

# Information Disclosure, Product Market Competition, and Firm Value

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## **Abstract**

This study examines the relationship between information disclosures and firm value under different levels of product market competition. Using a unique information rating scheme that draws from 114 measures over five dimensions of information disclosure from 2005 to 2013, we find that firms with higher levels of information disclosure (better information transparency) are related to higher industry-adjusted Tobin's  $Q$ . We also find that the levels of information disclosure and product market competition interact in affecting firm value. This relationship is robust after controlling for a number of firm-specific factors and agency-based measures. Our paper brings two streams of research that aim to explain the variation in firms' value together, and suggests that information disclosure and product market competition complement each other in enhancing a firm's value.

**JEL Classification:** G30

**Keywords:** Information disclosure; Product market competition; Firm value