

Summary of Paper: [Initial Evidence on the Market Impact of the iXBRL Adoption](#)

What is this Study About?

In June 2018, the Securities and Exchange Commission mandated that companies begin using Inline eXtensible Business Reporting Language (iXBRL) when submitting financial information. iXBRL integrates XBRL data into HTML-formatted annual reports to enhance accessibility and usefulness for investors. The researchers investigate whether iXBRL improves the efficiency of information dissemination and reduces information asymmetry compared to the traditional XBRL system.

What are the major findings of the study?

iXBRL adoption significantly enhances the speed at which financial information is incorporated into stock prices. Specifically, firms adopting iXBRL experience a reduction in stock return drift by 3.5 percent to 5 percent within a 90-day period following their 10-K filings. This indicates that the market reacts more swiftly and accurately to financial disclosures in iXBRL format compared to traditional formats. Additionally, iXBRL adoption reduces information asymmetry, meaning that the gap between informed and uninformed investors is narrowed. This is evidenced by increased access to annual reports by individual investors and a decrease in bid-ask spreads, which reflect improved market liquidity and lower transaction costs.

Why is the study important?

These findings highlight the practical benefits of adopting advanced reporting technologies like iXBRL. By demonstrating that iXBRL can lead to more timely and efficient market responses to financial disclosures, the results support regulatory efforts to enhance transparency and investor protection. Furthermore, the reduction in information asymmetry suggests that iXBRL can democratize access to financial information, benefiting smaller investors who typically lack the resources of institutional investors. Overall, the study provides empirical evidence that can inform policy decisions regarding the mandatory adoption of iXBRL, potentially leading to more efficient and equitable financial markets.