

Research on the Correlation between Investor Cognition and Corporate Investment Value

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Abstract: existing research shows that media reports have an impact on investor perceptions, and investor perceptions have a negligible effect on company value. Therefore, based on the internet media background, this article explains the value of stock investment from the perspective of investor perceptions. Influence, trying to provide a certain reference value for investors' investment behavior.

1. Introduction

China's financial market has developed only two or thirty years ago. As an emerging capital market, its participants are still mainly small and medium investors. Compared with institutional investors, they may lack the corresponding professional literacy and analytical capabilities, and information collection. Channels are also limited, and most have not yet formed a correct and rational value investment concept. Because investors have limited energy and ability, it is impossible to collect and process all information. In the past, except for obtaining financial information from companies, they mainly relied on paper. Quality news as a medium to search for available news. The rapid development of the current internet media has broadened the access to information for investors, and has gradually become one of the main ways to collect information. Internet media has not only improved the channels and speed for investors to search for information, at the same time, the gap in the amount and quality of information among different investors has also been reduced. investors have changed their focus from newspapers and tv reports to internet information, which has changed their investment behavior. the most obvious one is the judgment of the company's value based on media reports. And make the best portfolio choice.

Before the development of the internet, due to the high degree of information asymmetry between investors and listed companies, participants in the market held the view that only companies with good performance, large shareholder bases and reputable companies have investment value. But after the development of the market, everyone has to start thinking, why do some companies that have bad news or poor performance have high investment value? This article starts from the basic definition of investment value, and believes that this view denies that investment value is the difference between the intrinsic value of the stock and the stock price. The concept of "investor cognitive bias" explains that they believe that investor cognitive bias may lead to different psychological characteristics, attitudes to risk assets, overconfidence in private information, and psychological account reactions, which will affect investors themselves. Under the framework of behavioral finance, investor decisions are influenced by their own psychological factors. influence, its decision-making behavior is even more uncertain. when the anti-corruption policy was introduced, most people thought that the development prospects of moutai in guizhou were not good, and they left the market, but then its development was contrary to their expectations.

Merton (1987) proposed the concept of investor cognitive hypothesis to solve the perfect market limitations set by traditional asset pricing models, and found that only stocks that investors "familiar with" would be included in their portfolios, and an incomplete information market equilibrium was constructed^[1]. According to the model, the conclusion that the investor's cognitive level is significantly positively correlated with the company's value is obtained. However, in reality, the company's investment value is not an invariable objective attribute. The investment value arises from

the dynamic changes in stock prices and fundamentals. In this respect, dong baozhen (2018) believes that the investment value can come from any company, whether it is a company with a high reputation, mediocre development or poor performance, as long as the stock price is lower than the company's intrinsic value, it has investment value. Even so, investors still choose their own investment portfolios based on performance, stock prices, and returns. This article intends to analyze this phenomenon from the perspective of investor perception.

2. Explanation of the Concept of Investment Value

According to baidu encyclopedia's definition, investment value refers to an investor who has a clear investment goal or a certain type of investor recognizes the value of the asset, a concept that links a specific type of asset to a specific investor. The traditional idea is that whether a stock has investment value is determined by its company's fundamental value. Therefore, if a company has good performance and good growth, when the company's intrinsic value is higher than the secondary market price, the stock has an investment value. However, the subsequent development of the stock market has verified that this view is not entirely correct, and the price of the secondary market is determined by investor perceptions, so when investor perceptions deviate from the company's intrinsic value, it is possible to generate investment value. In terms of performance, yao feng, the former party secretary and vice chairman of the China Listed Companies Association, believes that the main reason is that the investment value of listed companies is not suitable, so it is crucial to understand the company's investment value correctly.

Today internet media provides investors with a wealth of content about stocks, and there is also a large amount of literature confirming that media reports will have a non-negligible effect on investors and the stock market. For example, bushee et al. (2010) found that media reports can disseminate company releases in a timely manner. Relevant information to help investors fully understand the company's current operating conditions, thereby reducing market friction, and to a certain extent enhancing investors' awareness of the company's situation^[2]; quan xiaofeng and wu shinong (2012) believe that media attention has "cognitive "effects" and "governance effects" not only enhance investors' awareness of earnings information, but also reduce the continuing damage of company executives' corresponding profits^[3]; research by huang jun and guo zhaorui (2014) shows that the number of media reports and the quality of the company information contained in the stock price is directly proportional^[4]; the research conclusions of liu xiangqiang, li qinyang et al. (2017) confirmed once again that media news can increase investor awareness and reduce information risk^[5]; ru yi and xue jian et al. (2019) based on the above analysis^[6], li shuyi (2017) believes that the internet media as a main collector, processor, and disseminator of information not only improve the company's transparency and reduce the information asymmetry between investors, but also improve the investor's awareness of stocks and ultimately reduce the cognitive cost^[7]. But some studies have found media reports. Sometimes false reporting misleads investors' decision-making actions and causes losses.

3. An Analysis of Value Investment Based on Investor Cognitive Bias in the Internet Media Background

3.1 Impact of Media Reports on Investor Perceptions

The main factors of investor cognitive bias can be divided into external environment and investor's own psychological factors. There is currently a large amount of literature that can prove that media reports will have a negligible effect on investor cognition. Xu Yuanyuan (2016) subdivided investor cognitive processes into four links: one is the acquisition of information; the other is the processing of information; the third is the output of information; the fourth is the feedback of information^[8]. Due to the individual differences of investors, their methods of processing information are different, and each step may produce cognitive bias, especially when receiving media news, media reports that pay attention to blogs may mislead investors to make irrational behaviors, which not only triggers various

tragic consequences of the stock market, but also causes them to miss stocks with investment value. The spread of public information has attracted more investors to participate, which has a greater impact on the stock price, which in turn will affect investment. Investors' perceptions and behaviors pay too much attention to stock prices and media information, while ignoring the objective intrinsic value of stocks. On the one hand, Bushee and Miller(2012) believe that repeated reporting by the media can increase the visibility of listed companies and increase investor awareness^[9]. At the same time, the willingness to invest also increased investor awareness; on the other hand, due to imperfect market systems, listed companies and the media colluded, trying to use media public opinion to cover their true operating conditions, misleading investors into the current status of stock investment value. It will eventually cause investor losses.

3.2 Measurement of Investor Perception

According to the research of existing scholars, the number of shareholders or the popularity of the company are mostly used to measure investor perceptions. Earlier studies have confirmed that the excess income obtained by companies after listing is related to an increase in the shareholder base and a decrease in the bid-ask spread. Foerster and Karolyi (1999) Using the number of shareholders as a measure to expand and demonstrate the theory of Merton's investor cognitive hypothesis, not only rigorously and carefully test the investor cognitive hypothesis, but also accurately proposed the difference between the concepts of investor cognitive hypothesis and market segmentation hypothesis^[10]; McConnell et al. (1996) pointed out that the increase in investor awareness is one of the reasons for the increase in stock prices caused by small to large exchange transactions^[11].

With the further research, more scholars began to study investor cognitive concepts from the perspective of company awareness. The research found that company reputation has more advantages to better explain investor cognitive concept. Baker et al. (2002) used cross-listed data from the New York Stock Exchange and the London Stock Exchange, and found that both markets can significantly increase the visibility of listed companies, and Listing on the New York Stock Exchange has a more prominent visibility effect than listing on the London Stock Exchange^[12]; The study of Bushee and Miller(2004) proved that the improvement of corporate image and popularity was significantly positively correlated with the increase of attention from securities analysts, investors and media, thus increasing the stock trading volume.^[13]

3.3 Impact of Investor Perception on Value Investment

If investors want to make a profit, they must first understand what value investment is, as long as they find valuable stocks, it is possible to profit from them. That is to say, investors' investment behavior must correctly understand the core concept of investment value. The wisest thing is to understand what is the value of the investment in order to proceed. The process of investors' understanding of stocks is the process of cognition of stocks. When the stock price is lower than the objective intrinsic value, it is possible to generate a spread and make a profit. The so-called spread is Refers to the definition of margin of safety proposed by Graham, where the secondary market price is lower than the intrinsic value of the enterprise. A simple understanding is like Buffett said: "The margin of safety is to buy less valuable things with less money." Take LeTV (code 30014) as an example. In 2015, the highest stock price was 44 yuan / share, but the stock price in early 2018 was only 4.5 yuan / share. What caused this? In 2015, the media reported and the mainstream As a result, most investors hold a very optimistic cognitive attitude, thinking that LeTV's development prospects are the same as Tencent Holdings' second largest company, so they buy crazy. However, LeTV's later performance proved that investors recognized The knowledge is wrong, and this tragic consequence is caused by the self-confidence and the influence of external Internet media. Changes in investor perceptions will cause real investment value, and the performance of the stock price is only one side. If the stock price falls, but The intrinsic value of the stock is increasing, and the stock still has investment value.

Changes in investor perception and the inherent value of the enterprise will cause changes in the value of the investment, mainly in the following situations: First, the intrinsic value of some stocks has risen, but due to the low media attention, it has not attracted the attention of investors. The

investor's cognition has not changed. At this time, the investor will have the cognitive psychology that the value of the stock has not changed, but in fact the investment value of the company is increasing. This is the principle of growth stocks. Cognition has not changed, but the intrinsic value of the stock has decreased. At this time, investors may suffer losses. If the investor is misled by media reports and a large purchase of a poorly managed stock will be damaged; the third is the investor's cognition is affected by pessimism in media reports. It is bearish on a stock. The intrinsic value of the stock remains the same but the stock price falls. This creates an opportunity for investors to buy again and forms a value creation process. Due to the pessimism of media reports, investors are bullish on a certain stock, but the intrinsic value of the stock remains the same, but the investor's crazy purchase leads to a sharp rise in the stock price, resulting in risky investment. This article breaks down these four relationships. If the degree of change in the optimistic cognition of the investor exceeds the rise in the intrinsic value of the stock, the stock price will be large, and the investor will no longer be rational and eventually encounter risks, or the pessimistic cognition of the investor will change. The degree exceeds the decline in the intrinsic value of the stock, and the stock price will plummet. On the contrary, investors will become more rational and present investment opportunities. From the above analysis, we can understand that value investment is not an objective and constant attribute. It will be affected by investor perception and changes in the company's fundamental value. Investors cannot make intuitively based on stock prices, returns, and related media reports. decision making.

4. Conclusion

The stock market is a place for investors' redistribution. Only investors can choose stocks with investment value to profit from it. Therefore, this article studies the relationship between investor perception and stock investment value in the context of big data. It is found that media reports will affect the to investor perception, and changes in investor perception and changes in the objective intrinsic value of the stock will affect the investment value of the stock. Therefore, investors must maintain their own rationality, and not only analyze from fundamentals such as stock prices and returns. It is also necessary to further dig the information implicit in the financial information of listed companies, not to rely too much on and trust media information, and to make decisions based on the core principle of whether stocks have investment value. By reading a large number of psychological research literature, you can find investors' cognition is an ever-changing process, which is formed in continuous learning and practice. During this process, it will be interfered by itself and the external environment to produce cognitive biases and misbehavior. Therefore, for investors, It is necessary to pay attention to objective analysis, and not to show irrational behavior based on own experience or media information; No matter how bad the market is, you must have your own judgment, and do not have the herd effect caused by the crowd; the third is to improve your investment literacy, learn more, and look at the laws of the market to avoid blind following and irrational investment. For the Internet media, the first is to report based on facts, not to exaggerate facts and false reports; the second is to balance the relationship between investors and listed companies, to be impartial, and to protect investor rights and interests. The rights and interests of all parties in the securities market can better promote the healthy and stable operation of the market.

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