Institutional Investors, Political Connections and Analysts Coverage in Malaysia

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ABSTRACT
This study examines the relationship between institutional investors’ ownership, political connections and analyst coverage and firms in Malaysia during the period of 1999 to 2009. Based on 940 firm-year observations, this study documents that institutional demand for information is likely to affect analyst decision on which firms to follow. This gives evidence to suggest that institutional investors play a governance role by promoting better transparency which attracts higher analyst coverage. However, we find no evidence to support that political connections affect analysts’ coverage.

Keywords: Institutional Investors; Analyst Coverage, Corporate Governance, Political Connections