VALUE AND BENEFITS OF INFORMATION DISCLOSURE AND TRANSPARENCY RANKINGS SYSTEMS (IDTRS) – INVESTOR’S PERSPECTIVE ON INFORMATION TRANSPARENCY

Chung-Jen Fu  
Associate Professor, Department and Graduate of Accounting  
National Yunlin University of Science and Technology  
123, Section 3, University Road, Douliou, Yunlin 640, Taiwan, R.O.C.  
Tel: +886-5-5342601#5341  Fax: +886-5-5345430  
Email: fucj@yuntech.edu.tw

Fu-Hsing Chang  
Associate Professor, Department and Graduate of Accounting  
National Yunlin University of Science and Technology  
123, Section 3, University Road, Douliou, Yunlin 640, Taiwan, R.O.C.  
Tel: +886-5-5342601#5501  Fax: +886-5-5345430  
Email: fschang@yuntech.edu.tw

Su-Hui Huang  
Ph. D Student, Doctoral Program of Graduate School of Management  
National Yunlin University of Science and Technology  
123, Section 3, University Road, Douliou, Yunlin 640, Taiwan, R.O.C.  
Tel: +886-936-632057  Fax: +886-5-5345430  
Email: g9220808@yuntech.edu.tw

ABSTRACT  This paper investigates how corporate information disclosure and transparency affects the corporate value in different degree of information gap between management and investors. The results presented in this paper suggest that information disclosure is useful to investors and benefit for corporations. Corporations with more transparency will have higher unexpected return than those with less transparency, and corporations with less transparency will have the lower ERCs. Lower ERCs may result in a higher cost of capital and decrease the effectiveness of stock-based compensation. In other words, transparency will increase corporate value. Hence in order to protect investors, the securities competent authority needs to have an insight into the information-asymmetric phenomenon. Our evidence
suggests benefits of Information Disclosure and Transparency Rankings System (IDTRS) for corporations. Corporate information disclosure and the ranking results of IDTRS will provide the incremental information content of information transparency, enhance the investors’ belief, and increase corporate value.