

A Review of Related Literature Review on the Accuracy of Securities Analysts' Earnings Forecast

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Abstract: Analysts play a pivotal role in the capital market. As an important information transmission medium between listed companies and investors, securities analysts use their superb professional level and information advantages to integrate and analyze the financial data and business information of listed companies, and publish research through published research. Analytical reports assist investors in making decisions. In recent years, there have been numerous cases of fraudulent research report information in my country. The quality of research report information has been criticized, and domestic analysts have also become the target of criticism. They are facing an unprecedented crisis of trust. Therefore, how to improve the accuracy of analysts' forecasts has become an urgent problem at present. The article systematically sorts out research results at home and abroad, and reviews the literature from three aspects: the role of analyst forecasts, influencing factors and economic consequences, which has important practical significance for stabilizing the market economic order and improving the efficiency of resource allocation.

Keywords: Analyst forecast; Influencing factors; Economic consequences.

1. Introduction

Analysts, as market information transmitters, process information according to their professional knowledge and industry experience, forecast the company's earnings based on this, and finally provide investors with corporate earnings forecast reports for investors to make investment decisions. Therefore, investors will focus on the research reports of analysts' forecasts, and the research on earnings forecasts of securities analysts has always been a hot topic in academic discussions. This paper explores its impact on analysts' forecasts from the perspective of company characteristics and analysts' own characteristics. At the same time, it studies the economic consequences of analysts' forecasts from the aspects of earnings management, stock price collapse, and capital market efficiency, which is conducive to promoting the health and stability of the national economy. long-term stability of operation and society.

2. Research on the Role of Analyst Forecasting

With the continuous improvement and development of the capital market, securities analysts play an important role as a bridge of information transmission. They are not only transmitters of information but also users of information, becoming an indispensable part of the capital market. The academic research on securities analysts believes that they not only play the role of information intermediaries, but also have an impact on corporate governance.

Securities analysts have a significant influence in the capital market. They collect corporate information through various channels, alleviate the information asymmetry in the capital market, promote the circulation of market information, and ensure the effective allocation of resources. Foreign scholars have studied the mediating role of analysts. Defond and Hung (2001) found that in countries with low transparency of capital market information and imperfect investor protection mechanism, securities analysts are more

avored by investors as a bridge of information transmission. To some extent, analyst forecasts play a surrogate role for investor protection at the macro level. Roulstone (2004) research shows that securities analysts, as information intermediaries in the capital market, can mine and transmit effective information and improve the efficiency of information use. Securities analysts use their professional abilities to process information obtained from various channels, analyze and judge the effectiveness of information, make earnings forecasts for companies, and recommend stocks according to market information, so that more information can be transmitted to the capital market, Alleviate the information asymmetry among stakeholders and promote the healthy and orderly development of the capital market (Chava et al., 2010). The ability of securities analysts in my country to use annual report information is improving (Hu Yiming et al., 2003), Zhu Hongjun et al. (2007) research shows that analysts can improve the operation efficiency of the securities market and ensure the best allocation of resources.

In addition, analyst forecasts, as an external governance mechanism, also play an important role in corporate governance. The research of Lang (2003) shows that the management of enterprises will also consider the information brought by analysts' forecasts when making investment decisions. In addition, the company's capital structure and financing scale will also be affected by analysts' behavior, and analysts' forecasts have certain reference value for the company's investment and financing decisions. Securities analysts use public information and private information to predict listed companies, which helps to reduce information asymmetry, reduce investors' adverse selection, and reduce financing costs (Piotroski, 2004). However, Liu (2011) empirical research found that the motivation of analysts' forecast has a significant effect on the improvement of the company's performance level. Zhao Kangsheng and Zhao Yujie (2016) studied the impact of analyst forecasts on corporate governance from the perspective of investment efficiency, and found that analyst forecasts, as an external

governance mechanism, can restrain companies from over-investing, alleviate under-investment, and encourage analysts to play a better role. The role of corporate governance to improve investment efficiency.

3. Research on Factors Influencing Analyst Predictions

Domestic and foreign scholars' literature research on analysts' forecasts includes discussions on company characteristics and analysts' own factors.

Based on the level of company characteristics, O'Brien and Bhushan (1990) found that the company's high standards and strict requirements for information disclosure will lead to more analysts making forecasts. Downen's (1996) study believes that companies with operating losses and future development space are less likely to make predictions more difficult, which is not conducive to analysts' accurate predictions. The research of Ackert (1997) and Barron (1998) shows that the more uncertain factors in the company's operation and the less predictable it is, the easier it is for security analysts to have disagreements and it is difficult to reach a unified opinion. Some scholars believe that the information quality rating will also affect the analyst follow-up, that is, the higher the rating is, the more likely the analyst will follow up (Healy and Palepu, 1999). Hope (2003) believes that the size of the company is positively related to the quality of analysts' forecasts, because large-scale companies have strong profitability and low volatility and high information transparency. Zoltan and Anne (2014) found that the higher the operating leverage, the greater the need for external financing, thereby increasing the risk faced by the company and reducing the accuracy of analyst forecasts. Domestic scholar Yan Lin (2016) found that analysts will pay more attention to the stocks that investors hold heavily and make recommendations, so that institutional investors can make the best investment decisions.

In addition, based on the analyst's own factors, it will also affect the analyst's forecast. Emma's (2005) empirical study shows that the longer the analyst's working time and the richer the industry experience, the higher the accuracy of the forecast and the smaller the forecast deviation. It is worth noting that compared with male analysts, female analysts tracked fewer companies, but the accuracy of female analysts' forecasts was high (Clifton, 2009). Chinese scholar Lv Zhaode et al. (2016) further researched and found that male analysts have higher forecasting bias and correction ability than female analysts, and that they have tracked the same company for more than 5 years, and male analysts have significantly smaller earnings forecast deviations than female analysts.

4. Research on the Economic Consequences of Analyst Predictions

Scholars have carried out research on the economic consequences of analysts' forecasts mainly from earnings management, stock price crash, and capital market efficiency.

Cang Yongtao and Chu Yiyun (2012) used A-share listed companies from 2007 to 2009 as samples to test the effect of analyst forecasts on corporate earnings management. The study found that analyst forecasts can constrain companies' earnings management behavior. Wei Dehong and Wen Jing (2013) based on the background of China's capital market research found that listed companies will adjust their

corporate earnings management behaviors to match analysts' earnings forecasts. Li Ying and Yi Zhihong (2017) empirical research results show that compared with male analysts, female analysts tend to be more cautious and more accurate in predicting the risk of stock market crash. Some scholars have also explored the economic consequences of analysts' forecasts from the perspective of capital market efficiency. Scholars have not reached a consensus on the relationship between analyst forecasts and capital market efficiency. Some scholars believe that analyst forecasts can improve the efficiency of capital market operations. Zhu Hongjun et al. (2007) used A-share listed companies from 2004 to 2005 as a research sample to empirically test the impact of analyst forecasts on capital market efficiency. Research shows that analysts can collect company information from various channels, improve the information content of stock prices and reduce the synchronization of stock prices, thereby improving the efficiency of capital market operation. Ye Yingmei and An Ran (2017) found that the degree of consistency of analyst forecasts affects the information content of stock prices. The higher the consistency of analyst forecasts, the more company information can be delivered to the market, thereby improving the information efficiency of the capital market.

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