

The Association between Corporate Disclosure, Analysts Following and Information Asymmetry: Evidence from SET 100 Index

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This study examines the importance of financial analysts as information intermediaries in an emerging capital market, Thailand. To do so, it examines the association among the information disclosure of Thai listed companies, the number of analysts following the company and information asymmetry. Corporate disclosure is measured by a disclosure index. Analysts following is measured by the number of analysts following a company. The effective relative bid-ask spread is a proxy for information asymmetry. The data were collected from all 100 listed companies appearing in the Stock Exchange of Thailand's SET100 Index during Jul-Dec 2011. The empirical results provide evidence that the number of analysts following a company is positively related to the level of information disclosure. In their coverage, the financial analysts focus on qualitative information rather than all categories of information disclosure. The findings also provide strong evidence that more analysts following a company mitigates information asymmetry among investors and leads to improved stock market liquidity in Thailand's emerging capital market similar to the role they have been shown to play in developed markets.

JEL Classification Codes: G14, M41

Keywords: corporate disclosure, analysts following, information asymmetry

1. Introduction

Financial analysts are important information intermediaries in capital markets, as they convey valuable information from companies to outside investors (Healy & Palepu 2001). Financial analysts collect information about companies they follow from various sources, both public and private, and use this information to evaluate a company's current performance to forecast future earnings, cash flow and prospects.

Company insiders are likely to be informed investors with free access to quality and private information about a company's prospects. This leads to information asymmetry among investors, with an information gap between company insiders and outsiders or the broader market. Financial analysts can mitigate this problem by providing competition and helping reduce informed investors' trading advantage.

Previous research supports the view that analysts convey information and improve information efficiency in capital markets (e.g., Francis & Soffer 1997; Barth & Hutton 2000). By producing and conveying valuable information to outsiders/uninformed investors, analysts reduce the information gap between insiders/informed investors and outsiders/uninformed investors. Prior studies also show that extensive voluntary

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disclosure provides financial analysts with a better picture of a company's financial performance and capacity (Bhushan 1989; Lang & Lundholm 1996) enabling the analysts to deliver higher quality services. Therefore, better-informed information intermediaries can play a beneficial role in capital markets by reducing the information advantage of company insiders as investors and should affect market efficiency by enhancing market liquidity.

However, only a few studies exist on the relationship between corporate disclosure and the number of financial analysts following a company (Lang & Lundholm 1996; Hope, 2003) and between the number of analysts following a company and information asymmetry (Roulstone 2003). Of these, most are based on developed market data which are characterised by different institutional settings compared with emerging markets. Leuz, Nanda and Wysocki (2003) classify countries into three distinct legal and institutional market groupings: (i) outsider economies with large stock markets, dispersed ownership, strong investor rights and strong legal enforcement, (ii) insider economies with less-developed stock markets, concentrated ownership, weak investor rights but strong legal enforcement, and (iii) insider economies with weak legal enforcement. Most of the East Asian countries, particularly Thailand, are placed in the third cluster, insider economies with weak legal enforcement. These are characterised by smaller stock markets, higher ownership concentration, weaker investor protection, lower disclosure levels and weaker enforcement. Given this, Thailand provides a useful setting for investigating whether the linkages between corporate disclosure, analysts following and information asymmetry seen in developed capital markets can be generalised to emerging markets. Legal enforcement in Thailand is generally viewed as weak which could lead to information asymmetry problems among market participants. Moreover, no studies in emerging markets connect all three: corporate disclosure, the number of analysts following a company and information asymmetry. Therefore, this study focuses on Thailand in order to contribute to the emerging capital market literature for the association between the information disclosure by Thai listed companies, the number of analysts following the companies and information asymmetry.

The paper is organised into five sections. The literature and hypothesis development are reviewed in section 2. Section 3 describes the methodology used in this study. The empirical findings are presented in section 4 and the conclusion in section 5.

2. Literature Review and Research Hypotheses

Analysts convey information from listed companies to investors. This likely influences the trading activity of investors. Previous studies show that extensive voluntary disclosure reduces information asymmetry between informed and uninformed investors; this information also provides financial intermediaries with a better picture of companies' financial performance and capacity (Bhushan 1989; Lang & Lundholm 1996).

When companies disclose more information, analysts can deliver higher quality services. Therefore, companies that disclose more information may be more likely to attract a larger number of analysts than companies that disclose less information. However, the literature shows a complex relationship between financial analysts and the amount of disclosure by companies. It is not clear whether financial analysts prefer to follow companies that disclose more or less information.

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Supporting the idea that analysts prefer more information, some studies (see, for example, Bhushan 1989; Lang & Lundholm 1996) point out that additional information disclosure can help reduce information asymmetry between informed and uninformed investors and provides financial intermediaries with a better picture of companies' financial performance. Similarly, Healy and Palepu (2001) indicate that increasing information disclosure potentially enables financial analysts to create valuable new information. In addition, increased disclosure by companies can lead to increased accuracy of analyst forecasts and recommendations (Bushman & Smith 2001). This would imply that the analysts prefer companies that disclose extensive information as it allows them to create better analysis, more accurate forecasts and enhance their service quality which, in turn, will increase the demand for their services.

On the other hand, more information disclosure could pre-empt analysts' ability to deliver managers' private information to investors, leading to a decline in demand (Healy & Palepu 2001). If companies increase their level of information disclosure, particularly the private information from managers that is difficult to acquire otherwise, investors will feel that they have sufficient information to make decisions, thus demand for analysts' services will decline.

What limited research exists suggests that the number of analysts following a company relates positively to the level of information disclosure. Bhushan (1989) finds that financial analysts' coverage depends on the demand and supply of analysts' services. Bhushan's model predicts that financial analysts following is determined by company characteristics, including corporate disclosures. He documents that these two variables could be either complementary or substitutes. The relationship is complex and depends on the role of the financial analysts in the market. Lang and Lundholm (1996) examine the association between the number of analysts following a company and voluntary disclosure in the U.S. market. They use data from the Financial Analysts Federation Corporate Information Committee Report (FAF). The authors find evidence that companies with higher levels of policy disclosure have a larger analysts following. This positive relationship between analysts following and voluntary disclosures enhances the understanding of the role of financial analysts in capital markets.

Hope (2003) employs the data from both developed and emerging markets to investigate the relationship between the number of analysts following and the disclosure components. He finds that voluntary disclosure is helpful for financial analysts and the evidence also indicates that not all forms of information disclosure are equally important to financial analysts. Hope reports that analysts following is more strongly associated with the extent of note disclosure rather than the comprehensiveness of the basic financial statements.

The foregoing literature suggests a positive relationship between the level of voluntary disclosure and the analysts following as portrayed in Figure 1. This relation will form the basis of the first research hypothesis of this study.

H1: There is a positive relationship between financial analysts following and corporate disclosure.

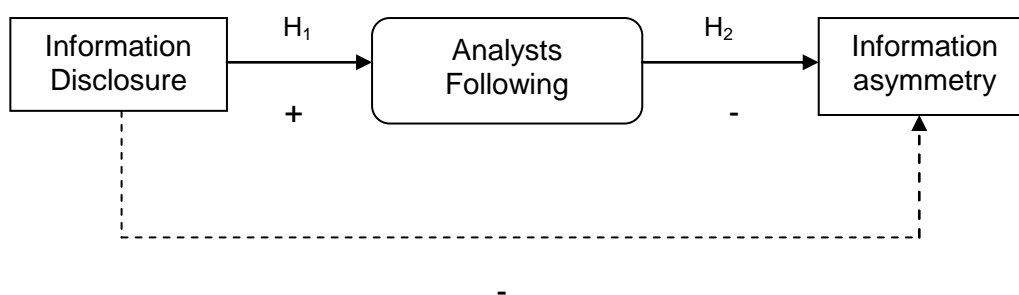
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If higher level of information disclosure is associated with increasing the number of analysts following, therefore, it is possible to conjecture that increasing analysts following mitigates information asymmetry, leads to an improvement in investor confidence and enhances stock market liquidity. A study by Roulstone (2003) supports this argument. He investigates the relationship between analysts coverage and market liquidity and finds that increased analysts following leads to greater liquidity. The previous literature suggests a positive relationship between the number of analysts following and information asymmetry as depicted in Figure 1. This relation leads to the second research hypothesis of this study.

H2: There is a negative relationship between information asymmetry and financial analysts following.

Therefore, this study incorporates three key variables into the framework depicted in Figure 1 to investigate whether the number of analysts is associated with: (i) the level of information disclosure and (ii) information asymmetry.

Figure 1: The conceptual framework linking corporate disclosure, analysts following, and information asymmetry



3. Research Methodology

3.1 Sample Selection

The sample for this study is all companies appearing in the SET100 Index that meet the following criteria:

- i) the company must be a component of the SET100 Index during 1 July to 31 December 2011;
- ii) a usable copy of the company's annual report for the 2010 year-end exists; and
- iii) all financial data (such as share prices, trading volumes and bid and ask prices) must be available in the SETSMART database over a period of 100 trading days from 21 April to 15 September 2011.

3.2 Data collection

Data for this study are collected primarily from company annual reports in the library of the Stock Exchange of Thailand: the Maruey Knowledge and Resource Centre. The other sources are company websites, the SET website (www.set.or.th), the

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Securities Analysts Association's website (www.saa-thai.org) and the SETSMART database, from which historical daily data for control variables were collected.

3.3 Models

Linear multiple regression analysis was applied to examine the association between corporate disclosure, analysts following and information asymmetry. The specification for this research divided into two models according to the research hypotheses. The first model estimates the relationship between corporate disclosure and analysts following. This model will break down into two sub-models in order to investigate: (i) the relationship between the level of information disclosure and analysts following, specified as follows:

$$ANA = \beta_0 + \beta_1 DS + \beta_2 TF + \beta_3 TSZ + \beta_4 SIZE + \beta_5 PR + \beta_6 PRVOL + \varepsilon \quad \text{Eq. (1a)}$$

and (ii) the relationship among all types of information disclosure and the analysts following, specified as follows:

$$ANA = \beta_0 + \beta_1 STR + \beta_2 NON + \beta_3 FIN + \beta_4 OTHER + \beta_5 TF + \beta_6 TSZ + \beta_7 SIZE + \beta_8 PR + \beta_9 PRVOL + \varepsilon \quad \text{Eq. (1b)}$$

The second model examines the relationship between analysts following and information asymmetry, specified as follows:

$$INFO_ASYM = \beta_0 + \beta_1 ANA + \beta_2 TF + \beta_3 TSZ + \beta_4 SIZE + \beta_5 PR + \beta_6 PRVOL + \varepsilon \quad \text{Eq. (2)}$$

Where

<i>ANA</i>	=	Number of analysts following
<i>INFO_ASYM</i>	=	Effective relative bid-ask spread
<i>DS</i>	=	Overall disclosure score
<i>STR</i>	=	Strategic information disclosure score
<i>NON</i>	=	Non-financial information disclosure score
<i>FIN</i>	=	Financial information disclosure score
<i>OTHER</i>	=	Other channels of information disclosure score
<i>TF</i>	=	Average number of trades per day
<i>TSZ</i>	=	Average trade volume per day
<i>SIZE</i>	=	Market value of common equity at the end of the firm's fiscal period on 31 December 2010
<i>PR</i>	=	Daily averages of bid and ask prices
<i>PRVOL</i>	=	Standard deviation of daily share price
ε	=	Error term

3.4 Variables Definition

Key Variables:

Analysts following: Analysts following is measured as the number of analysts following a listed company. This is obtained from the Securities Analysts Association's website (www.saa-thai.org).

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Information asymmetry: This study employs the effective relative bid-ask spread as a proxy for information asymmetry. According to Leuz and Verrecchia (2000), the bid-ask spread is commonly thought to measure information asymmetry explicitly because it reflects the adverse selection problem that arises from transacting in company shares in the presence of asymmetrically informed investors. Less information asymmetry implies less adverse selection, which, in turn, implies a smaller bid-ask spread. Heflin, Shaw, and Wild (2000) state that the effective relative bid-ask spread is likely to be a better spread-based measure for market liquidity than raw or relative spreads because it better measures true trading cost, which reflect actual transaction prices. The effective relative bid-ask spread is equal to twice the absolute value of the difference between a transaction price and the midpoint of the bid and ask prices scaled by the mid-point. In an order-driven market, the ask is the best price associated with a selling limit order, whereas, the bid is the price associated with a buying limit order.

$$\text{Effective spread} = \frac{2|\text{price} - \text{midpoint}|}{((\text{bid} + \text{ask})/2)}$$

where: $\text{price} = \text{transaction price}$, and $\text{midpoint} = (\text{bid} + \text{ask})/2$

To estimate the information asymmetry of the sample companies, historical daily data are collected from the SETSMART database.

Corporate disclosure: The level of corporate disclosure is measured by means of a disclosure index, with all information collected from company annual reports. The self-constructed disclosure index is used to measure the level of information disclosure. The disclosure index is a direct measure with emphasis on voluntary disclosure. The purpose of this index is to capture sufficiently the cross-sectional variation of voluntary disclosure levels over the sample. The disclosure checklist procedure began by identifying and generating a preliminary list of the disclosure index items from the list developed by Meek, Roberts and Gray (1995) and enhanced by adding other relevant items from similar studies (Botosan 1997; Ferguson, Lam & Lee 2002; Petersen & Plenborg 2006; Francis, Nanda & Olsson 2008). Then, two auditors, specialising in Thai accounting practices and disclosure issues, from one of the Big Four audit firms in Thailand examined the disclosure index items in order to refine the list and ensure that mandatory disclosure items were excluded from the disclosure checklist. Based on this, the final version of the disclosure checklist consists of 108 items in four categories: (i) strategic information; (ii) non-financial information; (iii) financial information; and (iv) channels of information and investor relations.

This study employed a dichotomous procedure. The contents of a company's annual report are checked against the items on the disclosure checklist and awarded as 1 (for disclosed item), 0 (for non-disclosed item), and N/A (if not applicable). To ensure consistent scoring, all annual reports were read twice. In the few cases where differences exist between the first and second scoring, the annual reports were subjected to a third and final assessment.

Control variables: Consistent with prior research on analysts following and information asymmetry (Hanley, Kumar & Seguin 1993; Welker 1995; Brockman & Chung 1999; Sarin, Shastri & Shastri 2000; Heflin, Shaw & Wild 2000), this study

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incorporates a set of control variables. These variables are: trading activity (trade frequency and trade size), firm size, share price and return volatility.

Trading activity: Large trades tend to convey more information to the market than small trades which, in turn, increase the spreads (Lin, Sanger & Booth, 1995). Moreover, informed investors prefer to make large trades. Therefore, this study includes trading activity variables in the models.

Firm size: Most prior studies employ company size as a proxy for the level of information available regarding a company, because larger companies generally disclose more information than smaller companies. The release of information affects both analysts following and information asymmetry models.

Share price and return volatility: Price informativeness variables were incorporated in the analysis because financial analysts produce company specific information, thus, an increase in the number of analysts following should affect the amount of information disclosure and the company's share price and return volatility.

4. Research Results

4.1 Descriptive Statistics

All 100 companies in the SET100 Index met the sample selection criteria and were included in the study. The total market capitalisation of the companies in the SET100 Index at end-December 2010 was THB 7.08 trillion, while the total market capitalisation of all 539 listed companies in the SET was 8.33 trillion baht. Thus, this sample represents 85% of the market capitalisation of all listed companies in the SET. Table 1 summarizes the study sample classified by industry group.

Table 1: Summary of sampled companies according to industry group

Industry groups	Number of listed companies
- Agro and Food Industry	7
- Financials	14
- Industrials	10
- Property and Construction	23
- Resources	14
- Services	21
- Technology	11
Total	100

Table 2 presents the descriptive statistics, means, standard deviations, and minimum and maximum values for key variables and control variables for all 100 companies included in the sample. Panel A presents descriptive statistics for key variables. *Analysts following* has a mean of 14.1, median of 15 and range from 0 to 26. *Effective spreads* has a mean of 0.020 a median of 0.014 and ranges from 0.01 to 0.17. For disclosure score and its categories, the *overall disclosure score* ranges

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from 0.17 to 0.80 with a mean score of 0.60 and a median score of 0.62. *The strategic information score* ranges from 0.15 to 0.62 with a median score of 0.38. *The non-financial information score* ranges from 0.16 to 1.00 with a median score of 0.61. *The financial information score* ranges from 0.17 to 0.94 with a median score of 0.67. *The other channels of information* range from 0.06 to 1.00 with a median score of 0.88. Of the four major categories of information types, *other channels of information* has the highest mean score, followed by the *financial information score*, the *non-financial information score* and the *strategic information score*, respectively (0.79, 0.65, 0.59, and 0.39).

Panel B shows the summary statistics of the control variables. *Trade frequency* ranges from 28 trades to 4,019 trades per day with a mean of 647 and a median of 374 trades per day. *Trade size* ranges from thousands of share to 363 million shares with a mean score of 17 million shares and a median score of nearly 3 million shares. The data also indicate a wide range of *company size* with the market capitalisation of common equity ranging from THB 300 million to 494 billion. The mean market value of common equity is THB 28.2 billion or more than four times the median market value of THB 6.5 billion. *Share price* ranges from THB 0.41 to 439.28 with a mean of THB 31.61 and a median of THB 11.68. *Return volatility*, the standard deviation of daily share price, ranges from 0.05 to 54.52. The mean for the *return volatility* is 3.83 with a median score of 1.54.

Table 2: Summary statistics of key variables and control variables

Variable	Mean	Std.	Min	Percentile			Max
				25%	50%	75%	
Panel A: Key Variables							
Analysts following	14.07	7.3	0	11	15	20	6
Effective spread	0.0199	0.0246	0.01	0.0114	0.0136	0.0173	0.17
Overall disclosure score	0.60	0.10	0.17	0.55	0.62	0.68	0.80
<i>Four major categories of information types:</i>							
Strategic information	0.39	0.10	0.15	0.33	0.38	0.47	0.62
Non-financial information	0.59	0.17	0.16	0.47	0.61	0.68	1.00
Financial information	0.65	0.16	0.17	0.56	0.67	0.78	0.94
Other channels	0.79	0.22	0.06	0.69	0.88	0.94	1.00
Panel B: Control variables							
Trade frequency	647.01	740.34	28.70	168.92	374.70	805.19	4019.92
Trade size	16953.21	51346.52	33.48	869.17	2663.90	10295.79	362941.46
Firm size	28180.55	67177.30	299.23	2938.80	6472.34	25519.51	494209.91
Share price	31.61	62.40	0.41	3.86	11.68	24.75	439.28
Return volatility	3.83	7.71	0.05	0.47	1.54	3.34	54.52

n = 100

Notes:

Overall disclosure score = weighted average of the four major categories of information types (25%, 25%, 25%, and 25%, respectively)

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4.2 Correlation Analyses

Correlations between Disclosure Score Variables and Control Variables

Table 3 shows the Pearson correlation coefficients among the disclosure variables and control variables used in the regression estimations. For disclosure variables, the highest correlation among disclosure categories variables is between the overall disclosure and the disclosure scores from strategic section ($r = 0.684$). The overall disclosure score also shows high correlations with the disclosure score from non-financial information and the disclosure score from other channels of information ($r = 0.658$, and 0.640 respectively). The correlation coefficients among the control variables range from -0.072 to 0.972 ; share price and return volatility show the highest correlation among the control variables ($r = 0.972$). Company size is also highly correlated with share price and return volatility ($r = 0.626$ and 0.604 , respectively)

Table 3: Correlation between disclosure score and control variables

	Overall	Strategic info.	Non-financial info.	Financial info.	Other channels	Trade frequency	Trade size	Company size	Share price
<i>Disclosure variables:</i>									
Strategic information	.684**								
Non-financial information	.658**	.454**							
Financial information	.521**	.304**	.162						
Other channels of information	.640**	.238*	.116	-.034					
<i>Control Variables:</i>									
Trade frequency	.047	.054	.099	-.033	.009				
Trade size	-.215*	-.097	-.136	.056	-.287**	.345**			
Firm size	.235*	.235*	.287**	-.121	.193	.583**	-.072		
Share price	.224*	.165	.257**	-.004	.142	.368**	-.131	.626**	
Return volatility	.202*	.130	.229*	-.002	.138	.421**	-.100	.604**	.972**

* Correlation is significant at the 0.05 level and ** Correlation is significant at the 0.01 level

Correlation between Key Variables and Control Variables

Table 4 presents the Pearson correlation coefficients among the dependent variable, independent variables and control variables. The first column shows the correlations of primary interest in this study, the relationships between the analysts following and the disclosure variables. The associations are consistent across almost all disclosure categories, except the information from the financial section. Four of the five correlation coefficients of disclosure categories are significant at the 0.01 level or better. The overall disclosure score has the strongest relationship with the analysts following ($r = 0.366$). The disclosure score from the non-financial section, strategic section and other channels of information are also highly correlated with the

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dependent variable ($r = 0.350, 0.339$ and 0.317 , respectively). This implies that the more the company discloses information, the higher number of the financial analysts following the company. Based on these results, the correlation coefficients provide preliminary evidence in support of the first research hypothesis.

The second column of Table 4 shows the correlation coefficients between the key variables and the control variables for Model 2. The effective relative bid-ask spread is most closely associated with the number of analysts following ($r = -0.327$). The trade frequency and trade size correlate positively with the dependent variable ($r = 0.530$ and $.187$, respectively). The remaining control variables correlate negatively with the effective relative bid-ask spread.

Table 4: Correlations between key variables and control variables

	<i>Dependent variable</i>	
	Analysts following	Information Asymmetry
Panel A: Key variables:		
Analysts following	-	-.327**
Overall disclosure score	0.366**	-
Strategic information	0.339**	-
Non-financial information	0.350**	-
Financial information	-0.092	-
Other channels of information	0.317**	-
Panel B: Control variables:		
Trade frequency	0.281**	.53
Trade size	-0.269**	.187
Firm size	0.411**	-.108
Share price	0.360**	-.133
Return volatility	0.323**	-.076

* Correlation is significant at the 0.05 level and ** Correlation is significant at the 0.01 level

4.3 Regression Results

Hypothesis 1: Analysts following and corporate disclosure

Table 5 (Model 1_a) presents the results of estimating equation (1_a) for the first hypothesis (**H1**), where the number of analysts following a listed company is the dependent variable and the independent variable is corporate disclosure score. The regression results of Model 1_a show a good fit for the model. The adjusted R squared is 34.31 percent which suggests that the corporate disclosure scores and control variables explain the number of analysts following. Four out of five coefficients of the control variables are significant with p-values less than 0.1. The coefficients for *trade frequency* and *share price* are positive and significant. Also, consistent with expectations, *return volatility* has a negative coefficient which is significant. The *trade size* coefficient is negative and significant, while *company size* coefficient is positive

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but not significant. As expected, the coefficient for the corporate disclosure score is positive (16.89) with a t-statistic of 2.35 and significant at the 5 percent level. These findings support hypothesis **H1_a** that the number of analysts following is positively related to the overall disclosure score. The empirical results provide evidence consistent with the finding in Lang and Lundholm (1996) indicating that the more a company discloses information, the greater the number of analysts that follow it. These findings could imply that more information disclosure appeals to analysts because it helps them provide more accurate forecasts and better quality service, thereby increasing the demand for their services (Healy & Palepu 2001; Bushman & Smith 2001).

Model 1_b presents the results for whether different types of information disclosure affect analysts' attention. Similar to Model 1a, Model 1b shows a good fit for the model. The adjusted *R* squared is 40.23 percent and four of the five coefficients of the control variables are significant with p-values less than 0.1 and are consistent with the results from Model 1a. The results from Model 1b reveal that only three categories (the strategic, non-financial and financial information) out of four are statistically significant at the 0.1 level or better. The strategic and non-financial section provides a positive sign as predicted, while information from financial section shows a negative sign. The empirical results for this hypothesis tie in closely with the findings in Hope (2003), indicating that analysts pay attention to certain types of information disclosure rather than all categories. In particular, information from the strategic and non-financial section attracts analysts' attention rather than information from the financial section. As financial analysts can usually access financial information in a timely manner from the company website, when the annual report is published, they may focus more on the extensive information from its strategic and non-financial sections instead.

Hypothesis 2: information asymmetry and analysts following

Table 5 (Model 2) presents the results for the second hypothesis (**H2**). This hypothesis is examined by regressing equation (2), where information asymmetry is the dependent variable and the independent variable is the number of financial analysts following the company. Model 2 shows a good fit for the model. The adjusted *R* squared is 38.79 percent and four of the five coefficients of the control variables are significant with p-values less than 0.1. The coefficients for *trade frequency*, *trade size* and *return volatility* are positive and significant, while *share price* is negative and significant. The *firm size* coefficient is negative but not significant. The coefficients for the number of analysts following is negative (-9.729), as expected, with a t-statistics of 3.62 and significant at the 0.01 level. These findings support the hypothesis **H2** that the information asymmetry is negatively related to the analysts following. This is consistent with the study of Roulstone (2003) suggesting that the more analysts following a company, the less the information gap among investors. This consequence could be explained as a complement to the first hypothesis in which more analysts following is positively associated with extensive information disclosure, enhancing the effectiveness of those financial analysts. Therefore, it is possible that an increase in analysts following could mitigate information asymmetry by reducing the information advantage of informed investors, leading to increased market efficiency.

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Table 5: Regression results of analysts following on corporate disclosure, and information asymmetry on analysts following

Variable	Model 1 _a	Model 1 _b	Model 2
Analysts	-	-	-9.729 <i>-3.62***</i>
Overall	16.89 <i>2.35**</i>	-	-
Strategic	-	14.75 <i>2.04**</i>	-
Non-financial	-	6.846 <i>1.82*</i>	-
Financial	-	-6.721 <i>-1.72*</i>	-
Other channels	-	5.023 <i>1.55</i>	-
Trade frequency	.0032 <i>3.34***</i>	.0034 <i>3.41**</i>	.0173 <i>5.21***</i>
Trade size	-.0000 <i>-4.82*</i>	-.0000 <i>-3.59**</i>	.0000 <i>2.70***</i>
Company size	8.44 <i>.83</i>	-3.09 <i>-.30</i>	-.0000 <i>-1.27</i>
Share price	.0846 <i>1.95*</i>	.0795 <i>1.73*</i>	-.4049 <i>2.95***</i>
Return volatility	-.6098 <i>-1.74*</i>	-.5484 <i>-1.46</i>	2.961 <i>2.91***</i>
N	100	100	100
Adjusted R ²	0.3431	0.4023	0.3879
F	15.57***	10.85***	25.41***
Breusch-Pagan	0.23	0.32	0.28
Jarque-Bera	6.57	6.89	5.15

*, **, and *** indicate significance at $p < .1$, $p < .05$, and $p < .01$ respectively

Notes: 1. The upper line (bold) shows the coefficient. The lower line (italics) shows White's (1980) adjusted t -statistics.

2. Jarque-Bera statistic: the critical value for the null hypothesis of normality distribution is 5.99 at the 5 percent significance level, and 9.21 at the 1 percent significance level.

5. Conclusions

The results point to an important influence of corporate disclosure on analysts following and analysts following on information asymmetry. These findings show that the results from an emerging capital market like Thailand, even with its weaker legal enforcement, can generate similar results to those studies using developed market data (Lang & Lundholm 1996; Hope, 2003). The empirical results provide evidence that the more companies voluntarily disclose information, the greater the number of analysts following. The results also suggest that financial analysts focus on certain, rather than all, types of information disclosure. Analysts are most attracted to the qualitative information from the strategic and non-financial section of the disclosures, rather than the quantitative information from the financial section. Therefore, if listed companies focus on improving voluntary information disclosure, in particular of qualitative information, e.g., strategic and non-financial information, they may attract a higher number of analysts following. Moreover, the findings also provide strong evidence consistent with the study of Roulstone (2003) which indicates that the greater number of analysts following mitigates the information gap among investors and leads to an improvement of stock market liquidity.

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