

The Impact of Short Selling on Corporate Non-Compliance

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ABSTRACT

Since the introduction of margin trading in China's A-share market, the role of short selling in deterring corporate misconduct has drawn significant attention. Using data from A-share listed companies between 2012 and 2020, this study employs a difference-in-differences approach and finds that short selling significantly reduces corporate misconduct. Information transparency serves as a key mediating channel. The restraining effect is stronger in firms with high-quality internal controls and private-owned enterprises. By unveiling the mediating mechanism and conducting heterogeneity analysis, this research offers valuable insights for regulatory practice.

KEYWORDS

Short-selling mechanism; Corporate misconduct; Information transparency; Internal control; Property rights nature

1 Introduction

Rising A-share corporate violations harm investors and market health. Studies examine internal governance (e.g., internal controls—Mao Xinshu, 2013) and external factors (e.g., Zhou, K. G. et al., 2016). Short-selling is effective abroad (Fang et al., 2016[5]; Massa, 2015) and domestically (Lei Xiao et al., 2019), though Wu Chen & Wang Kedi (2020) dispute this. Mechanisms remain unclear. Using 2012–2020 data and mediation models (Wen, 2004), this paper tests how short-selling reduces misconduct via information transparency, with internal control and ownership structure as moderators. It reveals the pathway “short-selling → transparency → fewer violations” and boundary conditions. Structure: theory (II), design (III), results (IV), robustness (V), conclusion (VI).

2 Theoretical analysis and research hypotheses

2.1 Short selling mechanisms and corporate misconduct: governance effects and theoretical framework

As a market-based external governance tool, the short-selling mechanism deters corporate misconduct by introducing negative information trading. Short sellers are incentivized to uncover and disclose negative information, thereby exerting continuous external monitoring pressure on management. This increases the likelihood of detecting violations and raises the expected cost of misconduct. Based on information asymmetry and corporate governance theories, short selling restrains violations through two channels: a pre-emptive deterrent effect, which motivates management to avoid misconduct for fear of exposure and reputational damage, and a concurrent constraint effect, which heightens scrutiny and makes concealing violations more difficult. Accordingly, this paper proposes its first hypothesis:

H1: The short-selling mechanism significantly suppresses corporate misconduct (specifically manifested as a reduction in the frequency of violations).

2.2 Short selling mechanisms, information transparency and corporate misconduct: analysing the mediating pathways

While existing studies acknowledge the governance role of short-selling, its internal mechanism remains a “black box”. This paper identifies information transparency as the key mediator between short selling and corporate misconduct. Short-selling pressure directly motivates firms to improve transparency ($X \rightarrow M$) by reducing information manipulation and enhancing disclosure quality. Increased transparency, in turn, constrains misconduct ($M \rightarrow Y$) by reducing fraud opportunities and improving detectability, as predicted by the Fraud Triangle theory. Thus, this study proposes the core pathway: short-selling → enhanced information transparency → reduced corporate misconduct, forming the second hypothesis.

H2: Information transparency mediates the relationship between short-selling mechanisms and corporate misconduct.

2.3 Short-selling mechanisms, internal controls and corporate misconduct: synergistic effects of governance

The governance effects of short-selling mechanisms are context-dependent and influenced by firms' internal governance quality—particularly their internal control systems. High-quality internal controls ensure reliable information generation and flow. In such firms, internal governance and external short-selling pressure work synergistically: internal controls supply high-quality information, while short selling strengthens external monitoring and verification. This

synergy enhances the deterrent effect on misconduct. Conversely, in firms with weak internal controls, information distortion undermines the efficacy of short selling. Thus, this paper proposes a third hypothesis:

H3a: Compared to firms with low internal control quality, the deterrent effect of short-selling mechanisms on non-compliance is more pronounced in firms with high internal control quality.

2.4 Short-selling mechanisms, property rights nature, and corporate deviance: the moderating role of institutional environment

The effectiveness of short-selling as a market-based governance tool varies systematically across firms with different ownership structures in China's institutional context. State-owned enterprises (SOEs), benefiting from implicit government guarantees and softer budget constraints, exhibit lower share price sensitivity to market signals. This weakens the disciplinary pressure of short-selling on management. In contrast, private enterprises face tighter budgets and lack government backing, making them more responsive to negative information and external oversight. Thus, the governance effect of short-selling is stronger in private firms. Accordingly, this paper proposes a fourth hypothesis:

H3b: Compared to SOEs, the deterrent effect of short-selling mechanisms on non-compliant behaviour is more pronounced in private enterprises.

3 Research design

3.1 Sample selection and data sources

This study uses A-share listed companies from 2012 to 2020 as the initial sample to examine the impact of short-selling, introduced in 2010, on corporate misconduct. The sample was processed as follows: (1) exclusion of financial and insurance firms; (2) removal of ST/*ST companies and observations with critical missing data; (3) Winsorization of continuous variables at the 1st and 99th percentiles. The final sample comprises 15,603 observations. Data on short-selling were obtained from Wind, while corporate violations, financial and governance variables, and analyst forecast data came from CSMAR. Internal control indices were sourced from the DIB database. All analyses were conducted using Stata 17.0.

3.2 Model design

To test hypothesis H1, the following model is constructed:

$$Vio_{it} = \delta + \beta posttreat_{it} + \sum \gamma x_{it} + \mu_i + \eta_t + \varepsilon_{i,t} \quad (1)$$

where i denotes firm and t denotes year. Vio_{it} represents the dependent variable, indicating whether firm i engaged in misconduct in year t ; $posttreat_{it}$ serves as the core explanatory variable, with its coefficient β being the key parameter of interest, reflecting the net effect of the short-selling mechanism dummy variable on firm misconduct; $\sum \gamma x_{it}$ Represents a series of control variables, including firm size (Size), debt-to-asset ratio (Lev), return on assets (Roa), loss status dummy variable (Loss), operating revenue growth rate (Growth), Big Four audit dummy variable (Big4), dual role dummy variable (Dual), proportion of independent directors (Indep), and top shareholder shareholding ratio (Top1); μ_i Represents individual fixed effects, controlling for city-level heterogeneities that remain constant over time; η_t denotes time fixed effects, controlling for temporal trend factors; $\varepsilon_{i,t}$ represents the random disturbance term.

To test hypothesis H2, this paper adopts Jiang Ting's two-step approach to mediation analysis, constructing the following mediation model:

$$TRANS_{it} = \delta + \beta posttreat_{it} + \sum \gamma x_{it} + \mu_i + \eta_t + \varepsilon_{i,t} \quad (2)$$

$TRANS_{it}$ denotes the information transparency indicator for firm i in year t , with other variables defined as above.

3.3 Definition of key variables

3.3.1 Dependent variable

Corporate Violations (Vio): Following Qu Xiaofeng et al. (2016), this variable is defined based on regulatory sanctions from the CSMAR database. If a firm receives formal penalties (e.g., warnings, fines) from the CSRC or exchanges in year t , Vio equals 1; otherwise, 0.

3.3.2 Explanatory variables

Short Selling Mechanism (Short): Defined as a dummy variable following Jin Qinglu et al. (2015) and Hou Qingchuan et al. (2016)^[11]. Equals 1 if the firm is included in the margin trading list in year t (data from Wind), else 0.

3.3.3 Mediating variable

Information Transparency (Transparency): Measured using analyst forecast dispersion from CSMAR, calculated as the absolute standard deviation of EPS forecasts scaled by their mean, multiplied by -1 . Higher values indicate greater transparency (Gu Naikang & Zhou Yanli, 2017).

3.3.4 Moderating variables

Internal Control Quality (IC) : Measured using the DIB Internal Control Index; higher values indicate better quality (Zhang Chuancai & Chen Hanwen, 2017).

Ownership Structure (SOE): A dummy variable from CSMAR; 1 for private enterprises, 0 for state-owned enterprises.

3.3.5 Control variables

Based on Quan Xiaofeng et al. (2016) and Lei Xiao et al. (2019), the study controls for: firm size (Size), leverage (Lev), profitability (ROA), loss status (Loss), growth (Growth), Big4 auditor (Big4), CEO-chair duality (Dual), independent director ratio (Indep), and largest shareholder ownership (Top1). Industry, year, and firm fixed effects are included.

Table 1 Variable names, symbols, and definitions

Variable Symbol	Variable Name	Variable Definition
Vio	Company Violation Dummy Variable	Assumes a value of 1 if the company was penalised for any violation in year t, otherwise 0.
Short	Short Selling Mechanism Virtual Variable	Assigns a value of 1 if the company is a margin trading target in year t, otherwise 0. Must be a dynamic variable (e.g., if the company was selected in 2015, then Short=1 for 2015 and subsequent years, 0 for earlier periods)
Disp	Analyst Forecast Discrepancy	Analyst forecast divergence (raw data). Used to calculate the information transparency proxy variable.
Transparency	Information Transparency Indicator	Processed information transparency indicator (higher values indicate greater transparency).
IC	Dibo Internal Control Index	Dibo Internal Control Index.
SOE	Virtual variable for ownership structure	Private enterprises = 1, state-owned enterprises = 0.
Size	Company size	Natural logarithm of total assets.
Lev	Asset-liability ratio	Debt-to-asset ratio.
ROA	Return on Assets	Return on Assets.
Loss	Loss status dummy variable	Loss = 1.
Growth	Revenue Growth Rate	Operating revenue growth rate.
Big4	Big Four Audit Virtual Variable	is = 1.
Dual	Dual role dummy variable	is = 1.
IND	Proportion of Independent Directors	Proportion of independent directors.
Hold	Largest Shareholder's Shareholding Ratio	Shareholding ratio of the largest shareholder.

4 Empirical analysis

4.1 Descriptive statistics

Descriptive statistics were conducted on the primary variables (see Table 2). The sample size comprises 15,603 observations. The mean IFVIO value is 0.0448, indicating that approximately 4.48% of the sample companies were involved in this type of violation. Based on the research logic, it can be inferred that among these violating companies, information disclosure violations outnumbered operational violations. Regarding other key variables: - SOE (virtual variable for ownership structure) had a mean of 0.3961, indicating approximately 39.61% of samples were state-owned enterprises; - Size (firm scale) had a mean of 22.49, reflecting the overall scale level of sample companies; - ROA (return on assets) had a mean of 0.0518, suggesting the overall profitability of sample companies was at a moderate level; Big4 (Big Four audit firm dummy variable) had a mean of 0.270, indicating that approximately 27% of the sample was audited by one of the Big Four accounting firms.

Table 2 Specification for descriptive statistics of key variables

VARIABLES	(1)	(2)	(3)	(4)	(5)
	N	mean	sd	min	max
IFVIO	15,603	0.0447991	0.2068692	0	1
DID	15,603	0.328847	0.4698093	0	1
FDISP1	15,603	0.4302568	0.9284623	0	12.94047
TRANS	15,603	0.4248671	0.1643869	0.012	0.99
Internal Control Index Score	15,603	656.0208	110.9516	0	899.99
SOE	15,603	0.3961418	0.4891102	0	1
Size	15,603	22.49	1.311	19.56	26.40
Lev	15,603	0.421	0.199	0.0347	0.927
ROA	15,603	0.0518	0.0569	-0.375	0.244
Loss	15,603	0.0896	0.286	0	1
Growth	15,603	0.187	0.394	-0.654	3.808
Big4	15,603	0.0763	0.266	0	1
Dual	15,603	0.270	0.444	0	1
Independent	15,603	37.50	5.389	30.77	60
Top1	15,603	0.353	0.150	0.0821	0.758

4.2 Correlation analysis

To validate variable selection and examine associations between variables, this study conducted a correlation analysis. Most correlation coefficients are statistically significant and consistent with theoretical expectations. The core explanatory variable, short-selling mechanism (DID), shows a significant negative correlation with corporate violations (IFVIO) (-0.0263 , $p < 0.01$), providing preliminary support for the main hypothesis. DID is also positively correlated with information transparency (TRANS) (0.2825 , $p < 0.01$), supporting the proposed mechanism. Among control variables, firm size (Size) and leverage (Lev) show a correlation of 0.5791 ($p < 0.01$), reflecting that larger firms tend to have higher debt levels. Most correlations are low to moderate, with none exceeding 0.8 , suggesting no severe multicollinearity. VIF tests further confirm this: all VIF values are below 2.1 (maximum for Size), well under the threshold of 10 , and the average VIF is 1.4 . Tolerance values all exceed 0.1 . These results indicate no substantial multicollinearity, supporting the robustness and unbiasedness of subsequent regression estimates. Table 3 Correlation Analysis

Table 3

	DID	VIO_N	FDISP1	TRANS	Control	SOE	Size
DID	1						
IFVIO	-0.0263* (0.001)	1					
FDISP1	-0.0522* (0.0000)	0.0353* (0.0565)	1				
TRANS	0.2825* (0.0000)	-0.0370* (0.0000)	-0.1686* (0.0000)	1			
Internal Control Score	0.1028* (0.0000)	-0.0542* (0.0000)	-0.0945* (0.0000)	0.2730* (0.0000)	1		
SOE	0.2113* (0.0000)	0.0159 (0.0471)	-0.0038 (0.6352)	0.1042* (0.0000)	0.0064 (0.4265)	1	
Size	0.5250* (0.0000)	-0.0300* (0.0002)	-0.0393* (0.0000)	0.3846* (0.0000)	0.1049* (0.0000)	0.3487* (0.0000)	1
Lev	0.1700* (0.0000)	-0.0046 (0.566)	0.0336* (0.0001)	0.0617* (0.0000)	-0.0354* (0.0000)	0.2835* (0.0000)	0.5791* (0.0000)
ROA	0.0193 (0.0157)	-0.0198 (0.0136)	-0.2037* (0.0000)	0.3374* (0.0000)	0.3016* (0.0000)	-0.1449* (0.0000)	-0.1104* (0.0000)
Loss	-0.0352* (0.0000)	-0.0007 (0.9321)	0.0949* (0.0000)	-0.2410* (0.0000)	-0.2720* (0.0000)	0.0432* (0.0000)	-0.0031 (0.6985)
Growth	-0.0805* (0.0000)	-0.002 (0.8026)	-0.0669* (0.0000)	0.0537* (0.0000)	0.1027* (0.0000)	-0.0678* (0.0000)	-0.0137 (0.0868)
Big4	0.1898* (0.0000)	-0.0062 (0.4351)	-0.0300* (0.0002)	0.5238* (0.0000)	0.1039* (0.0000)	0.1309* (0.0000)	0.3749* (0.0000)
Dual	-0.1186* (0.0000)	0.0149 (0.0627)	0.0144 (0.072)	-0.0644* (0.0000)	0.0119 (0.1369)	-0.2610* (0.0000)	-0.1973* (0.0000)
Indep	0.0411* (0.0000)	-0.0061 (0.4444)	0.0032 (0.6903)	0.0259* (0.0012)	0.0227* (0.0045)	-0.0274* (0.0006)	0.0282* (0.0004)
Top1	0.0765* (0.0000)	-0.0104 (0.1948)	-0.0342* (0.0000)	0.1358* (0.0000)	0.0773* (0.0000)	0.2160* (0.0000)	0.2181* (0.0000)

Table 4

	Lev	ROA	Loss	Growth	Big4	Dual	Indep
Lev	1						
ROA	-0.3826* (0.0000)	1					
Loss	0.1488* (0.0000)	-0.4576* (0.0000)	1				
Growth	0.0318* (0.0001)	0.2001* (0.0000)	-0.0621* (0.0000)	1			
Big4	0.1404* (0.0000)	0.0054 (0.4962)	-0.0268* (0.0008)	-0.0369* (0.0000)	1		
Dual	-0.1442* (0.0000)	0.0608* (0.0000)	-0.0153 (0.0557)	0.0450* (0.0000)	-0.0764* (0.0000)	1	
Indep	-0.0043 (0.5952)	0.0137 (0.0874)	0.0114 (0.1542)	0.0039 (0.6221)	0.0521* (0.0000)	0.1029* (0.0000)	1
Top1	0.0998* (0.0000)	0.0697* (0.0000)	-0.0588* (0.0000)	-0.0439* (0.0000)	0.1614* (0.0000)	-0.0686* (0.0000)	0.0651* (0.0000)

Table 5

Variable	VIF	1/VIF
Size	2.1	0.476352
TRANS	2	0.500777
Lev	1.89	0.528905
ROA	1.81	0.551813
Big4	1.65	0.604884
SOE	1.32	0.760332
Loss	1.26	0.79363
Internal Control~Score	1.18	0.848461
Top1	1.13	0.887655
Dual	1.11	0.900057
FDISP1	1.08	0.924539
Growth	1.08	0.925874
Indep	1.02	0.976463
IFVIO	1.01	0.988182
Mean VIF	1.4	

4.3 Regression analysis

4.3.1 Short selling mechanism and corporate misconduct

Regression analysis was conducted using Model (1) to test Hypothesis H1. The regression results are presented in Table 6. In the baseline regression table, the regression coefficient for the short-selling mechanism (DID) is -0.00870, significant at the 10% level. After incorporating control variables in Model (2), the DID coefficient is -0.00856, similarly significant at the 10% level. These negative and significant coefficients indicate a negative relationship between the introduction of short-selling mechanisms and corporate violations (VIO_N). Specifically, each additional unit of short-selling mechanism reduces the probability of corporate violations by approximately 0.00856 units on average. This validates Hypothesis 1, confirming that short-selling mechanisms significantly suppress corporate violations.

Table 6 Regression results for short selling mechanisms and corporate violations

VARIABLES	(1)	(2)	VARIABLES	(1)	(2)
	VIO_N	VIO_N		VIO_N	VIO_N
DID	-0.00870*	-0.00856*		(0.00505)	(0.00507)
	(0.00505)	(0.00507)			
Size		-0.00496			
		(0.00439)			
Lev		0.0153			
		(0.0172)			
ROA		-0.0127			
		(0.0378)			
Loss		-0.00919			
		(0.00571)			
Growth		-0.00288			
		(0.00376)			
Big4		0.0145			
		(0.0131)			
Dual		-0.00178			
		(0.00520)			
Indep		-0.000297			
		(0.000420)			
Top1		-0.0222			
		(0.0256)			
Constant	0.0436***	0.166*			
	(0.00406)	(0.0964)			
Observations	15,603	15,603			
Number of stkcd	3,049	3,049			
R-squared	0.002	0.002			
Individual fixed effects	Control	Control			
Time fixed effect	Controlled	Control			

4.3.2 Information transparency mediates the relationship between short-selling mechanisms and corporate misconduct

Model (2) was used to test hypothesis H2. As shown in Table 7, the short-selling mechanism (DID) significantly reduces analyst forecast dispersion (FDISP1) at the 10% level (coefficient = -0.0528), indicating improved information transparency. Using a direct transparency measure (TRANS), DID also shows a positive and significant effect (coefficient = 0.00946). Furthermore, DID directly reduces corporate violations (VIO_N) with a coefficient of -0.00856. These results confirm that short-selling curbs violations both directly and indirectly by enhancing information transparency, thus supporting H2.

Table 7 Mechanism testing

VARIABLES	(1)	(2)	(2)
	FDISP1	TRANS	VIO_N
DID	-0.0528*	0.00946*	-0.00856*
	(0.0279)	(0.00512)	(0.00507)
Size	0.0647	0.0159***	-0.00496
	(0.0408)	(0.00401)	(0.00439)
Lev	-0.238*	0.0234*	0.0153
	(0.139)	(0.0138)	(0.0172)
ROA	-3.078***	0.867***	-0.0127
	(0.269)	(0.0327)	(0.0378)
Loss	-0.147***	-0.0268***	-0.00919
	(0.0493)	(0.00371)	(0.00571)
Growth	-0.152***	0.0159***	-0.00288
	(0.0253)	(0.00292)	(0.00376)
Big4	0.0155	0.228***	0.0145
	(0.0804)	(0.0114)	(0.0131)
Dual	0.0317	-0.000149	-0.00178
	(0.0333)	(0.00426)	(0.00520)
Indep	-0.00307	-0.000400	-0.000297
	(0.00284)	(0.000352)	(0.000420)
Top1	0.146	-0.0287	-0.0222
	(0.149)	(0.0230)	(0.0256)
Constant	-0.501		0.166*
	(0.916)		(0.0964)
Observations	15,603	15,603	15,603
Number of stock code	3,049	3,049	3,049
R-squared	0.038	0.218	0.002
Individual fixed effects	Control	Control	Control
Time fixed effect	Control	Control	Control

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

4.3.3 Heterogeneity test validation.

Results in Table 8 support both heterogeneity hypotheses. For H3a, the short-selling mechanism (DID) significantly reduces violations in firms with high internal control quality (coefficient = -0.0121 , $p < 0.10$), but shows no significant effect in low-quality ones. This confirms that internal controls strengthen the governance role of short selling. For H3b, DID significantly deters violations in private enterprises (coefficient = -0.0153 , $p < 0.10$) but not in state-owned enterprises, indicating that private firms are more responsive to short-selling pressure. Both H3a and H3b are supported.

Table 8 Heterogeneity test

	High Internal Control Index	Low Internal Control Index	State Owned Enterprises	Private Enterprises
	(1)	(2)	(3)	(4)
VARIABLES	VIO_N	VIO_N	VIO_N	VIO_N
DID	-0.0121* (0.00715)	0.000962 (0.0108)	-0.00459 (0.00985)	-0.0153* (0.00921)
Size	9.69e-05 (0.00817)	-0.00695 (0.00860)	0.0108 (0.00956)	-0.0162** (0.00720)
Lev	0.0150 (0.0334)	-0.00526 (0.0325)	0.0170 (0.0441)	0.0218 (0.0282)
ROA	0.103 (0.0807)	0.0373 (0.0693)	0.0320 (0.110)	-0.00753 (0.0480)
Loss	-0.00170 (0.00802)	-0.0148* (0.00871)	-0.0101 (0.00913)	-0.00345 (0.00869)
Growth	-0.00435 (0.00437)	-0.00120 (0.00792)	-0.00155 (0.00648)	-0.00447 (0.00456)
Big4	-0.00512 (0.0207)	0.0412 (0.0356)	-0.0149 (0.0197)	0.0596* (0.0308)
Dual	-0.0118* (0.00673)	-0.00273 (0.0105)	-0.00224 (0.0143)	-0.00121 (0.00785)
Indep	-0.000505 (0.000578)	-0.000358 (0.000997)	-0.000471 (0.000632)	-0.000368 (0.000934)
Top1	0.0229 (0.0422)	-0.0433 (0.0543)	-0.0220 (0.0399)	-0.0413 (0.0443)
Constant	0.0304 (0.182)	0.261 (0.191)	-0.177 (0.203)	0.419*** (0.157)
Observations	7,801	7,802	6,181	9,423
Number of stkcd	2,573	2,651	1,089	1,940
R-squared	0.007	0.006	0.004	0.006
Individual fixed effects	Control	Control	Control	Control
Time Fixed Effects	Control	Control	Control	Control

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

5 Robustness tests

Based on robustness checks using winsorized data and a two-step mediation test, Table 9 confirms the mediating role of information transparency between short-selling and corporate violations. The short-selling mechanism (X) significantly improves information transparency (M), shown by a negative coefficient on FDISP1 (-0.0528 , $p < 0.1$) and a positive coefficient on TRANS (0.00946 , $p < 0.1$). It also directly reduces violations (Y), with a significant DID coefficient of -0.00856 ($p < 0.1$) for VIO_N. After winsorizing, results remain consistent ($\text{DID}_w = -0.00851$, $p < 0.1$). These findings robustly support the mediated pathway: short selling $\rightarrow$ enhanced information transparency $\rightarrow$ reduced corporate violations, confirming Hypothesis H2.

Table 9 Robustness: truncated treatment

VARIABLES	VIO_N_w
DID_w	-0.00851*
(0.00508) Size_w -0.00488 (0.00441) Lev_w 0.0168 (0.0173) ROA_w 0.00681 (0.0426) Loss_w -0.00804 (0.00570) Growth_w -0.00439 (0.00435) Big4_w 0.0143 (0.0131) Dual_w -0.00176 (0.00520) Indep_w -0.000329 (0.000422) Top1_w -0.0224 (0.0257) Constant 0.165* (0.0969)	
Observations	Number of stock transactions
R-squared	Individual fixed effects
Time fixed effect	15,603 3,049 0.002 Control Controlled

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

6 Conclusions and implications

Using A-share data from 2012–2020, this study examines how short-selling deters corporate misconduct, with a focus on the mediating role of information transparency and the moderating effects of internal control quality and ownership structure. While prior research has explored short-selling's impact on corporate decisions like investment or earnings management, few studies directly investigate its effect on misconduct or the mediating channel of transparency. Heterogeneity analysis has also often been limited to single dimensions. This study contributes by unveiling the “short-selling → information transparency → reduced misconduct” pathway and conducting dual moderation tests. It finds the deterrent effect is stronger in firms with high-quality internal controls and private enterprises, supporting context-specific regulatory strategies.

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