

Highlights of Research Seminars and Brown Bag

Impact of Information Disclosure on Consumer Behaviour: Case of AT1 Bonds, March 10, 2021 by Dvara Research Team

Paper abstract

Mis-selling by financial service providers poses a grave threat to consumer protection. This can adversely affect the financial well-being of consumers. Mandating information disclosures in order to bridge the information asymmetry between financial service providers and consumers is one concrete way to curb mis-sale and improve consumer outcomes. This paper report results from an experimental study that examines the impact of information disclosure on consumers' purchase decision of a high-risk financial product. We randomly assign two variations of information disclosure among the study respondents- one that is accurate, highlighting both the risks and returns of the product and the other that is inaccurate, focusing prominently on the potential gains from the product. We then examine the differences in purchase decision based on the disclosure type the respondents received and find that the odds of buying the high-risk financial product are 80 to 90% lower when the disclosure type is switched from inaccurate to accurate. The results of our study indicate the substantial impact disclosures can have in altering consumer's decisions against welfare reducing outcomes.