

Title: Government Subsidies and Analyst Directional Inconsistency

Speaker: Prof. Harminder Singh, Deakin University

Area: F&A

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Abstract:

Our study examines whether government subsidies influence analysts' directional inconsistency between revisions to earnings and target price forecasts. We show that higher subsidy amounts are associated with higher directional inconsistency. This increased analyst inconsistency intensifies when firms announce earnings immediately before analyst revisions. Higher subsidy amounts are also associated with lower earnings informativeness. The sensitivity between subsidies and inconsistency is pronounced mainly for firms operating in asymmetric information environments, weak governance, or facing intense product market competition. Subsidy-driven analyst inconsistency is associated with lower target price accuracy and higher implied volatility, indicating that investors perceive these analyst updates as less reliable. Moreover, subsidies amplify the analyst directional inconsistency between target prices and stock recommendation revisions. Overall, our findings highlight the consequences of government subsidies for capital market participants, demonstrating how shifts in earnings informativeness can affect analyst assessments of firm-level short- and long-term prospects.

Speaker Profile:



Harminder Singh has obtained M. Com (Finance) from the University of Melbourne and PhD from Delhi School of Economics, University of Delhi, India. He has been working with Deakin University since 2004. He has published in several reputed journals, including *Review of Asset Pricing Studies* and *Review of Accounting Studies*, among others. He has secured research grants from the International Cricket Council, The Institute of Chartered Accountants of Australia, Bendigo Bank (Australia) Centre for Financial Studies (Australia), NSE (India), UGC (India) and ICSSR (India), among others. He has presented/discussed papers and/or chaired sessions at leading Finance conferences, like AFA, FMA, FMA Asia, Paul Woolley conference, Auckland Finance conference, etc. He has supervised ten PhD scholars and 14 Honours program graduates. His work has appeared in mainstream finance media on numerous occasions.

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