

# Analyst Following Intensity and Annual Report Disclosure Timeliness

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**Abstract.** As the capital market improves, analysts serve as information intermediates, not only transmitting information to market investors but also playing an important role in information governance and are important participants in financial activities. Annual reports are a significant source of information disclosure for publicly traded firms. They allow investors, creditors, and other stakeholders to understand the company's operating conditions and financial performance throughout the reporting period. The impact of analyst following on the timeliness of annual report disclosure in Chinese A-share listed businesses between 2021 and 2023 is empirically examined in this article. The statistics reveal that during the sample period, companies with a higher following intensity had better annual report disclosure timeliness. This finding provides a new perspective on how listed companies disclose information, and it offers more proof that the attributes of the company and the external monitoring function of analysts play a moderating effect in information disclosure.

## 1 Introduction

The Securities Law and comprehensive administrative, regulatory, and other normative texts serve as the foundation for China's information disclosure framework system. Among the many information disclosures, the annual report is the most important and information-rich one. In order to enable investors to make informed investment choices, the China Securities Regulatory Commission's "Measures for the Administration of Information Disclosure by Listed Companies" requires that listed companies' annual disclosure reports be prepared and made public within four months of the end of each fiscal year. However, despite clear requirements for information disclosure by regulators, the timeliness of disclosure in listed firms' annual reports continues to vary significantly. Some companies fail to disclose within the prescribed time limit, resulting in a decrease in market information transparency and making it more difficult for investors to obtain key information.

As important participants in the capital market, analysts in this context not only offer investment advice and market analysis, but they can also improve external supervision by closely monitoring and looking up reports and encouraging businesses to meet their information disclosure requirements more quickly. There is currently a lack of empirical evidence on whether analyst following can enhance the timeliness of annual report disclosure.

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This paper uses A-share non-financial and non-ST listed companies from 2021 to 2023 as samples to investigate the effect of analyst tracking intensity on how promptly annual reports are disclosed. This is based on the efficient market hypothesis and the institutional background of information disclosure of listed companies in China. The multivariate regression OLS model is used for the empirical study. The main contribution of this paper is to reveal the potential role of analysts' external supervision function in the timeliness of annual report disclosure and its significance, providing theoretical support for improving the annual report disclosure system.

## **2 Literature review and theoretical hypothesis**

For the purpose of to minimize information asymmetry, optimize resource allocation, and enhance the caliber of corporate information disclosure, analyst following is essential. Analyst Xu claims that field research can encourage companies to disclose financial data on time and reduce the asymmetry of market information [1]. The regulatory role of analysts as market information mediators is further illustrated by Qi's research, which showed that analysts' field research can reduce company breaches in addition to improving information transparency [2]. Liu additionally verified that coverage of analysts serves reduce information asymmetry. The research showed that by monitoring business behavior and enhancing information transparency, analysts may support company decisions about environmental investment and strengthen sustainable development strategies [3]. These findings all together imply that analysts enhance company governance through external supervision in addition to having an impact on the standard of financial information disclosure. In addition, Cho found that analysts' herd behavior undermines the effectiveness of their reported information, especially when the reported sentiment is too positive [4]. On the other hand, Naqvi found that analyst coverage can effectively lower the degree of information asymmetry of businesses, as well as improve market transparency, by acting as a moderator between information asymmetry and corporate social responsibility practice [5]. At the same time, Gibbons conducted research on analysts' use of public information, and the findings shown that analysts' attention can improve the accuracy of financial information, decrease forecast errors, and enhance the effective utilization of market information [6]. When taken as a whole, these studies emphasize how crucial analysts are to enhancing the standard of corporate information disclosure and improving market governance.

In addition to its impact on information disclosure, analyst following plays an important role in corporate social responsibility (CSR) and environmental, social and governance (ESG) issues. Kopita et al. found that analysts' ESG-specific experience can improve their ability to interpret corporate ESG information and significantly enhance the market response of investment proposals when corporate ESG disclosures are less or face higher ESG risks [7]. Companies with greater credibility are more likely to benefit from analyst following, according to Lu et al., they also found that the quality of business CSR information disclosure was positively correlated with analyst following [8]. In terms of ESG ratings, Roger found that analysts gave higher target prices to companies with higher ESG scores after controlling for size bias and industry structure [9]. Furthermore, Wang's research emphasizes that analyst attention can significantly improve corporate ESG performance and synergistically promote ESG development through external supervision and information intermediation, and this is particularly evident in companies with high financing constraints, low information transparency, and high levels of earnings management [10]. This suggests that the influence of analysts is not limited to corporate financial reporting, but may also drive companies to improve their ESG transparency and social responsibility compliance, making them more inclined to meet market expectations for sustainable development.

The purpose of this study is to investigate how the intensity of analyst following affects the timeliness of disclosed information in listed firms' annual reports. According to research findings in the literature, there is a gap in the timeliness of annual report publication, although analyst following may have an important effect on a number of corporate information disclosure behavior elements.

In the context of this, hypothesis H1 is put forth: A company's disclosure of its annual report is more early if its analyst following is more intense.

## 3 Research method

### 3.1 Sample selection and data source

All A-share not financial and non-ST listed firms from 2021 to 2023 are used as samples in this study. Since the annual report disclosure time must be observed, eliminate endogenous influences, and obtain the analyst following intensity data of the previous period, the analyst following intensity data needs to be obtained one year in advance, which is 2020-2022. At the same time, all types of companies with serious data missing were eliminated, and sample observations with missing data were deleted, resulting in a total of 4,686 annual company samples, with data from the CSMAR database.

### 3.2 Variables

The variable that is explained is Delay, which is a measure of how promptly annual reports are disclosed. The disclosure lag is used in this research to illustrate how promptly listed firms disclose information in their annual reports. The disclosure lag is the amount of time that lasts between the date on which an annual report is actually disclosed and the fiscal year that ends on December 31 for a listed firm. The disclosure lag is negatively correlated with the timeliness of annual report disclosure of listed companies, that is, the longer the disclosure lag, the worse the timeliness of annual report disclosure of listed companies; the shorter the disclosure lag, the better the timeliness of disclosure of listed corporations' reports.

This paper selects Analyst as the core explanatory variable to measure the intensity of analysts' following of the company. There are two primary indicators: the primary one is based on the number of analytical reports that analysts have published, and the second one is based on the number of persons that analysts are following. This article draws on the latter method. At the same time, since calculating the logarithm when there are no analysts is meaningless, as well as the Analyst variable itself is small (many values are close to 0 or 1), the total number for analysts that the analyst follows is equal to the number of analysts that follow the same publicly traded firm plus two, and the natural logarithm is taken. Taking into account the possible company endogeneity problem, the number of analysts one year in advance is used.

Return on assets (ROA), debt-to-asset ratio (Lev), number of senior executives (Execnum), firm size (Size), and number of board members (Board) are among the corporate factors that are controlled in this research.

### 3.3 Model construction

Combined with the above analysis and based on the research hypothesis, the model is constructed as follows.

$$Delay_{i,t} = \alpha + \beta_1 \cdot Analyst_{i,t-1} + \beta_2 \cdot Controls_{i,t} + \epsilon_{i,t} \quad (1)$$

## 4 4. Analysis of empirical results

### 4.1 Descriptive analysis

Table 1 is the descriptive statistics of the main variables. The results show that the mean of annual report disclosure time (Delay) is 104.475 days, the standard deviation is 14.893, the minimum and maximum values are 27 days and 148 days respectively, indicating that the sample companies' annual report release times vary significantly. At a mean of 2.334 with a standard deviation equal 0.815, the analyst's following intensity (analyst) ranges from 1.099 to 4.344. This points out that the sample companies' analyst coverage is different in some ways.

**Table 1.** Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Delay	4686	104.475	14.893	27	148
Analyst	4686	2.334	0.815	1.099	4.344
Roa	4686	0.052	0.066	-0.633	0.602
Lev	4686	0.42	0.186	0.023	1.484
Execnum	4686	16.224	3.803	9	35
Size	4686	3.852e+10	1.503e+11	4.812e+08	2.671e+12
Board	4686	8.407	1.689	4	15

The mean return on assets (ROA) is 0.052 and the standard deviation is 0.066, which indicates that some of the companies have negative returns and that there are wide variations in the sample companies' profitability. Considering that the average ratio of debt (Lev) is 0.42 and the maximum is 1.484, it is likely that some businesses have high levels of leverage and in comparison, high debt ratios. In addition, the data distribution of company size (Size) is relatively dispersed, and the norm deviation is significantly more than the mean, suggesting that the asset sizes of various businesses differ significantly.

### 4.2 Regression results analysis

Table 2 shows the results of the regression analysis. At the 5% level, a strong negative correlation between the degree of analyst following (Analyst) and the timeliness of annual report disclosure (Delay), with a coefficient of -0.554 and a p-value of 0.042, indicating that the higher the degree of analyst following, the shorter the delay in report disclosure, that is, the more timely the disclosure. This supports hypothesis H1, that is, companies with higher analyst following intensity have more timely annual report disclosures.

Moreover, ROA (return on assets) and the promptness of the disclosure of reports also show a significant negative correlation (p value is 0.000), indicating that companies with poor profitability may delay the disclosure of annual reports. Board size has little impact on disclosure in annual reports. Its influence is less evident than that of other factors, although the fact that its correlation is negative and significant at the 5% level. Additionally, there is a substantial inverse relationship between the number of executives (ExecNum) and the promptness of annual report disclosure (p value is 0.000), indicating that a larger executive team may improve the efficiency of corporate decision-making and information disclosure.

**Table 2.** OLS multiple regression results

	Delay
Report	-0.554**
	(0.042)
ROA	-28.710***
	(0.000)
Lev	0.914
	(0.475)
ExecNum	-0.403***
	(0.000)
Size	-0.000***
	(0.000)
Board	-0.353**
	(0.028)
Constant	116.647***
	(0.000)
Observations	4686
$R^2$	0.045

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## 5 Robustness test

Given that the amount of analysts that follow the company is the primary variable examined in this paper, and considering that the number of research reports that follow the company is also an important indicator to measure analyst tracking, this paper uses the number of research reports (that is, the degree of attention paid to the research reports) as a substitute variable to conduct robustness testing. The final collection of 4,389 observations was obtained by removing companies with incomplete research reports from the initial company sample. The quantity of research papers takes the place of the amount of analysts that follow, and regression analysis is performed. In table 3, the regression coefficient for the quantity of reports is -0.574, which is highly significant at the 1% level, signifying the significant negative association between the quantity of reports and the timeliness of annual report publication. This provides additional evidence that the findings of this article's research are reliable. It demonstrates that the attention paid to research reports as an alternative variable has a considerable influence on the timeliness with which annual reports are disclosed.

**Table 3.** Robustness test results

	Delay
Report	-0.574***
	(0.003)
ROA	-27.319***
	(0.000)
Lev	0.833
	(0.532)
ExecNum	-0.444***
	(0.000)
Size	-0.000***
	(0.000)
Board	-0.278*
	(0.095)
Constant	116.688***
	(0.000)
Observations	4389
$R^2$	0.045

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## 6 Conclusion

The effect of analyst follow on the timeliness of report publication is experimentally examined in this research using samples of A-share listed businesses from 2021 to 2023. This paper finds that the higher the intensity of analyst following, the more timely the annual report disclosure, indicating that analysts' external supervision and market expectations have effectively promoted companies to disclose annual reports more promptly. This conclusion provides new evidence for understanding the information disclosure behavior of the capital market and also provides policy references for regulators in improving information transparency.

Nevertheless, this paper also has certain limitations. The focus of this paper is on analyst tracking. Whether analyst tracking can improve the timeliness of disclosure while improving the overall quality of report disclosure, and whether the attention of star analysts can make annual reports timelier, the above issues can serve as potential directions for future research.

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