

**Is the Digital Transformation Information Disclosure Symbolic or Substantive:
Evidence from Share Pledging?**

Huan Dou*
School of Management
Jinan University
Email: tdouhuan@jnu.edu.cn

Yingxuan Liu
School of Management
Jinan University
Email: liuyingxuan0709@126.com

Yaru Shi
School of Management
Jinan University
Email: ssyaru@163.com

Zhenmei Zhu
School of Management
Fudan University
Email: zhuzhenmei@fudan.edu.cn

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*Corresponding author

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Abstract

We investigate whether and how share pledging affects information disclosure on digital transformation. Controlling shareholders who have pledged their shares are subject to margin call pressures and face the risk of losing control if share prices decline. To mitigate these risks, firms with share pledging may strategically disclose more symbolic cues about digital transformation compared to substantive investments, a practice we refer to as symbolic digital transformation disclosure (SDT). We find a positive relationship between share pledging and the level of SDT. This effect is more pronounced for firms where the chairman of board of directors also holds the position of CEO. Conversely, the effect diminishes among firms with more effective governance and stronger external monitoring. Further analysis indicates that, although stock returns are higher during periods of share pledging, the operating performance and stock returns of these firms subsequently deteriorate. Collectively, our results suggest that share pledging may lead to negative consequences in the stock markets by inducing strategic information disclosure related to digital transformation.

Keywords: Digital Transformation; Share Pledging; Symbolic Disclosure; Substantive Investment

JEL Classifications: