



Applied Economics Letters >

Volume 20, 2013 - [Issue 12](#)

529 | 15

Views | CrossRef citations to date | Altmetric | 0

Original Articles

Are individual investors less informed than institutional investors? Unique evidence from investor trading behaviours around bad mergers in Korean financial market

Areum Han & Chune Young Chung

Pages 1145-1149 | Published online: 03 Jun 2013

Cite this article <https://doi.org/10.1080/13504851.2013.791012>

Sample our
Economics, Finance,
Business & Industry Journals
>> [Sign in here](#) to start your access
to the latest two volumes for 14 days

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

Abstract

This article presents the trading behaviours of individual and institutional investors in Korean mergers and acquisitions market. Based on Chen et al. (2007), we consider a bidder's negative abnormal announcement-period return as a measure for bad merger. To investigate the investor trading behaviours around the bad mergers, we employ a unique daily trading data of different groups of investors in Korean stock market. Our finding shows that institutional investors sell their shares on a bidding firm before announcement of a bad merger, while individual investors buy the shares. In addition, we find that institutional investors continue to sell their shares on a bidding firm even after announcement of a bad merger, but individual investors keep buying them.

Hence, our results newly support the hypothesis that individual investors are less informed and/or less sophisticated than institutional investors.

Keywords:

individual investors

institutional investors

information asymmetry

bad corporate merger

JEL Classification:

G14

G34

G15

Acknowledgements

For helpful conversations and constructive comments, we wish to thank seminar participants at Kookmin University. This work was supported by the faculty research program 2013 of Kookmin University in Korea.

Notes

¹The trading volume of individual investors in Korea's stock market is significantly higher compared to the US market dominated by institutional investors. According to the Korea Exchange (KRX), over January 2001 to December 2009 period the trading volume of individual investors accounted for 88.19% of total market activities. Also, the trading value of individual investors was 61.32% of the total trading value.



Publish today in
Finance and Space
[FIND OUT MORE »](#)

People also read

Recommended articles

Cited by
15

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up

