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How the Information Asymmetry Determine Firm Value? A Case Study on Real Estate Company in IDX 2020-2022

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Abstract---*Firm value is the price that prospective buyers are willing to pay if the company is sold. The purpose of this study is to determine the effect of information asymmetry on firm value. The population of this study is all Property and Real Estate Sector Companies listed on the Indonesia Stock Exchange for the 2020-2022 period, namely 40 companies. The samples used were 120 samples. The sampling technique used purposive sampling technique. The data used is secondary data, namely the company's financial statements. Data analysis in this study is multiple regression analysis. The results of the study show that information asymmetry does not affect firm value.*

Keywords---*firm value, information asymmetry, real estate sector, stock exchange.*

Introduction

Company performance can be seen through firm value which is also useful as a medium to give confidence to creditors and investors that the business being run by the company is a promising business (Sembiring & Trisnawati, 2019). Value for investors is reflected in the company's share price which also describes the value of a company (Saputri & Giovanni, 2021). According to Sutanto (2019), the firm value will be very useful because it will reflect the company's financial performance and will have an impact on the desire of investors to invest in the company. Increasing firm value is the goal of building a company to maximize profits to increase the prosperity of company owners and shareholders. If the firm value is high, then the company's stock price is high so investors will be interested in investing in the company. An increase in high corporate value is a long-term goal that must be achieved by the company.

Firm value is the price that prospective buyers are willing to pay if the company is sold. Sutanto (2019), defines firm value as investors' perceptions of the company's level of success related to stock prices and also profitability. Sutanto (2019), also stated that high stock prices have an impact on high firm value. High corporate value is the desire of shareholders and company owners because it reflects that the company will provide prosperity for its shareholders in the future (Sintyana & Artini, 2018). The company must meet the funding requirements to maximize the company's performance so that it can achieve the company's goals. If a company often experiences shortages in

meeting funding needs, the results of the performance of the goods or service company are not optimal and the company cannot compete in the market and the company's development is slowing down. Companies can obtain funding sources from within the company and from outside the company. Sources of funds from within the company are in the form of retained earnings and depreciation while sources of funds from outside the company are in the form of debt and issuance of shares. So information regarding stock valuation is very important for investors to know because it relates to the investment decisions they make (Sutanto, 2019).

Price to book value is one measuring tool that can be used to measure firm value. Price to book value is the ratio between the stock price and the book value per share. The high level of prosperity is reflected in the high price-to-book value owned by the company. This research topic is important for companies because it will provide information to these companies to make movements on the company's performance. In addition, this research topic is also important for investors because investors can see whether this company is worthy of being chosen as a place to invest or not as a place to invest. Property and real estate sector companies are one of the sectors that play a role in the economic growth of a country (Yanti & Abundanti, 2019). This is because the community considers investment in the property to be a primary need that must be fulfilled (Rizal & Sahar, 2015). According to Wati et al. (2021), this sector can grow in line with economic growth caused by an increase in land and building prices due to high demand when supply is constant. The company will make various efforts to attract investment from outside parties in order to obtain financing. One of the actions that can be taken to demonstrate a company's ability to generate profits is to issue financial reports that contain useful information for investors to make decisions. The information presented in the financial statements will be able to provide information such as profitability, company growth, dividend policy, funding decisions, investment decisions, capital structure, and company size (Krishnaswami & Subramaniam, 1999; Healy & Palepu, 2001; Chia et al., 2020).

The relationship that exists between management and investors is known as an agency relationship. The problem that often arises between the two parties is the existence of information asymmetry. Sembiring & Trisnawati (2019), explain that information asymmetry will arise when managers know more about internal information and future company prospects compared to investors and other stakeholders. In conditions of information asymmetry, when a public offering is related to firm value, a manager who has more complete information can influence investors' perceptions by providing high-profit information and information that is not the same as that of shareholders. Information asymmetry can occur between the company (agent) and the owner (principal) or investor, which provides an opportunity for a company manager to act opportunistically or seek their own profit (Gim et al., 2023; Attig et al., 2006; Chaney & Lewis, 1995; Sugosha & Artini, 2020). The existence of information asymmetry will encourage companies to present information that is not true, especially if the information is related to evaluating company performance. The existence of information asymmetry is one of the agency's problems and will result in not achieving company goals to increase firm value. These conditions will encourage management to manipulate in showing profit information. Companies will tend to manipulate by showing that the profits generated are large and attract investors to invest. This act of information asymmetry can be reduced by transparency in submitting financial reports to the principal.

The results of research conducted by Fosu et al. (2016), suggest that information asymmetry has a negative effect on firm value. This means that information asymmetry contained in a company can reduce the firm value due to agency costs. Research conducted by Murdiyono (2017), found that information asymmetry has a negative effect on firm value. Differences in research results were found by Noviadewi & Mulyani (2020), who states that information asymmetry has no negative effect on firm value. According to Azari & Facrizal (2017), information asymmetry has no significant effect on firm value. According to Safitri et al. (2021), found that information asymmetry has no effect on firm value. This means that information asymmetry does not reduce firm value. Agency theory explains the existence of a cooperative or contractual relationship between two or more people (principal and agent) who agree to perform a service that involves delegating authority. from principal to agent in terms of decision-making (Michael & William, 1976). Companies in creating corporate value require efforts to be able to convince investors and other stakeholders to invest their funds in companies such as presenting information in the form of financial reports. Often the relationship between companies and investors is hindered because there are parties who have access to more information than other parties, which is known as information asymmetry. To minimize the occurrence of information asymmetry, companies have an obligation to present financial reports based on actual conditions in the field (Kanta et al., 2021; Kusumajaya, 2011; Markonah et al., 2020; Putra & Sedana, 2019).

This information asymmetry is formed due to the trading of information to external parties by internal parties or insider trading. The existence of this information will give a signal to stakeholders, especially shareholders so it can be said that information asymmetry determines the quality of company information. These signals can provide good news or bad news, which in turn will affect the decision-making of shareholders on whether to continue to invest in

the company or not. If the signal given is good news then this will have an impact on firm value and if the signal given is bad news it will also have an impact on firm value. The results of research conducted by Fosu et al. (2016), suggest that information asymmetry has a negative effect on firm value. This means that information asymmetry contained in a company can reduce the firm value due to agency costs. It is supported by the research of Murdiyono (2017); Huynh et al. (2020), who found that information asymmetry has a significant negative effect on firm value. Another study conducted by Cho et al. (2013), found that information asymmetry has a negative effect on firm value, which means that a higher level of dispersion and a higher level of estimated error indicates a higher level of information asymmetry. Furthermore, research conducted by Gomes et al. (2019), concluded that when information asymmetry decreases, the firm value will increase.

H1: Information asymmetry has a negative effect on firm value

Methods

This study uses quantitative research with an associative approach to property and real estate sector companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022 by accessing the official IDX website (www.idx.co.id.). The independent variable in this study is Information Asymmetry (X) and the dependent variable is the firm value (Y). The population in this study are property and real estate sector companies listed on the Indonesia Stock Exchange during the 2020-2022 period. The sample in this study was determined by the probability random sampling method which determines certain criteria in determining the sample to be used. The criteria that will be used in this study are (1) the Population of property and real estate sector companies on the Indonesia Stock Exchange and (2) Property and real estate sector companies that do not publish consecutive financial reports on the Indonesia Stock Exchange. Based on the criteria in this study, a sample of 40 companies was obtained. The data management used is the EViews application version 10 with panel data regression analysis techniques.

Result and Discussion

Table 1
Descriptive statistic

	Firm Value	Information Asymmetry
Mean	78.04	4.04
Median	86.50	3.00
Maximum	170.00	15.00
Minimum	25.00	0.00
Std. Dev.	34.91	4.23
Total (N)	120	120

Secondary Data, 2022

Based on Table 1 above, it is known that each variable consists of 120 data with the following explanation. Firm value (Y) is an independent variable. In this study, the measurement used to calculate firm value is PBV. Firm value has an average value of 78.04 percent. The minimum value is 25.00 percent, and the maximum value is 170.00 percent with a standard deviation of 34.91 percent. This shows that the difference in firm value to the average is 34.91 percent. The mean value that is close to the minimum value indicates that the value of the companies sampled in this study is not too high. Information asymmetry is an independent variable. In this study, the measurement used to calculate information asymmetry is the bid-ask spread. Information asymmetry has an average value of 4.04 percent. The minimum value is 0.00 percent, and the maximum value is 15.00 percent with a standard deviation of information asymmetry of 4.23 percent. This shows that the difference in information asymmetry to the average is 4.23 percent. The mean value that is close to the minimum value indicates that information asymmetry in property and real estate companies tends to be low.

Table 2
Panel data regression analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	62.61106	6.352639	9.855914	0.0000
Information asymmetry	-0.690648	0.718941	-0.960646	0.3397

Secondary Data, 2022

Based on the regression variable equation, it shows that the X1 variable (information asymmetry) has a negative coefficient on firm value $\beta_1 = -0.690648$ which is negative, which means that for every 1 percent increase in information asymmetry, the average firm value will decrease by 0.69 percent.

The results of testing the hypothesis using the help of EViews 10, the result is that information asymmetry does not affect firm value so it can be concluded that H1 is rejected. This means that the firm value of the property and real estate companies listed on the IDX is not affected by information asymmetry, or in other words, the main factor that creates property and real estate firm value is not due to information asymmetry but other factors (Adri & Anisma, 2015; Aeni & Asyik, 2019; Amelia & Khaerunnisa, 2016). This information asymmetry occurs due to differences in information that is known by management as the party implementing the business with investors and other stakeholders as owners of the company on the basis of the capital invested in the company. Information asymmetry is formed due to the trading of information to external parties by internal parties or insider trading. High information inequality tends to create information gaps which in turn has an impact on decreasing firm value. The results of this study are not in line with agency theory which explains that information asymmetry can cause changes in firm value either high or low depending on the condition of the information asymmetry that occurs. This theory does not apply to property and real estate companies listed on the IDX because investors and other stakeholders can directly observe the development of the company by seeing how many large governments projects the company has handled directly which shows that the company has selling power. The results of this test state that information asymmetry does not affect firm value which is supported by research conducted by Azari & Facrizal (2017), that information asymmetry does not affect firm value. Research conducted by Safitri et al. (2021), shows that information asymmetry has no effect on firm value with a sample of 9 companies. Research conducted on manufacturing companies during 2012-2014 showed similar results, the results of the quantitative analysis showed that information asymmetry did not affect firm value.

Table 3
Coefficient of determination (R^2)

<i>R-squared</i>	0.776505	<i>Mean dependent var</i>	78.07949
<i>Adjusted R-squared</i>	0.654598	<i>S.D. dependent var</i>	34.94110

Secondary Data, 2022

The R-squared value in Table 5 is 0.776505 indicating that the proportion of the influence of the information asymmetry variable on firm value is 77.65%. While the remaining 22.35% (100 - 77.65%) is influenced by other variables that are not in the regression model.

Conclusions

Information asymmetry does not affect firm value in property and real estate sector companies listed on the Indonesia Stock Exchange for the 2020-2022 period. For further research, it is expected to add variables or use driving variables in assessing factors that affect firm value such as good corporate governance, profitability, capital structure, firm size, and others.

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