Causes and Solutions of Information Asymmetry in Stock Market

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Abstract Information asymmetry often caused the imbalance interests between market participants, impacts social the principles of equity, justice and the allocation of resources more efficient in the market. How the degree of information asymmetry is in the stock market can be reflected from a perspective of a country's state of development of the stock market. Information asymmetry is the root causes of caused stock mis-pricing of the stock market, contrary to the "fair, just and open" principle. This paper analysis the stock market loopholes from view of information science and economics, summing up the history of development of Chinese and foreign stock markets and the status quo, Looking to the future, according to the Chinese special circumstances, propose some of the stock market value of a sound solution.

Keywords information Asymmetry; stock market; information

1 Introduction

Stock issues is the representative of the property ownership of the proceeds of a legal document under the law. Stock products is a special kind of commodity, its main particularity is decided by the special value decision way. Securities investment value depends primarily on its expected return to investment in shares as an example, the expected return on investment in shares includes two parts: the first part is expected dividends; the second part is expected capital gains. Expected dividend depends on the size of two aspects: first, the company's future earnings expectations; second, the company's future dividend distribution policy. The company's future profit status and expected the financial situation of companies now expected operating results, business environment and operational decision-making is closely related. These factors in the stock market directly for the information, transaction information on the control of the main level and ability to judge the difference, formed asymmetric information, resulting in the value of securities prices and the departure from. Its main performance information asymmetry: (1) information asymmetry between the government and the listed company; (2) information asymmetry between listed companies and investors; (3) information asymmetry between well-funded large organizations and large the retail; (4) information asymmetry between the broker and investor.

Since 1990 china Securities have been developed rapidly, have become an important component of the national economy, known as the "economic barometer." This process of development for more than 10 years, experienced a lot of ups and downs, a listed company scene after scene of the scandal was exposed, people can not help but sigh of China's stock market so is not sound. As a result, China's securities market analysis and research of information asymmetry of reasons, will play a positive role in promoting for the analysis and solution of the problems that exist in the stock market, and standardize and improve China's securities market.

2 Expressions of Information Asymmetric

The so-called asymmetric information is that market transactions on the two sides to deal with the subject or content of information in terms of quantity and quality is not equal. Party transactions have frequently manifests itself even more complete information, while the other has only less information, which may lead to decision-making information vulnerable to mistakes in transactions, or information to the advantage of information not conducive to the behaviour of the disadvantaged. In the market activity, as traders of the limited nature of knowledge, information needs to spend search costs, as well as information superiority to the monopoly of information, resulting in asymmetric information is a widespread and long-standing economic phenomena. To sum up, there are at least the following
information asymmetry several forms:

1) The sources of information asymmetry

In the securities market, sources of information asymmetry exists both cases. The stock market is a situation where the funding is to always listed companies than investors a better understanding of the company's business, with more information; Another case is a stock market listed company is the issuer of its shares, but it is also its shares to secondary market transactions. As traders in the market where the potential of different information, which will certainly affect their trading interests and transaction costs.

2) The asymmetric of time information

Commodity on the market or trading in the same side (as buyer or seller) in the same market need to buy or sell the same goods or securities, Since receiving the information commodities or securities of the time difference, they often lead to early access to information relating to securities or commodities trading, to a more active or more accurately, to make trading decisions earlier choice of acquisition advantage. And access to information while late trading passively in the transaction at a disadvantage, and even suffer losses.

3) The asymmetry of amount of information

Commodity on the market or trading in the same side (as buyer or seller) because in the same market access to trading partners the number of different content, but also lead to dealer transactions potential differences and transaction costs, interest differences.

4) The asymmetry of quality of the information

Commodity on the market or trading in the same side (as buyer or seller) because in the same market access to trading partners difference in the quality of information, that is, the authenticity of different information, which is bound to affect the interests of traders transactions and transaction costs.

5) Information confusion

Commodity on the market or trading in the same side (as buyer or seller) acquisition of information objects, a value can be observed by the two mixed together does not directly identify the components of the information, causing confusion information, transactions are difficult to identify. For example, companies listed on stock market earnings per share is the value can be observed, it may be the enterprise income from continuing operations and a one-time dual mixture of income.

3 Causes of Asymmetric Information for the Securities Market

Information asymmetry is the root causes of caused securities mis-pricing of the stock market, contrary to the "fair, just and open" principle and undermines the effectiveness of the securities market and lead to market failure, this is also China's stock market showing a "policy," and "speculative City the source. As a result, China's securities market analysis and research of information asymmetry of reasons, the analysis and solution of the problems that exist in the stock market, and standardize and improve China's securities market will play a positive role in promoting.

3.1 Subjective reasons

1) The interests of listed companies

At present, China's securities market, the issuance of securities have higher standards and requirements, the issuance of securities implement more stringent screening system. Some enterprises have enough securities issuance, listing standards, but in order to achieve "Physically," The purpose of resorting to deception, concealment deception, a means of fictitious profits. To some enterprises in the issuance of securities, issuing new shares or cash, develop higher prices to raise more funds, often with the Securities underwriters, accountants offices, and other intermediary agencies collusion, making false financial statements, manipulation profit; At the same time, some organizations securities research institutions, the author of a number of stock analysts who met with the company's articles, comments and deceive investors.

2) Affiliated transactions of listed companies

China's listed companies are mostly come from the restructuring of state-owned enterprises,
state-owned shares, legal person shares, the public shares and other equity coexist, and a large number of state-owned shares and legal person shares is not presently listed in circulation, and circulation to the public only the total average shares about one-third of equity. Shares segmentation caused unreasonable shareholding structure, there has been "shares with different rights, different stocks with profit" phenomenon, will easily lead to affiliated enterprises and listed companies the linkages between trade, a "black-box operations," such as fund-raising investment projects, issuing new shares and cash, the reorganization of assets, procurement and sales and other areas often associated, and investors are ignorant, and the results will inevitably lead to stock market information asymmetry. In addition, many listed companies in turn, through its group companies in the divestitures, asset restructuring and integration of the listing, company and the listed company formed between the interests of the unity between the opposition and are prone to the transactions. The numbers of listed companies tend to adopt unfair and unreasonable disclosure of information, contrary to the principle of public disclosure of information, thus easily lead to stock market information asymmetry.

(3) The existence of the information cost
China's securities market is still a non-effective market, securities prices can not reflect all the information in advance to have more access to information or information investors receive exorbitant profit. However, access to information is collected and the need to spend a certain costs, investors priority access to information or to obtain more information, we must pay the cost information. For investors, willing to obtain information on costs and expected benefits of information, if the information costs than expected earnings, investors have access to information the impetus to the contrary, if the expected return is less than the cost of information, there is no driving force. Generally speaking, as institutional investors have experienced professionals, and the strength of capital, advanced communications facilities, they are often greater than the expected return information costs and are willing to pay a certain cost information to advance or have more access to information, more accurate information; And individual investors, especially small and medium investors, often due to the expected return is less than the cost information are reluctant to spend too much time and money capital to access to information, this will result in asymmetric information.

(4) The appearance of insider dealing
Because insider trading may have a greater impact on the securities market, thus countries in the world, especially the developed countries, the monitoring of insider trading are very strict. China's insider trading regulation also introduced a number of measures, but in the process of practice is the lack of workability, and the insider trading is often difficult to define; At the same time, the use of insider information for insider trading related personnel lesser penalties, making insider trading between the costs and benefits of a serious asymmetry. Such distorted information transmission channels of normal behavior in the interests of investors at the same time, but also makes investors spent a tremendous amount of energy he gave insider information to form the abuse of information resources, resulting in the securities market information asymmetry.

3.2 Objective reasons
1) The lack of effective supervision of the securities market
At present, China's stock market regulators more, in addition to the China Securities Regulatory Commission as a specialized regulatory body, but also the Ministry of Finance, People's Bank, the SAC and other agencies from different angles on the management and supervision of the securities market, thus forming the stock market bulls monitoring the situation. This, to some extent, undermined the authority of the Commission to enable it to effectively organize and carry out securities market regulation. At the same time, various departments in the formulation of policies and regulations, often from the interests of the sector, making some lack of coordination between policies and regulations, and even in conflict with each other, making the securities market at a loss. As our country's lack of effective supervision of the securities market, which is the breeding of information asymmetries.

2) Lack of Credit of listed companies
At present, the Credit Loss of listed companies in China are more serious, and has become a universal phenomenon, to the healthy development of the securities market has brought many negative effects.
Lack of credit listed companies will often lead investors to collect information, identify information and the rising costs of handling information, so that part of investors, especially small and medium investors, the driving force decreased access to information, this will easily lead to stock market information asymmetry.

(3) A non-standard of securities intermediaries operating

Some securities intermediaries in the process of the operation of non-standard, non-operation of frequently have disrupted the normal order of the securities market. At the same time, some employees of securities intermediaries ethics and the practice of poor quality, for themselves and their immediate interests, or because of the pressure on the parties concerned, or for their own interests to consider, as a listed company advice, the preparation of false financial statements, or face false report float. The result will make the information disclosure of listed companies decreased effectiveness, resulting in the securities market information asymmetry.

(4) Imperfect corporate governance structure of listed companies

In recent years, China to establish a modern enterprise system as the goal of the corporate reform has been quite successful, but the corporate governance structure of listed companies is not perfect, "due to the dominance of," "the absence of the owner" still quite serious. The corporate governance structure is imperfect, makes a listed company to disclose information, the more arbitrary, it is difficult to guarantee the authenticity of the information, completeness and timeliness of this will inevitably lead to stock market information asymmetry.

4 China’s Management Method against Information Asymmetry

China's securities market existence of various forms of information asymmetry and reduce the efficiency of the securities market, the majority of damage to the interests of investors, China's securities market is not conducive to the sustained and healthy development. To change this situation, it should formulate and improve relevant laws and regulations, strengthen supervision and punishment efforts, and improve information disclosure system to minimize information asymmetry, in order to promote the healthy development of China's securities market. The following specific measures can be taken.

(1) Develop and improve our securities legislation and intensified law enforcement

At present, China's stock market in a serious information asymmetries, and China's securities laws, rules and regulations do not sound, lax enforcement had a great relationship. 《Securities Law》 and its accompanying laws and regulations is not yet sound enough to strengthen relevant laws and regulations of the legislative work, set up a relatively sound, a sound legal system for securities. In addition, law enforcement efforts should be strengthened and strictly punished "affiliated transactions" and "insider dealing" and the "black-box operation" and other acts, truly according to the law, strictly enforced, and that violators can minimize the stock market Asymmetric Information, China's securities market continues to move toward healthy and mature.

(2) Establish and improve the supervision of the organization of the securities markets

Establish a set including the securities regulatory departments, trading in the market sector and industry organizations, intermediary agencies and organizations to protect the interests of investors, the securities regulatory framework of the Organization system, the organizational system to ensure that the information disclosure system strictly enforced. On the one hand, China Securities Regulatory Commission, China's securities industry and regulatory agencies, Securities Management Office around the SFC is sent and subordinate agencies, securities market regulation to the two institutions should be the main line, in accordance with the securities laws vertical implementation; Another, the other related departments, in accordance with its regulations implementing horizontal professional supervision. In addition, the strict implementation of the intra-industry self-regulation, in a crisscross pattern, a clear division of work and mutual HS down-and well-structured securities market regulation system. In this way, the only way to safeguard the openness and transparency of the securities market, China's securities markets to reduce the information asymmetry.

(3) Improve the listed companies to disclose information systems, and strengthen the supervision of insider
Manager needs to constantly improve information disclosure system, formulating the rules of disclosure of information systems, information disclosure of listed companies work of the specific provisions from the content, form, in areas such as mandatory time requirements and constraints. Listed companies must be in accordance with the relevant regulations, true, complete, accurate and timely disclosure of information, and consciously accept the broad masses of investors and the general public oversight, the disclosure of information not illegal. For the irregularities of listed companies must be promptly investigated and dealt with severely, and to punish the persons responsible for the implementation. At the same time, the insider must strengthen supervision and management of staff, are not allowed to violate relevant laws and regulations, otherwise they will be punished accordingly. Of course, insider staff should also be conscious of law, abiding by the law, be honest and self-discipline, diligence, improve their own quality.

(4) Improve the corporate governance structure of listed companies

Improve the corporate governance structure of listed companies and their clients require agents rationalize the interests of relations and resolving the state-owned shares of China's listed companies "due to the dominance of," "the absence of the owner," and so on. Give full play to the board, the board of supervisors, the shareholders should have the role of the General Assembly, local governments try to avoid the use of listed companies in various ways intervention activities. The establishment of independent directors of listed companies and system audit committee system, speed up the reform of the management system of accounting and reduce the chance of false accounting. To appoint a chief financial officer or "Accounting Law," and establish a sound internal control of listed companies supervision and management institutions. Improve the corporate governance structure of listed companies, from the source can reduce the occurrence of information asymmetries.

(5) Strengthen the supervision of securities intermediaries

China's securities market information asymmetry and securities intermediaries are not standardized the operation of a greater relationship, therefore, to reduce the asymmetric information in the securities markets, we must strengthen supervision of securities intermediaries. My view of the current securities intermediaries existing problems, and should be standardized and improve our securities intermediary industry, the establishment of a layers of responsibility and the social constraints of the system of supervision and to the course of their practice to remain independent, objective and fair attitude. Through securities intermediary's standardized operation, information on listed companies to ensure that the authenticity and integrity of the securities market for the effective functioning of protection. Purification securities intermediaries practice environment, to improve the quality and thus to purify the purpose of the securities intermediaries, in order to reduce the information asymmetry securities market, and promote the development of China's securities market.

5 Conclusion

The main stock market transactions grasp the extent of the information and judge the differences in the ability to form asymmetric information, resulting in the value of securities prices and the departure from. Stock market information asymmetry is a common phenomenon is not unique to China's securities market, is widely found in all of the securities market. The stock market is the degree of information asymmetry can be reflected from a perspective of a country's state of development of the securities market. Information asymmetry is caused securities mis-pricing the root causes of the stock market, contrary to the "fair, just and open" principle and undermines the effectiveness of the securities market and lead to market failure, this is also China's stock market showing a "policy," and "speculative City "one of the root causes.

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