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“Quantification in Narrative Disclosures: Effects on Non-Professional Investors’ Information Processing under Time Pressure”

Abstract

Prior research has shown that non-professional investors have difficulties using various presentation formats in disclosures. Within narrative disclosures, firms have discretion to communicate relevant information in a pure verbal form as well as in a quantified form (i.e., utilizing numbers). In this paper, I experimentally examine the role of such quantification within narrative disclosures on non-professional investors’ information processing. Based on psychology theory, I argue and find that non-professional investors weight quantified information cues more strongly than non-quantified information cues. In line with my expectations, results indicate that this effect exacerbates under time pressure. I argue that this is driven by limited attention: Under time pressure, non-professional investors engage in selectivity, focusing on quantified information at the expense of non-quantified information. Integrating mouse cursor tracking-software into my experiment, my results support this prediction. I discuss the implications of my findings for firms, capital market participants, and regulators.