

Study on the Harmfulness of Asymmetric Information in Stock Market

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Abstract: Market asymmetric information, mainly because its important characteristics of immeasurability and management has become the key factor restricting the efficiency of the stock market, and even causing the failure of the whole financial market. Based on the analysis of the harmful factors of asymmetric information, this paper focuses on the asymmetric information management measures aimed to improve the benefits of the stock market, give full play to its market effect, and promote the healthy development of the real economy and the whole national economy.

Keywords: Stock Market Asymmetry Information; Harm and Governance

1. Introduction

Asymmetric information mainly expressed the distribution of characteristics and status of information, it mainly refers to the in the commodity trading or contract conclusion and execution process, information in the participants among the heterogeneous distribution, and the most direct consequence is one or part of other participants have more information, or occupy the information advantage.

2. The harm of asymmetric information exists in the stock market

2.1 Angle of information asymmetry between listed companies and market traders

First of all, the listed companies as information advantage, may hide important information about the enterprise real value and future market development trend, in the securities issuance of predatory price or limit pricing to deceive investors, thus seriously violated the interests of investors, seriously damage the market open, fair and just "three fairs" principle. The enthusiasm of investors will be impacted, and the outbound investment of enterprises will be affected by the external financing, and the investment amount will be sharply reduced, resulting in the reduction of the overall social productivity, and the overall social and economic benefits will further decline. The rapid expansion and spread of stock market risks is bound to quickly threaten the whole market economy, resulting in a major financial crisis and huge economic risks^[1].

2.2 Information asymmetry between informed traders and uninformed traders

Both informed and uninformed traders are investors, but the value of the information is unevenly distributed within them. The former mainly includes holding companies, senior executives from large companies, and investors in financial institutions, while the latter mainly refers to the poor retail investors in China's stock market. As informed traders are affected by the maximization of information utility, they will use the information advantage to take market manipulation behavior to seek excess profits. In addition, the failure behavior of market intermediary organizations will increase the market noise, which will also become an important variable of market interference, which will aggravate the severity of information asymmetry in China's securities market. Faced with the impact of traders' irrational expected changes. Thus, it can be seen that

the trader is a market hindering force that is difficult to ignore, and even dominates the whole financial market, resulting in the inefficient or even out of control of the whole financial market^[2].

2.3 Information asymmetry in government functional departments and companies

The information asymmetry between functional departments and enterprises in government departments is relatively special, which belongs to the asymmetry of information crossover. Government functional departments, as the makers of relevant laws, regulations and regulations in the stock market, must have absolute control over government information and have an innate dominant position in government information, while large enterprises occupy a dominant position in their own characteristic information. This asymmetry may have some consequences: First, the "policy market". Due to the excessive intervention of the government mechanism in the securities market, the trading market is filled with a huge number of participants dominated by the government expectations. When many speculators put the line of sight between the government news and inside information, will form the government news gathered of real spillover effect, which will increase propaganda noise, rampant speculation, to insider trading created fertile land and hide political background, it will gradually reduce the political information content of government stocks, causing serious distortion of government stock prices. Second, the "rent-seeking" status quo is very common. Because rent-seeking interests are not invested in the productive activities of the society, the result will produce social rent dissipation structure and social and economic waste. According to the view of rent-seeking economics, it will lead to the loss of social net interests and consumer economic losses. Third, the current situation of "breaking the trust" is extensive. Both the "policy market" and "rent-seeking" status quo will weaken the integrity foundation of the stock market, because they are the substantive root cause and the most intuitive reflection of the lack of integrity in the stock market. The lack of integrity in the stock market will increase the cost of contract performance and supervision, and weaken the whole social credit system. Fourth, the government's macro-adjustment strategy is easy to produce errors. Enterprise characteristic information is the main reference and basis of the policy decisions of government functional institutions. It is of great significance to understand the comprehensive and accurate characteristic information of enterprises for the effectiveness of government functional institutions' decisions^[3].

3. Measures of asymmetric information governance in the stock market

3.1 Improve the institutional construction of the stock market, and strengthen the institutional environment of the efficient operation of the stock market

The information economics system belongs to an information substitution mechanism. The policy signals transmitted to the whole society and individuals through the system can expand the content of public information, so as to promote the establishment of public values, regulate and restrain the words and deeds of individual social members, and thus reduce the asymmetry of social information. The fundamental function of the stock market system should be clearly the information asymmetry of social governance. The starting point and foothold of the market system are to maintain the orderly development of the stock market and improve the efficiency of social public resources, and asymmetric information is the most important variable affecting social order and resource allocation. "Rent-seeking" and "rent-setting" lead to corruption, corruption leads to non-productive pure loss of resources, and non-productive pure loss of resources lead to the waste and ineffective use of social resources. Assuming that there is no obvious difference in the mechanism of asymmetric information in the system expansion, affect the securities market participants, the establishment and implementation of management system will not significantly improve the information system asymmetric distribution and risk distribution, or, because the market economy between information system understanding mechanism or policy ability, risk preference and thinking, system expansion will not help to change the securities market information system asymmetric distribution structure, but further make the imbalance of market information distribution further expand and deepen. The inherent defect of the system provides a higher standard of technical requirements and theoretical basis for the further optimization of the activities of the

government administrative functional organs. The key point of the perfect operation of functional departments is to implement the principle of prudent decision-making, since the scientificity of the system maintains the mechanism and the completeness, clarity and relative stability; third, further improve the transparency of government policies and administration, implement the basic principles of government laws and administration, emphasize the power control and regulation restriction, and fully squeeze the privilege and monopoly living space; fourth, implement the principle of not offside. Through the intervention of asymmetric information in the system of administrative functional departments, the extrusion effect cannot be produced under the premise of not interfering with the normal market mechanism^[4].

3.2 Adjust the market itself and improve the credit environment of the stock market

The socialist market is the institutional economy and society, and the institutional securities market is also the credit securities market in essence. Therefore, the stock market, as the main component of the development market, should regard the cultivation of the credit environment of the securities market as one of the main goals. The important process of forming a "trinity" stock market reputation operation environment such as securities market norms, administrative supervision and professional ethics values is also an important process of realizing the sharing of information resources in the securities market and the gradual formation of a fair and efficient market. As an informal system standard, the credit environment is a direct link and implicit constraint to build a good trust relationship between the microeconomic subjects in the stock market, and an important basis to ensure and maintain the orderly development of the stock market transactions. At the present stage, the government should focus on the following work: First, strengthen the construction of market credit information system. As a subsystem of China's stock market information system, credit information system should build a mechanism for the collection, sorting, classification, evaluation and publication of enterprise internal credit information, laying the foundation of information management and credit monitoring network for the construction of credit economic operation system. Secondly, the establishment of the enterprise four-dimensional internal credit management system. It includes credit management system of market entities, credit management system of government administrative functional departments, enterprise internal credit management system and intermediary credit management system, and investor credit management system. Third, improve the enterprise credit management system. Including integrity files, enterprise reputation evaluation and other information management system.

Conclusion

Asymmetric information this title highlights the incomplete information, also reveals the information between the economic subject, according to the reason can also be distinguished into exogenous asymmetric information and endogenous asymmetric information, the former is not caused by the behavior of the parties, but innate, predetermined, including the talent, preferences, physical condition, etc., usually appear after commodity trading or before the contract, the latter in the parties itself, is endogenous, and often occurs in the process of trading or after the contract. The connotation classification of asymmetric information can be summarized as two kinds of implicit information and hidden behavior. The former causes the reverse selection of participants, while the latter leads to the moral hazard of participants.

References

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