found that the profitability

in 2019 is weakly below the industry level. In terms of solvency, Lens Technology's short-term solvency is increasing, but Lens Technology's long-term solvency still needs to be improved in the industry. In terms of operating capacity, the overall operating capacity of Lens Technology has declined during the three years, the decline in operating capacity may be related to mergers and acquisitions, which affects the improvement of operating capacity, but it is now developing in a good direction. In terms of growth capability, Lens Technology is growing in terms of revenue, total profit and total assets, and the overall growth capability is good, but due to M&A management and financing issues, it has lowered the overall profit. If the disclosure of social responsibility information is more comprehensive and detailed, it will be more beneficial to increase the value of the enterprise, and if the disclosure is accurate, it will help to determine the value added of the enterprise quantitatively.

4. Social Responsibility Information Disclosure Status and Improvement Measures

4.1. The regulations on disclosure of social responsibility information are not perfect

At present, China has issued documents on issues related to the disclosure of social responsibility information of listed companies, but there is no requirement for specific disclosure contents, so the freedom of enterprises to make disclosure is relatively large, and coupled with the fact that disclosure requires certain costs, this results in the low willingness of enterprises to make voluntary disclosure. Since there is no specific form of disclosure, the comparability of information users is greatly reduced when comparing the fulfillment of social responsibility by different enterprises, which can also show that Lens Technology discloses social responsibility information and cannot directly see whether it is the role played by social responsibility information disclosure in terms of financial statements.

Therefore, relevant departments should improve the laws and regulations of social responsibility information disclosure, use tax incentives, reward and punishment system to promote enterprises to disclose relevant information and improve the quality of disclosure. In addition, guidance manuals for social responsibility information disclosure can be issued among different industries, and two parts of unified disclosure and characteristic disclosure can be implemented for relevant disclosures, which can not only improve the comparability of social responsibility information disclosure, but also highlight the characteristics of different enterprises in fulfilling social responsibility. At the same time, national regulatory authorities strengthen supervision to create a favorable information disclosure environment.

4.2. Lack of disclosure consciousness, disclosure content is not comprehensive

Most of the social responsibility information disclosed by Lens Technology is positive information, and there is almost no disclosure of negative information. The reason for this phenomenon is that there is no unified legal level regulation for social responsibility information disclosure. Enterprises are forced to disclose social responsibility information selectively due to the pressure of disclosure in the same industry and the increase of stakeholders' awareness of social responsibility. In order to improve the social responsibility information disclosure mechanism, the importance of enterprises to social responsibility information disclosure should be increased, and the full disclosure of social responsibility fulfillment status will help expected information users to compare among different enterprises, improve reputation, corporate financing, and reduce the cost of enterprises.

Enterprises should correctly understand the promotion role of social responsibility information disclosure for enterprise development, if enterprises operate and disclose perfectly, it is more conducive to expected information users to understand the enterprise, and will also bring greater value to the enterprise. Besides, the state should issue corresponding legal documents to require the identification of social responsibility information disclosure, and adopt the content and format of unified disclosure and characteristic disclosure content module. In addition, at the early stage of improving social responsibility information disclosure, the state can organize relevant training to enhance the awareness of enterprises in disclosure, improve the ability of management, continuously improve the quality of disclosure and gradually improve the disclosure mechanism of social responsibility information.

5. Conclusion

Disclosure of social responsibility information has a certain impact on enterprise value. Analysis found in Lens Technology as an example, because our country for the content and form of social responsibility information disclosure and there is no uniform requirements, as well as the lack of

consciousness of social responsibility information disclosure, comparability of social responsibility information is limited, directly through the financial statement analysis influence on corporate value, can obtain valuable information is limited, only qualitative analysis, Accurate quantitative analysis is not possible. Therefore, China can improve the laws and regulations on the disclosure of social responsibility information, and implement the provisions of unified disclosure and characteristic disclosure on the relevant content of disclosure, which not only improve the comparability of social responsibility information disclosure, but also highlight the characteristics of different enterprises to fulfill social responsibility. The state can also organize relevant training to enhance enterprises' awareness of disclosure, improve management's ability and improve the quality of social responsibility information disclosure.

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