Interactive Data for Financial Reporting and Voluntary Disclosure

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September 10, 2025

Abstract: The transformation of financial reporting through technology has fundamentally altered how market participants access and process corporate information, with the SEC's 2007 Interactive Data for Financial Reporting regulation through mandatory XBRL tagging representing a pivotal intervention designed to enhance data accessibility across diverse investor populations. This technological mandate standardized financial statement data formats, enabling automated extraction and analysis that previously required manual processing and specialized expertise, potentially democratizing financial information by reducing processing costs for unsophisticated investors who historically faced significant barriers in accessing corporate disclosures. Building on disclosure substitution theory, this study examines whether enhanced data accessibility for unsophisticated investors through XBRL implementation influenced firms' voluntary disclosure strategies, as the regulation potentially reduced the signaling value of voluntary disclosures by providing alternative information transmission channels. Using empirical analysis with comprehensive controls and fixed effects, we find robust evidence of a statistically significant decrease in voluntary disclosure levels following XBRL implementation, with treatment effects ranging from -0.0455 to -0.0797 across specifications, indicating firms reduced voluntary disclosure by approximately 4.6 percentage points relative to control firms. These findings demonstrate economically significant substitution effects, revealing that technology-enabled regulatory interventions create unintended consequences for corporate disclosure strategies, contributing

novel insights into how regulatory changes affecting unsophisticated investors influence firm behavior and overall information production in capital markets.

INTRODUCTION

The transformation of financial reporting through technology has fundamentally altered how market participants access and process corporate information. Interactive Data for Financial Reporting, implemented by the SEC in 2007 through mandatory XBRL tagging requirements, represents a pivotal regulatory intervention designed to enhance data accessibility and analytical capabilities across diverse investor populations (Debreceny et al., 2011; Liu et al., 2014). This technological mandate standardized the format of financial statement data, enabling automated extraction, comparison, and analysis of financial information that previously required manual processing and specialized expertise.

The regulation's impact on unsophisticated investors—those lacking advanced financial training or analytical resources—presents a particularly compelling research opportunity within the voluntary disclosure literature. While sophisticated institutional investors historically possessed the tools and expertise to efficiently process complex financial information, unsophisticated investors faced significant barriers in accessing and interpreting corporate disclosures (Miller, 2010; Blankespoor et al., 2014). The XBRL mandate potentially democratized financial information by reducing processing costs and enabling third-party applications that translate complex financial data into more accessible formats. However, existing literature provides limited evidence on whether this enhanced accessibility influenced firms' voluntary disclosure strategies, creating a critical gap in our understanding of how regulatory interventions targeting information processing affect corporate disclosure incentives through the unsophisticated investor channel.

The economic mechanism linking Interactive Data for Financial Reporting to voluntary disclosure operates through firms' strategic responses to changes in their investor base composition and information processing capabilities. Traditional disclosure theory suggests that managers adjust their voluntary disclosure strategies based on the marginal benefits and costs of providing additional information to market participants (Verrecchia, 2001; Beyer et al., 2010). When regulatory changes enhance unsophisticated investors' ability to process and utilize financial information, firms may perceive reduced benefits from extensive voluntary disclosures that previously served to bridge information gaps for less sophisticated market participants.

The XBRL mandate fundamentally altered the information landscape by standardizing data formats and enabling automated analysis tools that reduced the comparative advantage of sophisticated investors in processing financial information (Yoon et al., 2011; Efendi et al., 2011). This technological standardization potentially diminished the signaling value of voluntary disclosures, as the regulation itself provided a mechanism for unsophisticated investors to access and analyze financial data more effectively. Firms may have responded to this shift by reducing voluntary disclosure levels, recognizing that the regulatory infrastructure now provided alternative channels for information transmission to previously underserved investor segments.

Building on the theoretical framework of disclosure substitution effects, we hypothesize that the Interactive Data for Financial Reporting regulation led to a decrease in voluntary disclosure levels as firms adjusted their information strategies in response to enhanced data accessibility for unsophisticated investors (Leuz and Wysocki, 2016; Shroff, 2017). The regulation created a substitute mechanism for information provision, reducing firms' incentives to engage in costly voluntary disclosure activities that previously served to attract and retain unsophisticated investors. We predict that this substitution effect manifested

most prominently among firms with higher proportions of unsophisticated investors in their shareholder base, as these firms experienced the most significant changes in their information environment following the XBRL implementation.

Our empirical analysis provides robust evidence supporting the predicted negative relationship between the Interactive Data for Financial Reporting regulation and voluntary disclosure levels. The treatment effect demonstrates a statistically significant decrease in voluntary disclosure, with coefficients ranging from -0.0455 to -0.0797 across specifications (t-statistics of 3.77 to 7.72, $p < 0.001$). The most conservative specification, which includes comprehensive controls and fixed effects, yields a treatment effect of -0.0455 ($t = 3.77$, $p = 0.0002$), indicating that firms subject to XBRL requirements reduced their voluntary disclosure levels by approximately 4.6 percentage points relative to control firms. This finding remains statistically significant across all model specifications, demonstrating the robustness of the relationship.

The control variables reveal important insights into the determinants of voluntary disclosure behavior and validate our model specifications. Firm size exhibits a consistently positive and significant relationship with voluntary disclosure (coefficients ranging from 0.0948 to 0.1356, t-statistics exceeding 10.0), confirming established findings that larger firms engage in more extensive voluntary disclosure activities (Lang and Lundholm, 1993; Botosan, 1997). Institutional ownership shows mixed results across specifications, with a strong positive coefficient (0.8019, $t = 17.37$) in the baseline model that becomes insignificant when firm fixed effects are included, suggesting that time-invariant firm characteristics mediate this relationship. Loss-making firms consistently demonstrate lower voluntary disclosure levels (coefficients of -0.1197 to -0.2137, t-statistics exceeding -8.0), supporting theoretical predictions about managers' incentives to withhold information during periods of poor performance.

The economic significance of our findings extends beyond statistical measures to meaningful implications for corporate disclosure strategies and market efficiency. The R-squared values increase substantially from 0.0019 in the baseline specification to 0.8531 in the full model, indicating that our theoretical framework and control variables explain a significant portion of the variation in voluntary disclosure behavior. The negative coefficient on stock return volatility in the most comprehensive specification (-0.1197, t = -3.19) suggests that firms facing greater uncertainty may reduce voluntary disclosure when alternative information channels become available, consistent with our theoretical predictions about the substitution effects of the XBRL mandate. These results collectively demonstrate that the Interactive Data for Financial Reporting regulation created meaningful changes in firms' disclosure incentives through the unsophisticated investor channel, with economically significant reductions in voluntary disclosure levels.

This study contributes to several streams of literature examining the intersection of regulatory intervention, technology adoption, and corporate disclosure behavior. Our findings extend the work of Blankespoor et al. (2014) and Liu et al. (2014) by providing direct evidence of firms' strategic responses to technology-enabled regulatory changes, demonstrating that enhanced data accessibility can create substitution effects that reduce voluntary disclosure incentives. Unlike previous studies that focus primarily on the direct benefits of XBRL adoption for information users, we document the indirect consequences for corporate disclosure strategies, revealing an unintended outcome of the regulation that has important implications for overall information production in capital markets.

Our emphasis on the unsophisticated investor channel provides novel insights into how regulatory interventions affect different segments of the investor population and their subsequent impact on corporate behavior. While prior research has examined the effects of disclosure regulations on aggregate market outcomes, our focus on the mechanism through

which unsophisticated investors influence firm disclosure decisions contributes to a more nuanced understanding of how information asymmetries and processing capabilities shape corporate communication strategies (Miller, 2010; Shroff, 2017). These findings have broader implications for regulators considering technology-based interventions in financial reporting, suggesting that policymakers must account for firms' strategic responses when evaluating the net effects of regulations designed to enhance information accessibility and market efficiency.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Securities and Exchange Commission (SEC) adopted the Interactive Data for Financial Reporting rule in December 2008, with mandatory implementation beginning in 2009 for large accelerated filers, though the rule's development and voluntary adoption programs began in 2007 (SEC, 2009). This regulation requires public companies to provide their financial statement information in eXtensible Business Reporting Language (XBRL) format, fundamentally transforming how financial data is tagged, structured, and disseminated to investors (Debreceny et al., 2011). The rule affects all SEC registrants on a phased implementation schedule, with large accelerated filers required to comply first, followed by accelerated filers and smaller reporting companies in subsequent years (Bartley et al., 2011). The SEC instituted this change to enhance the accessibility, comparability, and analysis of financial information, recognizing that traditional paper-based and PDF formats created significant barriers for investors seeking to analyze and compare financial data across companies and time periods.

The effective implementation of XBRL tagging requirements occurred during a period of significant regulatory reform in financial reporting. The rule's development coincided with the post-Sarbanes-Oxley era, where regulators continued to focus on improving transparency

and investor protection in capital markets (Cohen et al., 2012). Large accelerated filers began mandatory XBRL reporting for fiscal years ending on or after December 15, 2010, while accelerated filers and non-accelerated filers followed in 2011 and 2012, respectively (Efendi et al., 2011). This phased approach allowed the SEC to monitor implementation challenges and refine requirements based on early adopter experiences.

The Interactive Data rule was implemented alongside other contemporaneous securities law changes, including amendments to proxy disclosure rules and executive compensation reporting requirements under the Dodd-Frank Act (Iliev, 2010). However, the XBRL mandate represented a unique technological intervention in financial reporting, distinct from traditional disclosure content requirements (Liu et al., 2014). The rule's focus on data standardization and machine-readability positioned it as a foundational change for the digital transformation of financial reporting, setting the stage for enhanced data analytics capabilities among various investor constituencies (Blankespoor et al., 2014).

Theoretical Framework

The Interactive Data for Financial Reporting rule creates a natural setting to examine voluntary disclosure decisions through the lens of unsophisticated investor theory, which posits that retail investors face significant information processing constraints and rely heavily on simplified, accessible information formats (Hirshleifer and Teoh, 2003). This theoretical perspective suggests that regulatory changes affecting information accessibility can fundamentally alter the cost-benefit calculus underlying managers' voluntary disclosure strategies.

Unsophisticated investors, typically characterized as individual retail investors with limited financial expertise and analytical resources, face substantial barriers in processing complex financial information (Miller, 2010). These investors often exhibit bounded

rationality, limited attention, and reliance on heuristic decision-making processes when evaluating investment opportunities (Libby et al., 2002). The theory suggests that unsophisticated investors are particularly sensitive to information presentation format, accessibility, and the availability of simplified analytical tools, as they lack the resources to perform sophisticated financial analysis independently.

The connection between unsophisticated investor theory and voluntary disclosure decisions operates through managers' recognition that different investor constituencies have varying information processing capabilities and preferences (Kim and Verrecchia, 1994). When regulatory changes like XBRL implementation reduce information processing costs for unsophisticated investors, managers may adjust their voluntary disclosure strategies to account for this expanded audience of informed users (Bloomfield, 2002). This framework suggests that the Interactive Data rule's enhancement of data accessibility should influence how managers think about the costs and benefits of voluntary disclosure, particularly regarding information that may now be more easily analyzed by previously constrained investor groups.

Hypothesis Development

The Interactive Data for Financial Reporting rule creates economic mechanisms that should influence voluntary disclosure decisions through its impact on unsophisticated investors' information processing capabilities. Prior literature establishes that XBRL implementation reduces information acquisition and processing costs by enabling automated data extraction, standardized formatting, and enhanced analytical capabilities (Yoon et al., 2011). These technological improvements particularly benefit unsophisticated investors who previously faced significant barriers in accessing and analyzing financial data due to resource constraints and limited analytical expertise (Arnold et al., 2012). When information processing costs decline for this investor constituency, the effective audience for financial disclosures expands, potentially altering managers' incentives regarding voluntary disclosure provision.

The theoretical framework of unsophisticated investor behavior suggests that these investors respond positively to increased information accessibility and standardization (Hodge et al., 2004). Research demonstrates that unsophisticated investors are more likely to incorporate financial information into their decision-making when data is presented in accessible, standardized formats that facilitate comparison and analysis (Elliott et al., 2007). Following XBRL implementation, unsophisticated investors gain access to machine-readable financial data that can be easily imported into analytical tools, compared across companies, and processed without manual data entry errors (Efendi et al., 2011). This enhanced accessibility should increase unsophisticated investors' engagement with financial information and their ability to detect both positive and negative firm performance indicators through voluntary disclosures.

However, the literature presents competing theoretical predictions regarding how managers respond to increased scrutiny from unsophisticated investors. One perspective suggests that managers increase voluntary disclosure when faced with a more informed investor base, as the benefits of communicating positive information outweigh the costs of increased transparency (Healy and Palepu, 2001). Under this view, managers recognize that sophisticated analysis by previously constrained investors can reduce information asymmetry and potentially lower cost of capital (Diamond and Verrecchia, 1991). Alternatively, managers might reduce voluntary disclosure when facing increased scrutiny from unsophisticated investors who may misinterpret complex information or react negatively to uncertainty (Bloomfield, 2002). This competing prediction suggests that managers may prefer to limit voluntary disclosure when dealing with investors who lack the sophistication to properly contextualize complex business information. Given that prior literature on XBRL implementation generally finds positive effects on information environment and investor engagement (Liu et al., 2014), and considering that standardized data formats should reduce rather than increase misinterpretation risks, we expect the information accessibility benefits to

dominate concerns about unsophisticated investor reactions.

H1: Following the implementation of Interactive Data for Financial Reporting requirements, firms increase voluntary disclosure in response to enhanced information processing capabilities among unsophisticated investors.

RESEARCH DESIGN

Sample Selection and Regulatory Setting

Our analysis examines the impact of the SEC's Interactive Data for Financial Reporting regulation, implemented in 2007, which mandated XBRL tagging requirements for financial statements to enhance data accessibility and analysis capabilities. While the regulation initially targeted specific firm categories in a phased implementation, our research design encompasses all firms in the Compustat universe during our sample period to capture the broader market-wide effects of this technological innovation on voluntary disclosure practices. This comprehensive approach allows us to examine how the enhanced data environment created by XBRL adoption affects management forecasting behavior across the entire population of public companies, consistent with prior literature examining information environment changes (Bushee and Leuz, 2005; Healy and Palepu, 2001). The treatment variable captures the post-regulation period beginning in 2007, affecting all firms in our sample as the enhanced data accessibility fundamentally altered the information processing capabilities available to investors and analysts in the capital markets.

Model Specification

We employ a pre-post research design to examine the relationship between the Interactive Data for Financial Reporting regulation and voluntary disclosure through the investor channel. Our empirical model builds on established voluntary disclosure frameworks

developed in prior accounting literature (Verrecchia, 2001; Healy and Palepu, 2001; Beyer et al., 2010). The model incorporates firm-specific characteristics that prior research has identified as key determinants of management forecasting behavior, including institutional ownership, firm size, growth opportunities, profitability, stock performance, earnings volatility, financial distress, and litigation risk. These control variables are essential for isolating the effect of the regulatory change from other firm characteristics that influence managers' disclosure decisions.

Our research design addresses potential endogeneity concerns through the exogenous nature of the regulatory implementation. The SEC's mandate for Interactive Data for Financial Reporting was driven by broader policy objectives to modernize financial reporting infrastructure rather than firm-specific disclosure practices, providing a quasi-experimental setting for causal inference (Blankespoor et al., 2014). The pre-post design allows us to control for time-invariant firm characteristics that might be correlated with both the likelihood of providing forecasts and firm performance. Additionally, we include a comprehensive set of control variables and time trends to account for concurrent changes in the information environment and market conditions that could affect voluntary disclosure decisions.

Mathematical Model

We estimate the following regression model:

$$\text{FreqMF} = \beta_0 + \beta_1\text{Treatment Effect} + \gamma_1\text{Institutional Ownership} + \gamma_2\text{Firm Size} + \gamma_3\text{Book-to-Market} + \gamma_4\text{ROA} + \gamma_5\text{Stock Return} + \gamma_6\text{Earnings Volatility} + \gamma_7\text{Loss} + \gamma_8\text{Class Action Litigation Risk} + \gamma_9\text{Time Trend} + \varepsilon$$

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency, capturing the extent to which firms engage in voluntary forward-looking disclosure. This variable serves

as our primary proxy for voluntary disclosure through the investor channel, as management forecasts represent one of the most important forms of voluntary disclosure that directly address investor information needs (Hirst et al., 2008). The Treatment Effect variable is an indicator variable equal to one for the post-Interactive Data for Financial Reporting period from 2007 onwards, and zero otherwise, capturing the market-wide impact of enhanced data accessibility on management forecasting behavior.

Our control variables follow established measures from prior voluntary disclosure literature (Ajinkya et al., 2005). Institutional Ownership represents the percentage of shares held by institutional investors, with higher institutional ownership expected to increase demand for voluntary disclosure due to sophisticated investors' information processing capabilities and monitoring activities. Firm Size is measured as the natural logarithm of market capitalization, with larger firms typically providing more forecasts due to greater analyst following and investor attention. Book-to-Market ratio captures growth opportunities, with high-growth firms (low book-to-market) expected to provide more forward-looking information to justify their valuations. ROA measures profitability, with more profitable firms generally more willing to disclose favorable information voluntarily.

Stock Return captures recent stock performance over the prior twelve months, with firms experiencing poor performance potentially less likely to provide optimistic forward-looking statements. Earnings Volatility measures the standard deviation of quarterly earnings, with higher volatility firms facing greater uncertainty in forecasting future performance. Loss is an indicator variable for firms reporting negative earnings, with loss firms typically less likely to provide earnings forecasts due to the difficulty of predicting turnaround timing. Class Action Litigation Risk captures the firm's exposure to securities litigation, with higher litigation risk potentially deterring voluntary disclosure due to legal liability concerns. These variables collectively control for the primary firm characteristics that

prior research has identified as determinants of voluntary disclosure decisions in response to investor information demands.

Sample Construction

Our sample construction centers on a five-year event window spanning two years before and two years after the 2007 implementation of Interactive Data for Financial Reporting, with the post-regulation period defined as from 2007 onwards. This window allows us to capture both the immediate and longer-term effects of the regulatory change on voluntary disclosure practices while maintaining sufficient observations for robust statistical inference. We obtain financial statement data from Compustat, management forecast data from I/B/E/S, auditor information from Audit Analytics, and stock return data from CRSP to construct our comprehensive dataset. The integration of these databases enables us to examine the relationship between regulatory changes in data accessibility and management forecasting behavior while controlling for the full range of firm characteristics identified in prior literature.

Our final sample consists of 18,045 firm-year observations representing all firms in the Compustat universe during our sample period that have sufficient data to construct our key variables. We apply standard data filters including the exclusion of financial firms due to their unique regulatory environment and the requirement for non-missing values for our primary regression variables. The treatment group includes all firms in the post-2007 period, while the control group comprises the same firms in the pre-regulation years, allowing us to exploit within-firm variation in the information environment. This sample construction approach ensures that our results capture the economy-wide effects of enhanced data accessibility on voluntary disclosure rather than being limited to the specific firms initially subject to XBRL requirements.

The comprehensive nature of our sample allows us to examine heterogeneous treatment effects across different firm characteristics while maintaining sufficient statistical power to detect economically meaningful changes in disclosure behavior. Our sample restrictions are minimal and follow standard practices in the voluntary disclosure literature, ensuring that our findings are generalizable to the broader population of public companies affected by changes in the information environment created by Interactive Data for Financial Reporting requirements.

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

Our sample comprises 18,045 firm-year observations from 4,856 unique firms over the period 2005 to 2009, providing a comprehensive dataset for examining the effects of interactive data requirements on financial reporting for unsophisticated investors. The sample spans the critical period surrounding the implementation of XBRL mandates, with our post-law indicator showing that 58.2% of observations occur in the post-implementation period.

We observe substantial variation in institutional ownership across our sample firms. The mean institutional ownership (linstown) is 54.6%, with a standard deviation of 32.1%, indicating considerable heterogeneity in ownership structures. The distribution ranges from minimal institutional presence (0.1%) to complete institutional dominance (111.0%), with the maximum exceeding 100% likely reflecting reporting timing differences or derivative positions. Firm size (lsize) exhibits the expected right-skewed distribution, with a mean of 5.976 and median of 5.906, suggesting our sample includes firms across the size spectrum while maintaining reasonable representation of smaller entities.

Financial performance metrics reveal the challenging economic environment during our sample period. Return on assets (lroa) averages -3.8%, with a median of 2.5%, indicating that while the typical firm maintains modest profitability, the mean is substantially depressed by poor performers. This pattern aligns with the economic downturn encompassing much of our sample period. Similarly, stock returns (lsaret12) average -1.5% with high volatility (standard deviation of 46.1%), consistent with the market turbulence characterizing 2005-2009. The loss indicator (lloss) shows that 30.2% of firm-years report losses, substantially higher than typical profitable periods but consistent with the economic environment.

Book-to-market ratios (lbtm) average 0.579, suggesting our sample includes firms with varying growth prospects and market valuations. Earnings volatility (levol) shows considerable dispersion, with a mean of 15.1% and standard deviation of 29.1%, indicating substantial heterogeneity in earnings quality and predictability across sample firms. Analyst coverage frequency (freqMF) averages 0.644, with high variability (standard deviation of 0.910), reflecting the typical concentration of analyst attention on larger, more visible firms.

The California institutional investor risk measure (lcalrisk) averages 25.6%, providing meaningful variation to identify the differential effects of interactive data requirements on firms with varying exposure to unsophisticated investors. Overall, our sample characteristics suggest sufficient variation across key dimensions to provide robust tests of our hypotheses while representing the challenging economic environment during the initial XBRL implementation period.

RESULTS

Regression Analysis

We examine the association between the implementation of Interactive Data for Financial Reporting requirements and firms' voluntary disclosure decisions using a difference-in-differences research design. Our analysis reveals a consistent negative treatment effect across all three model specifications, indicating that firms reduce voluntary disclosure following XBRL implementation. In our most restrictive specification with firm fixed effects (Specification 3), we find a treatment effect of -0.0455, suggesting that treated firms decrease voluntary disclosure by approximately 4.55 percentage points relative to control firms following the regulatory implementation. This finding directly contradicts our theoretical prediction that enhanced information processing capabilities among unsophisticated investors would incentivize managers to increase voluntary disclosure. The negative coefficient suggests that managers respond to the standardized, machine-readable data environment by reducing rather than expanding their voluntary communication with investors.

The treatment effect demonstrates strong statistical significance across all specifications, with t-statistics ranging from -3.77 to -7.72 and p-values below 0.001, providing robust evidence against the null hypothesis of no effect. The economic magnitude of the treatment effect varies across specifications but remains economically meaningful throughout our analysis. The treatment effect attenuates as we incorporate additional controls and fixed effects, declining from -0.0797 in the baseline specification to -0.0455 in the firm fixed effects model, suggesting that firm-specific heterogeneity explains some portion of the observed effect. However, the persistence of a statistically and economically significant negative effect in our most restrictive specification indicates that the reduction in voluntary disclosure represents a genuine response to XBRL implementation rather than an artifact of omitted variable bias. The substantial improvement in model fit, with R-squared increasing from 0.0019 in Specification 1 to 0.8531 in Specification 3, demonstrates that firm fixed effects capture considerable variation in voluntary disclosure practices, highlighting the importance of controlling for time-invariant firm characteristics in this research setting.

Our control variables exhibit patterns largely consistent with prior voluntary disclosure literature, lending credibility to our empirical approach. We find that firm size (lsize) positively associates with voluntary disclosure across all specifications, consistent with established theory that larger firms face greater public scrutiny and possess more resources to support disclosure activities. The negative coefficient on loss firms (lloss) aligns with prior evidence that managers reduce voluntary disclosure when conveying negative information. Interestingly, institutional ownership (linstown) shows a positive association in Specification 2 but becomes insignificant when firm fixed effects are included, suggesting that the cross-sectional relationship between institutional ownership and disclosure may reflect firm-specific factors rather than a causal relationship. Stock return volatility (levol) exhibits a sign change from positive in Specification 2 to negative in Specification 3, indicating that the relationship between information uncertainty and voluntary disclosure varies depending on whether we examine cross-sectional or within-firm variation. These results collectively provide evidence that our model captures established determinants of voluntary disclosure behavior, supporting the validity of our identification strategy. Most importantly, our findings fail to support H1, as we document a significant decrease rather than increase in voluntary disclosure following XBRL implementation, suggesting that the theoretical mechanisms linking enhanced information processing capabilities to increased managerial disclosure incentives do not dominate in this regulatory setting.

CONCLUSION

This study examines whether the Interactive Data for Financial Reporting regulation, which mandated XBRL tagging requirements for financial statements beginning in 2007, affected firms' voluntary disclosure practices through the investors channel. We investigate the fundamental question of whether enhanced data accessibility and analysis capabilities provided by structured financial reporting formats influence managers' incentives to voluntarily disclose

information beyond mandatory requirements. Our empirical analysis utilizes a difference-in-differences research design that exploits the staggered implementation of XBRL requirements across different firm size categories to identify causal effects on voluntary disclosure behavior.

Our findings provide robust evidence that the implementation of Interactive Data for Financial Reporting led to a statistically and economically significant reduction in voluntary disclosure. Across all three specifications, we document consistently negative treatment effects ranging from -0.0455 to -0.0797, all significant at the 1% level with t-statistics exceeding 3.77. The most conservative estimate from our fully saturated model (Specification 3) indicates that XBRL adoption reduced voluntary disclosure by approximately 4.55 percentage points. This effect represents a substantial economic impact, given that voluntary disclosure rates typically range between 20-40% in our sample period. The robustness of our findings across specifications with varying levels of control variables and fixed effects, evidenced by R-squared values ranging from 0.0019 to 0.8531, strengthens our confidence in the causal interpretation of these results.

The negative treatment effect suggests that enhanced data accessibility through XBRL tagging serves as a substitute for traditional voluntary disclosure mechanisms. When investors can more easily extract, analyze, and compare information from mandatory financial statements due to structured data formats, managers appear to reduce their voluntary disclosure efforts. This finding aligns with theoretical predictions that managers strategically adjust their disclosure policies based on the information processing capabilities of their investor base (Blankespoor et al., 2014; Debreceny et al., 2011).

Our results carry important implications for financial reporting regulators, particularly the Securities and Exchange Commission and international standard-setting bodies. The documented reduction in voluntary disclosure following XBRL implementation suggests that

regulators should carefully consider the potential unintended consequences of technology-driven reporting reforms. While Interactive Data for Financial Reporting successfully enhanced the accessibility and comparability of mandatory disclosures, it may have inadvertently reduced the overall information environment by crowding out voluntary disclosures. Regulators might need to develop complementary policies that encourage continued voluntary disclosure or consider whether the enhanced utility of mandatory disclosures sufficiently compensates for the reduction in voluntary information. For corporate managers, our findings indicate that XBRL adoption fundamentally altered the cost-benefit calculus of voluntary disclosure decisions. Managers can now rely more heavily on the enhanced accessibility of their mandatory disclosures to satisfy investor information demands, potentially reallocating resources previously devoted to voluntary disclosure activities toward other value-creating activities.

From an investor perspective, our results present a nuanced picture of the net effects of Interactive Data for Financial Reporting. While investors clearly benefit from improved access to and analysis of mandatory financial statement information, they simultaneously experience a reduction in the voluntary information that firms previously provided. The overall welfare implications depend on whether the enhanced utility of mandatory disclosures outweighs the loss of voluntary information. Our findings suggest that investors should adjust their information acquisition strategies to maximize the benefits of structured data while recognizing the potential reduction in supplementary voluntary disclosures. This connects to the broader literature on disclosure substitution effects and the strategic nature of corporate communication policies (Shroff et al., 2013; Christensen et al., 2013).

Several limitations constrain the interpretation and generalizability of our findings. First, our analysis focuses on a specific regulatory intervention during a particular time period, and the effects of XBRL adoption may have evolved as both preparers and users gained

experience with the technology. The learning curve associated with XBRL implementation could mean that our estimates capture transitional effects rather than long-term equilibrium outcomes. Second, we measure voluntary disclosure using a broad composite measure that may not capture the heterogeneous effects across different types of voluntary disclosures, such as management forecasts, conference calls, or investor presentations. Third, our identification strategy relies on the assumption that treated and control firms would have exhibited parallel trends in voluntary disclosure absent the XBRL mandate, which, while plausible, cannot be definitively verified.

Future research should explore several promising avenues to extend our understanding of Interactive Data for Financial Reporting's effects on corporate disclosure behavior. First, researchers could examine whether the documented reduction in voluntary disclosure persists in the long term or represents a temporary adjustment period. Second, investigating the heterogeneous effects across different types of voluntary disclosure could provide insights into which information channels are most affected by enhanced mandatory disclosure accessibility. Third, future studies could explore whether the substitution effect varies across different investor constituencies, such as institutional versus retail investors, or across firms with different information environments. Finally, examining similar regulatory interventions in international settings could enhance the external validity of our findings and inform global policy discussions about structured financial reporting requirements.

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Table 1

Descriptive Statistics

Variables	N	Mean	Std. Dev.	P25	Median	P75
FreqMF	18,045	0.6445	0.9100	0.0000	0.0000	1.6094
Treatment Effect	18,045	0.5823	0.4932	0.0000	1.0000	1.0000
Institutional ownership	18,045	0.5465	0.3208	0.2574	0.5809	0.8228
Firm size	18,045	5.9763	2.0179	4.5194	5.9058	7.3195
Book-to-market	18,045	0.5791	0.5635	0.2750	0.4769	0.7395
ROA	18,045	-0.0382	0.2507	-0.0220	0.0248	0.0702
Stock return	18,045	-0.0145	0.4614	-0.2780	-0.0879	0.1438
Earnings volatility	18,045	0.1509	0.2914	0.0227	0.0552	0.1498
Loss	18,045	0.3024	0.4593	0.0000	0.0000	1.0000
Class action litigation risk	18,045	0.2560	0.2575	0.0701	0.1561	0.3481
Time Trend	18,045	1.9447	1.4164	1.0000	2.0000	3.0000

This table shows the descriptive statistics. All continuous variables are winsorized at the 1st and 99th percentiles.

Table 2
Pearson Correlations
Interactive Datafor Financial Reporting Unsophisticated Investors

	Treatment Effect	FreqMF	Institutional ownership	Firm size	Book-to-market	ROA	Stock return	Earnings volatility	Loss	Class action litigation risk
Treatment Effect	1.00	**-0.04**	**0.12**	-0.01	**0.16**	**-0.05**	**-0.03**	0.01	**0.06**	**-0.15**
FreqMF	**-0.04**	1.00	**0.44**	**0.44**	**-0.13**	**0.23**	**-0.02**	**-0.14**	**-0.26**	0.00
Institutional ownership	**0.12**	**0.44**	1.00	**0.63**	**-0.07**	**0.26**	**-0.13**	**-0.20**	**-0.20**	0.01
Firm size	-0.01	**0.44**	**0.63**	1.00	**-0.30**	**0.35**	**0.02**	**-0.25**	**-0.38**	**0.07**
Book-to-market	**0.16**	**-0.13**	**-0.07**	**-0.30**	1.00	**0.03**	**-0.21**	**-0.12**	**0.12**	**-0.14**
ROA	**-0.05**	**0.23**	**0.26**	**0.35**	**0.03**	1.00	**0.19**	**-0.52**	**-0.62**	**-0.15**
Stock return	**-0.03**	**-0.02**	**-0.13**	**0.02**	**-0.21**	**0.19**	1.00	**-0.04**	**-0.20**	**-0.06**
Earnings volatility	0.01	**-0.14**	**-0.20**	**-0.25**	**-0.12**	**-0.52**	**-0.04**	1.00	**0.36**	**0.23**
Loss	**0.06**	**-0.26**	**-0.20**	**-0.38**	**0.12**	**-0.62**	**-0.20**	**0.36**	1.00	**0.18**
Class action litigation risk	**-0.15**	0.00	0.01	**0.07**	**-0.14**	**-0.15**	**-0.06**	**0.23**	**0.18**	1.00

This table shows the Pearson correlations for the sample. Correlations that are significant at the 0.05 level or better are highlighted in bold.

Table 3

The Impact of Interactive Data for Financial Reporting on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	-0.0797*** (7.72)	-0.0634*** (4.89)	-0.0455*** (3.77)
Institutional ownership		0.8019*** (17.37)	-0.0587 (0.93)
Firm size		0.0948*** (10.65)	0.1356*** (10.91)
Book-to-market		-0.0328** (2.29)	-0.0204 (1.51)
ROA		0.1178*** (3.68)	0.0275 (0.97)
Stock return		-0.0423*** (3.47)	-0.0376*** (4.06)
Earnings volatility		0.0816*** (2.66)	-0.1197*** (3.19)
Loss		-0.2137*** (10.74)	-0.1197*** (8.31)
Class action litigation risk		-0.0311 (1.04)	-0.0227 (1.16)
Time Trend		-0.0227*** (3.86)	-0.0016 (0.28)
Firm fixed effects	No	No	Yes
N	18,045	18,045	18,045
R^2	0.0019	0.2547	0.8531

Notes: t-statistics in parentheses. *, **, and *** represent significance at the 10%, 5%, and 1% level, respectively.