

Corporate Governance Quality and Analysts' Earnings Forecast Errors

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Abstract

This study investigated the influence of the quality of corporate governance on analysts' earnings forecast errors. Analysts in the gathering of information and professional competence are better than ordinary investors, so most rational investors will reference analysts' research report before they making investment behavior, in order to strengthen the profitability of this investment opportunity in the market. So the accuracy of analysts' earnings forecasts for investors is an important investment indicator. Companies listed on the Taiwan stock exchange (TWSE) between 2001 and 2012 were used as the research sample and we discuss the quality of corporate governance and analysts' earnings forecast errors related. The empirical results indicated that when the better quality of the corporate governance, analysts' earnings forecast error is significantly reduced, and analysts' earnings forecasts are more accurate. Furthermore, this study also found that the volatility of analysts' earnings forecast will also be influence of the quality of corporate governance. It implied the stock market analyst in the better quality of corporate governance the views in the future will increasingly consistent. Thus, the empirical results of this study may provide a reference to the securities authorities, to improve the system of corporate governance.

Keywords: Analysts' Earnings Forecast; Corporate Governance; Information Disclosure