

Accepted Manuscript

Information asymmetry, the cost of debt, and credit events: Evidence from quasi-random analyst disappearances

François Derrien, Ambrus Kecskés, Sattar A. Mansi

PII: S0929-1199(16)30056-6
DOI: doi: [10.1016/j.jcorpfin.2016.05.002](https://doi.org/10.1016/j.jcorpfin.2016.05.002)
Reference: CORFIN 1043

To appear in: *Journal of Corporate Finance*

Received date: 7 December 2015
Revised date: 3 May 2016
Accepted date: 4 May 2016



Please cite this article as: Derrien, François, Kecskés, Ambrus, Mansi, Sattar A., Information asymmetry, the cost of debt, and credit events: Evidence from quasi-random analyst disappearances, *Journal of Corporate Finance* (2016), doi: [10.1016/j.jcorpfin.2016.05.002](https://doi.org/10.1016/j.jcorpfin.2016.05.002)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Information Asymmetry, the Cost of Debt, and Credit Events: Evidence from Quasi-Random Analyst Disappearances

FRANÇOIS DERRIEN, AMBRUS KECSKÉS, and SATTAR A. MANSI*

Abstract

We hypothesize that greater information asymmetry causes greater losses to debtholders. To test this, we identify exogenous increases in information asymmetry using the loss of an analyst that results from broker closures and broker mergers. We find that the loss of an analyst causes the cost of debt to increase by 25 basis points for treatment firms compared to control firms, and the rate of credit events (e.g., defaults) is roughly 100-150% higher. These results are driven by firms that are more sensitive to changes in information (e.g., less analyst coverage). The evidence is broadly consistent with both financing and monitoring channels, although only a financing channel explains the impact of the loss of an analyst on firms' cost of debt.

May 6, 2016

JEL classification: D80, G12, G24, G33

Keywords: Information asymmetry; Cost of debt; Default; Bankruptcy; Natural experiment; Matching estimators; Difference-in-differences; Equity research analysts; Creditors

* Derrien is at HEC Paris, Kecskés is at the Schulich School of Business, York University, and Mansi is at the Virginia Polytechnic Institute and State University. We greatly appreciate the comments of Thomas Bourveau, Gilles Hilary, and seminar participants at INSEAD.

Download English Version:

<https://daneshyari.com/en/article/5093322>

Download Persian Version:

<https://daneshyari.com/article/5093322>

[Daneshyari.com](https://daneshyari.com)