A RESEARCH ON STOCK PRICE MANIPULATION IN CHINA

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ABSTRACT

Since the Shanghai Stock Exchange established in 1990, China's stock market has experienced significant development, however, as other countries, the price manipulation in stock market has been one of the main problems which restrict the healthy development of the Chinese stock market. Price manipulations widely exist in China's stock market which is newly developed. The researches on price manipulation have taken broad attention. But most of them focus on the market of developed countries. Few have taken China in consideration. As price manipulation is extremely harmful to stock market, it should be studied thoroughly. Price manipulations, which are illegal, have many causes. There're two conditions in the process of manipulation: information asymmetry and investors' irrationality. Manipulators have more information than normal investors. Positive feedback effect and disposition effect widely exist in individual investor, while investors as a whole have the bias of herd behavior. The price manipulations in China are much more different from other countries. The defaults in ownership structure, capital structure and investor structure, lead to widely-existing manipulations in China. Price manipulations are a hindrance to the development of stock market. Investors lost their confidence and leave the market with the flooding of manipulations. The government need do a lot to prevent manipulation. The reforms on market structure, insider trading, investor education and law and rules, and so on. It will be helpful to prevent manipulations and protect investors. In this paper, the first case of price manipulation is introduced to explain the severity and impact of manipulation; and then analyze the definition, main characteristics and forms of stock manipulation in China. Finally conclude that it’s necessary to supervise the price manipulation in China’s stock market and give some policy suggest.

Keywords: Price manipulation; listed companies; supervise manipulation.