

**INFORMATION ASYMMETRY, INFORMATION PRODUCTION, TYPES OF EXTERNAL FINANCING, AND
POST-ISSUE PERFORMANCE**

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ABSTRACT

We examine whether equity and debt financing will have different impact on information production and whether such difference will affect firms' types of external financing and the post-issue stock market performance. We use financial analyst overage and changes in the number of analysts following firms prior to and after security issues to measure information asymmetry and information production, respectively. Our results indicate that information asymmetry reduces the probability that firms issue equity. However, such impact depends on its interaction with expected information production, and equity issues encourage more information production than debt issues. We provide the first empirical evidence that firms might choose to issue equity rather than debt when information production is endogenous. In addition, our results show that the post-issue buy and hold abnormal return is positively related to extent of information production and this association is more significant in equity offerings than in debt offerings.

Keywords: *Information Asymmetry, Information Production, debt-equity choice, Analyst Coverage, External Financing, Post-issue Performance*