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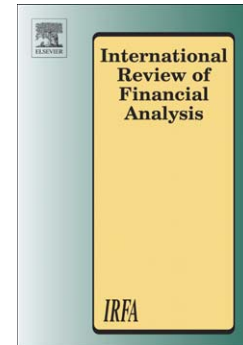
Corporate governance and the information environment: Evidence from Chinese stock markets

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Corporate governance and the information environment: Evidence from Chinese stock markets

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ABSTRACT

This article explores the relationship between corporate governance and the information environment in Chinese stock markets. We construct a parsimonious governance measure for public firms using a 2003 through 2011 sample period. We use four indicators to proxy for the information environment: analyst following, analyst forecast accuracy, analyst forecast dispersion, and price timeliness. We find that better governed firms tend to be associated with larger analyst followings and more informative forecasts. We also find that better governed firms tend to improve on the timeliness of bad news relative to good news. Our results are robust for an instrumental variable analysis, which confirms a causal relationship between the quality of corporate governance and the information environment of a firm.

JEL Classification: G14; G30; M41

Keywords: Corporate governance; information environment; Chinese stock markets

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