

Corporate Disclosure Readability and Investor Decision-Making: Experimental Evidence from Financial and ESG Information

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Abstract

The readability of corporate disclosure plays a crucial role in shaping investors' ability to process information and make investment decisions. However, experimental evidence on how the readability of both financial and non-financial disclosures influences investor behavior remains limited, particularly in emerging markets. This study examines the effect of corporate disclosure readability on investor decision-making by focusing on financial and environmental, social, and governance (ESG) information. Using a 2×2 between-subjects experimental design, the study manipulates the readability of financial and ESG disclosures presented to participants. The experiment involves 58 accounting students with prior knowledge of investment and portfolio management, acting as surrogate investors. The results indicate that disclosures with higher readability significantly increase investors' willingness to invest compared with disclosures that are difficult to read. The findings suggest that the clarity of both financial and ESG information enhances information processing and influences investment judgments. This study contributes to the literature on corporate disclosure readability and provides implications for firms and regulators in improving the accessibility of corporate reporting.

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1. Introduction

Corporate disclosure plays a fundamental role in capital markets by providing information that enables investors to evaluate firm performance and make investment decisions. In recent years, the importance of disclosure quality has increased alongside the growing participation of retail investors in capital markets and the increasing complexity of corporate reporting. Corporate reports now include not only financial statements but also non-financial disclosures such as sustainability and environmental, social, and governance (ESG) information. As a result, investors face a larger volume of information that varies in complexity and presentation. In this context, the readability of corporate disclosure becomes an essential factor that influences how effectively investors process information and form investment judgments (Li, 2008).

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Prior literature highlights that the readability of financial reporting significantly affects investors' ability to interpret corporate information. When disclosures are written in a clear and understandable manner, investors can process information more efficiently and make more informed decisions. Conversely, complex and difficult-to-read disclosures may increase information asymmetry and reduce the effectiveness of financial communication between firms and market participants (Loughran & McDonald, 2014). The issue of disclosure readability is particularly important for non-professional investors who typically possess limited accounting expertise compared with institutional investors (Li, 2008). In such cases, complicated reporting structures may lead to misinterpretation of information and suboptimal investment decisions (You & Zhang, 2009).

Existing studies in accounting and finance have documented the significant role of disclosure readability in shaping investor responses. For instance, prior research shows that more readable financial reports improve investor information processing and influence market reactions (Lawrence, 2013; Lim et al., 2018; Miller, 2010; Rjiba et al., 2021; Rodríguez Domínguez and Noguera Gámez, 2014; You and Zhang, 2009). Readability also affects how investors absorb and evaluate information communicated by corporate management (Smeuninx et al., 2020; Stone and Lodhia, 2019). These findings suggest that readability is an important attribute of corporate disclosure that can shape investor perceptions and decision-making behavior.

In addition to financial disclosures, non-financial information has become increasingly important in corporate reporting. The growing emphasis on sustainability and responsible business practices has encouraged firms to disclose environmental, social, and governance information alongside traditional financial statements. In Indonesia, regulatory authorities have strengthened disclosure requirements through the implementation of the Financial Services Authority Regulation (POJK) No. 51 of 2017 regarding sustainable finance for financial institutions, issuers, and public companies. Furthermore, the Circular Letter of the Financial Services Authority (SE OJK) No. 16 of 2021 requires firms to provide both financial and non-financial information in their annual reports. Despite these regulatory developments, the guidelines focus primarily on the types of information that must be disclosed rather than how such information should be presented to enhance readability and comprehension.

From a theoretical perspective, the presentation of corporate information is closely related to impression management practices. Impression management theory suggests that managers may strategically present information in ways that influence stakeholder perceptions and shape corporate image (Cho et al., 2010; Patelli and Pedrini, 2014). One strategy involves improving the readability of corporate reports so that stakeholders perceive the firm as transparent and informative. By presenting information in a more accessible format, managers may enhance investors' confidence and encourage favorable investment decisions.

Although prior studies have examined the readability of financial disclosures and their impact on investor behavior, most research focuses primarily on financial reporting and often employs archival methods (Baird and Zelin, 2000; Daigle et al., 2015; Hsieh et al., 2016; Ibrahim, 2018; Lawrence, 2013; Li, 2008; Lim et al., 2018; Loughran and McDonald, 2014; Miller, 2010; You and Zhang, 2009). Relatively limited attention has been given to the readability of non-financial information and its influence on investment decision-making (Adhariani and du Toit, 2020; Du Toit, 2017). Moreover, few studies simultaneously examine the readability of both financial and non-financial disclosures using experimental methods.

This study addresses these gaps by investigating how the readability of financial and non-financial information in corporate disclosure influences investors' investment decisions. Specifically, this research employs a 2×2 between-subjects experimental design that manipulates the readability

of financial and non-financial disclosures. Participants evaluate corporate information presented in different readability formats and subsequently indicate their investment decisions. The experimental design allows the study to establish causal relationships between disclosure readability and investor behavior.

This research contributes to the literature in several ways. First, it extends the growing body of research on corporate disclosure readability by simultaneously examining financial and non-financial information within a single experimental framework. Second, the study provides experimental evidence on how disclosure readability affects investor decision-making, complementing prior archival studies. Third, the findings offer insights for regulators and corporate managers regarding the importance of presenting corporate information in a clear and accessible manner to support investor understanding.

The remainder of this paper is organized as follows. The next section discusses the theoretical background and develops the research hypotheses. The subsequent section describes the research methodology, followed by the presentation and discussion of empirical results. The final section concludes the study and outlines limitations and directions for future research.

2. Literature Review

Impression Management Theory

Impression Management Theory provides an important framework for understanding how corporate disclosure influences stakeholders' perceptions and decision-making. The theory suggests that managers attempt to shape stakeholders' perceptions by strategically presenting information in corporate reports. Through disclosure practices, managers may highlight favorable aspects of firm performance while minimizing negative impressions in order to maintain a positive corporate image (Cho et al., 2010; Patelli and Pedrini, 2014).

Corporate reports serve as an essential communication channel between management and external stakeholders, particularly investors. In this context, the presentation of financial and non-financial information becomes a strategic tool through which managers can influence how corporate performance is interpreted. One important mechanism that facilitates impression management is the readability of disclosure. By presenting information in a clear and easily understandable manner, managers may enhance the perceived transparency of corporate reporting and improve stakeholders' confidence in the firm.

Prior studies have highlighted that narrative disclosure plays a crucial role in shaping stakeholder perceptions. Managers often use textual presentation strategies to communicate corporate information effectively while simultaneously influencing stakeholders' evaluations of firm performance (Cho et al., 2010; Patelli and Pedrini, 2014). Consequently, the readability of corporate disclosure becomes an important aspect that may influence investor judgments and decision-making behavior.

Readability in Corporate Disclosure

Corporate disclosure consists of financial and non-financial information that provides stakeholders with insights into firm performance and future prospects. Financial disclosures typically include accounting information such as financial statements, while non-financial disclosures increasingly include sustainability-related information such as environmental, social, and governance (ESG) reporting. In both cases, the effectiveness of disclosure depends not only on the content of information but also on how the information is presented.

Readability refers to the ease with which readers can understand written information. In the context of corporate reporting, readability reflects how clearly and efficiently financial information

can be interpreted by users of financial statements. Prior research has shown that complex reporting structures and difficult narrative disclosures may reduce the ability of investors to process information effectively (Loughran and McDonald, 2014). When disclosures are difficult to read, investors may require greater cognitive effort to interpret information, which may ultimately influence their investment judgments.

Several studies have documented the importance of readability in financial reporting. Research shows that readable disclosures facilitate information processing and improve investor understanding of corporate performance (Bhardwaj and Imam, 2019; Bonsall et al., 2017; Drago et al., 2018; Lahtinen and Shipe, 2017). In contrast, complex and poorly structured disclosures may reduce transparency and increase uncertainty among investors. Consequently, readability has become an important dimension of disclosure quality that affects investor behavior.

Most prior research on disclosure readability relies on archival data and textual analysis methods to measure readability levels in corporate reports (Cerbone and Maroun, 2020; Hesarzadeh and Rajabalizadeh, 2019; Lo et al., 2017; Loughran and McDonald, 2014). While these studies provide valuable insights into reporting practices, relatively few studies examine how readability directly influences investor decision-making through controlled experimental settings.

Financial Information Readability and Investment Decision

Financial information represents one of the primary sources of information used by investors when evaluating firm performance. Investors rely on financial reports to assess profitability, financial stability, and future growth prospects. Therefore, the clarity and readability of financial information are critical in enabling investors to interpret financial data effectively.

When financial information is presented in a clear and structured manner, investors can process information more efficiently and make more informed investment decisions. Conversely, complex and poorly structured financial disclosures may hinder investors' understanding and lead to uncertainty in evaluating firm performance. Prior studies indicate that the readability of financial disclosures influences investor reactions and decision-making behavior (Lawrence, 2013; Lim et al., 2018; Miller, 2010; Rjiba et al., 2021; Rodríguez Domínguez and Noguera Gámez, 2014; You and Zhang, 2009).

From the perspective of impression management theory, managers may intentionally present financial information in a way that enhances investor perceptions of firm performance. By improving readability, managers may facilitate investor understanding while simultaneously strengthening positive impressions about the firm.

Based on the above arguments, the first hypothesis of this study is formulated as follows:

H1: Subjects provided with highly readable financial information tend to have stronger investment intentions than those provided with poorly readable financial information.

Non-Financial Information Readability and Investment Decision

In addition to financial disclosures, non-financial information has become increasingly important in corporate reporting. Non-financial disclosures provide information about a firm's environmental, social, and governance practices, which are commonly associated with sustainability performance. According to Elkington (1997), corporate sustainability can be evaluated using the triple bottom line framework, which emphasizes economic, environmental, and social dimensions of corporate performance.

In recent years, ESG information has gained significant attention among investors as an indicator of long-term corporate sustainability and risk management. Consequently, companies

increasingly disclose non-financial information alongside financial statements to provide a more comprehensive view of corporate performance (Eccles et al., 2011; Fatemi et al., 2018).

However, similar to financial information, the effectiveness of non-financial disclosure also depends on its readability. When ESG information is presented clearly and concisely, investors can better understand the firm's sustainability practices and incorporate this information into their investment decisions. Prior studies suggest that readable sustainability disclosures improve stakeholder understanding and enhance corporate transparency (Bhardwaj and Imam, 2019; Bonsall et al., 2017; Drago et al., 2018; Lahtinen and Shipe, 2017).

Therefore, improving the readability of non-financial disclosures may increase investor confidence and strengthen their willingness to invest in firms that demonstrate responsible business practices.

Based on this reasoning, the second hypothesis is formulated as follows:

H2: Subjects provided with highly readable non-financial information tend to have stronger investment intentions than those provided with poorly readable non-financial information.

Joint Effect of Financial and Non-Financial Information Readability

Investment decisions are rarely based on a single source of information. Instead, investors typically evaluate both financial and non-financial disclosures when assessing firm performance and long-term prospects. Financial information provides insights into current financial performance, while non-financial disclosures offer additional information about sustainability and corporate governance practices.

When both financial and non-financial information are presented in a highly readable format, investors may obtain a more comprehensive understanding of the firm. Clear presentation of multiple information sources may enhance information processing efficiency and strengthen investor confidence in the firm's performance.

Conversely, when both financial and non-financial disclosures are difficult to read, investors may face greater challenges in interpreting corporate information, which may negatively affect their investment decisions.

Therefore, the combined readability of financial and non-financial disclosures is expected to play an important role in influencing investor behavior.

Based on the above discussion, the third hypothesis is formulated as follows:

H3: Subjects provided with highly readable financial and non-financial information tend to have stronger investment intentions than those provided with poorly readable financial and non-financial information.

3. Methodology

Research Design

This study employs a quantitative research approach using an experimental method. Experimental research allows researchers to examine causal relationships between variables under controlled conditions. Specifically, this study applies a 2×2 between-subjects factorial experimental design, which manipulates the readability of financial and non-financial corporate disclosure.

The independent variables consist of two factors: Financial information readability (high readability vs. low readability), Non-financial information readability (high readability vs. low readability).

This design results in four experimental treatment groups. The experimental scenario was developed based on corporate disclosure practices in Indonesian companies, while the readability

Arif Widyatama.
Corporate Disclosure Readability and Investor Decision-Making: Experimental Evidence from
Financial and ESG Information

manipulation followed the instrument design proposed by El-Sayed et al. (2020). The design of the experiment is presented in Table 1.

Table 1. Design of Experiment

Information about Firm Performance	Financial Information High Readability	Financial Information Low Readability
Non-financial Information High Readability	Financial and non-financial information with high readability (I)	Financial information with low readability and non-financial information with high readability (III)
Non-financial Information Low Readability	Financial information with high readability and non-financial information with low readability (II)	Financial and non-financial information with low readability (IV)

The development of the experimental instrument involved several stages. First, a Focus Group Discussion (FGD) was conducted with language and accounting experts familiar with corporate disclosure to ensure that the experimental scenario effectively represented the intended manipulation. Second, a pilot test was conducted with participants who were not included in the final experiment. The pilot test aimed to evaluate the clarity and relevance of the experimental scenario and to assess its validity and reliability before it was administered to the actual participants.

The participants in this study consisted of accounting students who have completed courses in investment and portfolio management. These participants were selected as surrogate investors because they possess a relatively homogeneous level of knowledge regarding financial and non-financial corporate disclosures. This characteristic helps ensure consistency in participants' ability to evaluate the experimental scenarios.

Participants were recruited through invitations distributed via social media platforms. A total of 93 individuals initially participated in the experiment. After applying manipulation checks, 58 participants (62.3%) were retained for further analysis. Among these participants, 38 were female (65%) and 20 were male (35%). The demographic characteristics of the participants are presented in Table 2.

Table 2. Participants' Demographic Data

Demographic Profiles	Categories	Frequency	Percentage
Gender	Male	20	35.00
	Female	38	65.00
GPA	3.00-3.25	14	24.14
	>3.25-3.50	14	24.14
	>3.5-3.75	15	25.86
	>3.75-4.00	15	25.86

To ensure the effectiveness of random assignment across treatment groups, a chi-square test was conducted to examine whether there were significant demographic differences among participants in terms of gender and GPA. The results of the randomization test are presented in Table 3.

Table 3. Participants' Randomisation

Demographic	Pearson Chi-Square	Sig
Gender	3.913	0.865
GPA	215.210	0.219

The results indicate that there are no statistically significant differences in demographic characteristics across experimental groups, confirming the effectiveness of the randomization procedure.

Research Variables

The independent variables in this study consist of two levels of financial information readability (high readability and low readability) and two levels of non-financial information readability (high readability and low readability).

Non-financial information in this study is represented by environmental, social, and governance (ESG) indicators, which serve as proxies for corporate sustainability performance. ESG indicators are used because they reflect the triple bottom line framework proposed by Elkington (1997), which emphasizes economic, environmental, and social aspects of corporate performance. Previous studies also identify ESG disclosures as important indicators of non-financial corporate information (Eccles et al., 2011; Fatemi et al., 2018).

To manipulate readability levels, the presentation format of the disclosure information was modified. For the high readability condition, the information was presented using clear sentence structures, simplified language, and highlighted key sentences in bold to facilitate comprehension. In contrast, the low readability condition involved presenting the same information in a poorly structured format with less organized text, making it more difficult for participants to interpret the information.

The dependent variable in this study is investment decision, which reflects participants' willingness to invest in the firm presented in the experimental scenario. Investment intention was measured using an eleven-point scale ranging from 0 to 10, where 0 indicates absolutely not investing and 10 indicates absolutely investing. The measurement instrument follows the proxy used by Cianci and Kaplan (2008).

Experimental Procedure

The experiment was conducted online using a dedicated website designed to present the experimental scenarios and collect participant responses. Participants who met the selection criteria were randomly assigned to one of the four experimental groups described in Table 1.

At the beginning of the experiment, participants were provided with preliminary information about the profile and general background of Company ABC Inc. This information was identical for all participants to ensure consistency across treatment groups.

After reviewing the company profile, participants were presented with corporate disclosure information containing financial and non-financial performance data. The presentation format varied depending on the treatment group, reflecting the manipulated levels of readability for financial and non-financial disclosures.

Participants were given twenty minutes to complete the entire experimental session. During this time, they reviewed the provided information and subsequently indicated their investment intention based on the disclosure presented.

The experimental treatments were distributed as follows: Group I received high readability financial information and high readability non-financial information. Group II received high readability financial information and low readability non-financial information. Group III received

low readability financial information and high readability non-financial information. Group IV received low readability financial information and low readability non-financial information.

3.4 Manipulation Check

A manipulation check was conducted to ensure that participants correctly perceived the readability differences in the experimental scenarios. Initially, 93 participants completed the experimental procedure.

However, 35 participants (37.6%) failed the manipulation check and were therefore excluded from further analysis. Specifically, 17 participants (18.3%) failed to answer the first manipulation-check question correctly, while 18 participants (19.4%) failed to answer the second manipulation-check question.

After excluding participants who failed the manipulation check, the final sample consisted of 58 participants (62.3%), including 20 males (35%) and 38 females (65%).

3.5 Data Analysis

To test the research hypotheses, the experimental data were analyzed using Analysis of Variance (ANOVA). ANOVA was employed to examine whether significant differences in investment decisions existed across the experimental treatment groups.

The statistical analysis evaluated the main effects of: Financial information readability, Non-financial information readability. As well as the interaction effect between the two variables. The ANOVA results were then used to determine whether the readability of corporate disclosure significantly influences investors' investment decisions.

4. Results

Descriptive Statistics

Descriptive statistics are presented to provide an overview of the distribution of investment decision scores across the experimental treatment groups. The statistics summarize participants' investment intentions under different conditions of financial and non-financial information readability.

Table 4 presents the descriptive statistics of the research variables. Panel A reports the mean investment decision scores based on the readability levels of financial and non-financial information.

Table 4. Descriptive Statistics of Variables (Decision Making)

	n	FI and H	n	F and L	N	Σ
Non FI + H	15	7.53 [1.55]	13	6.77 [2.86]	28	14.3 [4.41]
Non FI + L	15	6.73 [1.75]	15	5.2 [3.00]	30	11.93 [4.75]
Σ	30	14.26 [3.3]	28	11.97 [5.86]	58	26.86 [9.16]

Notes: FI and H = Financial information with high readability, Non-FI and H = Non-financial information with high readability, FI and L = Financial information with low readability, Non-FI and L = Non-financial information with low readability

The results indicate that the highest mean investment decision score (7.53) occurs when both financial and non-financial information are presented in a highly readable format. In contrast, the lowest mean score (5.20) is observed when both types of information are presented with low readability.

The descriptive results suggest that higher readability of corporate disclosure tends to increase investors' willingness to invest. When information is presented in a clearer and more structured manner, participants appear to evaluate the firm more positively and demonstrate stronger investment intentions.

Hypothesis Testing

To test the proposed hypotheses, this study employs Analysis of Variance (ANOVA) to examine whether differences in investment decisions exist across the experimental treatment groups. The analysis evaluates the main effects of financial information readability and non-financial information readability, as well as the interaction effect between these two variables. The results of the ANOVA test are presented in Table 5.

Table 5. Results of ANOVA Test

Source	Sum of Square	df	Mean Square	F	p-value
Corrected Model	42.970	3	14.323	2.566	0.064*
Financial Information	19.060	1	19.060	3.415	0.070*
Non-Financial Information	20.270	1	20.270	3.632	0.062*
Financial × Non-financial Information	2.137	1	2.137	0.383	0.539
Error	301.374	54	5.581		

Notes: Significant at $p < 0.10$, $R^2 = 0.125$ (Adjusted $R^2 = 0.076$)

The ANOVA results indicate that financial information readability significantly influences investment decisions ($p = 0.070$). Participants exposed to highly readable financial information demonstrate higher investment intention compared with those exposed to poorly readable financial information. Therefore, Hypothesis 1 is supported.

Similarly, the results show that non-financial information readability significantly affects investment decisions ($p = 0.062$). Participants who receive highly readable ESG information tend to show stronger investment intentions compared with participants who receive poorly readable non-financial information. Consequently, Hypothesis 2 is supported.

However, the interaction effect between financial and non-financial information readability is not statistically significant ($p = 0.539$). This finding suggests that the influence of financial information readability on investment decisions does not significantly depend on the readability level of non-financial information.

Post Hoc Analysis

To further examine the differences between experimental groups, a post hoc analysis using Tukey HSD was conducted. The results of the post hoc test are presented in Table 6.

Table 6. Results of Post Hoc Test

Group	Mean Difference	Sig
I vs IV	2.33	0.009***
II vs IV	1.53	0.081*
III vs IV	1.57	0.085*

Notes: *** Significant at $p < 0.01$, * Significant at $p < 0.10$

The post hoc analysis reveals significant differences between the experimental groups. In particular, there is a significant difference between Group I and Group IV ($p < 0.01$). Participants

who receive both highly readable financial and non-financial information demonstrate significantly higher investment intention compared with participants who receive both types of information with low readability.

In addition, the results indicate significant differences at the 10% significance level between Groups II and IV, as well as between Groups III and IV. These findings suggest that improving the readability of either financial or non-financial information can positively influence investors' willingness to invest.

Overall, the results provide empirical evidence that corporate disclosure readability plays an important role in shaping investor decision-making, particularly when financial and non-financial information are presented in a clear and accessible format.

5. Discussion

The findings of this study provide empirical evidence that the readability of corporate disclosure significantly influences investors' investment decisions. Specifically, the results demonstrate that investors show stronger investment intentions when financial and non-financial information are presented in a more readable format. These findings highlight the importance of information presentation in shaping investor judgments and support the argument that disclosure readability plays a critical role in the effectiveness of corporate communication.

The results of the first hypothesis indicate that highly readable financial information positively affects investment decisions. Participants exposed to financial information presented in a clear and structured format demonstrated higher investment intention compared with those exposed to poorly readable information. This finding supports prior studies suggesting that readability enhances investors' ability to process financial information and evaluate corporate performance (Lawrence, 2013; Lim et al., 2018; Miller, 2010; Rjiba et al., 2021; Rodríguez Domínguez and Noguera Gámez, 2014; You and Zhang, 2009). When financial disclosures are easier to read, investors can interpret financial data more efficiently, which ultimately increases their confidence in making investment decisions.

From a theoretical perspective, this finding is consistent with Impression Management Theory, which suggests that managers may strategically present information to influence stakeholders' perceptions of the firm (Cho et al., 2010; Patelli and Pedrini, 2014). By presenting financial information in a more readable format, managers may facilitate investors' understanding while simultaneously creating a more positive impression of the firm's performance. Conversely, complex or poorly structured financial disclosures may create uncertainty among investors and reduce their willingness to invest.

The results also demonstrate that the readability of non-financial information significantly affects investment decisions. Participants who received highly readable ESG-related disclosures showed stronger investment intentions compared with participants who received poorly readable non-financial information. This finding confirms that investors consider non-financial information as an important component of corporate reporting. Previous studies suggest that sustainability-related disclosures, including environmental, social, and governance information, provide additional insights into firms' long-term performance and risk management practices (Eccles et al., 2011; Fatemi et al., 2018).

The increasing importance of non-financial disclosure is particularly relevant in the context of emerging markets such as Indonesia, where sustainability reporting has become an important regulatory requirement. The implementation of the Financial Services Authority Regulation (POJK) No. 51 of 2017 regarding sustainable finance requires companies to disclose sustainability-related

information in addition to traditional financial statements. As a result, investors increasingly rely on ESG information to evaluate corporate sustainability performance. However, the effectiveness of such disclosures depends largely on how the information is presented. When non-financial information is clearly structured and easily understood, investors are better able to incorporate ESG information into their investment decisions.

The post hoc analysis further supports these findings by showing significant differences between experimental groups. In particular, investors demonstrate the strongest investment intentions when both financial and non-financial information are presented with high readability. This result suggests that investors benefit from clear and accessible disclosure across multiple information sources. When both financial and ESG information are easy to understand, investors may develop a more comprehensive understanding of firm performance and sustainability practices.

Overall, the findings of this study highlight the importance of disclosure readability in corporate reporting. While prior research has primarily focused on the content of disclosure, the results of this study suggest that the presentation format of information is equally important in shaping investor perceptions and decision-making behavior. By improving the readability of corporate disclosures, firms can enhance the effectiveness of their communication with investors and reduce potential information asymmetry in capital markets.

Policy Implications and Recommendations

The findings of this study provide several important implications for regulators, corporate managers, and investors regarding the role of disclosure readability in corporate reporting.

First, the results suggest that regulators should pay greater attention not only to the content of corporate disclosure but also to its presentation format. Current regulations in Indonesia, such as the Financial Services Authority Regulation (POJK) No. 51 of 2017 and the Circular Letter of the Financial Services Authority (SE OJK) No. 16 of 2021, focus primarily on the types of information that must be disclosed by companies. However, these regulations provide limited guidance on how the information should be presented to ensure that it is easily understood by investors. Therefore, regulators may consider developing guidelines for disclosure readability that encourage companies to present financial and non-financial information in a clear and accessible manner.

Second, the results highlight the importance of improving the quality of corporate reporting practices. Corporate managers should recognize that the readability of disclosure can influence how investors interpret corporate information. By presenting financial and ESG information in a clear and structured format, firms can improve transparency and strengthen investor confidence. This may ultimately enhance the credibility of corporate reporting and support more efficient capital allocation in financial markets.

Third, investors should be aware that highly readable disclosures may influence their perceptions of firm performance. While clear presentation of information can improve understanding, it may also be used strategically by managers to shape investor impressions. As suggested by Impression Management Theory (Cho et al., 2010; Patelli and Pedrini, 2014), managers may present information in ways that emphasize favorable aspects of firm performance. Therefore, investors should critically evaluate both financial and non-financial disclosures and consider multiple sources of information when making investment decisions.

Finally, future research may further explore the role of readability in corporate disclosure by examining additional dimensions of disclosure quality. For example, subsequent studies may investigate the influence of visual presentation formats, graphical disclosure, or narrative tone on investor decision-making. In addition, future studies may involve professional investors as research participants to examine whether the effects of disclosure readability differ between professional and non-professional investor groups.

6. Conclusion

This study examines the effect of corporate disclosure readability on investors' investment decisions by focusing on the readability of financial and non-financial information. Using a 2 × 2 experimental design, the study investigates how different levels of readability influence investors' willingness to invest. The findings indicate that both financial and non-financial disclosure readability play an important role in shaping investment decisions.

The results show that investors demonstrate stronger investment intentions when financial information is presented in a highly readable format. Clear and well-structured financial disclosures enable investors to process accounting information more efficiently and evaluate firm performance with greater confidence. This finding is consistent with prior studies highlighting the importance of readability in financial reporting and its influence on investor information processing and market responses (Lawrence, 2013; Lim et al., 2018; Miller, 2010; Rjiba et al., 2021; Rodríguez Domínguez and Noguera Gámez, 2014; You and Zhang, 2009).

The study also finds that the readability of non-financial information significantly affects investment decisions. Investors show stronger investment intentions when ESG-related disclosures are presented in a clear and understandable format. This result confirms the growing importance of non-financial information in corporate reporting and supports prior research suggesting that sustainability disclosures provide valuable insights into firms' long-term performance and risk management (Eccles et al., 2011; Fatemi et al., 2018).

Overall, the findings highlight that corporate disclosure readability is an important element of reporting quality that influences how investors interpret and evaluate corporate information. When both financial and non-financial disclosures are presented in a clear and accessible manner, investors are better able to understand firm performance and are more likely to make favorable investment decisions. These results also support the perspective of Impression Management Theory, which suggests that managers may strategically present information to shape stakeholders' perceptions of corporate performance (Cho et al., 2010; Patelli and Pedrini, 2014).

Despite these contributions, this study has several limitations. First, the experimental scenario focuses primarily on financial and non-financial (ESG) disclosures, whereas investors often rely on multiple information sources when making investment decisions. Future studies may incorporate additional sources of information such as press releases, analyst reports, and corporate news to provide a more comprehensive analysis of investor behavior. Second, the study uses accounting students as surrogate investors. Although this approach is commonly used in experimental accounting research, future studies may involve professional investors to examine whether the effect of disclosure readability differs across investor groups.

In conclusion, this study provides evidence that improving the readability of corporate disclosure can enhance the effectiveness of corporate communication with investors. By presenting financial and non-financial information in a clear and structured format, firms can improve transparency and support more informed investment decision-making in capital markets.

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