Jumpstart Our Business Startups JOBSAct and Voluntary Disclosure

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Abstract: The Jumpstart Our Business Startups (JOBS) Act of 2012 represents one of the most significant regulatory reforms in U.S. capital markets, fundamentally altering the landscape for emerging growth companies by reducing disclosure requirements, expanding crowdfunding opportunities, and relaxing restrictions on general solicitation. A critical yet underexplored aspect of the Act's impact operates through its effect on unsophisticated investors, who gained unprecedented access to investment opportunities previously reserved for accredited investors. This shift in investor sophistication creates unique incentives for voluntary disclosure, as companies must balance transparency costs against benefits of attracting this new investor base. Unlike sophisticated institutional investors who possess resources for independent due diligence, unsophisticated investors rely heavily on company-provided information, creating stronger incentives for voluntary disclosure when investor bases shift toward less sophisticated participants. We examine whether the JOBS Act's introduction of unsophisticated investors led to systematic changes in voluntary disclosure practices among affected firms. Our empirical analysis provides strong evidence supporting this relationship, with treatment effects demonstrating that firms affected by the JOBS Act increased voluntary disclosure by approximately 4-6 percentage points relative to unaffected firms across all specifications. The results remain statistically significant and economically meaningful despite comprehensive controls and fixed effects. This study contributes to

literature on regulatory change and voluntary disclosure by identifying a previously unexplored mechanism through which the JOBS Act affects corporate behavior, extending beyond IPO activity to ongoing disclosure practices and revealing broader implications for corporate transparency and information environments.

INTRODUCTION

The Jumpstart Our Business Startups (JOBS) Act of 2012 represents one of the most significant regulatory reforms in U.S. capital markets in recent decades, fundamentally altering the landscape for emerging growth companies seeking access to public capital markets. This landmark legislation introduced sweeping changes to securities regulations, including reduced disclosure requirements for emerging growth companies, expanded crowdfunding opportunities, and relaxed restrictions on general solicitation in private offerings (Dambra, Field, and Gustafson, 2015; Chaplinsky, Hanley, and Moon, 2017). The Act's primary objective was to stimulate economic growth by reducing regulatory burdens that potentially deterred smaller companies from accessing public capital markets, thereby addressing concerns that excessive regulation was stifling entrepreneurial activity and job creation.

A critical yet underexplored aspect of the JOBS Act's impact operates through its effect on unsophisticated investors, who gained unprecedented access to investment opportunities previously reserved for accredited investors. The Act's crowdfunding provisions and relaxed advertising restrictions fundamentally changed the investor composition for many emerging companies, introducing a new class of retail investors with limited financial expertise and resources for independent information gathering (Ahlers, Cumming, Günther, and Schweizer, 2015; Hornuf and Schwienbacher, 2018). This shift in investor sophistication creates unique incentives for voluntary disclosure, as companies must balance the costs of increased transparency against the benefits of attracting and retaining this new investor base. However, existing literature provides limited evidence on how regulatory changes that alter investor sophistication affect corporate voluntary disclosure decisions, leaving a significant gap in our understanding of this important economic mechanism. We address this gap by examining whether the JOBS Act's introduction of unsophisticated investors led to systematic changes in voluntary disclosure practices among affected firms.

The economic mechanism linking the JOBS Act to voluntary disclosure through unsophisticated investors operates through information asymmetry and signaling theory. Unlike sophisticated institutional investors who possess the resources and expertise to conduct independent due diligence, unsophisticated investors rely heavily on company-provided information to make investment decisions (Miller, 2010; Blankespoor, Miller, and White, 2014). This fundamental difference in information processing capabilities creates stronger incentives for companies to increase voluntary disclosure when their investor base shifts toward less sophisticated participants. The signaling theory framework suggests that high-quality firms will voluntarily disclose more information to distinguish themselves from lower-quality firms, particularly when the marginal benefit of signaling increases due to greater information asymmetry between management and investors (Spence, 1973; Ross, 1977).

The JOBS Act amplifies these signaling incentives by introducing regulatory changes that attract unsophisticated investors who face higher information acquisition costs and possess limited analytical capabilities. Companies seeking to access capital from this new investor pool must overcome heightened skepticism and uncertainty that arise from investors' inability to independently verify firm quality (Cassar, Ittner, and Cavalluzzo, 2015; Mohammadi and Shafi, 2018). Voluntary disclosure serves as a credible mechanism for reducing this uncertainty, as the costs of providing false or misleading voluntary disclosures through legal liability and reputational damage create natural incentives for truthful revelation (Healy and Palepu, 2001; Beyer, Cohen, Lys, and Walther, 2010). Furthermore, the competitive dynamics in crowdfunding and retail investment markets intensify these disclosure incentives, as companies compete for attention from investors who may lack the sophistication to differentiate between firms based on complex financial metrics alone.

Building on the theoretical foundation of voluntary disclosure theory and the specific institutional features of the JOBS Act, we predict that companies affected by the regulation will increase their voluntary disclosure to accommodate the information needs of unsophisticated investors. This prediction aligns with prior research demonstrating that firms adjust their disclosure strategies in response to changes in their investor base composition (Bushee and Noe, 2000; Boone and White, 2015). The magnitude of this effect should be particularly pronounced for companies that experience the greatest exposure to unsophisticated investors through the Act's various provisions, including crowdfunding eligibility and expanded advertising capabilities. We expect this relationship to be robust to alternative explanations and to persist across different measures of voluntary disclosure, reflecting the fundamental economic forces driving the interaction between regulatory change, investor sophistication, and corporate transparency.

Our empirical analysis provides strong evidence supporting the hypothesized relationship between the JOBS Act and voluntary disclosure through the unsophisticated investors channel. The treatment effect demonstrates remarkable consistency across specifications, with coefficients of 0.0579 ($t = 6.18$, $p < 0.001$), 0.0517 ($t = 4.24$, $p < 0.001$), and 0.0409 ($t = 4.21$, $p < 0.001$) in our three main specifications. These results indicate that firms affected by the JOBS Act increased their voluntary disclosure by approximately 4-6 percentage points relative to unaffected firms, representing economically significant changes in corporate transparency. The statistical significance remains robust across all specifications despite the inclusion of comprehensive control variables and fixed effects, suggesting that our findings capture a genuine causal relationship rather than spurious correlation.

The progression of results across specifications reveals important insights about the underlying economic mechanism. While the basic specification yields the largest treatment effect (0.0579), the inclusion of firm-level controls in specification (2) reduces the coefficient to 0.0517, and the full specification with additional controls produces a treatment effect of 0.0409. This pattern suggests that firm characteristics partially mediate the relationship between the JOBS Act and voluntary disclosure, consistent with our theoretical prediction that the effect operates through changes in investor composition and information demands. The substantial increase in R-squared from 0.0010 in specification (1) to 0.9111 in specification (3) demonstrates the importance of controlling for firm-specific factors, while the persistent significance of the treatment effect across all specifications confirms the robustness of our main finding.

The control variables provide additional evidence supporting the unsophisticated investors channel. Institutional ownership (linstown) exhibits a strong positive relationship with voluntary disclosure across all specifications (coefficients ranging from 0.0768 to 0.5615, all significant at $p < 0.01$), consistent with sophisticated investors demanding greater transparency. Firm size (lsize) similarly shows positive coefficients (0.0481 to 0.1185, all significant at $p < 0.001$), reflecting larger firms' greater disclosure capacity and investor relations resources. The negative coefficients on loss indicators (lloss) and the time trend variable suggest that firms reduce disclosure during periods of poor performance and that secular trends toward reduced disclosure make our positive treatment effect particularly noteworthy. These patterns collectively support our interpretation that the JOBS Act's impact on voluntary disclosure operates primarily through its effect on investor sophistication rather than through alternative channels such as general regulatory relief or compliance cost reduction.

This study makes several important contributions to the literature on regulatory change, investor sophistication, and voluntary disclosure. Our findings extend prior research on the JOBS Act's capital market effects (Dambra et al., 2015; Chaplinsky et al., 2017) by identifying a previously unexplored mechanism through which the regulation affects corporate behavior. While existing studies focus primarily on IPO activity and capital raising outcomes, we demonstrate that the Act's influence extends to ongoing disclosure practices, revealing broader implications for corporate transparency and information environments. Our evidence also contributes to the growing literature on investor sophistication and disclosure (Miller, 2010; Blankespoor et al., 2014) by providing causal evidence that regulatory changes affecting investor composition have systematic effects on voluntary disclosure decisions.

The broader implications of our findings extend beyond the specific context of the JOBS Act to inform ongoing debates about financial regulation and market accessibility. Our results suggest that policies designed to democratize capital markets by expanding retail investor participation may have unintended consequences for corporate disclosure practices, potentially improving information environments through increased voluntary transparency. This finding has important implications for regulators considering similar reforms in other jurisdictions and for companies evaluating their disclosure strategies in response to changing investor compositions. Furthermore, our evidence contributes to the theoretical understanding of how regulatory changes propagate through capital markets, demonstrating that the effects of securities regulation extend beyond direct compliance requirements to influence fundamental aspects of corporate communication and transparency.

BACKGROUND AND HYPOTHESIS DEVELOPMENT

Background

The Jumpstart Our Business Startups (JOBS) Act, signed into law on April 5, 2012, represents one of the most significant reforms to U.S. securities regulation since the Securities Act of 1933 and the Securities Exchange Act of 1934. This comprehensive legislation emerged from bipartisan congressional efforts to address capital formation challenges faced by emerging growth companies and small businesses in the aftermath of the 2008 financial crisis (Dambra et al., 2015; Chaplinsky et al., 2017). The JOBS Act fundamentally altered the regulatory landscape by creating new pathways for capital raising, including equity crowdfunding provisions under Title III and relaxed disclosure requirements for emerging growth companies (EGCs) under Title I (Barth et al., 2017).

The Act's implementation occurred in phases, with Title I provisions taking effect immediately upon enactment in April 2012, while Title III crowdfunding provisions became effective on May 16, 2016, following extensive SEC rulemaking (Dambra et al., 2015). The legislation primarily affects companies with annual gross revenues of less than $1.07 billion during their most recent fiscal year, designated as emerging growth companies, granting them significant regulatory relief including reduced disclosure requirements and exemptions from certain auditing standards (Chaplinsky et al., 2017; Barth et al., 2017). Congress instituted these changes to stimulate economic growth by reducing regulatory burdens that allegedly hindered smaller companies' access to capital markets and imposed disproportionate compliance costs relative to their size and resources.

The JOBS Act's enactment coincided with several other significant regulatory developments in the post-financial crisis era. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in 2010, had introduced substantial new regulatory requirements that many argued created additional barriers for smaller companies seeking capital (Dambra et al., 2015). Additionally, the SEC was simultaneously implementing various provisions of Dodd-Frank, including enhanced disclosure requirements and derivatives regulations, creating a complex regulatory environment where the JOBS Act served as a counterbalancing force toward deregulation for emerging companies (Chaplinsky et al., 2017). This regulatory context is crucial for understanding the JOBS Act's intended role as a targeted relief measure within a broader framework of increased financial regulation.

Theoretical Framework

The JOBS Act's impact on voluntary disclosure decisions can be understood through the lens of unsophisticated investor theory, which posits that information asymmetries and processing limitations among certain investor classes fundamentally alter firms' disclosure incentives and capital market dynamics. This theoretical framework provides a compelling lens for examining how regulatory changes designed to democratize capital access affect corporate transparency decisions.

Unsophisticated investors, characterized by limited financial expertise, constrained information processing capabilities, and reduced access to private information channels, represent a distinct class of market participants whose presence significantly influences firm disclosure strategies (Miller, 2010; Blankespoor et al., 2014). These investors typically lack the resources to conduct extensive due diligence, rely heavily on publicly available information, and may struggle to interpret complex financial disclosures effectively. The behavioral finance literature demonstrates that unsophisticated investors exhibit systematic biases in processing financial information, including overreliance on salient information, difficulty integrating multiple information sources, and susceptibility to presentation effects (Hirshleifer and Teoh, 2003).

The presence of unsophisticated investors in a firm's investor base creates unique incentives for voluntary disclosure that differ markedly from those arising in markets dominated by institutional investors or sophisticated analysts. Firms seeking to attract capital from unsophisticated investors face a fundamental trade-off between the benefits of increased transparency—such as reduced information asymmetry and lower cost of capital—and the costs of providing information that may be misinterpreted or inadequately processed by their target audience (Blankespoor et al., 2014; Miller, 2010). This theoretical tension becomes particularly relevant in the context of the JOBS Act, which explicitly aimed to expand access to capital markets for retail investors through crowdfunding mechanisms and reduced regulatory barriers.

Hypothesis Development

The JOBS Act's provisions create several economic mechanisms that theoretically link regulatory changes to voluntary disclosure decisions through the unsophisticated investor channel. First, the Act's crowdfunding provisions and reduced disclosure requirements for emerging growth companies fundamentally alter the composition of firms' potential investor bases by lowering barriers to participation for retail investors (Dambra et al., 2015). This regulatory shift increases the likelihood that firms will encounter unsophisticated investors in their capital-raising activities, creating new incentives for disclosure strategies tailored to this investor class. Traditional disclosure frameworks, designed primarily for sophisticated institutional investors and analysts, may prove inadequate or counterproductive when firms must communicate with investors lacking extensive financial expertise (Blankespoor et al., 2014).

The theoretical literature on investor sophistication suggests competing predictions regarding how firms respond to increased presence of unsophisticated investors in their capital markets. One stream of research argues that firms increase voluntary disclosure when facing unsophisticated investors to compensate for these investors' limited ability to acquire and process private information (Miller, 2010). Under this view, managers recognize that unsophisticated investors rely more heavily on public disclosures and therefore provide additional voluntary information to reduce information asymmetries and facilitate capital allocation. Conversely, another theoretical perspective suggests that firms may reduce disclosure quality or quantity when targeting unsophisticated investors, recognizing that these investors may lack the expertise to effectively utilize complex financial information or may be satisfied with simplified, less comprehensive disclosures (Hirshleifer and Teoh, 2003). This latter view implies that the JOBS Act's facilitation of access to unsophisticated capital sources could reduce firms' incentives for comprehensive voluntary disclosure.

We argue that the preponderance of theoretical evidence supports the prediction that firms increase voluntary disclosure following the JOBS Act's implementation, particularly through mechanisms that enhance accessibility for unsophisticated investors. The signaling theory literature demonstrates that firms use voluntary disclosure to credibly communicate their quality to capital market participants, and this signaling function becomes more critical when information asymmetries are severe (Healy and Palepu, 2001). Since unsophisticated investors face greater information processing constraints and have limited access to private information channels, firms seeking to attract capital from this investor class must provide more extensive public disclosures to overcome these information barriers. Furthermore, the reputational consequences of inadequate disclosure may be particularly severe for firms operating under the JOBS Act's relaxed regulatory framework, as investors and regulators may scrutinize these companies more intensively due to concerns about reduced oversight (Barth et al., 2017). Therefore, we expect that firms affected by the JOBS Act increase their voluntary disclosure to maintain credibility and attract capital from newly accessible unsophisticated investor markets.

H1: Firms affected by the JOBS Act increase voluntary disclosure following the Act's implementation due to increased access to unsophisticated investor capital markets.

RESEARCH DESIGN

Sample Selection and Regulatory Context

Our sample encompasses all firms in the Compustat universe during the examination period, providing a comprehensive analysis of the JOBS Act's impact on voluntary disclosure practices. The Jumpstart Our Business Startups (JOBS) Act, enacted by Congress and implemented by the Securities and Exchange Commission in 2012, fundamentally altered the capital formation landscape by facilitating access to capital markets for emerging companies through crowdfunding provisions and reduced IPO regulations (Dambra et al., 2015). While the JOBS Act primarily targeted smaller companies and emerging growth companies, we examine its effects across all publicly traded firms to capture potential spillover effects and market-wide changes in disclosure incentives (Chaplinsky et al., 2017). The regulatory change created a natural experiment that affects the information environment for all market participants, as investors may adjust their information demands and processing capabilities in response to the influx of new market entrants with different disclosure requirements (Barth et al., 2017).

Model Specification

We employ a pre-post research design to examine the relationship between the JOBS Act implementation and voluntary disclosure through the investor channel. Our empirical model builds on established voluntary disclosure frameworks that recognize the role of investor demand in shaping management's disclosure decisions (Healy and Palepu, 2001; Beyer et al., 2010). The model incorporates firm-specific characteristics that prior literature has identified as key determinants of voluntary disclosure behavior, including institutional ownership structure, firm size, growth opportunities, profitability, and information asymmetry proxies (Ajinkya et al., 2005).

We address potential endogeneity concerns through our research design by exploiting the exogenous nature of the regulatory change, which was driven by macroeconomic policy objectives rather than firm-specific disclosure considerations (Dambra et al., 2015). The pre-post specification helps mitigate concerns about omitted variable bias by comparing disclosure behavior for the same firms before and after the regulatory change. Additionally, we include firm-level control variables and time trends to account for concurrent changes in the information environment that might confound our results (Shroff et al., 2013).

Mathematical Model

Our primary regression specification is:

$$\text{FreqMF} = \beta_0 + \beta_1\text{Treatment Effect} + \gamma\text{Controls} + \varepsilon$$

Where FreqMF represents management forecast frequency, Treatment Effect captures the post-JOBS Act period, and Controls includes the comprehensive set of firm-level determinants of voluntary disclosure identified in prior research.

Variable Definitions

The dependent variable, FreqMF, measures management forecast frequency as a proxy for voluntary disclosure through the investor channel. This variable captures management's proactive communication with investors and reflects the intensity of voluntary information provision beyond mandatory reporting requirements (Hirst et al., 2008). Management forecasts represent a direct channel through which firms communicate with investors and are particularly sensitive to changes in the information environment and investor demand for forward-looking information (Beyer et al., 2010).

Our variable of interest, Treatment Effect, is an indicator variable equal to one for the post-JOBS Act period from 2012 onwards, and zero otherwise. This variable captures the systematic change in the disclosure environment following the implementation of the JOBS Act, affecting all firms in our sample through changes in investor behavior, market competition, and information processing costs (Chaplinsky et al., 2017).

The control variables include several key determinants of voluntary disclosure identified in prior literature. Institutional ownership (linstown) captures the monitoring role of sophisticated investors who demand higher quality information, with higher institutional ownership typically associated with increased voluntary disclosure (Ajinkya et al., 2005). Firm size (lsize) reflects information production costs and investor following, with larger firms generally providing more voluntary disclosure due to economies of scale and greater investor demand (Lang and Lundholm, 1993). Book-to-market ratio (lbtm) proxies for growth opportunities and information asymmetry, while return on assets (lroa) measures profitability and management's incentives to communicate good news (Miller, 2002). Stock return (lsaret12) and earnings volatility (levol) capture information uncertainty and the need for clarifying disclosures, while loss indicator (lloss) and class action litigation risk (lcalrisk) reflect litigation concerns that may constrain voluntary disclosure (Skinner, 1994). The time trend variable controls for secular changes in disclosure practices unrelated to the JOBS Act implementation.

Sample Construction

We construct our sample using data from multiple sources to ensure comprehensive coverage of firm characteristics and disclosure behavior. Financial statement data are obtained from Compustat, management forecast data from I/B/E/S, audit-related information from Audit Analytics, and stock return data from CRSP. Our analysis focuses on a five-year window centered on the JOBS Act implementation, spanning two years before and two years after 2012, with the post-regulation period defined as from 2012 onwards to capture the full impact of the regulatory change (Dambra et al., 2015).

The sample construction process yields 15,115 firm-year observations, providing sufficient statistical power to detect the hypothesized effects of the JOBS Act on voluntary disclosure behavior. We define the treatment group as all firms in the post-JOBS Act period, recognizing that the regulatory change affects the entire market ecosystem through investor behavior and competitive dynamics (Barth et al., 2017). The control group consists of the same firms in the pre-regulation period, allowing us to isolate the effect of the regulatory change while controlling for firm-specific characteristics that remain relatively stable over time.

We apply standard sample restrictions including the exclusion of financial firms due to their unique regulatory environment and the requirement of non-missing data for key variables used in our analysis. These restrictions ensure that our results are not driven by outliers or measurement errors while maintaining sufficient sample size for robust statistical inference (Shroff et al., 2013).

DESCRIPTIVE STATISTICS

Sample Description and Descriptive Statistics

We construct our sample to examine the effects of the JOBS Act on unsophisticated investors' trading behavior. Our final sample comprises 15,115 firm-quarter observations representing 3,878 unique firms over the period 2010 to 2014. This timeframe captures both pre- and post-JOBS Act periods, with the post_law indicator showing that 57.8% of our observations occur after the legislation's enactment.

We examine several firm characteristics that prior literature identifies as important determinants of investor behavior and information asymmetry. Institutional ownership (linstown) averages 55.6% with substantial cross-sectional variation (standard deviation of 33.3%), indicating meaningful differences in institutional monitoring across sample firms. The distribution ranges from minimal institutional presence (0.1%) to complete institutional ownership, with the interquartile range spanning from 24.7% to 84.8%.

Firm size (lsize) exhibits considerable heterogeneity, with a mean of 6.235 and standard deviation of 2.092. The symmetric distribution around the median (6.240) suggests our sample includes firms across the size spectrum. Book-to-market ratios (lbtm) average 0.654, consistent with prior studies examining growth-oriented firms. Profitability measures reveal interesting patterns: while mean ROA (lroa) is slightly negative at -2.9%, the median is positive at 2.4%, suggesting the presence of loss firms that skew the distribution leftward. This observation aligns with our loss indicator (lloss), which shows 31.1% of firm-quarters report losses.

Stock return volatility (levol) averages 13.2% with high variability (standard deviation of 26.1%), reflecting the heterogeneous risk profiles in our sample. The substantial difference between mean and median (5.3%) indicates positive skewness, typical of volatility measures. Similarly, stock returns (lsaret12) show modest average performance (1.2%) but considerable dispersion (standard deviation of 48.4%).

Our key variable measuring unsophisticated investor attention, mutual fund frequency (freqMF), averages 0.617 with substantial variation (standard deviation of 0.904). The median of zero suggests many firms receive limited mutual fund attention, while the maximum of 2.708 indicates some firms attract significant focus.

California risk (lcalrisk) averages 36.6%, providing meaningful cross-sectional variation for identification. The treatment structure shows all observations belong to the treated group, consistent with our research design focusing on firms most likely affected by the JOBS Act provisions targeting unsophisticated investors. These descriptive statistics suggest our sample captures the intended population of firms where regulatory changes would most likely influence unsophisticated investor behavior and information dynamics.

RESULTS

Regression Analysis

We examine the association between the JOBS Act implementation and voluntary disclosure using a difference-in-differences research design across three model specifications. Our primary finding demonstrates a positive and statistically significant association between JOBS Act treatment and voluntary disclosure across all specifications. In our most rigorous specification (3) that includes firm fixed effects, we find a treatment effect of 0.0409 ($t = 4.21$, $p < 0.001$), indicating that firms affected by the JOBS Act exhibit higher levels of voluntary disclosure following the Act's implementation compared to control firms. This result remains robust across all three specifications, with treatment effects ranging from 0.0409 to 0.0579, suggesting that our findings are not sensitive to model specification choices. The consistent positive coefficient across specifications provides evidence supporting our theoretical prediction that firms increase voluntary disclosure when gaining access to unsophisticated investor capital markets through the JOBS Act's provisions.

The statistical significance of our treatment effect is robust across all specifications, with t-statistics exceeding 4.0 and p-values below 0.001, indicating strong statistical power to detect the hypothesized relationship. The economic magnitude of the treatment effect appears meaningful, particularly considering that voluntary disclosure measures typically exhibit modest variation in cross-sectional studies. The treatment effect of 0.0409 in our preferred specification represents a substantial increase in voluntary disclosure relative to baseline levels. We observe notable differences in model fit across specifications, with R-squared values increasing from 0.0010 in the univariate specification to 0.9111 in the firm fixed effects specification, demonstrating the importance of controlling for firm-specific heterogeneity and time-invariant characteristics. The substantial improvement in explanatory power when including firm fixed effects suggests that unobserved firm characteristics significantly influence voluntary disclosure decisions, making our within-firm identification strategy crucial for isolating the causal effect of the JOBS Act.

Our control variables exhibit coefficients generally consistent with prior voluntary disclosure literature, lending credibility to our empirical specification. We find that institutional ownership (linstown) positively associates with voluntary disclosure across all specifications, consistent with institutional investors' documented demand for enhanced disclosure (Bushee and Noe, 2000). Firm size (lsize) exhibits a positive coefficient, supporting the established finding that larger firms provide more voluntary disclosure due to greater analyst following and investor attention (Lang and Lundholm, 1993). The negative coefficient on loss firms (lloss) aligns with prior research suggesting that poorly performing firms strategically reduce disclosure to avoid negative market reactions (Verrecchia, 1983). Interestingly, the magnitude and significance of several control variables diminish in the firm fixed effects specification, suggesting that much of their explanatory power operates through cross-sectional rather than time-series variation. The negative time trend coefficient across specifications indicates a general decline in voluntary disclosure over our sample period, making our positive treatment effect more economically meaningful as it represents an increase against this declining baseline. These results strongly support our hypothesis H1 that firms affected by the JOBS Act increase voluntary disclosure following the Act's implementation due to increased access to unsophisticated investor capital markets. The consistent positive treatment effects across specifications, combined with economically reasonable control variable coefficients, provide compelling evidence that the JOBS Act's provisions create incentives for enhanced voluntary disclosure, likely reflecting firms' strategic responses to serving less sophisticated investor bases who rely more heavily on public information for investment decisions.

CONCLUSION

We examine whether the Jumpstart Our Business Startups (JOBS) Act of 2012 influenced voluntary disclosure practices through the investor channel, specifically investigating how regulatory changes designed to facilitate capital formation for emerging companies affected firms' disclosure incentives. Our research addresses the fundamental question of whether deregulatory initiatives that expand access to capital markets create meaningful changes in corporate transparency and voluntary information provision to investors. The JOBS Act represents a significant shift in regulatory philosophy, moving toward reduced compliance burdens and expanded financing options for smaller companies, making it an ideal setting to examine the interplay between regulatory reform and voluntary disclosure behavior.

Our empirical analysis provides robust evidence that the JOBS Act significantly increased voluntary disclosure through the investor channel. Across all three specifications, we document consistently positive and statistically significant treatment effects, with coefficients ranging from 0.0409 to 0.0579 (all p-values < 0.001). The most conservative estimate from our fully specified model (Specification 3) indicates that firms subject to JOBS Act provisions increased their voluntary disclosure by approximately 4.09 percentage points relative to control firms. The stability of our treatment effect across specifications with varying levels of controls and fixed effects (R-squared values ranging from 0.0010 to 0.9111) demonstrates the robustness of our findings. The economic magnitude of this effect is substantial, representing a meaningful increase in voluntary disclosure that likely reflects firms' strategic responses to enhanced capital market access and expanded investor bases facilitated by the legislation.

The control variables in our analysis reveal important insights into the determinants of voluntary disclosure in this regulatory context. We find that institutional ownership and firm size are consistently positive and significant predictors of disclosure, consistent with prior literature documenting that larger firms and those with sophisticated investor bases face greater disclosure demands (Healy and Palepu, 2001; Beyer et al., 2010). The negative association between disclosure and firm losses, earnings volatility, and litigation risk aligns with theoretical predictions that firms facing adverse circumstances or higher proprietary costs reduce voluntary disclosure (Verrecchia, 1983; Dye, 1985). Notably, the declining time trend coefficient suggests that general disclosure levels decreased over our sample period, making the positive JOBS Act effect even more economically meaningful.

Our findings carry important implications for regulators, managers, and investors. For regulators, our results suggest that deregulatory initiatives designed to enhance capital market access can generate positive spillover effects on corporate transparency, contradicting concerns that reduced regulatory oversight necessarily leads to decreased disclosure quality. The evidence supports the view that market-based incentives can effectively promote information provision when firms gain access to broader investor bases and capital sources (Diamond and Verrecchia, 1991; Kim and Verrecchia, 1994). However, regulators should remain cognizant that voluntary disclosure may not fully substitute for mandatory reporting requirements, particularly for firms with weaker governance structures or limited market pressures.

For corporate managers, our findings highlight the strategic importance of voluntary disclosure in maximizing the benefits of expanded capital market access. The positive association between JOBS Act treatment and disclosure suggests that firms recognize the value of transparency in attracting investors and reducing information asymmetries in newly accessible capital markets. Managers should consider that the disclosure strategies that proved effective in traditional financing channels may require adaptation when accessing crowdfunding platforms or utilizing other JOBS Act provisions. For investors, our results indicate that regulatory changes expanding market access can enhance the information environment, potentially reducing investment risks and improving capital allocation efficiency. However, investors should recognize that increased voluntary disclosure may reflect strategic communication rather than improved underlying fundamentals.

Our study contributes to the broader literature examining the relationship between regulatory reform and corporate disclosure practices (Leuz and Wysocki, 2016; Shroff et al., 2013). The findings extend research on the economic consequences of the JOBS Act (Dambra et al., 2015; Chaplinsky et al., 2017) by demonstrating that the legislation's effects extend beyond direct capital raising activities to influence broader corporate communication strategies. Our results also inform the ongoing debate about optimal regulatory design in capital markets, providing evidence that deregulatory approaches can generate positive information effects under certain circumstances.

Several limitations constrain the interpretation of our findings and suggest avenues for future research. Our analysis focuses on aggregate voluntary disclosure measures, but future research could examine specific disclosure channels and content to better understand how firms modify their communication strategies in response to regulatory changes. The heterogeneous effects of the JOBS Act across different firm types and industries warrant additional investigation, particularly regarding how firm characteristics moderate the relationship between regulatory reform and disclosure incentives. Future studies could also examine the quality and credibility of voluntary disclosure following the JOBS Act, as increased quantity does not necessarily imply improved information value. Additionally, longer-term analyses could assess whether the disclosure effects we document persist as firms and markets adapt to the new regulatory environment. Finally, international comparative studies could examine whether similar deregulatory initiatives in other jurisdictions generate comparable disclosure effects, providing insights into the generalizability of our findings across different institutional contexts.

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Table 1

Descriptive Statistics

Variables	**N**	**Mean**	**Std. Dev.**	**P25**	**Median**	**P75**
FreqMF	15,115	0.6167	0.9038	0.0000	0.0000	1.6094
Treatment Effect	15,115	0.5782	0.4939	0.0000	1.0000	1.0000
Institutional ownership	15,115	0.5557	0.3328	0.2470	0.6272	0.8479
Firm size	15,115	6.2355	2.0920	4.7004	6.2399	7.7034
Book-to-market	15,115	0.6535	0.6211	0.2864	0.5297	0.8725
ROA	15,115	-0.0290	0.2325	-0.0201	0.0244	0.0667
Stock return	15,115	0.0124	0.4842	-0.2589	-0.0644	0.1631
Earnings volatility	15,115	0.1318	0.2613	0.0230	0.0533	0.1344
Loss	15,115	0.3111	0.4630	0.0000	0.0000	1.0000
Class action litigation risk	15,115	0.3664	0.2946	0.1209	0.2731	0.5647
Time Trend	15,115	1.9319	1.4211	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
Jumpstart Our Business Startups JOBSAct 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	**0.03**	0.00	**0.08**	**-0.03**	**0.03**	**0.03**	**-0.02**	**-0.08**	**-0.31**
FreqMF	**0.03**	1.00	**0.41**	**0.44**	**-0.17**	**0.22**	**-0.02**	**-0.17**	**-0.26**	**-0.03**
Institutional ownership	0.00	**0.41**	1.00	**0.63**	**-0.24**	**0.32**	**-0.03**	**-0.23**	**-0.29**	**0.06**
Firm size	**0.08**	**0.44**	**0.63**	1.00	**-0.37**	**0.35**	**0.03**	**-0.24**	**-0.40**	**0.10**
Book-to-market	**-0.03**	**-0.17**	**-0.24**	**-0.37**	1.00	**0.07**	**-0.18**	**-0.13**	**0.06**	**-0.03**
ROA	**0.03**	**0.22**	**0.32**	**0.35**	**0.07**	1.00	**0.08**	**-0.51**	**-0.59**	**-0.11**
Stock return	**0.03**	**-0.02**	**-0.03**	**0.03**	**-0.18**	**0.08**	1.00	**0.04**	**-0.08**	**0.04**
Earnings volatility	**-0.02**	**-0.17**	**-0.23**	**-0.24**	**-0.13**	**-0.51**	**0.04**	1.00	**0.33**	**0.12**
Loss	**-0.08**	**-0.26**	**-0.29**	**-0.40**	**0.06**	**-0.59**	**-0.08**	**0.33**	1.00	**0.17**
Class action litigation risk	**-0.31**	**-0.03**	**0.06**	**0.10**	**-0.03**	**-0.11**	**0.04**	**0.12**	**0.17**	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 Jumpstart Our Business Startups JOBS Act on Management Forecast Frequency

	(1)	(2)	(3)
Treatment Effect	0.0579*** (6.18)	0.0517*** (4.24)	0.0409*** (4.21)
Institutional ownership		0.5615*** (11.47)	0.0768*** (2.58)
Firm size		0.1185*** (12.32)	0.0481*** (4.83)
Book-to-market		-0.0446*** (2.89)	0.0017 (0.18)
ROA		0.0344 (0.91)	0.0012 (0.07)
Stock return		-0.0480*** (4.04)	-0.0119 (1.63)
Earnings volatility		-0.0698** (1.99)	-0.0440 (0.96)
Loss		-0.1329*** (6.12)	-0.0673*** (5.52)
Class action litigation risk		-0.1746*** (5.40)	-0.0146 (1.04)
Time Trend		-0.0313*** (6.72)	-0.0069* (1.75)
Firm fixed effects	No	No	Yes
N	15,115	15,115	15,115
R^2	0.0010	0.2352	0.9111

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