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INFLUENCE OF VOLUNTARY DISCLOSURE OF INFORMATION ON INVESTORS PERCEPTION, COST OF CAPITAL AND ACCURACY OF FINANCIAL ANALYSTS FORECAST

Abstract:

Value of a company is the sum of its fundamental value and the difference between the fundamental value and value perceived by investors. Investor Relations play an important role in minimizing this difference and in that way in maximizing the shareholders' wealth. Part of the Investor Relations task should be the presentation of company's strategic plans as they can significantly contribute to the quality of analysis and to the decisions investors make. The analysis of existing research found clear evidence that voluntary disclosure of information from strategic plans helps reducing cost of capital, improves overall perception of the company by investors and increases the accuracy of forecast of financial analysts. A larger quantity of quality information is also associated with a lower cost of capital due to reduced information asymmetry and consequently lower agency costs and lower assessed risk. Therefore, findings of this paper should serve as an incentive for top management to develop Investor relations at the company level.

Keywords:

Investor's relation, perception, fundamental value, cost of capital, financial forecast

JEL Classification: G30, G39