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Environmental, Social, and Governance Performance and Corporate Financialization: A Conceptual and Theoretical Review

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ABSTRACT
China's new development values of "innovation, coordination, green development, openness, and sharing." and ESG promote sustainable green development. China's "dual-carbon" goals in September 2020 made social stakeholder priorities sustainable development. China prioritizes green development to build an ecological civilization and coordinate economic, environmental, social, and other development research. China requires environmental information disclosure rules to encourage local listed companies to practice ESG and promote ESG grading. China's "shifting from the real economy to virtual economy" trend has grown as more non-financial companies hold financial assets to avoid risks or make speculative profits. Corporate financialization's impacts must be examined. If companies disperse financial assets, would environmental, social, and corporate governance effect financialization? To answer this, this study examines ESG performance and corporate financialization conceptually and empirically. ESG performance's impact on corporate financialization for non-financial listed companies on China's ChiNext from 2014 to 2024 is empirically evaluated in this theoretical mechanism study. This study first reviews existing literature and uses Agency Theory, Information Asymmetry Theory, Signaling Theory, and China's ChiNext market characteristics to summaries the E, S, and G dimensions of ESG and corporate financialization, as well as green innovation and financing constraints' mediating roles. Second, benchmark regression, mediation effect, and other tests suggest that ChiNext-listed non-financial firms' financialization may be affected by ESG performance. Media attention from ESG hinders business financialization by influencing sustainable development and investment decisions, according to this essay. Robustness tests replace explained and explanatory factors, vary sample time range, and other approaches to ensure reliability..

Keywords: ESG performance, corporate financialization, green innovation, financial constraints, media attention..

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1. INTRODUCTION:

Academics and businesses are studying the relationship between corporate ESG and financialization as the globe pursues sustainable development. Many researchers have successfully studied this topic during the previous two years. ESG ratings lower financial restrictions and agency expenditures, preventing corporate financialization and increasing core business performance, according to Hou et al. (2024). Wen and Chen (2024) found that corporate financialization lowers ESG performance and boosts "greenwashing"; digital finance can improve ESG performance. Liu et al. (2025) found that financial technology increases manufacturing companies' ESG performance, notably social responsibility and corporate governance, limiting "de-realization and financialization". Lei et al. (2025) found that corporate supply chain finance increases ESG performance, whereas digital transformation reduces it. Supply chain finance improves ESG performance more in state-owned enterprises, financially constrained companies, and low-financial-development regions. Supply chain financing may minimise business financialization and promote ESG construction. Zhang et al. (2025) found that digital transformation expands financing channels, strengthens technological collaboration networks, and optimises relational capital allocation, improving corporate ESG performance and inhibiting corporate financialization, laying the groundwork for long-term sustainable company development. These findings provide diverse perspectives and theoretical support for a deep understanding of corporate ESG and financialization, with significant ramifications. Despite positive results, ESG and corporate financialization necessitate company-wide and variable-specific discussion.

Recently, China's financial markets have embraced ESG. China's "dual carbon" goals and the green finance system's developments make ESG essential for high-quality economic development. Since 2016, regulatory organisations have issued various ESG development policies. The People's Bank of China and six other ministries' 2016 "Guidelines for Establishing the Green Financial System" established ESG investing as the first national-level green financial development explanation.

In 2022, SASAC established the Social Responsibility Bureau to promote ESG systems in central companies, demonstrating that ESG is a national plan. Shanghai Stock Exchange issued "Guidelines for Environmental, Social Responsibility, and Corporate Governance Information Disclosure of Listed Companies" in 2018, and Shenzhen Stock Exchange updated its "Guidelines on Social Responsibility of Listed Companies" in 2020 to require listed companies to regularly disclose ESG reports. Hong Kong Stock Exchange has established ESG reporting and disclosure rules since 2016, setting a precedent for mainland listed businesses (HKEX, 2019).

Disclosure of ESG information is a significant indicator of ESG development in China. Recently, Chinese listed companies have disclosed more ESG information, yet several difficulties persist. The Central University of Finance and Economics' International Institute of Green Finance determined that A-share listed businesses' average ESG information disclosure score in 2022 was 42.3 points, up 6.5 points from 2020 but still "initial" (CUFE, 2023). Enterprises disclose environmental information the least, with only 35% disclosing quantitative data such carbon emissions and energy use (Chen et al., 2020). Social transparency is better but often prioritises charity and public welfare. Standard reports dominate corporate governance disclosure, without ESG comments (Huang, 2018). Industry variations show information disclosure imbalance. Heavy polluters divulge more than high-tech and service enterprises due to regulation (Shen et al., 2019). ESG information's decision-usefulness was limited by "reporting good news but not bad"—72% of individuals avoid unfavourable information (Wang, 2020).

As financial services grow more ubiquitous, demand for a range of financial products rises, and the number of financial instruments is utilised as an index of assets and wealth to boost richness and meet listed firms' asset preservation, appreciation, and risk avoidance demands. Since China's economy entered a new normal, the financial industry has grown, placing downward pressure on the actual economy. Many non-financial listed firms have turned to the capital market due to investment losses in their core business and inability to meet expectations. "Corporate financialization" has become the principal form of social and economic management. Profitability decrease has prompted corporate funds to expedite capital market entry, and corporate financial assets allocation has expanded dramatically, optimising short-term financial condition and enhancing financial performance. Excessive investment in financial products crowded out the funds needed for the development of the enterprise's core business, dispersing and compressing real economy resources, harming the enterprise's value and worsening the economy's "de concentration" The viability of the enterprise is also closely related to the value of financial instruments. Rent-seeking and other alienation phenomena are more apparent in China's corporate social responsibility practice (Gu et al., 2020), and financialization of enterprises has become a societal issue in the age of "transfer from the virtual to the real".

Environmental, social, and governance performance is measured by an ESG grade. A good ESG grade may affect the company's resource allocation strategy and financialization due to its proactive approach and sustainable development. Existing studies disagree on their relationship. Some study suggests ESG ratings inhibit firm financing. Good ESG companies reduce information asymmetry by being transparent, according to Wang et al. (2024). It helps investors evaluate the company, eliminating the need to over-allocate resources to financial assets for short-term finance. Better capital allocation efficiency encourages companies to invest more in their core business, reducing financial assets and financialization. Tan (2023) reports that certain ChiNext-listed environmental and social responsibility companies focus green technology development and social benefit programmes over financial investments. In contrast, some studies achieved different outcomes. Lu (2024) found a high positive correlation between ESG performance and firm financialization. ESG standards may enhance short-term funding for manufacturing companies, but they may not discover real investment opportunities. They invest extra capital in financial assets to enhance returns. This suggests that corporate strategy and market environment in different industries or development stages might affect ESG ratings and firm financialization.

Many studies suggest that good ESG grades stimulate green innovation. Wang et al. (2023) believe ESG performance enhances corporate green technological innovation, especially invention patents. High-ESG ChiNext-listed companies focus long-term sustainable development and green innovation to increase core competitiveness and social reputation. ESG-driven entity efficiency improvement uses green innovation. Green patent designs and low-carbon technology can boost product competitiveness and market share, reducing financial reliance. Amore & Bennedsen (2023) found green innovation mediates ESG ratings and corporate financialization. Zhang et al. (2024) found that ESG performance increases technological innovation and decreases financial asset allocation. Innovation in technology may mediate ESG and finance. Green innovation requires major financial and technological investment, hence ChiNext-listed enterprises are transferring financing resources to it. Reduced financial asset dependence limits corporate financialization. ChiNext-listed top 10% green patent companies have 0.18 units lower financialization than the sector average (Deng et al., 2023). Green innovation's expensive investment and extended cycle may hurt short-term financial flow. If green bonds don't replenish cash flow, management may employ financial assets to maintain short-term earnings (Deng et al., 2023). ESG ratings lessen firm funding concerns, research shows. According to Fang (2023), ESG performance lowers financing costs, increases R&D investment, and decreases financial constraints. Financial institutions and investors regard companies with high ESG ratings as low-risk, making them more willing to invest. Qiu and Yin (2019) say ESG performance indirectly lowers financing costs via boosting information transparency. Environmental and corporate governance ESG factors considerably lower financing costs.

Media coverage moderates interactions by providing external monitoring and information. According to Xiang

and Wei (2022), media attention strengthens the link between ESG information disclosure and green innovation, but state-owned businesses mitigate the effect. Media coverage of ChiNext-listed companies' ESG information can increase green innovation investment to maintain a positive image. In Fang et al. (2024), media attention positively moderates ESG ratings and green innovation. Negative reports regulate state-owned and non-patent-intensive firms 1.3 times more than non-negative reports. Media coverage and intensity effect corporate green innovation investments. Song et al. (2023) discovered media attention negatively moderates company financialization and green technology innovation. Negative publicity may increase public pressure to restrain corporate financialization. Reduced funding may also slow green technology innovation. Studies on ESG ratings, corporate financialization, green innovation, financial restrictions, and media attention are lacking. ChiNext Market non-financial enterprises have been studied less than industries, main board corporations, or big companies. ChiNext-listed firms are high-growth, high-risk, and innovative, thus past conclusions may not apply. To address sample and depth issues, this study examines ChiNext-listed companies. The paper examines ESG and corporate financialization in ChiNext Market non-financial firms.

2. LITERATURE REVIEW

Empirical and Theoretical Literature Gaps of ESG and Financialization

Corporate Financialization

Financialisation is separated into macroeconomic and micro-corporate financialisation. Global discussions on "financialisation" centre on macroeconomic financialisation. The first studies examined financialisation under monopoly capitalism from the perspective of capital accumulation without defining it. More explicitly, Crotty and Epstein (1996) defined financialisation as the progressive rise of financial markets, practitioners, and institutions in the economy. According to Feng et al. (2023), Chinese academics believe that robust macroeconomic development and tough market rivalry encourage financial sector enterprises to pursue high profits. Zhao R and Cao T (2021) also noted that macroeconomic financialisation is primarily characterised by the growth of the financial industry, financial institutions, and financial activities in the national economy. Microscopically, financialisation is mostly corporate. High-return industries like finance attract huge inflows of corporate capital to maximise profits, financializing real economy firms (Gu H and Zhang H, 2020). As economic financialisation spreads to micro-enterprises, many real economy enterprises have moved away from commodity production and into financial and real estate, relying more on financial speculation (Luo C et al., 2023). Academics have used macroeconomic financialisation to investigate business financialisation (Duan J and Zhuang X, 2021). They claim that corporate financialisation is the excessive involvement of non-financial firms in financial operations, lowering their reliance on traditional products and trade and pursuing financial sector profits. Corporate financialisation, like economic financialisation, was first studied abroad. Chinese business financialisation research has grown in recent years. Research on financialisation of real economy firms usually focusses on asset allocation and profit sources. Academics believe that the financialisation of real enterprises is a gradual shift in asset allocation towards financial investment, meaning that enterprises invest most of their resources in the financial sector rather than traditional productive operations (Demir, 2009; Du et al., 2017), resulting in a significant increase in financial assets in their asset structure. Financialisation of actual firms is a tendency towards active financial investment, according to Duan J.S. and Zhuang X.D (2021). Corporate financialisation is a steady shift in a firm's profit structure, with financial sector profits accounting for a growing proportion of total profits (Suh, 2018). When core company returns decline and financial investment earnings grow dramatically (Dai Z et al., 2018), a real enterprise's profit sources become increasingly dependent on financial returns. Du et al. (2017) concur that corporate financialization means genuine firms make most of their money from financial transactions rather than production and sales. They also claim that corporate financialisation implies firms make more money from financial investments than from their primary activity. Current scholarly interpretations of corporate financialization focus on asset allocation and profit source shifts. Other researchers suggest that a corporation is "financialized" when its entire investment is mostly in financial assets and its basic profitability relies on financial asset profits (Gu H.F. and Zhang H.H., 2020). This article defines financialization of real enterprises from an asset allocation perspective as a process in which firms allocate more resources, including capital and human capital, to the financial sector, resulting in a gradual increase in financial assets and a continuous decrease in real sector investment, particularly high-risk innovation.

ESG

Foreign study literature uses MSCI ESG statistics, Thomson Reuters-ASSET4, and Bloomberg ESG score databases to measure business ESG performance. In China, ESG performance can be measured using dummy variables to determine whether a company publishes ESG or using specific scores or grades. The first method is too basic to measure ESG performance. The second strategy better reflects company ESG performance and improves empirical outcomes. By reviewing the literature, we found that there are few studies on corporate ESG performance in China, and most of them only focus on corporate social responsibility (CSR) and use Hexun.com social responsibility report scores. Some scholars also use the social contribution value per share, donation expenditure/total assets, or whether corporate strategy includes social responsibility to measure CSR, but these indicators only consider the enterprise's responsibility to stakeholders or ignore the company's internal governance, so they cannot accurately measure the enterprise's ESG performance. The Runling Global Social Responsibility Report ratings data is used by Chinese scholars; however, it only covers a few corporations and is not typical (Qiu M and Yin H, 2019). Other researchers (Gao J et al., 2021)

assign C-AAA ratings 1-9 using the CSI ESG rating index. Since the index is a rating rather than an ESG score, the assignment technique may not be accurate enough to quantify it, especially when companies with identical ESG performance are divided into two categories. Zhang et al. (2021) and Pan et al. (2022) quantify business ESG performance using the Bloomberg database ESG score, which includes environmental, social, and governance factors. The ESG score includes Environment, Social, and Governance and comprises over 120 end-level variables. Different indicators are weighted to calculate the E, S, G, and ESG scores. The ESG score uses a percentage system with high quantification and individual and total scores to directly and objectively reflect companies' ESG performance and can be used as a dependent variable for empirical analyses, unlike the rating system, which only has a rank order.

Control variables are used in this article to examine how ESG performance affects company financialisation, building on Liu S (2019), Gu LL (2020), and Pan H (2022). Operational, leverage, and other factors are used in the model to influence company financialisation. Firm size, Roa, and operating income growth rate are operational metrics. Leverage indicators include loan-to-asset ratio and financial leverage. Other factors include broad equity concentration. If operational indicators like asset size, profitability, growth, and risk tolerance are good, the company's willingness to invest in the financial sector will decrease due to "reservoir motivation," and it will focus more on developing its core business. It may also be motivated by "profit-seeking" for financial sector profits (Pan et al., 2022). However, leverage indicators predict a company's future earnings and survival, affecting its investment decisions and financialisation.

Green Innovation and financial constraints

Green Innovation

Braun and Wield (1994) coined the phrase "green innovation" to describe the ongoing improvement in "end-of-pipe management" and "source cleaning" to achieve environmental governance. Based on this, Anex (2000) defined green technology innovation as using innovative processes, materials, products, and technologies to restore and safeguard the environment. Scholars in China define green technology innovation. Wan L and Huang Z (2004) intuitively divide green technology innovation into green technology and innovation, and he contends that enterprises can gain double economic-environmental benefits by commercialising and industrialising new technologies. Yang et al. (2015) observed that green technology innovation explores new knowledge and technology and requires a more complex knowledge structure and diverse resource reserves. According to Wang M (2019), there is no difference between green and non-green technologies, and their green attributes are judged by whether they reduce companies' production process environmental impacts.

Financial Constraints

Companies sometimes retain highly liquid financial assets as a precautionary reserve to avoid financial difficulty due to limits. Financial assets are more liquid and can be realised quickly than fixed assets, alleviating financial limitations and adjusting company capital structures (Stulz, 1996). For most ChiNext market companies, the enterprise scale and overall strength have not reached a certain level, and the enterprise's innovation activities have a large amount of capital consumption, a long duration, and a high degree of output uncertainty, coupled with a limited degree of information disclosure to the outside world, making it harder to borrow from external institutions and increasing the cost of external borrowing. Financialisation's inhibitory effect on industrial investment and technological innovation is stronger in fast-growing companies with low free cash flow but high speculative potential (Liu and Jing et al., 2022), and financial constraints play an intermediary role. Monetary policy moderates this effect, but loose monetary policy amplifies it. Wu and Zhang (2021) examined the impact of government subsidies on innovation in start-ups using SMEs and ChiNext's as research samples and financialisation as a moderating variable. They found that start-ups' financialisation behaviour affects their financial constraints and external signalling, revealing the mechanism of financialisation, an internal financing behaviour. Financialisation by start-ups can enhance the inverted U-shaped relationship between R&D subsidies and innovation output, as well as the role of non-R&D subsidies on innovation output.

Media attention

As the market economy grows and information technology advances, the news media industry is rising and its role in social monitoring is growing. Modern society communicates and gets information mostly from media reports. The outer world sees high-quality development when corporations assume environmental and social responsibility and protect the environment. As a "fourth right" independent of the administrative, judicial, and legislative systems, the media can report and comment negatively on corporate management's opportunistic behaviour, increase the cost and risk of irresponsible behaviour, and urge management to make rational investment decisions. Numerous studies have proven that the news media, as a major influence in external governance, affects corporate governance. The principal-agent dilemma is reduced by external oversight and investor and media attention after the ESG grading (Xiao et al., 2021). Zhao (2020) observed that media attention boosts green technology innovation. In 2022, Wu L found that media attention can significantly modulate the impact of public welfare donations on corporate innovation performance, and Chen Fei found that media attention improves corporate governance, mitigates principal-agent problems, and boosts corporate financialisation. Further analysis demonstrates that media attention can dramatically impact companies' asset structures by reducing the allocation of short-term speculative financial assets, helping to prevent excessive financialisation. As external monitoring, media attention can alleviate principal-agent problems and manage opportunistic behaviour within companies. However, too much coverage may bring capital market pressure to managers, leading to short-sighted behaviour. Principal-agent theory predicts that ESG will reduce the principal-agent problem between company owners and operators,

preventing financialisation (Chen S, 2024). The relationship between ESG performance and corporate financialisation of real firms is still being studied, and empirical results are inconsistent. Pan et al. (2022) found that ESG performance hinders corporate financial asset allocation. Liu et al. (2023) found that corporate financialisation hinders production efficiency improvement, but improving corporate governance can reverse this effect. The original SynTao Green Finance ESG ratings release had an exogenous effect on company financialisation, according to Hou et al. (2024). ESG ratings reduce enterprise financing limitations, which inhibits company financialisation, according to the study. However, some scholars disagree. Meng and Hou (2020) found that corporate social responsibility fulfilment increases with corporate financialisation, indicating that it can help companies build reputation and mitigate negative publicity. Li et al. (2022) revealed that business ESG performance increases financial risk-taking and financialisation. On the other hand, most study examines how environmental and social responsibility elements affect company financialisation from a single perspective, without a systematic framework. Most of the extant literature uses listed firms on the main board or manufacturing listed companies as research items, whereas few differentiate by board and use ChiNext market enterprises. This makes relevant study results representative but irrelevant.

Theoretical Theory Review

Agency Theory

Agency Theory was created by Jensen and Meckling in 1976 upon Berle and Means' 1930s proposal. It emphasises agency issues between shareholders (principals) and management (agents) due to company ownership-management separation. Information asymmetry and conflicting objectives can cause agents to act in their own self-interest rather than the principals', resulting in agency costs. Over the past decade, ESG research has used this idea to emphasise ESG practices as governance instruments to mitigate agency conflicts. Recent studies suggest that strong ESG-rated corporations reduce agency expenses and management financial arbitrage. Zhang et al. (2022) found that high ESG-rated enterprises cut agency costs by improving governance mechanisms such board independence, reducing management's opportunistic behaviour and "investment substitution"-driven financialisation. Hou et al. (2024) found that high ESG ratings reduce agency costs and limit business financialisation. By decreasing agency costs like management myopia, high ESG-rated organisations may invest more in long-term innovation projects like green technology R&D, according to Coles et al. (2017). Financialisation may be a "window-dressing tool" used by management to hide operational inefficiencies, according to Acharya et al. (2020). Due to dispersed equity and weaker management power checks, Wang et al. (2022) found that ESG governance inhibits financialisation more in ChiNext-listed companies than in main-board companies, and that delisting risk strengthens its constraint on agency problems.

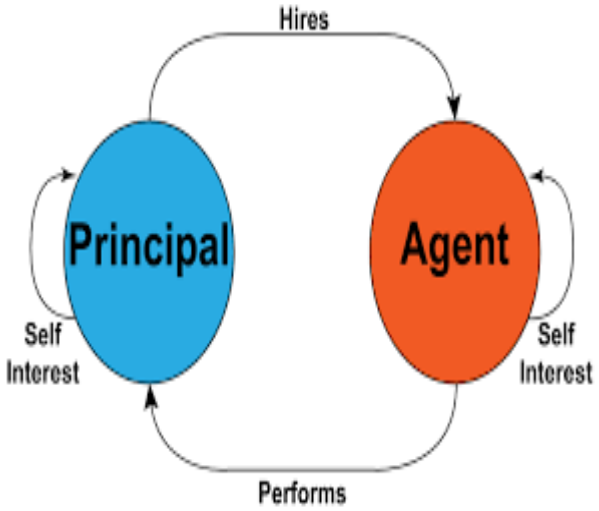

Figure1: Agent Theory.

Stakeholder Theory

Stakeholder Theory was first explained by Freeman in Strategic Management: A Stakeholder Approach (1984). It says firms should balance the requirements of shareholders, employees, consumers, suppliers, communities, and the environment. A company's long-term success depends on satisfying these stakeholders. Corporate social responsibility and sustainable development research has increasingly embraced Stakeholder Theory. Crane and Matten (2016) indicated that ESG ratings show a company's ability to respond to varied stakeholders and that good ESG performance builds long-term trust connections by addressing environmental and social demands, improving reputation and financial success. ESG disclosure helps organisations acquire stakeholder support and encourage sustainable growth by clearly reporting environmental and social performance, according to Bebbington et al. (2014). Schaltegger and Burritt (2017) stated that ESG ratings encourage corporations to internalise environmental and social costs, diverting resources from financialisation to green innovation and creating economic and social value together. According to García-Sánchez (2017), stakeholder pressure, including media attention and consumer preferences, encourages ESG transparency, leading to green innovation and reduced financial asset allocation in corporations. García-Sánchez stated in 2020 that companies with strong ESG performance receive government subsidies, customer loyalty, and employee engagement, minimising financial speculation. Li et al. (2023) revealed that ChiNext-listed companies can reduce funding discrimination by attracting socially conscious investors through ESG practices including environmental technology investment. Finally, ESG helps SMEs overcome "size disadvantages" and garner stakeholder support. ESG ratings are a practical application of Stakeholder Theory, which promotes the integration of environmental protection, social responsibility, and corporate governance into management for long-term success.

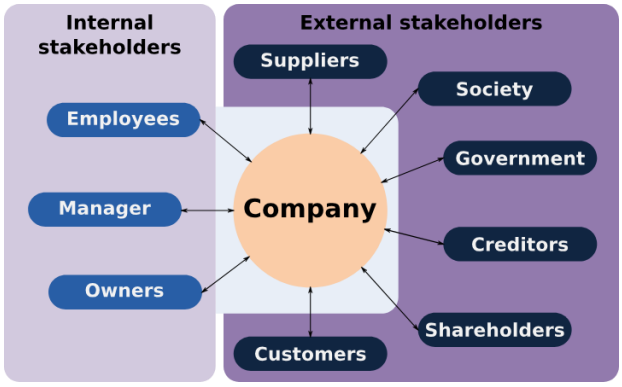

Figure 2: Stakeholders Theory.

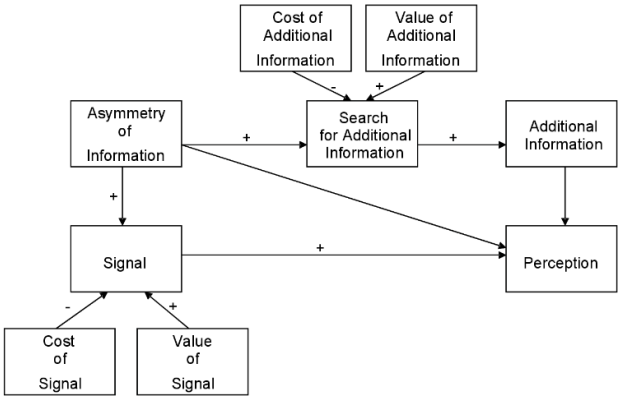

Figure 3: Signaling Theory. Source: (Karasek, 2012)

Signaling Theory

The 1973 Signalling Theory by A. Michael Spence focused on dividend distribution. It solves information asymmetry and agency costs by allowing firms to actively transmit signals to the market, allowing investors to swiftly receive relevant information about the enterprise and make choice judgements. The party with information advantages can broadcast "signals" to make other market entities comprehend their genuine status, reducing information asymmetry and creating an efficient market equilibrium (Cui, et al., 2018). Signalling Theory states that media attention's "loudspeaker" function influences public attitude and orientation (Song Haitao, et al., 2023). As a market economy major body, a company aims to maximise interests. Enterprises can deliberately release good information to boost investors' confidence in investment and market expectations. Incomplete financial information raises creditors' investment risk. Enterprise value orientation and financial information market compensation are reflected in non-financial information disclosure. Investors now focus more on non-financial performance, especially ESG (Environment, Social, and Governance) information, than traditional financial reports. This tendency represents investors' expectations for companies' environmental, social, and governance responsibility. Open and transparent ESG information disclosure allows companies to show their current operating results and their commitment and ability to achieve sustainable development in the future, reducing information asymmetry, adverse selection, and moral hazard and helping investors identify companies with good development prospects. This decreases investors' improper investment risk and builds company trust and support. Thus, a standardised ESG information disclosure mechanism can increase non-financial information disclosure, construct micro-level sustainable development brand assets, and create macro-level value resonance with stakeholders. Improved ESG performance helps companies build and maintain a good reputation, which investors notice. By enhancing their ESG performance, companies can gain investor, government, and other trust and increase their financing capacity.

Findings

Two primary causes drive company financialisation. First, "reserve liquidity": financial assets and fixed assets have more liquidity than non-financial enterprises in financial difficulties, so they can relieve fund pressure. The second is "speculative arbitrage": corporations engage in financial assets to achieve larger short-term excess returns than industrial investments (Peng et al., 2018a). First, ESG performance can reduce financial risks, lower fundraising expenses, and reduce financial asset reserves owing to financial restrictions. In information asymmetry, corporations can acquire stakeholder support by revealing higher-quality information than their competitors (Ross, 1977). ESG performance supplements financial performance information by reducing information asymmetry between the enterprise and stakeholders and providing information about the company's environmental protection, stakeholder maintenance, and internal management. ESG disclosure gives investors additional information about the company and lowers the cost of collecting it. Companies with high ESG performance have lower financial default and share price collapse risk (Yuan et al., 2022; Feng, 2022). Institutional investors seek ESG-performing enterprises to reduce investment risk (Cornell et al.,2021). By strengthening their social image, reputation, and risk expectations, ESG-performing enterprises can attract financing from the capital market at lower costs (Zhu, Kang et al., 2022). Second, ESG performance can limit corporate managers' opportunistic behaviour during financialisation by monitoring information. Agency theory states that corporate agents disobey norms and injure external stakeholders to maximise their own interests (Granovetter, 2018). ESG performance, an important non-financial information disclosure of companies, can reveal operational efficiency, risk management, innovation, etc., reducing information asymmetry between stakeholders and companies and creating an external supervisory incentive (Feng et al., 2022). ESG-underperforming enterprises may face increased borrowing costs and ESG-performing corporations face greater financing costs and legal penalties and shareholder disapproval, which damages their reputation and managers. ESG-performing companies receive more attention from stakeholders and preferences from institutional investors, which makes corporate managers focus more on environmental, social,

and corporate governance responsibilities in their business operations and long-term company development, reducing short-term speculative behaviours caused by internal agency problems (Meng et al., 2022). short-term speculation (Meng Qingbin et al., 2020). Corporate financialisation benefits from ESG performance. Signalling theory shows how ESG reporting improves business transparency and reduces information asymmetry. ESG reporting details a company's environmental, social, and governance (ESG) performance to internal management and external stakeholders, revealing the truth and dangers. Transparency boosts investor and stakeholder confidence, reducing market uncertainty and information asymmetry concerns. As ESG reports increase information openness, organisations' financial risk management improves. Environmental and social responsibility information in ESG reports helps organisations manage risks and create stronger business strategies. Company governance structures and levels can be optimised to decrease internal risks and increase operational efficiency. To weather financial crises and economic changes, corporations employ financial assets' liquidity and realisability as reserve liquid assets. When corporations encounter cash flow or financial restrictions, they might modify financial asset allocation to swiftly raise funds for sustainable and robust real economy investment. Information asymmetry contributes to financial constraints. Companies can disclose important information more completely and eliminate information asymmetry through ESG reporting, supporting their financialisation process. Therefore, improving financial asset allocation reduces information asymmetry and helps organisations overcome financial restrictions. The asymmetry of information within and outside the company is mitigated by ESG reporting, which gives external investors more comprehensive and transparent information to help them make ESG-based investment decisions and reduce investment risks. In addition to the above duties, ESG performance helps a company build a good reputation in the market. Good ESG performance can lessen public pressure, reputation damage, and financing costs after negative incidents. It can also encourage aggressive financial speculating and hide financialisation motivations. Companies should ensure their ESG behaviours match their ideology, and investors and stakeholders should carefully assess them. ESG improves a company's transparency, reputation, and financial market flexibility.

Companies typically raise external finance through bank loans, non-standard financing, bond financing, and equity financing. According to the People's Bank of China, bank credit is enterprises' principal foreign financing source. Traditional financial services still have "difficult and expensive financing" issues. 2022 The audit report noted that enterprise finance still has multiple links, a protracted cycle, uneven funding, and other issues. External financial limitations have reduced corporations' ability to invest in significant, long-term initiatives. According to information asymmetry, signalling theory, and stakeholder theory, corporations actively engage in ESG duties, which reduces corporate finance pressure. First, ESG information is actively disclosed, helping investors understand non-financial company information. Investors are more ready to invest capital and other elements in socially responsible enterprises to reduce information asymmetry, creditor risk premium, and investment efficiency. Companies' active participation in ESG rating broadens information communication channels between companies and investors, breaks information barriers, and reduces financial constraints by optimising capital market allocation efficiency. Second, companies actively undertake environmental and social responsibilities and strengthen internal governance, which can send a signal of high-quality development to the outside world and help them obtain support from the government, investors, and other outsiders to support their strategic objectives and economic performance with funds at a lower interest rate and for a longer time. Poor ESG performance can lead to consumer boycotts or government legislation, which could worsen a financial crisis. Finally, actively fulfilling ESG responsibilities will help companies balance their own development with stakeholder needs and protect their rights and interests, improving the financing environment, easing financial constraints, and reducing company financialisation.

3. CONCLUSION

A combination of studies from domestic and foreign experts shows that company financialisation is one of the main factors limiting China's real economy. ESG performance's economic effects are still debated, however most studies focus on organisations' value, financial performance, and competitive advantage. Most previous studies use the A-share market as a sample and ignore ChiNext firms' unique qualities. ESG performance can establish a good reputation through "signalling" and reduce the cost of financing for corporations by making them subject to a wider range of stakeholders. Financial constraints and speculative incentives influence the allocation of corporate financial assets. ESG performance can generate a good reputation through "signalling" and lower financing costs, but it can also increase stakeholder scrutiny and inhibit speculative motivations. ESG performance can also mask unfavourable facts about corporations, which might increase their opportunism. The relationship between ESG performance and corporate financialisation needs further study. Based on current research, this paper examines how ESG performance influences corporate financialisation and how property rights, stock concentration, and carbon emissions trading volume play a role..

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