

## **THE EFFECT OF INFORMATION ASYMMETRY AND ACCOUNTING CONSERVATISM ON FINANCIAL PERFORMANCE**

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### **Abstract**

Financial performance is a key indicator used to evaluate a company's success in creating value for shareholders. From the perspective of agency theory, conflicts of interest between managers (agents) and owners (principals) may lead to information asymmetry, which can affect decision-making quality and corporate performance. On the other hand, accounting conservatism is considered a governance mechanism that helps reduce agency conflicts and enhance the credibility of financial reporting. In healthcare sector companies listed on the Indonesia Stock Exchange during the 2022–2023 period, post-pandemic industry dynamics and global economic pressures demand greater transparency and prudence in financial reporting. Therefore, it is important to examine whether information asymmetry and accounting conservatism influence corporate financial performance. This study employs a quantitative approach using secondary data in the form of annual financial statements of healthcare sector companies listed on the Indonesia Stock Exchange for the 2022–2023 period. The sampling technique used is purposive sampling based on predetermined criteria, resulting in 29 companies as the research sample. Data analysis was conducted using multiple linear regression, including classical assumption tests (normality, heteroscedasticity, and multicollinearity), partial tests (t-test), simultaneous test (F-test), and the coefficient of determination (Adjusted R<sup>2</sup>). The findings indicate that partially, Information Asymmetry does not have a significant effect on Financial Performance (t-value = 0.999; sig. = 0.322 > 0.05). Conversely, Accounting Conservatism has a positive and significant effect on Financial Performance (t-value = 2.991; sig. = 0.004 < 0.05). Simultaneously, Information Asymmetry and Accounting Conservatism significantly influence Financial Performance (F-value = 4.644; sig. = 0.014 < 0.05). The Adjusted R<sup>2</sup> value of 0.519 indicates that the independent variables explain 51.9% of the variation in Financial Performance, while the remaining 48.1% is influenced by other variables not included in the model. This study concludes that Accounting Conservatism plays an important role in improving Financial Performance in healthcare sector companies. Meanwhile, Information Asymmetry is not proven to have a significant effect on Financial Performance. Simultaneously, both variables significantly contribute to Financial Performance, although other factors outside the model also influence corporate performance. These findings emphasize the importance of prudence in financial reporting as a mechanism to reduce agency conflicts and enhance firm value.

***Keywords: Information Asymmetry; Accounting Conservatism; Financial Performance***

### **INTRODUCTION**

In an increasingly competitive business environment, a company's financial performance is one of the most important indicators for assessing its success and sustainability. Financial performance represents an overview of a company's financial condition analyzed using financial analysis tools, enabling stakeholders to determine whether the company's financial condition is sound or weak within a certain period (Harahap, 2020). For stakeholders such as management, investors, creditors, and regulators, financial performance reflects the company's ability to generate profits, manage assets efficiently, and maintain business sustainability amid competitive market dynamics. Financial performance is generally evaluated through financial statement analysis, including the balance sheet, income statement, cash flow statement, and statement of changes in equity. In the era of globalization, manufacturing companies listed on the Indonesia Stock Exchange (IDX) are required to continuously improve their financial performance to attract investors and maintain their market position. Companies that demonstrate strong financial performance not only attract investors but also create added value for

all stakeholders. Financial performance problems may vary, ranging from declining revenues, increasing operational costs, inefficient asset management, to liquidity issues. These issues are often caused by a combination of internal and external factors. Internal factors affecting financial performance include capital management, asset quality management, general management, profitability management, and liquidity management. The implementation of an integrated risk management system has a significant impact on improving corporate financial performance (Chen et al., 2023). This indicates that companies with effective risk management systems are better able to withstand market volatility. External factors also play a crucial role in influencing a company's financial performance. Macroeconomic conditions such as inflation rates, interest rates, and economic growth have a strong correlation with fluctuations in corporate financial performance (Rodriguez & Smith, 2024). This emphasizes the importance of strategic adaptation to external environmental changes in order to maintain financial stability. Technological innovation and digitalization have become increasingly dominant factors affecting financial performance. Companies adopting financial technology (fintech) and business process automation experience operational efficiency improvements of up to 30% and profit margin increases of up to 25% (Kumar et al., 2023). Digital transformation is no longer an option but a necessity to maintain competitiveness. Thus, financial performance is the result of complex interactions between various internal and external factors. A comprehensive evaluation of financial performance requires a multidimensional approach that considers financial, operational, and strategic aspects to support long-term sustainability and growth. Therefore, factors influencing financial performance need to be examined more deeply to provide insights for management in making strategic decisions. Another factor that potentially influences financial performance is information asymmetry. In the context of financial performance, information asymmetry refers to a situation where there is an imbalance of information between company management and other stakeholders, such as investors, creditors, and shareholders. Company management typically has greater and faster access to financial information compared to external parties. This condition may create difficulties for investors in accurately assessing the company's financial condition.

In business practice, information asymmetry can affect investment decision-making. When investors lack access to relevant information, they face higher risks in determining whether a company has strong financial performance. Companies with opportunistic intentions may exploit this condition to conceal unfavorable information, such as declining profits or increasing debt. According to Sumantri et al. (2021), information asymmetry occurs because agents possess more information than principals regarding the company's condition, enabling agents to take advantage of this imbalance for personal interests. Another impact of information asymmetry on financial performance relates to corporate financing issues. Creditors or investors who lack confidence in the information provided may impose higher costs of capital as compensation for perceived risks. This increases the company's financial burden and may hinder business growth. To reduce the impact of information asymmetry, transparency and disclosure are key factors. Companies can implement good corporate governance by providing clear, accurate, and timely financial reports. The use of applicable accounting standards and oversight by independent auditors can also enhance investor confidence and strengthen stakeholder trust in the company's financial performance.

Overall, information asymmetry has a significant impact on a company's financial performance. Therefore, greater efforts are needed to enhance information transparency to create a fairer and more efficient business environment. By doing so, investors and other stakeholders can make more informed decisions based on accurate and reliable information. One approach that supports improved transparency is the application of accounting conservatism. Accounting conservatism plays an important role in ensuring that financial statements are presented prudently and do not overstate performance or assets. Accounting conservatism is a prudence principle in financial reporting in which companies tend to delay the recognition of revenues and assets until they are realized, while recognizing expenses and liabilities more promptly. This approach aims to avoid overestimation of financial performance and assets, thereby providing a more realistic representation of the company's financial condition. The application of accounting conservatism has significant implications for corporate financial performance. By delaying revenue recognition and accelerating expense recognition, reported earnings tend to be lower. This may influence investors' perceptions regarding the company's profitability. However, this approach can also enhance earnings quality, as it more accurately reflects economic reality and reduces the risk of overstatement. Several studies have examined the relationship between accounting conservatism and financial performance. The implementation of accounting conservatism in Indonesia remains relatively low, and financial statements tend to be biased and do not fully reflect the company's actual condition (Millah et al., 2020). This indicates the need to strengthen the application of conservatism principles to produce more reliable financial reporting. Accounting conservatism has been found to have a positive and significant effect on the financial performance of

manufacturing companies in Indonesia (Erawati et al., 2022). By applying conservative principles, companies can improve the quality of financial reporting, which in turn positively affects financial performance. This aligns with the view that accounting conservatism can limit losses arising from unfavorable investment decisions. However, not all studies find a positive relationship between accounting conservatism and financial performance. Dewi and Hidayati (2023) indicate that accounting conservatism does not always have a significant effect on corporate financial performance. These inconsistent findings may be attributed to differences in industrial contexts, firm size, and other factors influencing the effectiveness of conservatism implementation. The application of accounting conservatism requires careful consideration. Companies must objectively assess their financial condition and business prospects before determining the appropriate level of conservatism. Additionally, prevailing regulations and accounting standards play an important role in determining the extent to which conservatism can be applied without compromising the relevance and reliability of financial information. In conclusion, accounting conservatism plays a vital role in financial reporting, particularly in protecting against the risk of overstated assets and revenues. Nevertheless, companies must apply it wisely to ensure that financial information remains relevant and reliable. When implemented appropriately, accounting conservatism can positively contribute to financial performance and enhance stakeholder confidence in the company.

## LITERATURE REVIEW

### Agency Theory

Agency theory was first introduced by Michael C. Jensen and William H. Meckling (1976) as a theoretical framework explaining conflicts of interest within a firm, particularly the relationship between managers as agents and investors as principals. In this theory, shareholders act as principals who delegate decision-making authority to managers, who serve as agents responsible for operating the company on their behalf. In practice, managers may take actions that do not fully align with the interests of shareholders. This situation arises because agents typically possess more detailed and timely information about the company's daily operations than principals. Such an imbalance creates information asymmetry, which can lead to agency conflicts. Within this contractual relationship, principals expect agents to act in accordance with their best interests, primarily maximizing firm value and shareholder wealth. However, because agents have superior access to internal information, they may pursue personal objectives, such as increasing compensation, securing job stability, or engaging in opportunistic behavior, even if such actions are detrimental to shareholders. To mitigate these agency problems, effective monitoring and incentive mechanisms are required. Monitoring mechanisms may include independent audits, board oversight, and transparent financial reporting. Incentive mechanisms, such as performance-based compensation and equity ownership, aim to align the interests of agents with those of principals. Through the implementation of appropriate governance structures, agency costs can be reduced, thereby improving organizational performance and protecting shareholder interests.

### Financial Performance

Financial performance is an indicator used to assess the extent to which a company successfully achieves its objectives by optimizing the use of available resources. Financial performance can be measured through financial ratios, such as profitability, liquidity, and solvency ratios, which provide a comprehensive overview of a company's financial health (Fahmi, 2020). Financial performance is not solely focused on numerical ratio results; it must also consider both external and internal factors that influence a company's operations, such as market conditions and managerial policies. According to Suyono and Hidayat (2021), the evaluation of financial performance should be conducted comprehensively by taking into account various aspects, including internal factors such as efficient management and external factors such as regulatory changes that may affect the company's profitability. In this context, companies need to adjust their business strategies to maintain or even improve their financial performance. In this study, financial performance is measured using Tobin's Q, which reflects the market value of a company relative to the value of its assets. Tobin's Q is used because it can indicate the extent to which a company is able to create value for its shareholders. The higher the Tobin's Q value, the better the company's financial performance, as it indicates that the market values the company higher than its book value. The formula used to calculate Tobin's Q is as follows:

$$Tobin's Q = \frac{(MVE + D)}{TA}$$

Where:

MVE = Market Value of Equity (Share price × Number of outstanding shares)

D = Total Debt (Short-term debt + Long-term debt)

TA = Total Assets

### Information Asymmetry

Information asymmetry refers to a situation in which there is an imbalance of information between two parties involved in a transaction. The party possessing more information may exploit this advantage to gain benefits over the less-informed party. In the fields of economics and business, information asymmetry can create problems that affect market efficiency and economic decision-making. It influences how individuals or organizations make decisions in investment and business transactions (Hossen & Rana, 2020). Within a company, information asymmetry often impacts decisions that may be detrimental, particularly in financial management. In the stock market, for example, unequal distribution of information regarding a company's performance may prevent investors from accurately assessing potential risks and returns. This imbalance can lead to incorrect investment decisions and reduce market transparency. To address this issue, stricter regulations and enhanced disclosure requirements are recommended to improve the availability of essential information for investors and other stakeholders (Mursito & Ghozali, 2021). In this study, information asymmetry is measured using the bid-ask spread, which represents the difference between the selling price (ask price) and the buying price (bid price) of a company's stock. A higher bid-ask spread indicates a higher level of information asymmetry within the company, suggesting that investors have unequal access to relevant information. The formula used to calculate the bid-ask spread is as follows:

$$Spread = \frac{Ask\ Price - Bid\ Price}{(Ask\ Price + Bid\ Price)/2} \times 100$$

Where:

Ask Price = The lowest price at which a seller is willing to sell an asset.

Bid Price = The highest price at which a buyer is willing to purchase an asset.

Sprea = The relative difference between the ask price and the bid price, commonly used as an indicator of market liquidity and transaction costs.

### Accounting Conservatism

Accounting conservatism is a principle that encourages accountants to exercise greater caution in recognizing revenues and assets, while recognizing expenses and liabilities more promptly. Accounting conservatism is considered a rational response to information asymmetry and agency conflicts in financial reporting, aiming to protect the interests of external parties such as creditors and investors (Basu et al., 2021). Conservatism encourages companies to report lower values for assets and higher values for liabilities when uncertainty exists. This approach enhances the reliability of financial statements under conditions of economic uncertainty and helps prevent managers from engaging in excessive earnings manipulation. Furthermore, accounting conservatism remains relevant in the modern business environment because it contributes to balancing the interests of managers and external stakeholders (Basu et al., 2021). In this study, accounting conservatism is measured using the Conservatism Coefficient (CONACC) based on the accrual model developed by Dan Givoly and Carla Hayn (2000). The more negative the CONACC value, the more conservative the company is in reporting earnings, reflecting a higher degree of prudence in financial statement preparation. The formula used to calculate CONACC is as follows:

$$CONACC = \frac{Operating\ Income - Cash\ Flow\ from\ Operations_i}{Total\ Asset}$$

Where:

Operating Income = Earnings before tax and interest expense

Cash Flow from Operations = Cash generated from the company's operating activities

Total Assets = Total assets of the company in the same period

### METHODS

This study employs a quantitative research method. The unit of analysis consists of companies in the Healthcare Sector for the 2022–2023 period listed on the Bursa Efek Indonesia (Indonesia Stock Exchange/IDX), with the criterion that they publish annual financial reports. This research utilizes secondary data in the form of annual financial statements obtained from the official website of the Bursa Efek Indonesia ([www.idx.co.id](http://www.idx.co.id)) and

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other reliable sources such as the companies' annual reports. The use of secondary data allows for objective measurement of financial variables, including Financial Performance (Tobin's Q), Information Asymmetry (Bid-Ask Spread), and Accounting Conservatism (CONACC). The population in this study includes all companies listed on the Bursa Efek Indonesia during the 2022–2023 period, totaling 903 companies. The sampling technique applied in this research is purposive sampling, which selects samples based on specific predetermined criteria. The criteria used in selecting the sample are as follows:

1. Companies listed on the Indonesia Stock Exchange in the Healthcare Sector during the 2022–2023 period.
2. Companies that published annual reports for the 2022–2023 period.

## RESULTS AND DISCUSSION

This study was conducted on healthcare sector companies listed on the Bursa Efek Indonesia (Indonesia Stock Exchange/IDX) during the 2022–2023 period. The initial population of healthcare sector companies consisted of 33 firms. However, after applying the predetermined sampling criteria, only 29 companies met all the required conditions, particularly the availability and completeness of annual financial reports for the research period. Therefore, based on these criteria, the final research sample consisted of 29 healthcare sector companies. These 29 firms were used as the units of analysis in this study.

Table 4.1 List of Research Sample

No	Company
1.	Bundamedik Tbk
2.	Metro Healthcare Indonesia Tbk
3.	Diagnos Laboratorium Utama Tbk
4.	Medikaloka Hermina Tbk
5.	Itama Ranoraya Tbk
6.	Hetzer Medical Indonesia Tbk
7.	Mitra Keluarga Karyasehat Tbk
8.	Multi Medika Internasional Tbk
9.	Murni Sadar Tbk
10.	Jayamas Medica Indusri Tbk
11.	Famon Awal Bros Sedaya Tbk
12.	Prodia Widyahusada Tbk
13.	Royal Prima Tbk
14.	Kedoya Adyaraya Tbk
15.	Sarana Meditama Metropolitan Tbk
16.	Siloam International Hospital Tbk
17.	Sejahteraraya Anugrahjaya Tbk
18.	Maja Agung Latexindo Tbk
19.	Darya Varia Laboratoria Tbk
20.	Indofarma Tbk
21.	Kimia Farma Tbk
22.	Kalbe Farma Tbk
23.	Merck Tbk
24.	Phapros Tbk
25.	Pyridam Farma
26.	Organon Pharma Indonesia
27.	Industri Jamu dan Farmasi Sido Muncul Tbk
28.	Soho Global Health Tbk
29.	Tempo Scan Pacific Tbk

### Normality Test

The purpose of the normality test is to determine whether the data used in statistical analysis are normally distributed or not. A normal distribution is one of the classical assumptions in regression analysis. If the data are normally distributed, the regression model can provide unbiased and efficient estimators.

Table 4.2 Results of the Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		58
Normal Parameters <sup>a,b</sup>	Mean	0E-7
	Std. Deviation	.09655878
Most Extreme Differences	Absolute	.170
	Positive	.170
	Negative	-.117
Kolmogorov-Smirnov Z		1.293
Asymp. Sig. (2-tailed)		.071

Based on Table 4.2, the data are known to be normally distributed. This is evidenced by the results of the Kolmogorov-Smirnov (K-S) test, which show a Kolmogorov-Smirnov Z value of 1.293 with a significance value greater than the threshold of 0.05. Since the significance value exceeds 0.05, it can be concluded that the data in this study meet the normality assumption. Therefore, the regression model can proceed to further classical assumption tests and hypothesis testing, as the requirement of normally distributed data has been fulfilled.

**Heteroscedasticity Test**

The heteroscedasticity test is conducted to identify whether there is an inequality of error variances in the regression model. In a good regression model, the variance of the residuals (errors) should be constant (homoscedasticity). If the error variance is not constant, the model suffers from heteroscedasticity, which may lead to biased standard errors and invalid statistical conclusions.

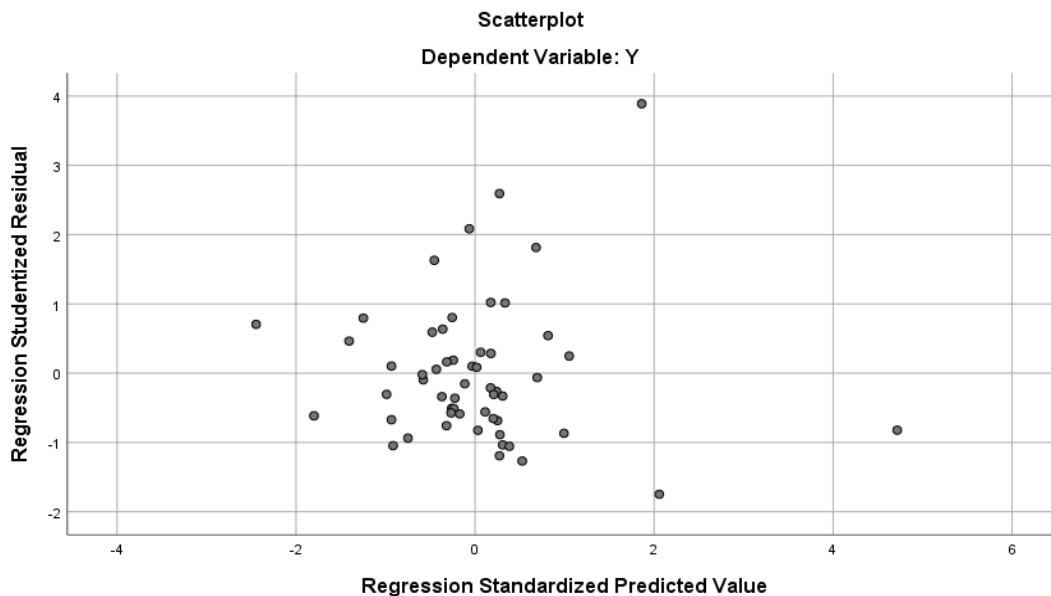


Figure 4.1 Results of the Glejser Test

Based on Figure 4.3 above, it can be concluded that the residual points are randomly scattered around the horizontal zero line without forming any specific pattern. This indicates that there is no systematic pattern in the distribution of residuals, meaning that the assumption of homoscedasticity is fulfilled. The residual distribution also appears relatively symmetrical and does not form a particular curve or trend, suggesting that the relationship between the predictor variables and the dependent variable is linear. This supports the validity of the regression model used in this study.

**Multicollinearity Test**

The multicollinearity test is conducted to detect the presence of strong linear relationships among independent variables in a regression model. High multicollinearity can create problems in regression analysis, such as difficulty in accurately estimating regression coefficients, inflated standard errors, and insignificant p-values even when a relationship between independent and dependent variables may actually exist.

Table 4.3 Results of the Multicollinearity Test

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
	B	Std. Error	Beta	Tolerance	VIF
(Constant)	2.493	.308			
X1	.006	.006	.129	.980	1.020
X2	6.211	2.077	.386	.980	1.020

a. Dependent Variable: Y

Based on Table 4.4, it can be concluded that the regression model does not experience multicollinearity problems. This is evidenced by the tolerance values, which are greater than 0.10 for each independent variable, and the Variance Inflation Factor (VIF) values, which are below 10. Therefore, it can be stated that there is no multicollinearity among the independent variables in this regression model. This indicates that each independent variable provides distinct and reliable information in explaining the dependent variable, and the regression coefficients can be interpreted accurately without distortion caused by strong intercorrelations among predictors.

**Multiple Linear Regression Analysis**

Multiple linear regression analysis is used to examine the relationship between one dependent variable and two or more independent variables. This method aims to determine the extent to which changes in the independent variables influence the dependent variable, as well as to predict the value of the dependent variable based on variations in the independent variables.

Table 4.4 Results of Multiple Linear Regression Testing

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.493	.308		8.107	.000
X1	.006	.006	.129	.999	.322
X2	6.211	2.077	.386	2.991	.004

a. Dependent Variable: Y

The multiple linear regression equation above can be interpreted as follows:

- 1) The regression coefficient for the Information Asymmetry variable is positive at 0.006. This indicates a positive relationship between Information Asymmetry and Financial Performance. In other words, an increase in Information Asymmetry is associated with an increase in Financial Performance. However, this effect is not statistically significant, as indicated by a significance value of 0.322, which is greater than 0.05. Therefore, although the direction of the relationship is positive, Information Asymmetry does not significantly influence Financial Performance in this study.
- 2) The regression coefficient for the Accounting Conservatism variable is positive at 6.211. This indicates a positive relationship between Accounting Conservatism and Financial Performance. In other words, a higher level of accounting conservatism tends to be associated with higher Financial Performance. This effect is statistically significant, as shown by a significance value of 0.004, which is less than 0.05. Therefore, Accounting Conservatism has a positive and significant impact on Financial Performance.

Hypothesis Testing

1) Partial Test (t-Test)

Based on the table 4.4 above, each calculated t-value and significance level of the independent variables has been compared with the t-table value of 1.699 at a significance level of 0.05. The results are as follows:

- Hypothesis Test of Information Asymmetry (X1) on Financial Performance (Y)

Based on the calculation results, the t-value is 0.999, which is lower than the t-table value of 1.699, with a significance level of 0.322 (greater than 0.05). Therefore, the alternative hypothesis (Ha) is rejected. This indicates that Information Asymmetry does not have a significant effect on Financial Performance.

- Hypothesis Test of Accounting Conservatism (X2) on Financial Performance (Y)

Based on the calculation results, the t-value is 2.991, which is higher than the t-table value of 1.699, with a significance level of 0.004 (less than 0.05). Therefore, the alternative hypothesis (Ha) is accepted. This means that Accounting Conservatism has a positive and significant effect on Financial Performance.

2) Model Feasibility Test (F-Test)

The F-statistical test is generally conducted to determine whether the regression model as a whole is statistically significant. In other words, the F-test evaluates whether the independent variables simultaneously have a significant effect on the dependent variable. This test assesses the overall goodness-of-fit of the regression model.

Table 4.5 Results of the F-Test

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.565	2	12.282	4.644	.014 <sup>b</sup>
	Residual	137.519	52	2.645		
	Total	162.083	54			
a. Dependent Variable: Y						
b. Predictors: (Constant), X2, X1						

In Table 4.5, based on the results of the F-test presented above, the calculated F-value is 4.644. The F-table value with degrees of freedom ( $df = n - k$ ) is  $29 - 3 = 26$ , which is approximately 3.37 at a significance level of  $\alpha = 0.05$ . Since the calculated F-value (4.644) is greater than the F-table value (3.37), and the significance probability is 0.014, which is less than 0.05, the null hypothesis ( $H_0$ ) is rejected and the alternative hypothesis ( $H_a$ ) is accepted. This indicates that Accounting Conservatism and Information Asymmetry simultaneously have a significant effect on Financial Performance.

**The coefficient of determination test ( $R^2$ )**

The coefficient of determination test ( $R^2$ ) aims to measure how much influence the independent variables—Information Asymmetry (X1) and Accounting Conservatism (X2)—have in explaining the dependent variable, namely Financial Performance (Y).

The coefficient of determination is indicated by the value of Adjusted R Square (Adjusted  $R^2$ ). Adjusted  $R^2$  is preferred in multiple regression analysis because it adjusts for the number of independent variables included in the model, providing a more accurate estimate of the explanatory power of the regression model. The regression model in this study can be expressed as follows:

Table 4.6 coefficient of determination ( $R^2$ )

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.589 <sup>a</sup>	.552	.519	1.62622

Based on the table above, the coefficient of determination (Adjusted R Square) is 0.519. This indicates that the independent variables—Accounting Conservatism and Information Asymmetry—collectively explain 51.9% of the variation in Financial Performance. Meanwhile, the remaining 48.1% is influenced by other variables not

included in this study. These may include factors such as Operational Efficiency, Managerial Strategy, and External Economic Conditions.

## **Discussion**

### **The Effect of Information Asymmetry on Financial Performance**

Based on the results of the t-test, the calculated t-value is 0.999, which is lower than the t-table value of 1.699, with a significance level of 0.322. Since the significance value is greater than 0.05, the alternative hypothesis ( $H_a$ ) is rejected. This indicates that information asymmetry does not have a significant effect on financial performance. Information asymmetry occurs when one party in a transaction possesses more or better information than the other party. In a corporate context, information asymmetry between management and shareholders or investors can potentially have negative implications for financial performance. A higher level of information asymmetry reduces corporate transparency, which may weaken investor confidence and that of other stakeholders. This uncertainty may discourage investors from allocating capital, ultimately affecting company liquidity and market value (Fitriani & Siregar, 2020).

Moreover, managers who possess superior information may engage in opportunistic decision-making that does not always align with shareholders' interests, potentially reducing efficiency and profitability (Yulianingtyas & Setiawan, 2020). In the long term, such conditions may hinder company growth and weaken overall financial performance. Therefore, transparent information disclosure and the implementation of good corporate governance practices are essential to minimizing the potential adverse effects of information asymmetry on financial performance. However, the empirical findings of this study indicate that information asymmetry does not significantly influence financial performance. This result is consistent with prior studies conducted by Kurnia Zailastri and Murtanto (2020) as well as Noviadewi et al. (2020), which also found no significant relationship between information asymmetry and financial performance. Although companies with high levels of information asymmetry may experience reduced efficiency, the impact can be mitigated through mechanisms such as high-quality audits and effective governance structures.

### **The Effect of Accounting Conservatism on Financial Performance**

Based on the calculation results, the t-value is 2.991, which is greater than the t-table value of 1.699, with a significance level of 0.004. Since the significance value is less than 0.05, the alternative hypothesis ( $H_a$ ) is accepted. This indicates that accounting conservatism has a positive and significant effect on financial performance. Accounting conservatism is a prudential principle in recognizing revenues and assets while accelerating the recognition of expenses and liabilities, thereby preventing the overstatement of company performance. This principle enhances the credibility of financial statements by reducing the likelihood of earnings management that may mislead financial statement users (Basu, 2020).

By applying accounting conservatism, companies tend to report more realistic financial results, which may appear lower in the short term but strengthen investor and stakeholder confidence in the long term. This positive perception can reduce the company's risk profile, encourage investment, and enhance operational efficiency, ultimately improving financial performance (Zamri, Hassan, & Isa, 2020). In addition, accounting conservatism plays a role in reducing agency conflicts between managers and owners by limiting managerial incentives to overstate financial results for personal benefit (Ahmed & Duellman, 2020). Conservative financial information also improves decision-making quality because it reflects more prudent and responsible economic conditions. Therefore, although conservatism may reduce reported earnings in the short run, its implementation strengthens the company's financial foundation and supports sustainable performance improvement (Putra & Rachmawati, 2020). The findings of this study are consistent with previous research conducted by Millah et al. (2020), Erawati et al. (2022), and Regina (2020), which concluded that accounting conservatism has a significant effect on corporate financial performance.

## **CONCLUSION**

Based on the research findings and data analysis results, the following conclusions can be drawn:

1. Based on the results of the partial significance test (t-test), the calculated t-value for Information Asymmetry is 0.999, which is lower than the t-table value of 1.699, with a significance level of 0.322 (greater than 0.05). Therefore, the alternative hypothesis ( $H_a$ ) is rejected. This indicates that Information Asymmetry does not have a significant effect on Financial Performance.

2. Based on the results of the partial significance test (t-test), the calculated t-value for Accounting Conservatism is 2.991, which is higher than the t-table value of 1.699, with a significance level of 0.004 (less than 0.05). Therefore, the alternative hypothesis ( $H_a$ ) is accepted. This indicates that Accounting Conservatism has a positive and significant effect on Financial Performance.
3. Based on the results of the simultaneous significance test (F-test), the calculated F-value is 4.644, which is higher than the F-table value of 3.37, with a significance level of 0.014 (less than 0.05). This means that Accounting Conservatism and Information Asymmetry simultaneously have a significant effect on Financial Performance.

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