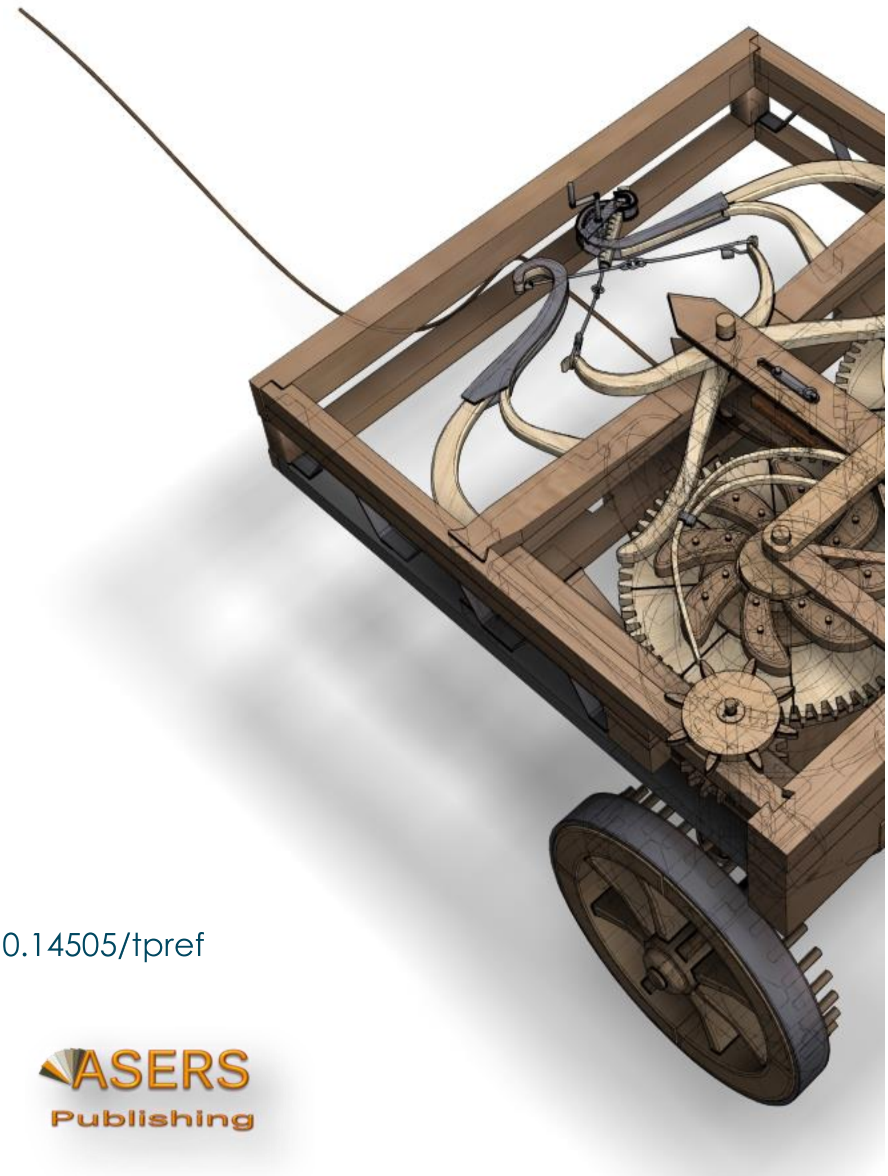
Theoretical and Practical Research in Economic Fields



Quarterly
Volume XV
Issue 4(32)
Winter 2024

ISSN: 2068 – 7710
Journal DOI: https://doi.org/10.14505/tpref

ASERS Publishing

Volume XV
Issue 4(32)
Fall 2024

ASERS Publishing
ISSN 2068 – 7710
Journal's Issue DOI:
https://doi.org/10.14505/tpref.v15.3(31).00

Table of Contents

Volume XV
Issue 3(31)
Fall 2024

ASERS Publishing
http://www.asers.eu/asers-publishing
ISSN 2068 – 7710
Journal's Issue DOI:
https://doi.org/10.14505/tpref.v15.3(31).00

Call for Papers
Spring Issue
Theoretical and Practical Research in Economic Fields

Many economists today are concerned by the proliferation of journals and the concomitant labyrinth of research to be conquered in order to reach the specific information they require. To combat this tendency, **Theoretical and Practical Research in Economic Fields** has been conceived and designed outside the realm of the traditional economics journal. It consists of concise communications that provide a means of rapid and efficient dissemination of new results, models, and methods in all fields of economic research.

Theoretical and Practical Research in Economic Fields publishes original articles in all branches of economics – theoretical and practical, abstract, and applied, providing wide-ranging coverage across the subject area.

Journal promotes research that aim at the unification of the theoretical-quantitative and the empirical-quantitative approach to economic problems and that are penetrated by constructive and rigorous thinking. It explores a unique range of topics from the frontier of theoretical developments in many new and important areas, to research on current and applied economic problems, to methodologically innovative, theoretical, and applied studies in economics. The interaction between practical work and economic policy is an important feature of the journal.

Theoretical and Practical Research in Economic Fields is indexed in SCOPUS, RePEC, ProQuest, Cabell Directories and CEEOL databases.

The primary aim of the Journal has been and remains the provision of a forum for the dissemination of a variety of international issues, practical research, and other matters of interest to researchers and practitioners in a diversity of subject areas linked to the broad theme of economic sciences.

At the same time, the journal encourages the interdisciplinary approach within the economic sciences, this being a challenge for all researchers.

The advisory board of the journal includes distinguished scholars who have fruitfully straddled disciplinary boundaries in their academic research.

All the papers will be first considered by the Editors for general relevance, originality, and significance. If accepted for review, papers will then be subject to double blind peer review.

Deadline for submission of proposals:	10th February 2024
Expected publication date:	30th March 2024
Website:	http://journals.aserspublishing.eu/tpref
E-mail:	tpref@aserspublishing.eu

To prepare your paper for submission, please see full author guidelines in the following file: https://journals.aserspublishing.eu/tpref/Template_for_Authors_TPREF.docx on our site.

DOI: https://doi.org/10.14505/tpref.v15.4(32).08

The Effectiveness of International Financial Reporting Standards in Minimizing Information Asymmetry

Tetyana CHALA
Department of Statistics, Accounting and Auditing
Department of Management and Administration
V.N. Karazin Kharkiv National University, Ukraine
ORCID: 0000-0001-7499-0308
standardct2@gmail.com

Iryna HRABYNSKA
Department of Analytical and International Economics
Ivan Franko National University of Lviv, Ukraine
ORCID: 0000-0001-7390-5626
iryna.hrabynska@lnu.edu.ua

Olena PTASHCHENKO
Department of Entrepreneurship and Trade
West Ukrainian National University, Ukraine
ORCID: 0000-0002-2413-7648
o.ptashchenko@wunu.edu.ua

Oksana PERCHUK
Department of Accounting, Taxation and Business Management
Hryhorii Skovoroda University in Pereiaslav, Ukraine
ORCID: 0000-0002-6484-7011
o.perchuk9@gmail.com

Oksana POSADNIEVA
Department of Finance, Accounting and Taxation
Kherson National Technical University, Ukraine
ORCID: 0000-0001-8721-5124
11oksana.posadnieva@gmail.com

Olga BIOKO
Department of Accounting, Analysis and Audit
Odesa National Economic University, Ukraine
ORCID: 0000-0002-3089-9518
new.olga.bioko@gmail.com

Article info: Received 24 September 2024; Received in revised form 19 October 2024; Accepted for publication 8 November 2024; Published 30 December 2024.

Abstract: Information asymmetry is an important problem of financial markets, which creates unequal conditions for different investors. The aim of the research is to analyse the impact of the implementation of International Financial Reporting Standards (IFRS) on the change in the relationship between a number of financial indicators and the company's market value. The latter was taken as an indicator of information asymmetry arising from investors' speculative expectations. The research employs methods of correlation, regression, and comparative analysis. The study established an increase in the correlation between Price-to-Earnings (P/E) ratio and market capitalization (Market cap) for a sample of Saudi Arabian companies after the IFRS implementation. However, the previously obtained conclusions were not confirmed after checking the results with the data of each individual company. Moreover, it was found that for most companies the correlation between P/E ratio and Market cap significantly weakened after the IFRS implementation. It can be assumed that before the mandatory IFRS implementation, the increase in Market cap could occur mainly on the basis of investors' expectations. However, expectations could not be met because of a significant level of information asymmetry. Therefore, the decrease in correlations between P/E ratio and Market cap may indicate a more critical assessment of companies by investors due to increased transparency of financial information. Further research may focus on the analysis of other factors influencing the level of information asymmetry, such as improving the quality of integrated reporting and corporate governance.

Keywords: international financial reporting standards; information asymmetry; Price-to-Earnings ratio; investors' expectations; market capitalization; information transparency.

JEL Classification: D82; G10; G20; C10.

Introduction

Information asymmetry is a significant problem for investors and other stakeholders in the financial sphere (Huynh *et al.* 2020; Kong *et al.* 2022). It occurs when a certain proportion of stakeholders have important information for making strategic decisions, while others have access to publicly available data only (Myers 2020; Aben *et al.* 2021). A significant level of information asymmetry is not only a problem for an individual enterprise but can also have a negative impact on the market as a whole (Fulghieri *et al.* 2020; Zhurakhovska, 2023).

The problem of the information asymmetry is complex (Li *et al.* 2024; Alshehadeh *et al.* 2023). It arises under the influence of numerous factors, which include the level of market development, activities and priorities of various stakeholders, price fluctuations and changes in forecasts (Ullah *et al.* 2020; Corbet *et al.* 2020). Because of this, the assessment of information asymmetry and its impact on financial activity becomes a difficult task and is field-dependent (Mahdich and Lymonova 2019).

The IFRS were adopted to improve the quality and transparency of financial information (Ebaid 2022; Golshan *et al.* 2023; Kim *et al.* 2024). One of the key tasks of IFRS is reducing information asymmetry (Ertugrul and Demir 2021; Jamaani and Alidarous 2022). This task can be achieved by providing investors and other economic agents with adequate access to financial data to make informed strategic decisions (Khan *et al.* 2024).

At the same time, the consequences of IFRS implementation regarding their impact on information asymmetry remain insufficiently disclosed in modern economic literature. Moreover, there is a lack of empirical research on how a reduction in information asymmetry affects investors' expectations and decisions. According to the historical data, high investor expectations expressed through the P/E ratio are accompanied by bearish trends in the stock market (Shen 2000). Among other things, this can evidence the information asymmetry, if not all possible risks have been considered.

The aim of the work is to analyse the impact of the IFRS introduction on the change in the relationship between a number of financial indicators and the company's market value. The latter was taken as an indicator of information asymmetry arising from investors' speculative expectations. The identified relationships can provide information on how investors' expectations change because of the reduction of information asymmetry due to the IFRS implementation. The aim of the research involved the fulfilment of the following research objectives:

- Conduct a correlation analysis between the P/E ratio and a number of financial indicators of the studied companies;
- Supplement the results of correlation analysis with regression analysis of key indicators;
- Deepen the obtained results by carrying out a correlation analysis between indicators related to preliminary estimates for each of the studied companies separately;
- Draw analytical conclusions based on the calculation results.

1. Literature Review

The reseachers agree that accounting and financial reporting play a critical role in decision-making and resource selection (Mangu *et al.* 2023). Accordingly, completeness, availability and transparency of information are necessary requirements for financial reporting, in particular, in the investment field (Shakespeare 2020). Many researchers have testified that IFRS ensure compliance with these requirements and therefore reduce information asymmetry. The study of Ahmed *et al.* (2024) provides corresponding conclusions, who proved that IFRS play an important mediating role between corporate governance and the reduction of information asymmetry. Nejad *et al.* (2020) conducted an empirical analysis and found a statistically significant inverse relationship between IFRS implementation and information asymmetry. Benkraiem *et al.* (2022), agreed with a significant impact of accounting regulation through IFRS on the information environment. Tawiah and Oyewo (2024) studied the impact of IFRS implementation on investment activities in the banking sector. The researchers found that the introduction of uniform standards in developing countries not only increases investment due to the facilitated compliance with regulatory requirements, but also due to the reduction of information asymmetry. Chala *et al.* (2023) proved the impact of IFRS implementation on information quality and business transparency. Mohammed (2022) confirmed that conservative accounting is a critical factor in reducing information asymmetry as well as reducing the cost of capital under IFRS.

A number of researchers consider the impact of the IFRS adoption on reducing the information asymmetry as a generally recognized fact, so they continue their research through the analysis of additional areas. Bessler *et al.* (2023) noted that the IFRS introduction is a shock that leads to a reduction in information asymmetry. The researchers sought to reveal how these phenomena affected the companies' propensity to pay dividends. A similar line of research can be observed in the work of Agarwal and Chakraverty (2023), who additionally investigated the change in the relationship between the company's growth opportunities and its dividend policy in response to a reduction in information asymmetry.

In addition to the IFRS impact on reducing the information asymmetry, some researchers noted the important role of integrated reporting in this process (Hryn 2021; Orlov 2023). At the same time, Hryn (2021) notes that the IFRS developers also emphasize the need to maintain a balance between information disclosure and preservation of confidential information.

The reviewed studies provide important evidence regarding the reduction of information asymmetry due to the IFRS implementation. However, the market implications remain unclear. In particular, how the reduction in the information asymmetry through the IFRS introduction is related to the change in investors' expectations in the context of the companies' market value.

2. Materials and Methods

2.1 Research Design

The preparatory stage of the research involved making a sample of indicators and companies for analysis. The main stage included direct analysis of the indicators identified as key for the study. The aim of the correlation analysis between the P/E Ratio and other indicators for the entire sample of companies was to reveal the relationship between them. The aim of the regression analysis was to check the results of the correlation analysis taking into account the impact of several indicators on the dependent variable (P/E Ratio) at the same time. The identified correlations were the basis for determining the indicators for further analysis. A correlation analysis was conducted between them for each individual company. The purpose of these actions was to deepen the preliminary conclusions and to provide an analytical evaluation of the obtained conclusions, which became the final stage of the work.

2.2 Sample

The literature lacks a single approach to the assessment of information asymmetry, as well as final indicators of its level. Therefore, it was necessary, first of all, to determine such an indicator that can indicate a change in the level of information asymmetry in accordance with the goals set in the article. P/E Ratio was chosen as such indicator. This indicator is often used for the company's market evaluation in view of its current or future profits. In other words, an increase in the P/E Ratio may indicate high investor expectations for the company's future earnings. The expected profitability, which determines the P/E Ratio, may be overestimated, thereby increasing and the information asymmetry.

Market Cap, Operating Margin, and Earnings were taken for comparison with the P/E Ratio. These indicators are one of the key indicators of the company's activity and can influence the investors' expectations expressed through the P/E Ratio. Assessment of the impact of indicators on the P/E Ratio can help to identify changes in information asymmetry.

After determining the indicators, a sample of companies was made for analysis. All companies operate in Saudi Arabia, being among the country's leaders in terms of market capitalization. A total of 18 companies were included in the sample: Al Rajhi Bank, SABIC, Saudi Telecom Company, The Saudi National Bank, Maaden, Alinma Bank, Riyad Bank, Saudi Electricity, The Saudi British Bank, Almarai, Saudi Arabian Fertilizer Company, Bank Albilad, Banque Saudi Fransi, Arab National Bank, Etihad Etisalat (Mobily), Kingdom Holding, Savola Group, Yanbu National Petrochemical. The number of companies is sufficient to carry out the research, and their selection is determined by belonging to the top 30 companies of the country by market capitalization. These companies are major players in the market, so their approaches to accounting set the trend for others and determine the overall level of trust and transparency. All 30 companies from the leaders of the rating were not included in the work, because the analysis required data for the period up to 2017, which is not available for a number of companies. The choice of Saudi Arabia as a country for research is determined the importance of studying the impact of IFRS on the transparency and reliability of financial reporting in the context of rapid economic changes. The country is implementing these changes as part of the Vision 2030 strategy, which involves ensuring efficiency, accountability and transparency at all levels of governance.

2.3 Methods

The research employed the method of correlation analysis, which made it possible to check whether there is a connection between the studied indicators. It was also useful in the context of the study to determine the direction of such a relationship (positive or inverse). The changes in the identified correlations in the dynamics was performed using a comparative analysis, which made it possible to identify differences in investors' expectations before and after the IFRS introduction. The results of the correlation analysis were supplemented by regression analysis, which expanded the conclusions obtained by taking into account the influence of several variables on the dependent indicator.

3. Research Results

3.1 Correlation Analysis

The results of the correlation analysis between the P/E ratio, on the one hand, and the Market cap, Operating margin, and Earnings, on the other, are presented in Table 1. Table 1 contains the results for the period before the mandatory IFRS implementation in Saudi Arabia and after. The comparison of the results obtained for the two periods revealed certain discrepancies, which may indicate the impact of IFRS on the level of information asymmetry.

Table 1. Results of the correlation analysis between the P/E ratio and Market cap, Operating margin, and Earnings before and after the IFRS introduction

	P/E ratio (before the IFRS introduction)	P/E ratio (after the IFRS introduction)	Change
Market cap	0.103755	0.379212432	+0.275457
Operating margin	0.450125	-0.059138389	-0.50926
Earnings	0.196526	0.055559073	-0.14097

Source: calculated by the author based on (CompaniesMarketcap 2024)

Table 1 shows that before the IFRS introduction, the correlations between P/E ratio, Market cap, and Earnings were weak, and the correlation with Operating margin was moderate. After the IFRS introduction, the correlation between the P/E ratio, the Operating margin, and Earnings indicators decreased, while the correlation with the Market cap increased significantly. The obtained results can be supplemented by applying regression analysis to the studied indicators.

3.2 Regression Analysis

The results of the regression analysis provide a more comprehensive view of the relationships between the variables by taking into account the influence of several variables on the dependent indicator. The dependent variable in this case was the P/E ratio. As in the case of the correlation analysis, the regression analysis was performed for the period before the IFRS implementation (in 2017) and after it. Table 2 contains the results of the regression analysis for the period before 2017, Table 3 – after 2017.

Table 2. Results of regression analysis for the period before the IFRS introduction

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95%	Upper 95%
Intercept	-223.41	171.77	-1.30	0.21	-591.83	145.01	-591.83	145.01
Market cap	0.00	0.00	0.04	0.97	0.00	0.00	0.00	0.00
Operating margin	4.72	3.34	1.41	0.18	-2.44	11.88	-2.44	11.88
Earnings	0.00	0.00	0.11	0.91	0.00	0.00	0.00	0.00

Source: calculated by the author based on (CompaniesMarketcap 2024)

The results of the regression analysis for the period before the IFRS introduction show that the model had a rather low explanatory power. This can be established through the value of the coefficient of determination, which was about 0.2247. All financial indicators included in the model did not have a statistically significant relationship with the dependent variable.

Table 3. Results of regression analysis for the period after the IFRS introduction

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95%	Upper 95%
Intercept	10.87	8.27	1.31	0.21	-6.87	28.61	-6.87	28.61
Market cap	0.00	0.00	2.38	0.03	0.00	0.00	0.00	0.00
Operating margin	0.00	0.00	0.29	0.78	0.00	0.00	0.00	0.00
Earnings	0.00	0.00	-1.67	0.12	0.00	0.00	0.00	0.00

Source: calculated by the author based on (CompaniesMarketcap 2024)

The coefficient of determination increases slightly after the IFRS introduction — up to 0.2947, which may indicate an improvement in the model's ability to explain variations in the dependent variable. The P-value shows that the influence of Market cap has become significant, because the P-value for it is smaller than 0.05. Therefore, the regression analysis supported the results of the correlation analysis regarding the strengthening of the relationship between the P/E ratio and the Market cap.

The obtained results suggest that the introduction of uniform standards could contribute to the strengthening of the relationship between the Market cap of the studied companies and the P/E ratio. This may indicate that after the IFRS introduction, the market began to focus mainly on more complex indicators, such as Market cap. This indicator contains an overall estimate of the company's value, as opposed to individual indicators such as Operating margin and Earnings. Accordingly, it can be assumed that due to increased transparency and quality of financial data and standardization, investors began to rely more on the value of market capitalization as a more reliable indicator. This allows them to take into account more aspects of the financial condition of companies, in contrast to the use of individual indicators, which can distort the overall picture. At the same time, the revealed connections indicate only a change in the level of investor confidence, but do not prove an actual change in the level of information asymmetry. Relying on the value of Market cap as a more comprehensive indicator (in contrast to Operating margin and Earnings) may indicate an increase in investor confidence in financial information. However, the assessment of the impact on the information asymmetry requires a more in-depth analysis. Such an analysis can provide an estimate of the correlations between the P/E ratio and the Market cap for each individual company.

3.3 Analysis Based on the Data of Individual Companies

The conducted analysis provides a broad vision of the relationship between financial indicators and the P/E ratio, which was determined in the course of the study as one that can characterize information asymmetry.

Table 4. Results of correlation analysis between P/E ratio and Market cap for each of the studied companies

Name	Correlation before	Correlation after	Change
Al Rajhi Bank	0.836	0.089	-0.747
SABIC	0.333	-0.088	-0.421
Saudi Telecom Company	0.751	0.948	0.197
The Saudi National Bank	0.991	0.798	-0.193
Maaden	-0.802	0.353	1.155
Alinma Bank	0.111	0.771	0.660
Riyad Bank	0.901	0.332	-0.569
Saudi Electricity	0.035	-0.442	-0.478
The Saudi British Bank	0.923	0.476	-0.447
Almarai	0.898	0.042	-0.856
Saudi Arabian Fertilizer Company	-0.694	-0.740	-0.045
Bank Albilad	0.953	0.342	-0.610
Banque Saudi Fransi	0.170	0.173	0.003
Arab National Bank	0.771	0.623	-0.147
Etihad Etisalat (Mobily)	0.622	0.160	-0.461
Kingdom Holding	0.830	0.210	-0.620
Savola Group	0.560	0.269	-0.291
Yanbu National Petrochemical	0.271	-0.501	-0.772

Source: calculated by the author based on (CompaniesMarketcap 2024)

However, a more accurate analysis based on the data of individual companies can deepen the obtained conclusions, for which correlation and regression analyses were repeated for each of the studied companies. Two indicators were used for this purpose:

- P/E ratio as an indicator that reflects investors' expectations regarding the company's future profit, and therefore be an indicator of the information asymmetry;
- Market cap, which is an indicator of the companies' market value.

The results of correlation analysis between P/E ratio and Market cap for each of the studied companies are presented in Table 4.

A correlation analysis conducted for each company separately revealed that for most companies the correlation between P/E ratio and Market cap decreased after the IFRS introduction. This can be explained by the fact that before the introduction of IFRS, the increase in market capitalization could occur mainly on the basis of investors' expectations. In turn, expectations could be wrong because of the information asymmetry. As some studies show, the growth of the P/E ratio was often accompanied by downward trends in the stock market. Accordingly, the decrease in correlations between P/E ratio and market cap may indicate that with the IFRS introduction, investors began to assess the situation more critically. The reason for this may be access to more transparent and accurate financial information.

4. Discussions

Therefore, the conducted analysis proves the existence of the impact of the introduction of IFRS on the reduction of information asymmetry through the assessment of changes in investors' expectations regarding the companies' market value. The obtained results give grounds to assume that investors began to evaluate companies and the situation on the market more critically. One of the important factors of such changes could be access to more transparent and complete information thanks to IFRS.

The choice of indicators is important in the analysis of the impact of IFRS or other factors on the information asymmetry. So, the researchers use various indicators that allow considering the problem from different perspectives in order to determine the level of information asymmetry and the consequences of its reduction. Chala *et al.* (2023) used the cost of capital as an indicator of information asymmetry. The reseachers proved that after the implementation of IFRS in Singapore companies, the information asymmetry expressed through this indicator decreased. Bessler *et al.* (2023) noted that information asymmetry is a factor influencing companies' propensity to pay dividends. The researchers also found that companies' propensity to pay dividends decreased after the mandatory implementation of IFRS. Agarwal and Chakraverty (2023) found an inverse relationship between companies' growth opportunities and dividend payments due to a reduction in information asymmetry. Benkraiem *et al.* (2022) found that the impact of IFRS on reducing the information asymmetry is carried out through increasing the reliability of income display only. It follows that the researchers use different indicators than the author of this study, which indicates the value of this study due to the addition of a new vector to existing achievements. At the same time, the new approach needs further expansion and testing on other samples of companies and regions.

Some evidence to support the author's conclusions can be obtained from the work of Mohammed (2022) and Prokopenko *et al.* (2022). The researcher found the impact of accounting under the IFRS on reducing information asymmetry and the cost of capital. His research is theoretical, while the impact observed in the author's research is confirmed empirically. Investors' more critical attitude towards company valuations affects their investment decisions and thus the cost of capital. Mangu *et al.* (2023) recognize the adoption of IFRS as a major reform in the field of accounting regulation. The researchers emphasized the fundamental differences in accounting under IFRS, defining this approach as a social practice, not just a technique. According to the researcher, the advantages of IFRS include a better understanding of risks, financial status and investments. Shakespeare (2020) also found the impact of accounting on the companies' financing and investment decisions. The researcher noted the role of accounting reporting in reducing information asymmetry. However, these studies also do not provide quantitative confirmation of these relationships. Therefore, the author's work can be considered as an attempt to combine existing theoretical approaches with empirical data.

As noted above, the new direction presented by the author should be additionally tested — in particular, using the example of other countries. In this context, the work of Tawiah and Oyewo (2024) is worth noting. The researchers tested the impact of IFRS implementation on information asymmetry using different samples. They analysed the practice of EU countries and countries of non-EU members. The work revealed that the introduction of IFRS contributes to the increase of foreign investments in the banking industry, however, in developing countries, this is also due to a decrease in the information asymmetry. Nejad *et al.* (2020) proved the existence of an inverse relationship between IFRS implementation and information asymmetry using the example of ASEAN countries as developing countries. So, researchers pay considerable attention to the differences that can be observed in relation to countries with different levels of development. This is important to consider in further research along with industry differences between the studied companies.

Furthermore, the analysis of the researchers' works revealed that along with the IFRS implementation, other tools for reducing information asymmetry are often considered. IFRS increases the transparency and understanding of financial information, at the same time, some studies emphasize the importance of integrated reporting, which contributes to reducing information asymmetry (Hryn 2021; Orlov 2023). The works emphasize the need to ensure a balance between information disclosure and confidentiality, as well as improving the quality of integrated reporting. Some researchers emphasize the importance of appropriate corporate governance, which, along with the implementation of IFRS, should ensure a reduction in the information asymmetry (Ahmed *et al.* 2024; Kwilinski *et al.* 2022). These tools were not investigated in the author's work, however, the identification of additional factors affecting the information asymmetry may be a promising direction for further research. The results obtained in the work can be useful for improving regulatory approaches to increase the transparency of financial reporting. Ultimately, this should lead to more balanced investment decisions and have a positive impact on the country's economic development.

Conclusions and Further Research

The problem of information asymmetry affects not only individual companies, but also entire markets. The IFRS implementation is an important step to reduce information asymmetry. They contribute to the standardization of financial reporting, increasing transparency due to the disclosure of more detailed information, and a better understanding of risks. In other words, investors have more complete information, which is necessary for making strategic decisions.

The correlation and regression analysis for the entire sample revealed an increase in the correlation between the P/E ratio and the Market cap after the introduction of IFRS in 2017. In general, this could indicate that investors began to use a more comprehensive indicator, which is Market cap compared to Earnings and Operating Margin, to evaluate companies. However, the correlation analysis conducted in the article based on the data of selected companies did not confirm the previously obtained results. It was found that the correlation between P/E ratio and Market cap weakened significantly after the IFRS introduction for most companies. This can be explained by the fact that the increase in Market cap before the mandatory IFRS introduction could be the mostly result of the investors' expectations. However, expectations could not be justified because of information asymmetry. Therefore, the decrease in correlations between P/E ratio and Market cap may be evidence that with the introduction of IFRS, investors began to evaluate the situation more critically. One of the reasons for this state of affairs is the expansion of access to transparent and complete financial information.

Further research should be aimed at verifying the obtained conclusions on other samples of companies from other regions and considering the industry. It is also important to investigate other factors influencing information asymmetry. Improving the quality of integrated reporting and corporate governance can be considered one of such factors.

Credit Authorship Contribution Statement

Tetyana Chala: Conceptualization, Validation, Project administration.
Iryna Hrabynska: Investigation, Writing – review and editing, Methodology.
Olena Ptashchenko: Writing – original draft, Software.
Oksana Perchuk: Formal analysis, Data curation.
Oksana Posadnieva: Supervision.
Olga Bioko: Visualization.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Declaration of Use of Generative AI and AI-Assisted Technologies

The authors declare that they have not used generative AI and AI-assisted technologies during the preparation of this work.

References

[1] Aben, Tom A., van der Valk, Wendy, Roehrich, Jens K., and Selviaridis, Kostas. (2021). Managing information asymmetry in public–private relationships undergoing a digital transformation: The role of contractual and relational governance. *International Journal of Operations & Production Management,* 41(7): 1145–1191. DOI: https://doi.org/10.1108/IJOPM-09-2020-0675

[2] Agarwal, Nishant and Chakraverty, Arkaja. (2023). Growth opportunities, information asymmetry, and dividend payout: Evidence from mandatory IFRS adoption. *European Accounting Review* 32(1): 113–139. DOI: https://doi.org/10.1080/09638180.2021.1938622

[3] Ahmed, Dler Mousa, Azhar, Zubir, and Mohammad, Aram Jawhar. (2024). The role of corporate governance in reducing information asymmetry: Mediating role of international standards for accounting (IAS, IFRS). *Kurdish Studies* 12(1): 1734–1745. DOI: https://doi.org/10.58262/ks.v12i1.119

[4] Alshehadeh, Abdul Razzak, Alia, Mohammad A., Jaradat, Yousef, Injadat, Ehab, and Al-khawaja, Haneen. (2023). Big data analytics techniques and their impacts on reducing information asymmetry: Evidence from Jordan. *International Journal of Data and Network Science* 7(3): 1259–1266. DOI:http://dx.doi.org/10.5267/j.ijdns.2023.4.012

[5] Benkraiem, Ramzi, Bensaad, Itidel, Lakhal, Faten. (2022). How do International Financial Reporting Standards affect information asymmetry? The importance of the earnings quality channel. *Journal of International Accounting, Auditing and Taxation,* 46: 100445. DOI:https://doi.org/10.1016/j.intaccaudtax.2021.100445

[6] Bessler, Wolgang, Gonenc, Halit, and Tinoco, Mario Hernandez. (2023). Information asymmetry, agency costs, and payout policies: An international analysis of IFRS adoption and the global financial crisis. *Economic Systems,* 47(4): 101129. https://doi.org/10.1016/j.ecosys.2023.101129

[7] Chala, Tetyana, Hrabynska, Iryna, Ptashchenko, Olena, Perchuk, Oksana, Posadnieva, Oksana, and Bioko, Olga. (2023). The impact of international financial reporting standards on information asymmetry. *Review of Economics and Finance,* 21. DOI: https://refpress.org/wp-content/uploads/2024/03/Chala_REF.pdf

[8] CompaniesMarketcap. (2024). Largest Saudi Arabian companies by market cap. Available at: https://companiesmarketcap.com/saudi-arabia/largest-companies-in-saudi-arabia-by-market-cap/

[9] Corbet, Shaen, Hou, Yang, Hu, Yang, and Oxley, Les. (2020). The influence of the COVID-19 pandemic on asset-price discovery: Testing the case of Chinese informational asymmetry. *International Review of Financial Analysis*, 72: 101560. DOI: https://doi.org/10.1016/j.irfa.2020.101560

[10] Ebaid, Ibrahim El- Sayed. (2022). Does the implementation of IFRS improve transparency regarding the company's financial conditions?: evidence from an emerging market. *PSU Research Review*. DOI:https://doi.org/10.1108/PRR-11-2021-0063

[11] Ertugrul, Melik, and Demir, Volkan. (2021). The impact of IFRS adoption on information asymmetry: Evidence from takeovers. Aksoy, Tamer, and Hacioglu, Umit (eds.) *Auditing Ecosystem and Strategic Accounting in the Digital Era: Global Approaches and New Opportunities* (pp. 105–124). Springer International Publishing. DOI:https://doi.org/10.1007/978-3-030-72628-7_5

[12] Fulghieri, Paolo, Garcia, Diego, and Hackbarth, Dirk. (2020). Asymmetric information and the pecking (dis) order. *Review of Finance* 24(5): 961–996. DOI: https://doi.org/10.1093/rof/rfaa005

[13] Golshan, Nargess M., Khurana, Inder K., and Silva, Felipe B. (2023). Financial transparency, labor productivity, and real wages: Evidence from mandatory IFRS adoption. *Journal of International Accounting Research,* 22(3): 31–61. DOI: https://doi.org/10.2308/JIAR-2022-044

[14] Hryn, Viktoriia P. (2021). Integrated reporting as a tool of strategic accounting communications. *Economy, management and administration,* 2(96): 47–53. DOI: https://doi.org/10.26642/ema-2021-2(96)-47-53

[15] Huynh, Toan Luu Duc, Wu, Junjie, Duong, An Trong. (2020). Information asymmetry and firm value: Is Vietnam different? *The Journal of Economic Asymmetries,* 21: e00147. DOI:https://doi.org/10.1016/j.jeca.2019.e00147

[16] Jamaani, Fouad, and Alidarous, Manal. (2022). The short-and long-lived effects of IFRS mandate on IPO firms in emerging market economies. *Journal of Financial Reporting and Accounting,* 20(5): 953–978. DOI:https://doi.org/10.1108/JFRA-11-2020-0324

[17] Khan, Mubashir Ali, Yau, Josephine Tan-Hwang, Sarang, Aitzaz Ahsan Alias, Gull, Ammar Ali, and Javed, Muzhar. (2024). Information asymmetry and investment efficiency: The role of blockholders. *Journal of Applied Accounting Research*. DOI: https://doi.org/10.1108/JAAR-05-2023-0123

[18] Kim, Jong-Hoon, Fujiyama, Keishi, and Koga, Yuya. (2024). The effect of voluntary international financial reporting standards adoption on information asymmetry in the stock market: Evidence from Japan. *Research in International Business and* Finance, 69: 102250. DOI: https://doi.org/10.1016/j.ribaf.2024.102250

[19] Kong, Tao, Sun, Renji, Sun, Guanglin, and Song, Youtao. (2022). Effects of digital finance on green innovation considering information asymmetry: An empirical study based on Chinese listed firms. *Emerging Markets Finance and Trade,* 58(15): 4399–4411. DOI: https://doi.org/10.1080/1540496X.2022.2083953

[20] Kwilinski, Aleksy, Dalevska, Nataliya, Dementyev, Vyacheslav V. (2022). Metatheoretical issues of the evolution of the international political economy. *Journal of Risk and Financial Management,* 15(3): 124. DOI:https://doi.org/10.3390/jrfm15030124

[21] Li, Jian, Li, Yongming, and Lai, Kin Keung. (2024). Blockchain adoption and application in closed-loop production under information asymmetry. *International Transactions in Operational Research* 31(6): 3650–3668. DOI: https://doi.org/10.1111/itor.13283

[22] Mahdich, A. S., and Lymonova, E. M. (2019). Information asymmetry: Areas of occurrence and effects. *Nobel Herald,* 1(12): 50–56. DOI: https://doi.org/10.32342/2616-3853-2019-2-12-6

[23] Mangu, Gabriela, Soare, Georgiana Janina, and Ciobota, Emanuel Catalin. (2023). The ifrs' impact on financial reporting as well as the asymmetry of financial and accounting information. *Acta Universitatis Danubius. Economica,* 19(1): 111–129. Available at: https://dj.univ-danubius.ro/index.php/AUDOE/article/view/2183

[24] Mohammed, Rebaz Mohammed Hussein. (2022). The effect of the accounting rvatism on reducing information asymmetry and the cost of capital within the framework of international standards. *Journal of Global Social Sciences* 3(11): 1–12. DOI: https://doi.org/10.58934/jgss.v3i11.65

[25] Myers, Erica. (2020). Asymmetric information in residential rental markets: Implications for the energy efficiency gap. *Journal of Public Economics,* 190: 104251. DOI:https://doi.org/10.1016/j.jpubeco.2020.104251

[26] Nejad, Maryam Yousefi, Ahmad, Azlina, Rahim, Ruzita Abdul, and Salleh, Fairuz Md. (2020). Does IFRS drive information asymmetry reduction? Evidence from ASEAN-6 countries. *Asian Journal of Accounting and Governance,* 14: 99–114. DOI: http://dx.doi.org/10.17576/AJAG-2020-14-08

[27] Orlov, Ihor V. (2023). Quality of integrated reporting and its characteristics. *Economy, Management and Administration,* 1(103): 105–110. DOI: https://doi.org/10.26642/jen-2023-1(103)-105-110

[28] Prokopenko, Olha, Zholamanova, Makpal, Mazurenko, Valerii, Kozlianchenko, Olena, and Muravskyi, Oleksii. (2022). Improving customer relations in the banking sector of Ukraine through the development of priority digital banking products and services: Evidence from Poland. *Banks and Bank Systems* 17(3): 12–26. DOI:http://dx.doi.org/10.21511/bbs.17(3).2022.02

[29] Shakespeare, Catherine. (2020). Reporting matters: the real effects of financial reporting on investing and financing decisions. *Accounting and Business Research* 50(5): 425–442. DOI:https://doi.org/10.1080/00014788.2020.1770928

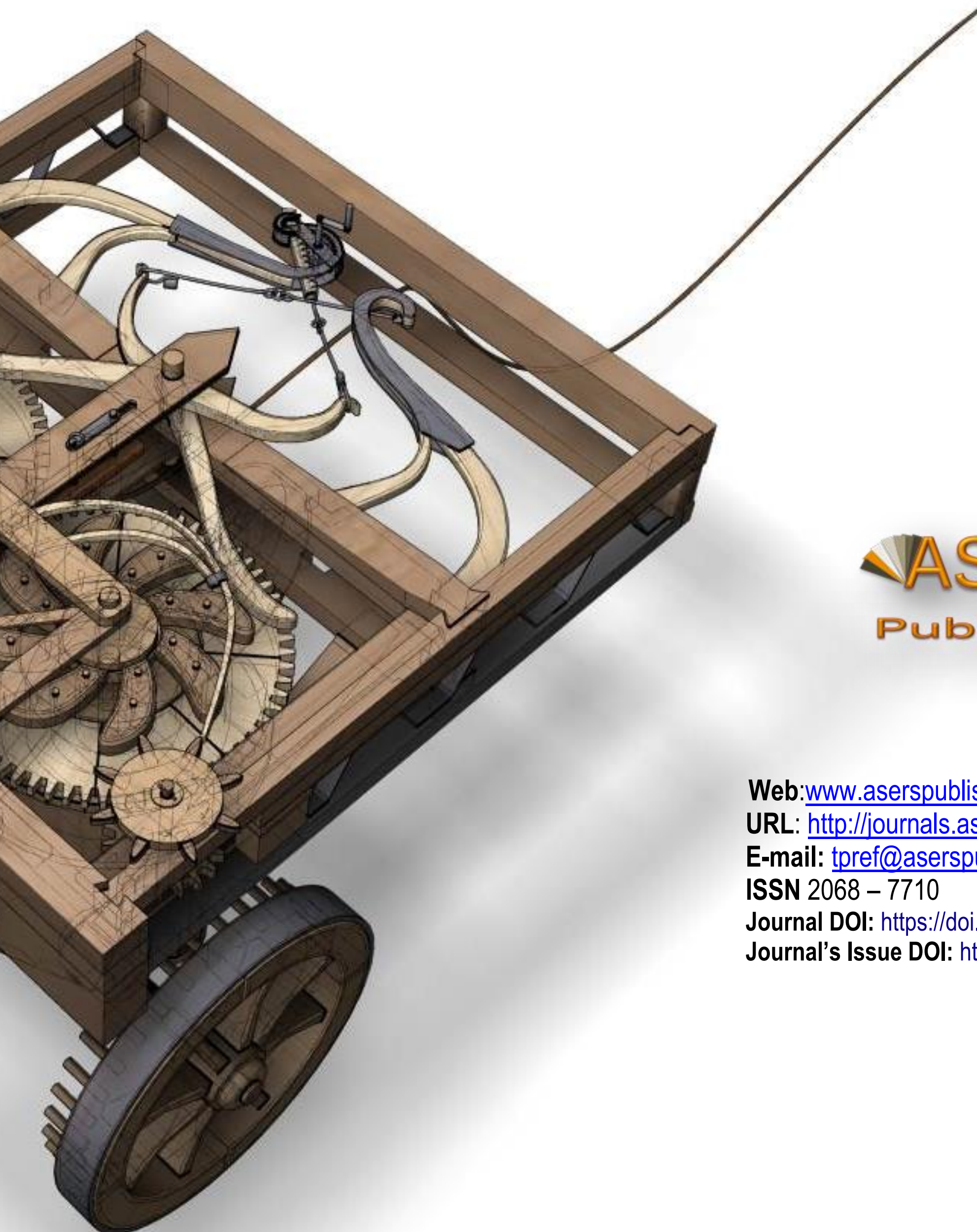
[30] Shen, Pu. (2000). The P/E ratio and stock market performance. *Economic review-Federal reserve bank of Kansas City,* 85(4): 23–36.

[31] Tawiah, Vincent, and Oyewo, Babajide. (2024). The effect of IFRS adoption on bank internationalisation. *International Journal of Finance & Economics*. DOI: https://doi.org/10.1002/ijfe.2932

[32] Ullah, Ayat, Arshad, Muhammad, Kächele, Harald, Khan, Ayesha, Mahmood, Nasir, and Müller, Klaus. (2020). Information asymmetry, input markets, adoption of innovations and agricultural land use in Khyber Pakhtunkhwa, Pakistan. *Land Use Policy,* 90: 104261. DOI: https://doi.org/10.1016/j.landusepol.2019.104261

[33] Zhurakhovska, Liudmyla. (2023). Investment strategy of the banking sector in the context of financial market instability. *Financial and Credit Activity Problems of Theory and Practice,* 5(52): 25–39. DOI:https://doi.org/10.55643/fcaptp.5.52.2023.4152

ASERS



ASERS Publishing

Web:www.aserspublishing.eu
URL: http://journals.aserspublishing.eu/tpref
E-mail: tpref@aserspublishing.eu
ISSN 2068 – 7710
Journal DOI: https://doi.org/10.14505/tpref
Journal's Issue DOI: https://doi.org/10.14505/tpref.v15.4(32).00