

The Relationship between Non-Financial Reporting Parameters and Financial Performance, a Literature Review

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Abstract

This literature review explores the intricate relationship between non-financial reporting parameters and financial performance. As stakeholders increasingly demand transparency and accountability, non-financial metrics such as environmental, social, and governance (ESG) factors have gained prominence. This review synthesizes existing research to understand how these parameters influence financial outcomes. Key findings suggest that robust non-financial reporting can enhance corporate reputation, investor confidence, and operational efficiency, ultimately leading to improved financial performance. However, the impact varies across industries and regions, highlighting the need for standardized reporting frameworks. This article contributes to the ongoing discourse by identifying gaps in current research and suggesting directions for future studies to better comprehend the dynamics between non-financial disclosures and financial success.

Key words: literature review, non-financial reporting, financial performance
J.E.L. classification: M14, G32, Q56, C83, L25

1. Introduction

The relationship between non-financial reporting and financial performance has emerged as a pivotal area of research in the corporate governance domain. Traditional financial metrics have long served as the cornerstone of corporate evaluation. However, recent studies highlight the significance of non-financial factors, such as ESG metrics, in shaping financial outcomes. Companies that excel in these areas often report enhanced reputations, stronger stakeholder relationships, and improved operational efficiencies. These benefits, in turn, contribute to superior financial results.

This article provides a systematic review of literature on the relationship between non-financial reporting and financial performance. By synthesizing prior research, it aims to uncover patterns, identify gaps, and offer insights into the mechanisms through which non-financial disclosures influence financial success. Additionally, the study aims to enhance the understanding of the value of non-financial reporting in the modern business environment and lay a foundation for future research.

2. Theoretical background

The literature review is anchored in the integrative SALSA (Search, Appraisal, Synthesis, Analysis) model, which provides a structured approach for conducting systematic reviews (Booth et al., 2016). The model encompasses four stages:

- Search: Formulating research questions, identifying appropriate databases and keywords, and developing a search strategy.
- Appraisal: Selecting and assessing the quality of the retrieved items.

- Synthesis: Employing techniques to consolidate findings into coherent themes.
- Analysis: Utilizing tools such as bibliometric analysis and data visualization to interpret results.

The SALSA framework ensures methodological rigor in evaluating the literature and identifying relevant trends and patterns. A cartographic and bibliometric analysis further supports this review, enabling the evaluation of a large body of work to assess the quantity and quality of findings in this domain. Bibliometrics, as a subfield of scientometrics, facilitates the statistical analysis of publications to identify key actors, cooperation structures, and thematic trends (van Eck & Waltman, 2011).

Table no.1 SALSA model description

SALSA	
Search	<ul style="list-style-type: none"> • Development of a research question • Protocol review • Identifying the appropriate databases and keywords • Development and documentation of the search strategy • Evaluating search results and adjusting search strategies
Appraisal	<ul style="list-style-type: none"> • Item selection and quality assessment
Synthesis	<ul style="list-style-type: none"> • Synthesis techniques
Analysis	<ul style="list-style-type: none"> • Analysis techniques; Bibliometric analysis • Data Mining and Quality Assessment Tools • Use tables and graphs for illustration

Source: Own processing according to the model described by Booth et al. (2016)

3. Research methodology

The research question guiding this review is: Is there a relationship between non-financial reporting and corporate performance?

To address this question, a systematic search was conducted using the Web of Science database. Keywords included combinations such as "non-financial disclosure," "non-financial reporting," "company performance," "emerging economies," and "econometrics." The search was refined to include only peer-reviewed articles, resulting in 460 relevant studies.

Bibliometric analysis using VOSviewer was employed to identify key themes, influential studies, and emerging trends. This tool enabled a comprehensive visualization of term co-occurrences, revealing clusters of interconnected themes related to non-financial reporting and financial performance.

4. Findings

The bibliometric analysis yielded three major thematic clusters:

Financial Performance and Economic Impact (Red Cluster): This cluster focuses on the economic implications of non-financial reporting. Terms such as "financial performance," "efficiency," "profitability," and "market value" dominate this cluster, highlighting the relationship between non-financial disclosures and traditional financial metrics.

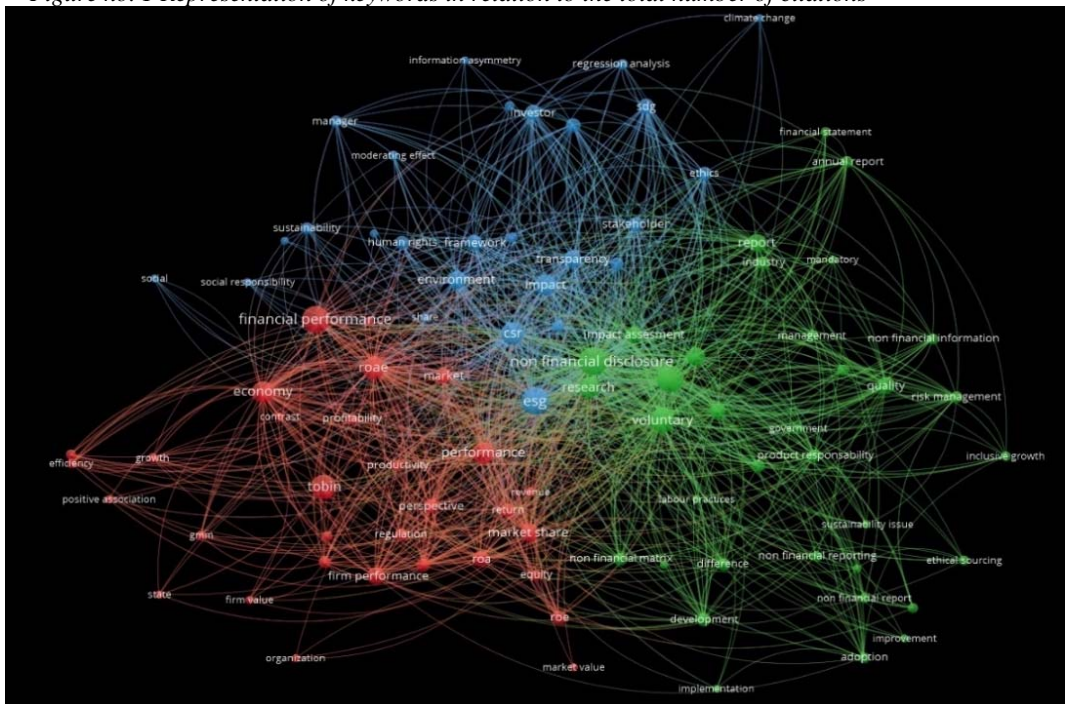
Non-Financial Reporting Practices (Green Cluster): This group examines the management and implementation aspects of non-financial reporting. Key terms include "voluntary reporting," "sustainability issues," and "risk management," emphasizing how such practices contribute to corporate governance and sustainable development.

Environmental, Social, and Governance Factors (Blue Cluster): ESG dimensions form the core of this cluster. Terms like "transparency," "CSR," "stakeholders," and "climate change" underscore the broader societal and environmental responsibilities of corporations.

The central positioning of "non-financial disclosure" across all clusters indicates its pivotal role in integrating these themes. Larger node sizes and thicker connecting lines in the visualization reflect the prominence and interconnectedness of key terms.

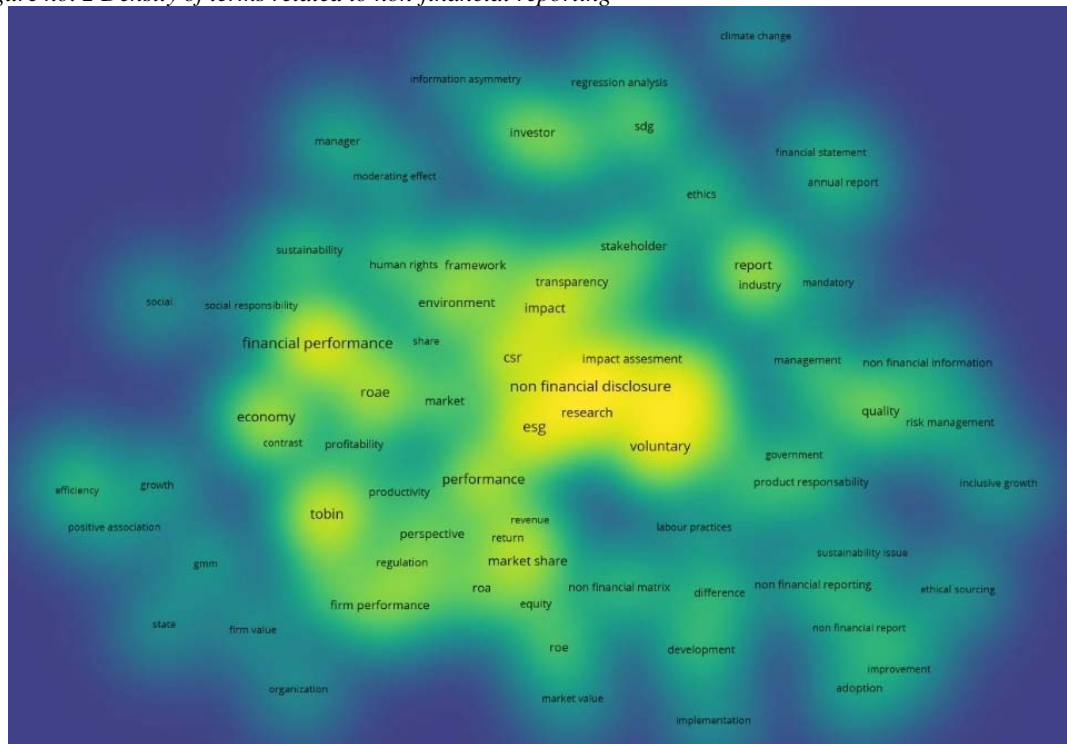
Figures 1 and 2 (generated using VOSviewer) illustrate the co-occurrence network and density of terms, respectively. Bright yellow highlights in the heatmap suggest that "non-financial reporting," "ESG," and "financial performance" are among the most frequently studied topics, underscoring their critical relevance.

Figure no. 1 Representation of keywords in relation to the total number of citations



Source: own processing using data from VOSviewer

Figure no. 2 Density of terms related to non-financial reporting



Source: own processing using data from VOSviewer

5. Conclusions

This literature review underscores the significant influence of non-financial reporting parameters on financial performance. Using the SALSA model and bibliometric tools, the analysis reveals that ESG factors, CSR activities, and sustainability reporting enhance profitability, market valuation, and risk management. These findings advocate for the integration of non-financial disclosures into corporate strategies to achieve sustainable financial outcomes.

However, the review also highlights gaps in existing research, including the need for standardized reporting frameworks and sector-specific analyses. Future studies should explore the long-term impacts of non-financial reporting, refine measurement frameworks, and investigate regional variations to provide deeper insights into this evolving field.

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