THE EFFECT OF CONVERGENCE TO INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS ON INFORMATION ASYMMETRIES - EVIDENCE FROM INDONESIA LISTED COMPANIES 2015-2019

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Abstract

Since 1994 Indonesian financial accounting standards has referred to International Accounting Standards/IAS (or International Financial Reporting Standards/IFRS start from 2001). Then, as G20 member commitment, Indonesia took more serious step by developing the standards that was convergence to IFRS since 2009. Special breakthrough was made in 2015, the gap between the IFRS and Indonesian Financial Accounting Standards is only one year. Higher quality of accounting standards, higher quality of financial reporting information, as a result it will decrease the information asymmetry in the capital market. The purpose of this study is to identify the effect of IFRS convergence on changes in information asymmetry. This study's sample consists of 725 companies listed on the Indonesia Stock Exchange between 2015 and 2019 across industries. The cost of capital is used as a proxy for information asymmetry. This study found that IFRS convergence has no significant effect on changes in information asymmetry. Market control variables, i.e. inflation rate and market rate of return also have no significant effect on changes in information asymmetry. However, the firm specific control variables, i.e. firm size, leverage, and ROA have a significant positive effect on information asymmetry, while beta has a significant negative effect. It argues that Indonesian investors could not make differences in the changes of the quality of financial reporting.

Keywords: IFRS; information asymmetry; cost of capital; Indonesia Stock Exchange