

The Impact of Firm-Generated Visibility on Retail Investor Attention: Evidence from India

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Abstract

This paper examines the impact of visibility created by firms on investor attention. Based on the panel data of NSE-listed firms for 10 recent financial years, the study provides timely evidence on how firms attract retail investors in India. The study uses fixed effects regression supported by the Hausman test. It is found that advertisements attract investors' attention, and the impact of advertisements on attracting investors reduces as firms grow in age. The results of this study are valuable for investors, firms, and financial market regulators.

Keywords: Visibility, Retail Investors, Information, Stock Market, Investor Attention

INTRODUCTION

Investor attention has evolved into a key factor influencing stock market movement (Aouadi et al., 2013). It positively affects trading volume and impacts stock returns (Ben-Rephael et al., 2017; Hirshleifer et al., 2009). Owing to limited attention span, individuals concentrate on certain cues and overlook the remaining (Kahneman, 1973). While investors in financial markets are exposed to an abundance of information, they focus on selected pieces of information and typically purchase equities that seize their attention (Barber and Odean, 2008). The foundational work of Merton (1987) highlights the importance of investors' recognition of firms, emphasising the importance of visibility in the apportionment of scarce attention. This study aims to investigate whether the visibility that firms create through advertising has a concurrent effect on attracting investors. Controlling for other known determinants of investor attention, it is found that firm advertising attracts investors by positively influencing their information search behaviour, and this effect diminishes as firms grow older.

Scholarly work examining the significance of firm visibility evaluates the impact of various factors and attention-drawing activities on stock trading behaviour. We classify them into firm-generated visibility and externally generated or exogenous visibility. Factors creating exogenous visibility, such as social media platforms (Snow & Rasso, 2025; Kadous et al., 2025; Awad et al., 2025), feature on fintech-driven social media platforms (Barber et al., 2022), news and media coverage (Ozik et al., 2021) are found to influence investors' trading activity. However, little evidence has been found in respect of the impact of firm-generated visibility on individual investor attention. In their work, Bushee & Miller (2012) examined the impact of firm-generated visibility through investor relations programs on institutional investor following and market value of firms. They find that investor relations programmes attract institutional investors by creating visibility of the firms and improving their market value. So far, the attention of institutional investors has been in focus because of their large ownership share. Also, the presence of institutional investors is encouraged by the firms for fair valuation (Brav et al., 2008) and price discovery (Diether et al., 2002; Nagel et al., 2005).

The study is motivated by the necessity to evaluate the importance of firm visibility for retail investors, particularly in the framework of the Indian equity market, as the market is witnessing

a sharp rise in retail ownership. Also, their participation is crucial for the market as they provide liquidity to the markets against institutional investors (Barber, 2009).

Firm visibility for institutional investors is directly associated with financial analyst coverage, as institutional investors follow analyst recommendations for their investment decisions (Nose et al., 2021). However, retail investors, being uninformed noise traders, do not follow analyst reports for their stock trading decisions; they buy the stocks that seize their attention (Barber & Odean, 2008). An appropriate measure of firm visibility for retail investors could be advertising (Grullon et al., 2004) because advertisements are created to attract attention (Lou, 2014). An increase in advertising through any medium enhances public visibility of the firm, and owing to the limited attention hypothesis, these stocks will have a higher chance of grabbing the attention of investors.

Our study makes several novel contributions. First, it investigates whether the product advertisements that are created to attract customers enhance the visibility of the firm in financial markets. Second, it focuses on investor recognition for retail investors through advertisements. Third, this study provides evidence on retail investor recognition in a market context where the ownership share of retail investors is rapidly expanding.

LITERATURE REVIEW

The seminal work of Merton (1987) provides that investor recognition of firms reduces the cost of capital, highlighting the importance of firm visibility. Studies further examining the role of firm visibility focus on various attention-grabbing events as measures of visibility and study their relation with trading activity. Studying the effect of advertisements on various investors shows that there is a positive influence of advertisements on investors, including both institutional and retail investors, which reinforces the home bias. However, this link is more pronounced among retail investors. Furthermore, it also improves the liquidity of stocks. (Grullon et al., 2004). While advertising tends to increase contemporaneous stock returns, the impact converses in later years. Drawing lessons from it, the executives capitalize on the opportunity by boosting their marketing budget before insider selling and subsequently decreasing it in the following years. (Lou, 2014).

Seasholes and Wu (2007) investigate the influence of “upper price limits” as a notable occurrence on the stock returns of the following day. Retail investors tend to purchase shares the day after such an attention-catching event, creating a favourable buy-sell imbalance; however, this ultimately results in net losses as prices correct in the following five days. The impact of media coverage on the stock return has also been examined by several studies (Engelberg & Parsons, 2011; Fang & Peress, 2009). Media coverage draws investors' attention and influences stock trading volume.

Bushee & Miller, (2012) study the impact of investor relations programs on institutional investor following and market value of firms. They find that investor relations programs attract institutional investors by creating visibility of the firms and improve market value of firms.

A segment of literature investigates the influence of social media platforms on trading activity. Kadous et al. (2025) assert that investors follow stock recommendations provided on social media platforms. Snow & Rasso (2025) suggest that peripheral cues from social media posts influence their perceptions. Awad et al. (2025) indicate that online social groups influence how investors act in the market. It is believed that individual investors possess lower investment wisdom and avoid personalised services from professional advisors (Bhattacharya et al., 2012).

They are also influenced by the information displayed by fintech-driven stock trading applications. Barber et al. (2022) studied the influence of features of the Robinhood application. They find that the top 20 stocks in terms of absolute return of a day, which are displayed by the Robinhood application were heavily bought on the next day. As against institutional investors, retail investors are unsophisticated and uninformed traders. They look for information on the internet, as against institutional investors, who are professionals and seek information from specialised analytical platforms like Bloomberg.

While the studies so far have focused on some attention-grabbing events and information sources, this paper focuses on firm-created content that creates its recognition among investors, enhancing its visibility, which may have an impact on investors' attention. The study is aimed at testing the effect of advertising as an indicator of firm visibility on investor attention. It is therefore hypothesised that:

H1: Firm Visibility positively influences investor attention.

H2: Firm age moderates the relation between firm visibility and investor attention.

METHODOLOGY

The study uses panel data analysis to account for 'cross-sectional variations' among firms and 'time-series fluctuations' over the study period. 881 National Stock Exchange (NSE) listed firms constitute the sample under study. The NSE ranks among the largest and most actively traded stock exchanges in India, with 2867 listed firms as of December 2025. Therefore, NSE-listed firms constitute a true and reflective sample of the Indian Capital Market.

The period under study is 10 financial years from 2014 to 2024. This period provides a sufficiently large duration to explore the association between firm visibility and investor attention. Also, the participation of retail investors in India has grown rapidly during this period, making this duration suitable to investigate retail investor attention.

Initially, all NSE-listed firms were considered for the study. However, owing to the unavailability of financial data for all the firms for all the years, many firms were excluded from the sample. The remaining 881 firms with complete data were considered in the final sample.

The explained variable is investor attention, measuring the quantum of attention devoted by individuals to stocks. Degree of attention is quantified using the intensity of online searches. Investors' attention is obtained by retrieving their search intensity over the internet (Da et al., 2011). Following the Cai et al., (2022); Tian et al., (2022); & Vozlyublennaya, (2014) investor attention is proxied by 'Google Search Volume (GSV)'. The GSV data is sourced from 'Google Trends' by searching the stock name for every firm for the sample duration.

The independent variable is firm visibility, measured using the annual advertisement expenditure (Liao et al., 2016). Firm visibility is representative of the extent to which investors recognise a firm. The advertising data for all the firms for the duration under study is obtained from CMIE Prowess. The Prowess database is a standardised and comprehensive platform that provides financial data for Indian Companies.

The variables that influence investor attention are controlled to investigate the relation between visibility and attention. These variables are firm size, firm age, share turnover and dividend. This data is also obtained from CMIE Prowess. The data so collected is winsorized at 1% at both ends to remove the impact of extreme values.

The analysis is performed on Stata 19 software. Stata 19 is a powerful and widely used software for financial data analysis. The method employed is fixed-effect regression supported by the Hausman test. Further, Robustness checks are performed using an alternate measure of firm visibility.

RESULTS

The dataset is described using descriptive statistics in Table 1. It gives an outline of the distribution by summarising the statistical characteristics of the sample.

Variable	Mean	Standard Deviation	Min.	Max.
GSV	25.52	20.72	0	78
Log of Advertisement Exp	0.58	2.82	-4.60517	6.46
Firm Age	35.75	22.03	5	113
Log Share Turnover	53.93	148.93	0	1027
Log Firm Size	7.13	2.00	2.59	13.19
Stock Return	15.77	35.39	0	241.55
Dividend	16.39	27.33	0	161.34

Table 1: Descriptive Statistics

As shown in Table 1, GSV varies between 0 and 78, with an average value of 25.52 and the natural log of advertisement expenditure ranges from -4.6 to 6.46. The log of advertisement expenditure is taken to streamline the highly scattered values across the firms. The mean age of firms under study is 35.75 years. The sample consists of firms with ages ranging from 5 to 113 years. The share turnover, size, return and dividend values indicate that the sample includes a large number of heterogeneous firms, which range from young to old, small to large, low return to high return and no dividend paying to high dividend paying firms.

The impact of firm visibility on investor attention is examined using fixed-effect regression. The results are elaborated in Table 2.

N	8810			
Time and Company Fixed Effects	Yes			
R-squared	0.155			
	Coeff	Robust S.E.	t	P> t
Log Advertisement Expenditure	1.251	0.2621992	4.77	0.000
Log Firm Size	6.253295	0.6903653	9.06	0
Firm Age	-0.546428	0.821082	-0.66	0.506
Log Share Turnover	-0.6153145	0.4103083	-1.5	0.134
Stock Return	-0.0038206	0.0071216	-0.54	0.592
Dividend	0.008278	0.0075186	1.1	0.271

Table 2: Regression Result

The coeff of Advertisement Expenditure is positive and significant, implying that firm visibility attracts investor attention. The results support the findings of Barber & Odean (2008) emphasising the significance of visibility in investor attention research and financial decision-making by retail investors. The study further examines whether this impact varies by the age of firm. The results of the moderating impact of firm age are shown in Table 3.

N	8810			
Time and Company Fixed Effects	Yes			
R-squared	0.158			
	Coeff	Robust S. E.	t	P> t
Log Advertisement Expenditure	0.850736	0.2557333	3.33	0.001
Moderating impact of Age	-.0253889	0.01065	-2.38	0.017
Log Firm Size	6.437505	0.690883	9.32	0.000
Firm Age	.4789369	.1092965	4.38	0.000
Log Share Turnover	-0.004445	.0024286	-1.83	0.068
Stock Return	0.002991	.0067903	0.44	0.660
Dividend	.0017618	.0076827	0.23	0.819

Table 3: Regression Results with Moderator Effect

As shown in Table 3, the coeff of firm age is negative and significant. This implies that young firms have a stronger impact of firm visibility on attracting investor attention in comparison to older firms. The impact of attracting investors by enhancing firm visibility gets weaker with the increasing age of firms. A robustness check is performed using another measure of firm visibility, which is the number of advertisements. The results are in line with our original model.

CONCLUSION

The coeff of firm visibility is positive and statistically significant at 1% level, indicating that a rise in firm visibility results in an increase in investor attention, and advertisements have a spillover effect of attracting investors by creating the visibility of firms. These results are robust to an alternate measure of firm visibility. The study also examines if this relationship is affected by the age of firms. The findings suggest that firm age significantly moderates the relation between firm visibility and investor attention. The negative coefficient of the moderator suggests that as firms grow older, the impact of enhanced visibility through advertisements weakens in attracting investors, and younger firms are in a better position to attract investors by enhancing their visibility.

IMPLICATIONS

In the realm of the Indian stock market, where retail participation is increasing rapidly, this study emphasises the role of firm-generated visibility as a vital driver of investor attention. These investors, being naïve, are swayed by the firm's noise and promotional activities like advertisements, which can significantly influence their information search behaviour. These findings support the investor recognition hypothesis in an emerging market, broadening the understanding on attention dynamics beyond developed economies. The study offers a novel contribution by demonstrating how firm-level efforts impact attention allocation by less-sophisticated investors. These outcomes have implications for many stakeholders. While firms may capitalise on the visibility dividend by attracting investors and enhancing their position, such practices might cause prices to diverge from fundamentals. Regulators should play a crucial role in monitoring such practices to (i) safeguard investors against undue attention, and (ii) ensure market stability. For retail investors, these findings provide valuable insights for

more informed decision-making by distinguishing between information and noise. Overall, this study elaborates on how attention allocation is shaped in markets with a growing base of less sophisticated investors.

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