

Retail Investors and the Intraproduct Timeliness of Earnings: Evidence from Management Access Platform Mandates

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Abstract: Retail investors are rising in prominence. However, retail investors are commonly viewed as unsophisticated relative to institutional investors and unlike institutional investors have historically been granted little access to corporate management. We examine whether management access platform (MAP) mandates that enable retail investors to anonymously and publicly pose questions of corporate management and where management is required to publicly respond impacts price efficiency. Exploiting plausibly exogenous variation from the staggered adoption of MAP mandates across China's two main stock exchanges, a difference-in-difference (DiD) analysis reveals that MAP adoption improves the intraperiod timeliness (IPT) of quarterly earnings by approximately 10%. Cross sectionally, we find IPT improvements are concentrated in the subset of firms where institutional ownership is low, consistent with MAPs providing little benefit to institutional investors who already enjoy private access to management. Intertemporally, we find MAP adoption effects for low institutional ownership firms is short lived, only existing in the year of adoption and decreasing over the subsequent two years. Overall, the findings suggest retail investors appear to at least temporarily generate sufficient insights through their public questioning of corporate management to increase the speed with which prices impound earnings information.

Keywords: Intraproduct Timeliness; Retail Investor Sophistication; Access to Management

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