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Can Institutional Investors Conduct Field Research to Uncover Negative Information about Listed Companies?

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Abstract

Under the guideline of "developing institutional investors in an extraordinary manner", institutional investors in China have gradually increased their voice in the capital market, and institutional investors can obtain non-public information through field research to make better investment decisions, but existing research findings cannot accurately expose the effect of field research on negative information of listed companies. The effect of field research on the mining of negative information of listed companies. This paper empirically examines the relationship between institutional investors' field research and the effect of negative information mining based on the data of Chinese a-share listed companies from 2016-2019. The findings show that institutional investors' field research not only makes it difficult to uncover the hidden negative information of the researched companies, but may even contribute to the further concealment of negative information, and this relationship is more significant among non-state-owned enterprises and low-performing enterprises.

Keywords

Institutional Investors; Field Research; Negative Information Hiding.

1. Introduction

At the beginning of this century, the China Securities Regulatory Commission (CSRC) proposed the "extraordinary development of institutional investors" as an important initiative to improve the structure of the capital market. After more than 20 years of development, China's institutional investors have continued to grow, gradually forming a diversified pattern that includes funds, brokerages, brokerage wealth management products, QFIIs, insurance companies, social security funds, enterprise annuities, trust companies and so on. According to the latest research report "Four Changes in the Ecology of China's Stock Market" released by CICC, the proportion of total market value held by institutional investors has increased from 11% in 2014 to 21% in 2020, while the proportion of market value in circulation held by institutional investors has increased from 38% in 2014 to 48% in 2020, with the investor structure of the A-share market gradually changing towards institutionalisation. Institutional investors have gradually increased their voice in the capital market, and their investment analysis ability and behaviour have a significant impact on the stock market and even the capital market, which needs to be paid attention to. The investment decisions of institutional investors are based on the acquisition and mining of various types of public or non-public information. There are generally two ways for them to obtain information, one is to inquire about public information of listed companies such as financial reports and regulatory disclosure information, and the other is to obtain non-public information through meetings with management, teleconferences and field research.

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On-site research of listed companies is nowadays the main way for institutional investors to search for information, which can help them to further understand the internal production resources and management information of the company. Company executives also attach more and more importance to this activity of interacting with investors, because in the process of field research, company executives communicate directly with investors and convey company messages to the outside world, which helps companies build and maintain a good relationship with investors, establish a good image of the company and improve the market recognition of the company. The existing literature mainly focuses on the factors influencing institutional investors' field research (Xu, Yuanyuan et al. 2015; Bowen et al. 2016; Cao et al. 2017; Liu et al. 2017; Song, Yu et al. 2017) and the impact of field research on the quality of information disclosure or corporate governance of listed companies (Dolphin 2014; Mei, Jie and Zhang, Mingze 2016; Tan Jinsong and Lin Yuchen, 2016; Wang Shan, 2017; Li Hao Yang, 2019). Therefore, the existing research findings cannot accurately expose the effect of field research on the mining of negative information of listed companies, and it becomes an important question to study whether the field research of institutional investors in China can obtain and mine negative information of listed companies and make investment decisions based on it, and whether it can truly realize the original intention of the regulator to "vigorously develop institutional investors". This is an important issue worthy of in-depth study and exploration. To this end, this paper raises the following two questions: Firstly, does the field research of institutional investors uncover the hidden negative news of listed companies? Secondly, is there any difference in the effectiveness of institutional investors in uncovering negative information according to the characteristics of different companies?

The main contributions of this paper are: (1) it focuses on the interactive behaviour between institutional investors and company management, examines the effect of institutional investors' mining of negative information of listed companies from the perspective of institutional investors' field research, and provides empirical evidence for the relationship between the role of institutional investors and negative information of listed companies. (2) It provides positive suggestions for listed companies to continuously improve their own governance structure, strengthen the construction of internal control system and information disclosure; provides suggestions for regulating and healthily guiding the development of institutional investors' field research; and provides reasonable suggestions for regulators to formulate relevant policies and systems.

2. Literature Review and Research Hypothesis

Field research is an information acquisition activity initiated by institutional investors such as securities, funds and insurance. For institutional investors, private contact behaviours such as field research can give them an information advantage to optimise their investment decisions and obtain excess returns (Cheng et al., 2015; Kong Dongmin et al., 2015; Tang Xuelian et al., 2017). Firstly, on-the-ground research by institutional investors enables them to observe the production and operational management of the company and improve their understanding of the company's production processes, R&D capabilities and asset utilisation, thereby reducing information asymmetry. Green et al. (2013) and Solomon and Soltes (2015) found that through private meetings, institutional investors can make more informed decisions and equity analysts can issue more valuable, accurate and timely reports. The study finds that through private meetings, institutional investors can make more informed decisions and equity analysts can issue more valuable, accurate and timely reports. In addition, Bushee et al. (2014) found that company share price volatility was more pronounced on the day executives flew to the financial centre based on flight dates, a side note that the act of private contact may give institutional investors an information advantage.

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From the past literature, we know that institutional investors do obtain more negative information about the companies under investigation during their field research, but the effectiveness of negative information mining is still to be verified. Firstly, it is difficult to guarantee the effectiveness of negative information mining due to the short duration of field research by institutional investors. At present, institutional investors have only one day or even half a day to research a listed company in the field. In such a short period of time, institutional investors are not able to really conduct a detailed field inspection of the research and development environment and business environment of the researched company, and they do not have a good understanding of the company's research and development capability and asset utilisation rate, so they lack the time to dig out negative information. Secondly, institutional investors have an incentive to help the company management to conceal negative information so as to gain more personal profit before the share price collapses. According to Pound's (1988) strategic cooperation hypothesis, institutional investors may gain more than the benefits of exercising their monitoring role by cooperating or conspiring with company management, thus weakening the monitoring role of institutional investors on companies. In China's weak investor protection system environment, the cost of collusion between institutional investors and management for private gain is also lower (Lei Qianhua et al., 2012), and institutional investors can avoid losses from stock price collapse through insider trading and adjusting their positions for profit before the disclosure of negative news (Kong Dongmin and Ke Ruihao, 2007). Third, the rationality of institutional investors' field research on negative information is difficult to ensure. Sun, Guangguo and Zhao, Jianyu (2014) point out that company management tends to breed overconfidence mentality. And this overconfidence of the management of listed companies can be transmitted to institutional investors participating in field research through communication, which is not only detrimental to the excavation of negative information, but also exaggerates the existing positive information and promotes the further concealment of negative information. Tan Songtao and Cui Xiaoyong (2015) point out that listed companies will use tendentious and leading terms to introduce the company's current operating situation and future earnings prospects during the research process, which will convey optimism to institutional investors and then to other investors in the market, thus triggering an "optimistic misjudgment" of the listed company in the market. In addition, Xu Yuanyuan et al. (2015) found that investors tend to conduct field research on companies with strong profitability and high institutional investor interest. Therefore, for the company management, the field research behaviour of institutional investors conveys their expectations of the company's future profitability, which may increase the optimism of the company management and make it more difficult for investors to uncover negative news about the company. At the same time, because small and medium-sized investors in the capital market are weaker than institutional investors in terms of information collection channels and information analysis capabilities, they are often more susceptible to the guidance and influence of institutional investors (Yang Shenggang, 2002), which in turn leads to the optimistic bias of institutional investors influencing the judgement and behaviour of other investors in the market and may contribute to the further concealment of negative information.

Based on this, the following hypothesis is formulated in this paper.

H1: On-site research by institutional investors not only makes it difficult to uncover hidden negative information about the company being researched, but may even contribute to the further concealment of negative information.

The difference between state-owned enterprises and non-state-owned enterprises in China's capital market lies in the difference in the actual controlling body of the enterprise. Typically, state-owned enterprises are more complex than non-state-owned enterprises and are required to take on not only economic but also more social responsibilities. The two are subject to different levels of regulation and different degrees of regulation of external disclosure

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information due to their different business objectives. Research by Du Xingqiang and Wen Yangguang (2007) shows that compared to non-state-owned listed companies, state-owned listed companies take on more responsibilities, have to actively build a good public image and strive to enhance the company's reputation, and therefore have more formal information disclosure. China's Company Law clearly stipulates that the members of the board of directors and the supervisory board of wholly state-owned companies are appointed by the State-owned assets supervision and administration agency. State-owned enterprises are subject to stronger supervision and control by the government, and the lower the chances of surplus manipulation by state-owned enterprises may be under the same corporate governance mechanism. Non-SOEs, on the other hand, have a stronger incentive to hide bad news out of self-interest. In addition, executives in non-SOEs have a greater incentive to hide negative news as their pay levels are more affected by their performance. The poorer information environment of the company makes it difficult for institutional investors to understand the company's operating conditions through the information disclosed by the company, making it easier for management to hide negative news about the company at this time, and it is also more difficult for institutional investors to conspire with the company's management to engage in insider trading, which is also more difficult for other investors to detect.

Based on this, the following hypothesis is formulated in this paper.

H2: It is more difficult for institutional investors to unearth negative information about non-state enterprises than about state-owned enterprises.

According to the external performance pressure hypothesis, while institutional investors' field research brings attention to listed companies, it also inadvertently puts performance pressure on the company's management. The study by Cheng et al. (2017) confirms that the behaviour of institutional investors' field research will make company management tend to adopt ambiguous surplus forecasts under performance pressure, and it is more obvious when the forecast information is bad news. Thus, there is an incentive for company management to hide negative news. When the company's performance is poor, it means that there is a lot of negative news within the company and management is afraid of being demoted or having their reputation damaged, so they have a strong incentive to cover up the fact that the company's performance is declining by "making excuses", "making up stories" and other ways and means. The real business situation of the company is not well understood by the institutional investors involved in the research. When the company is performing well, on the one hand, the amount of negative information is already low, i.e. there is less of a "factor" for bad news, and on the other hand, when performance is good, not only are managers' salaries not reduced, but they may even be promoted and given a pay rise, so there is less incentive to manipulate information.

Based on this, the following hypothesis is formulated in this paper.

H3: It is more difficult for institutional investors to unearth negative information about poor performers than about good performers.

3. Study Design

3.1. Sample Selection and Data Sources

The data for this research was obtained from the following data sources: Cathay Pacific database (CSMAR), WAND database (Wind), RESSET database, and annual reports of listed companies.

In this paper, the data of A-share listed companies in Shanghai and Shenzhen in China from 2016-2019 were selected as the original sample data. According to the research needs of this paper, the following categories of samples are excluded: (1) Excluding B-share and H-share listed companies issued in Shanghai and Shenzhen. (2) Excluding ST, *ST and PT listed

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companies. (3) Excluding companies newly listed in 2019. (4) Exclude listed companies in the financial sector. (5) Excluding the sample of companies with missing and abnormal key financial data. A total of 4760 sample observations were finally obtained.

3.2. Variable Definitions

Explanatory variable: Quantification of the degree of concealment of negative information about listed companies

As the degree of hidden negative information of listed companies is difficult to observe directly, this paper draws on the study of Cao Feng et al. (2015) to measure the degree of hidden negative information of listed companies by the risk of share price collapse. This is because when the degree of hidden negative information of listed companies is smaller, the less negative information accumulated by listed companies, and the less risk of their share price crash. Drawing on the studies of Chen et al. (2001) and Kim et al. (2011), this paper uses the following two methods to measure the risk of share price collapse:

First, the stock i has a specific return of $W_{i,t} = Ln(1+\varepsilon_{i,t})$ at t week based on model (1), where $\varepsilon_{i,t}$ is the residual from the regression of model (1).

$$R_{i,t} = \alpha_i + \beta_1 R_{m,t-2} + \beta_2 R_{m,t-1} + \beta_3 R_{m,t} + \beta_4 R_{m,t+1} + \beta_5 R_{m,t+2} + \varepsilon_{i,t} \quad (1)$$

Where $R_{i,t}$ stock i return in week t and $R_{m,t}$ is the market return of all A-share stocks in week t. And the ahead and lagged terms of market returns are added to model (1) to reduce the possible impact of non-synchronous trading.

Secondly, the negative return skew coefficient NCSKEW and the upward and downward return volatility ratio DUVOL were constructed based on $W_{i,t}$ two variables.

① Negative return skew factor NCSKEW. The negative skew return factor is calculated according to model (2). Where n is the number of weeks the stock i is traded per year and a higher value of NCSKEW indicates a higher risk of stock price collapse.

$$NCSKEW_{i,t} = -[n(n-1)^{3/2}\sum W_{i,t}^3]/[(n-1)(n-2)(\sum W_{i,t}^2)^{3/2}] \quad (2)$$

② Upward and downward volatility of returns DUVOL. The upward and downward volatility of returns is calculated according to model (3). W_i $W_{i,t}$ Where n_u is the number of weeks where the weekly characteristic return of i is greater than the annual average return of $W_{i,t}$ and n_d is the number of weeks where the weekly characteristic return of i is less than the annual average return of W_i. A higher value of DUVOL indicates a higher risk of stock price collapse.

$$DUVOL_{i,t} = \log\left\{[(n_u-1)\sum_{DOWN} W_{i,t}^2]/[(n_d-1)\sum_{UP} W_{i,t}^2]\right\} \quad (3)$$

Explanatory variables: Quantification of institutional investors' field research

Drawing on the studies of Cheng et al. (2015) and Tan Songtao et al. (2015), the metrics of field research in this paper mainly include the following indicators: (1) Number of institutional research Visit_num, the number of times listed companies are investigated by institutions in the field in a fiscal year. (2) The number of institutions involved in the research Visit_ins, the number of institutions involved in the field research of listed companies in a fiscal year.

Grouping variables

In order to test hypotheses H2 and H3, this paper constructs the corresponding grouping variables, namely Ownership and ROA, respectively. The ROA is measured by the return on total assets (ROA), which is higher than the average and lower than the average.

Control variables

Referring to the studies of Hutton et al. (2009), Kim et al. (2011), Ye Kangtao (2015) and Xiao Shisheng et al. (2017), the following six control variables were selected: firm size (Size), market

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capitalisation-to-book ratio (MB), gearing ratio (Lev), institutional investor shareholding (Inshold), characteristic return volatility (Sigma) and average weekly characteristic returns (Ret). In addition, Year and Industry dummy variables are included to control for year and industry fixed effects respectively.

3.3. Model Construction

This paper focuses on model (4) to test the effect of institutional investors' field research on the mining of negative information of listed companies.

$$NI_{i,t} = \alpha_0 + \beta_1 Visit_{i,t} + \gamma Controlva\,riables_{i,t} + \sum Year + \sum Industry + \varepsilon_{i,t} \quad (4)$$

Where NI is the negative return skewness coefficient NCSKEW and the up/down return volatility ratio DUVOL, respectively, Visit is the number of institutional research visits Visit_num and the number of participating institutions Visit_ins, respectively, and Controlvariables is the relevant set of control variables. Year and Industry denote year and industry fixed effects, respectively. Year and Industry are year and industry fixed effects respectively. ε is the residual. If β_1 is significantly positive, it means that institutional investors' field research has not uncovered negative information about listed companies, and may even contribute to further concealment of negative information, testing hypothesis H1.

Table 1. Definition and calculation of key variables

	Variable name	Variable symbols	Calculation method
Explained variables	The extent to which negative information is hidden	NI	NCSKEW, negative return bias factor, calculated as in equation (1) in the main text
			DUVOL, the ratio of upward and downward fluctuations in earnings, calculated as shown in equation (2) in the text
Explanatory variables	Number of field studies	Visit_num	Number of field studies by institutional investors
	Number of field research homes	Visit_ins	Number of homes researched on site by institutional investors
Grouping variables	Nature of ownership	Ownership	State-controlled listed companies take the value of 1, otherwise 0
	Company Performance	ROA	Return on total assets, a measure of the company's performance
Control variables	Company size	Size	Natural logarithm of the company's total assets
	Market capitalisation-to-book ratio	MB	Market value divided by book value
	Gearing ratio	Lev	Total liabilities divided by total assets
	Shareholding of institutional investors	Inshold	Sum of shareholdings of institutional investors
	Average idiosyncratic yield	Ret	Average of week-specific returns
	Standard deviation of idiosyncratic yields	Sigma	Standard deviation of weekly-specific returns
	Year	Year	Dummy variables, which take the value of 1 when the sample belongs to a particular year and 0 otherwise
	Industries	Industry	Dummy variables, dummy variables take 1 when the sample belongs to an industry, 0 otherwise

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4. Empirical Analysis

4.1. Descriptive Statistics

Table 2 presents the descriptive statistics of all variables. The means of the two-share price crash risk variables, NCSKEW and DUVOL, are -0.3041476 and -0.1956657 respectively, with standard deviations of 0.7587214 and 0.4996279 respectively, indicating that these two indicators vary widely among the sample companies. The number of field research by institutional investors Visit_num has a maximum value of 500 and a minimum value of 1, which shows that different listed companies are favoured by field research; the number of field research by institutional investors Visit_ins have a maximum value of 1087 and a minimum value of 1, which shows that the phenomenon of piling up research by institutional investors is obvious. The extreme deviation and standard deviation of the data of the above two indicators are large, indicating that institutional investors still conduct research selectively. The rest of the control variables are similar to the descriptive statistics of related studies.

Table 2. Descriptive statistics results

Variables	Sample size	Maximum value	Minimum value	Average value	Standard deviation
NCSKEW	4760	3.800224	-5.20256	-0.3041476	0.7587214
DUVOL	4760	2.216982	-2.425098	-0.1956657	0.4996279
Visit_num	4760	500	1	5.340756	10.13634
Visit_ins	4760	1087	1	40.58782	64.64911
Ownership	4760	1	0	0.2371849	0.4254013
ROA	4760	1	0	0.4817227	0.4997183
Size	4760	28.51996	19.19868	22.25604	1.168957
MB	4760	1.341425	0.039402	0.6011882	0.2306972
Lev	4760	0.954998	0.027605	0.3914518	0.1840061
Inshold	4760	98.9032	0.0001	38.00152	24.88911
Ret	4760	0.0727623	-0.0447987	0.0002024	0.0095048
Sigma	4760	0.2153562	0.0149988	0.0619699	0.0234897

4.2. Analysis of Regression Results

1. Institutional investors' field research and the degree of hidden negative information of listed companies

From Table 3, it can be seen that the two indicators of institutional investors' field research, Visit_num and Visit_ins, are significantly positively correlated with NCSKEW, an indicator of the degree of negative information concealment, at the 10% and 1% levels respectively, and with DUVOL, both at the 10% level, which verifies hypothesis H1, i.e., not only does institutional investors' field research not On the contrary, the "optimistic misjudgment" formed by institutional investors in the process of field research may further promote the concealment of negative information of the companies under research.

2. Field research by institutional investors and the degree of concealment of negative information of listed companies under different nature of property rights

Table 4 shows the regression results for hypothesis H2. The nature of enterprises is divided into state-owned enterprises and non-state-owned enterprises according to the actual controllers.

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Table 3. Regression results (1)

Variables	(1)	(2)	(3)	(4)
	NCSKEW	NCSKEW	DUVOL	DUVOL
Visit_num	0.0019*		0.0013*	
	(1.82)		(1.94)	
Visit_ins		0.0005***		0.0002*
		(2.78)		(1.89)
Size	-0.0054	-0.0117	-0.0269***	-0.0291***
	(-0.4)	(-0.85)	(-3.02)	(-3.19)
MB	-0.3446***	-0.3178***	-0.1515***	-0.1409***
	(-5.72)	(-5.19)	(-3.83)	(-3.5)
Lev	-0.0316	-0.0227	-0.0106	-0.0073
	(-0.46)	(-0.33)	(-0.23)	(-0.16)
Inshold	-0.0009*	-0.0008*	-0.0004	-0.0004
	(-1.88)	(-1.71)	(-1.47)	(-1.34)
Ret	-18.8299***	-18.8188***	-13.4731***	-13.4572***
	(-14.5)	(-14.5)	(-15.79)	(-15.78)
Sigma	-5.8339***	-5.9077***	-3.2134***	-3.2500***
	(-10.67)	(-10.8)	(-8.95)	(-9.04)
Year	Control	Control	Control	Control
Industry	Control	Control	Control	Control
Cons	0.4605	0.5741**	0.7424***	0.7808***
	(1.62)	(1.98)	(3.96)	(4.1)
Adj. R2	0.1208	0.1216	0.1250	0.1250
N	4760	4760	4760	4760
Note: *, **, *** indicate significant at the 10%, 5% and 1% levels respectively				

From the regression results, it can be seen that the regression coefficients of the number of institutional investors' field research Visit_num and the number of field research Visit_ins on the degree of hidden negative information of listed companies are positive for both state-owned enterprises and non-state-owned enterprises, but from the t-value, the absolute values of the t-values of Visit_num and Visit_ins are greater than those of state-owned enterprises for non-state-owned enterprises. This indicates that the positive relationship between institutional investors and negative information of listed companies is more significant in non-state-owned enterprises, verifying hypothesis H2.

3. Field research by institutional investors and the extent of hiding negative information of listed companies under different performance

Table 5 presents the regression results for Hypothesis H3. Firms were classified into high-performing and low-performing firms based on their performance ROA.

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Table 4. Regression results (2)

Panel A: State-owned enterprises				
Variables	NCSKEW	NCSKEW	DUVOL	DUVOL
Visit_num	0.0023		0.0006	
	(0.94)		(0.34)	
Visit_ins		0.0006		0.0003
		(1.64)		(1.08)
Control variables	Control	Control	Control	Control
Adj. R2	0.1084	0.1098	0.1098	0.1107
N	1129	1129	1129	1129
Panel B: Non-state enterprises				
Variables	NCSKEW	NCSKEW	DUVOL	DUVOL
Visit_num	0.0017		0.0014*	
	(1.49)		(1.86)	
Visit_ins		0.0004**		0.0002
		(2.18)		(1.48)
Control variables	Control	Control	Control	Control
Adj. R2	0.1249	0.1255	0.1301	0.1298
N	3631	3631	3631	3631
Note: *, **, *** indicate significant at the 10%, 5% and 1% levels respectively				

Table 5. Regression results (3)

Panel A: High Performing Companies				
Variables	NCSKEW	NCSKEW	DUVOL	DUVOL
Visit_num	0.0015		0.0009	
	(1.27)		(1.11)	
Visit_ins		0.0002		0.0001
		(1.15)		(0.78)
Control variables	Control	Control	Control	Control
Adj. R2	0.1434	0.1424	0.1307	0.1307
N	2293	2293	2293	2293
Panel B: Low Performing Companies				
Variables	NCSKEW	NCSKEW	DUVOL	DUVOL
Visit_num	0.0044**		0.0044**	
	(2.01)		(2.01)	
Visit_ins		0.0007***		0.0003*

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		(2.64)		(1.79)
Control variables	Control	Control	Control	Control
Adj. R2	0.1129	0.1148	0.1293	0.1300
N	2467	2467	2467	2467
Note: *, **, *** indicate significant at the 10%, 5% and 1% levels respectively				

From the regression results, it can be seen that the regression coefficients of the number of institutional investors' field research Visit_num and the number of field research Visit_ins on the degree of concealment of negative information of listed companies are positive for both high-performing and low-performing companies, but for high-performing companies, the regression coefficients of Visit_num and Visit_ins are difficult to pass the 10% significance level, while for low-performing companies, the regression coefficients of Visit_num and Visit_ins are difficult to pass the test, while for low-performing firms, the regression coefficients of Visit_num and Visit_ins are significantly positive, indicating that the positive relationship between institutional investors and negative information of listed companies is more significant in low-performing firms, verifying hypothesis H3.

4.3. Robustness Tests

Table 6. Regression results for instrumental variables

Variables	Stage 1	Stage 2	
	Visit_ins	NCSKEW	DUVOL
Industry_ins	0.9314***		
	(5.97)		
City	6.9472***		
	(3.40)		
Visit_ins		0.0070***	0.0050***
		(3.77)	(4.10)
Control variables	Control	Control	Control
N	4760	4760	4760

Note: *, **, *** indicate significant at the 10%, 5% and 1% levels respectively

In this paper, we adopt the instrumental variable method to deal with the possible endogeneity problem in the model, referring to the study by Cheng Xiao Ke et al. (2017), and use Industry_ins, the average annual number of institutional investors' research in the industry in which the listed company is located, and whether the company is located in a city above the second tier city, as the instrumental variables for Visit_ins. Due to the same industrial policy and market environment, the average number of institutional investors researching in the industry affects the field research behaviour of institutional investors for each company in the industry, but has no direct impact on the risk of share price collapse of the company, i.e. the degree of negative information hiding. The more developed the company is, the more convenient the transportation is, which will affect the field research behavior of institutional investors, but has no direct influence on the risk of share price collapse of the company, i.e. the degree of hidden negative information. Table 6 show the results of the instrumental variable regressions, where

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the coefficients of the first stage instrumental variables Industry_ins and City are both significantly positive at the 1% level. Also, the instrumental variables passed the weak instrumental variable test, indicating that the constructed instrumental variables are appropriate. The results of the second stage regressions in Table 6 show that the coefficients of the regressions of the number of institutional investors' research Visit_ins and NCSKEW and DUVOL are all positive and significant at the 1% level. This indicates that the above findings remain unchanged after controlling for the endogeneity issue.

5. Empirical Analysis

5.1. Research Findings

In recent years, China's institutional investors have developed rapidly, and have an increasingly high status and greater voice in the capital market, and indeed continue to become the information dominant in the market, but the information mining ability shown at this stage is not satisfactory. China's institutional investors have a short history of development, a lack of professional talents and weak research capabilities; at the same time, China's information environment is poor, the quality of information is not high and access to information is narrow, making it difficult for institutional investors to dig out valuable non-public information in advance. In addition, China's investor structure is unreasonable, with a high proportion of small and medium-sized retail investors who are keen to invest in stocks with popular themes, resulting in some institutional investors being more willing to gain from speculating on popular themes than to spend time and effort to dig deeper into fundamental information. Based on this realistic situation, this paper takes A-share listed companies in Shanghai and Shenzhen from 2016-2019 as a sample to study the relationship between institutional investors' field research and the effect of negative information mining of listed companies, to explore whether institutional investors in China can really obtain more information advantages than individual investors through field research, and separately examine whether this The significance of the relationship was examined separately, and the following research conclusions were drawn.

Institutional investors' field research not only makes it difficult to uncover the hidden negative information of the company being researched, but may even contribute to the further concealment of negative information. Due to the time and conditions of field research, institutional investors cannot really dig into the negative information of the listed company in a short period of time, and at the same time, institutional investors may cooperate with the management of the researched company to obtain insider information for personal gain, or be influenced by the optimism of the management, not only did not dig into the negative information, but also formed a certain "optimistic misjudgment "This helps to further hide negative information.

It is more difficult for institutional investors to uncover negative information about non-state-owned enterprises than state-owned enterprises. State-owned enterprises have more economic and social responsibilities, face more public scrutiny and government regulation, and their information disclosure is more regulated, whereas in non-state-owned enterprises, there is a greater incentive for companies and their management to hide negative information, and there is a lack of regulation, a poorer corporate governance environment and less restraint on management behaviour. Institutional investors have greater difficulty in conducting field research, making it more difficult to uncover negative information, and their insider trading with company management is more difficult to detect by other investors, helping to further hide negative information.

It is more difficult for institutional investors to uncover negative information about poor performers than about good performers. Low corporate performance indicates that there is a lot of negative internal news, and the management has a strong incentive to cover up the fact

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that the company's performance is declining by "making excuses" and "making up stories", and the information disclosure is not standardised and the information environment is poor. Poor disclosure of corporate information, poor information environment and failure of institutional investors to disclose negative information about the company in a timely manner during field research.

5.2. Research Recommendations

(1) Listed companies should standardise information disclosure, strengthen their own internal control construction, improve the transparency of the information environment and enhance corporate governance. Investor field research activities are an important part of its investor relations management and an important way for the company to show its strength to investors and the public, which is conducive to establishing a good public image of the company and gaining more investors and capital. Therefore, first of all, the company should improve its business ability and show good performance to respond to the research of external investors, and at the same time should be active and open to accept, strengthen the construction of investor relations and improve the accessibility of research activities. The content of institutional research activities that have already taken place should be made public, timely and complete, to ensure that institutional investors have effective access to information about the company, facilitate their participation in corporate governance and listen carefully to the advice and recommendations of professional investment institutions, so as to improve their own governance capacity through the monitoring power of external investors.

(2) Institutional investors should strengthen their research capabilities, pursue quality rather than quantity in field research, establish a sense of rational investment and regulate their own investment behaviour. Institutional investors in the research process must be cautious and due diligence, in the case of limited energy and personnel, and appropriate to reduce the number of research, increase the time of a single research to ensure that the advantages of information mining to give full play to the time. For fundamental information about companies and the development of the industry in which they operate, investors should actively explore a variety of channels to dig deeper, obtain some high-quality accounting information about companies and strengthen their own ability to analyse information. When conducting field research, investors should not be blinded by short-term interests and ignore negative corporate news, and should actively participate in corporate governance to play a supervisory role in order to gain long-term benefits.

(3) Supervisors strengthen supervision and improve information disclosure-related systems. Reducing the information asymmetry between companies and investors is the basis of investor protection, so investor protection should first of all protect the timeliness and accuracy of information obtained by investors, strive to remove untrue and misleading elements in information and eliminate the phenomenon of companies concealing information, which requires the information disclosed by companies to meet the basic characteristics of comprehensiveness, timeliness and understandability. The regulator needs to continue to strengthen the supervision of listed companies in the disclosure of research information, requiring listed companies to disclose research information in a timely and accurate manner, so that investors can easily access this information and use it to better restore the research site, while putting forward higher requirements for the disclosure of information about the company's research activities, improving the transparency of information, ensuring that the information disclosed is accurate, complete, timely and fair. In turn, it will play a certain supervisory role over listed companies, so that the field research activities of institutional investors will be most effective.

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6. Conclusion of the Study

China's institutional investors have been growing, but their rapid development is more based on policy promotion and lack of sufficient autonomy. Although there is continuous development towards adhering to the direction of value investment, they are also prone to speculation and blind speculation against the market rules, leading to doubts about the professional analysis ability and market investment behaviour of institutional investors. Using A-share listed companies in Shanghai and Shenzhen in China from 2016-2019 as a research sample, this paper empirically tests that institutional investors in China have not yet been able to tap into negative information of listed companies well in field research. On the basis of this conclusion, suggestions are made for listed companies to standardise information disclosure, for institutional investors to enhance their research capabilities, and for the regulator to improve the relevant system, in the hope of promoting the positive governance effect of institutional investors through field research, realising the original intention of the SFC to "develop institutional investors beyond the norm", and maintaining the stable development of the market. This will help to achieve the SFC's original intention of "developing institutional investors beyond the norm" and maintain stable market development.

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