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Corporate characteristics and future earnings informativeness: the moderating role of information asymmetry in Indonesia

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Abstract: This study examines the effect of income smoothing, foreign ownership, corporate governance, and corporate social responsibility (CSR) on the Future Earnings Response Coefficient (FERC), with asymmetric information serving as a moderating variable. The study investigates how financial and non-financial corporate characteristics influence earnings informativeness in an emerging market context during the post-COVID-19 recovery period. The sample consists of 55 companies listed on the Indonesia Stock Exchange (IDX) during 2020–2022, resulting in 165 firm-year observations. FERC was estimated using the Collins et al. (1994) framework, while hypothesis testing was conducted using panel regression analysis with the Random Effect Model (REM). Corporate governance was measured using the ASEAN Corporate Governance Scorecard (ACGS), CSR disclosure was measured using a GRI-based disclosure index, and asymmetric information was proxied by bid-ask spread. The findings indicate that corporate governance positively affects FERC, while foreign ownership and CSR disclosure negatively affect FERC. Income smoothing does not significantly affect FERC. Furthermore, asymmetric information weakens the influence of corporate governance on FERC and strengthens the effect of CSR disclosure on FERC, whereas its moderating role on income smoothing and foreign ownership is not significant. The model explains approximately 25.4% of the variation in FERC ($R^2 = 0.254$). These findings suggest that earnings informativeness in emerging markets is influenced not only by financial reporting quality but also by governance mechanisms, disclosure credibility, and market information conditions. The study contributes to the FERC literature by integrating financial and non-financial determinants of earnings informativeness within a moderated framework and provides evidence from an emerging market setting using a two-stage FERC estimation approach.

Keywords: Future Earnings Response Coefficient, Corporate Governance, Corporate Social Responsibility, Foreign Ownership, Income Smoothing, Asymmetric Information.

INTRODUCTION

Financial reporting plays a crucial role in capital market decision-making because investors rely on accounting information to evaluate firm performance and assess prospects.

Among various accounting measures, earnings remain one of the most important indicators for estimating firm value and future cash flows. While the Earnings Response Coefficient (ERC) has been widely used to examine market reactions to earnings announcements, it primarily captures investor responses to current-period earnings. To address this limitation, Collins et al. (1994) introduced the Future Earnings Response Coefficient (FERC), which reflects the extent to which current stock prices incorporate information about future earnings. FERC therefore provides a more forward-looking measure of earnings informativeness. Prior studies suggest that earnings informativeness is influenced not only by accounting performance but also by governance quality, disclosure practices, and the broader information environment (Healy & Palepu, 2001; Tucker & Zarowin, 2006; Cheng & Nasir, 2010; Kothari et al., 2022).

The issue of earnings informativeness is particularly relevant in emerging markets, where information asymmetry, disclosure quality, and governance effectiveness remain persistent challenges. Indonesia represents an interesting setting because, despite ongoing regulatory reforms, substantial variations in governance implementation and disclosure quality continue to exist across listed firms. The implementation of OJK Regulation No. 51/POJK.03/2017 and the increasing adoption of the ASEAN Corporate Governance Scorecard (ACGS) demonstrate efforts to enhance corporate transparency and accountability. Nevertheless, several reporting controversies, financial statement restatements, delayed disclosures, and governance-related issues continue to raise concerns regarding the credibility of financial information and investor confidence in reported earnings. These conditions indicate that transparency and reporting quality remain uneven across firms, potentially affecting the extent to which earnings information is reflected in stock prices. Consequently, understanding the determinants of earnings informativeness remains an important research issue in the Indonesian capital market.

Prior studies suggest that earnings informativeness may be influenced by both financial and non-financial corporate characteristics. Income smoothing may improve investors' ability to predict future earnings by reducing earnings volatility, although opportunistic smoothing may also reduce reporting credibility (Tucker & Zarowin, 2006; Dechow et al., 2010). Foreign ownership is often associated with stronger monitoring mechanisms and improved governance practices, yet empirical evidence regarding its influence on earnings informativeness remains inconclusive, particularly in emerging markets characterized by institutional uncertainty (Chhibber & Majumdar, 1999; Blomstrom & Kokko, 1998). Corporate governance is expected to strengthen reporting credibility through more effective monitoring mechanisms (Jensen & Meckling, 1976; Hassan & Romilly, 2018; García-Sánchez et al., 2021), whereas corporate social responsibility (CSR) disclosure may function as a signal of transparency and long-term sustainability (Spence, 1973; Raimo et al., 2021; Velte, 2022). However, previous studies report mixed findings regarding the effects of these variables on earnings informativeness.

The inconsistency of prior findings suggests that the relationship between corporate characteristics and earnings informativeness may depend on a firm's information environment. One factor that may influence this relationship is asymmetric information. Under conditions of high information asymmetry, investors face greater uncertainty when interpreting earnings, governance practices, and sustainability disclosures. As a result, asymmetric information may strengthen or weaken the influence of income smoothing, foreign ownership, corporate governance, and CSR disclosure on future earnings informativeness. This argument is consistent with agency theory and signaling theory, which emphasize the role of information quality, transparency, and disclosure credibility in shaping investor responses to corporate information.

Although earnings informativeness has received considerable attention in prior literature, most studies focus on Earnings Response Coefficient (ERC) rather than Future Earnings Response Coefficient (FERC). In addition, previous research generally examines governance mechanisms, ownership structure, earnings management, and sustainability disclosure separately. Empirical evidence that simultaneously examines income smoothing, foreign

ownership, corporate governance, CSR disclosure, and asymmetric information within a moderated FERC framework remains limited, particularly in emerging market settings such as Indonesia. Furthermore, limited evidence is available regarding how asymmetric information influences the relationship between these corporate characteristics and future earnings informativeness during the post-COVID-19 recovery period.

Therefore, this study investigates the effects of income smoothing, foreign ownership, corporate governance, and CSR disclosure on Future Earnings Response Coefficient (FERC), with asymmetric information acting as a moderating variable. By integrating financial and non-financial determinants within a single analytical framework, this study extends the FERC literature and provides additional evidence regarding earnings informativeness in an emerging market environment characterized by evolving governance practices and relatively high information asymmetry. In addition, this study contributes to the literature by examining the moderating role of asymmetric information in the relationship between corporate characteristics and future earnings informativeness, an area that remains relatively underexplored in emerging market research.

METHOD

This study employs a quantitative research approach to examine the effects of income smoothing, foreign ownership, corporate governance, and corporate social responsibility (CSR) disclosure on earnings informativeness, as measured by the Future Earnings Response Coefficient (FERC), with asymmetric information acting as a moderating variable. The study uses panel data analysis because it combines cross-sectional and time-series observations, enabling the analysis to capture both firm-specific characteristics and variations over time. Panel data analysis is considered appropriate because it improves estimation efficiency and controls for unobserved heterogeneity across firms (Baltagi, 2021).

The analytical framework of this study is based on the Future Earnings Response Coefficient (FERC) model developed by Collins et al. (1994), which measures the extent to which current stock prices reflect information about future earnings performance. Unlike conventional Earnings Response Coefficient (ERC) models that focus primarily on current earnings information, FERC captures the forward-looking informativeness of earnings by incorporating future earnings expectations into stock return analysis.

The unit of analysis in this study consists of publicly listed companies on the Indonesia Stock Exchange (IDX). The analysis is conducted at the firm-year level because the study examines annual financial reporting information, corporate governance quality, ownership structure, CSR disclosure, and market-based measures related to earnings informativeness during the 2020–2022 observation period.

The population of this study consists of companies listed on the Indonesia Stock Exchange (IDX). These firms are selected because they provide publicly available financial statements, annual reports, sustainability reports, and market data required for the analysis. The sample covers companies from various industrial sectors to provide broader evidence regarding earnings informativeness in the Indonesian capital market.

The sampling technique used in this study is purposive sampling. The sample is selected based on the following criteria:

1. Firms that are continuously listed on the Indonesia Stock Exchange (IDX) during the observation period.
2. Firms that are not included in the financial sector.
3. Firms that publish complete annual reports and financial statements during the observation period.
4. Firms that have complete data related to earnings, stock returns, corporate governance, corporate social responsibility disclosure, foreign ownership, and bid-ask spread.

Based on these criteria, a total of 55 companies are selected as the research sample. With an observation period covering three years (2020–2022), the study obtains 165 firm-year observations.

Although the primary observation period covers 2020–2022, the dataset is extended to include 2019 (t−1) and 2023 (t+1) for the estimation of the Future Earnings Response Coefficient (FERC). The inclusion of lagged and future earnings follows the approach developed by Collins et al. (1994), allowing the analysis to capture both past and forward-looking components of earnings informativeness during the post-COVID-19 period characterized by increased uncertainty and changing investor behavior.

This study uses secondary data obtained from annual reports, sustainability reports, financial statements, and stock market data of companies listed on the Indonesia Stock Exchange (IDX). Data were collected from the IDX official website, company annual reports, and supporting financial databases.

The operational definitions, proxies, and measurement methods of the variables used in this study are presented below.

Variable	Proxy	Measurement
FERC	Collins et al. (1994)	β_3 from FERC model
ISM	Eckel Index	CV(ΔI)/CV(ΔS)
FO	Foreign ownership	Foreign shares / Total outstanding shares × 100%
CG	ACGS	ACGS score
CSR	GRI Index	Number of disclosed items / Total GRI items × 100%
ASI	Bid-Ask Spread	(Ask Price − Bid Price)/(Ask Price + Bid Price)
FSIZE	Firm Size	Ln (Total Assets)

The study was conducted through several stages. First, relevant theories and previous empirical studies related to earnings informativeness, FERC, corporate governance, CSR disclosure, foreign ownership, income smoothing, and asymmetric information were reviewed. Second, secondary data were collected from annual reports, sustainability reports, and stock market data during the 2020–2022 observation period. Third, all variables were measured based on their respective operational definitions. Finally, the collected data were analyzed using panel data regression analysis.

The observation period of 2020–2022 was selected because it represents the post-pandemic recovery period characterized by increased uncertainty, changing investor behavior, and growing attention toward corporate transparency and governance practices in the Indonesian capital market.

The study employs panel data regression analysis to test the proposed hypotheses. The analysis is conducted in two stages.

First, the Future Earnings Response Coefficient (FERC) is estimated using the following regression model:

$$R_t = \boldsymbol{\beta_0} + \boldsymbol{\beta_1} X_{t\$1} + \boldsymbol{\beta_2} X_t + \boldsymbol{\beta_3} X_{t+1} + \boldsymbol{\varepsilon_t}$$

where:

1. Rt = stock returns
2. Xt−1 = lagged earnings
3. Xt = current earnings
4. Xt+1 = future earnings
5. β3 = Future Earnings Response Coefficient (FERC)

The estimation follows the approach developed by Collins et al. (1994), which captures the extent to which current stock prices reflect information about future earnings performance. The coefficient associated with future earnings (β3) is used as a proxy for Future Earnings Response Coefficient (FERC). A higher FERC value indicates that current stock prices incorporate more information about future earnings performance.

In the second stage, the estimated FERC is regressed on income smoothing, foreign ownership, corporate governance, corporate social responsibility disclosure, asymmetric information, and the interaction terms between asymmetric information and the independent variables. Firm size is included as a control variable.

The regression model is formulated as follows:

$$FERC = \beta 0 + \beta 1ISM + \beta 2FO + \beta 3CG + \beta 4CSR + \beta 5ASI + \beta 6ISM*ASI + \beta 7FO*ASI + \beta 8CG*ASI + \beta 9CSR*ASI + \beta 10FSIZE + e$$

The second-stage regression is employed to examine the effects of income smoothing, foreign ownership, corporate governance, CSR disclosure, and asymmetric information on earnings informativeness, as well as the moderating role of asymmetric information. Firm size is included as a control variable to account for differences in company characteristics.

Panel data estimation in this study includes Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Model selection was conducted using Chow test, Hausman test, and Lagrange Multiplier (LM) test to determine the most appropriate panel regression model. Based on the model selection results, the Random Effect Model (REM) was selected as the most appropriate estimation model.

To ensure the robustness and validity of the regression model, diagnostic testing was conducted through multicollinearity, heteroskedasticity, and autocorrelation tests. Hypothesis testing was performed using t-test, F-test, and coefficient of determination (R^2).

Based on the theoretical arguments and prior empirical findings discussed above, the conceptual framework of this study is presented in Figure 1.

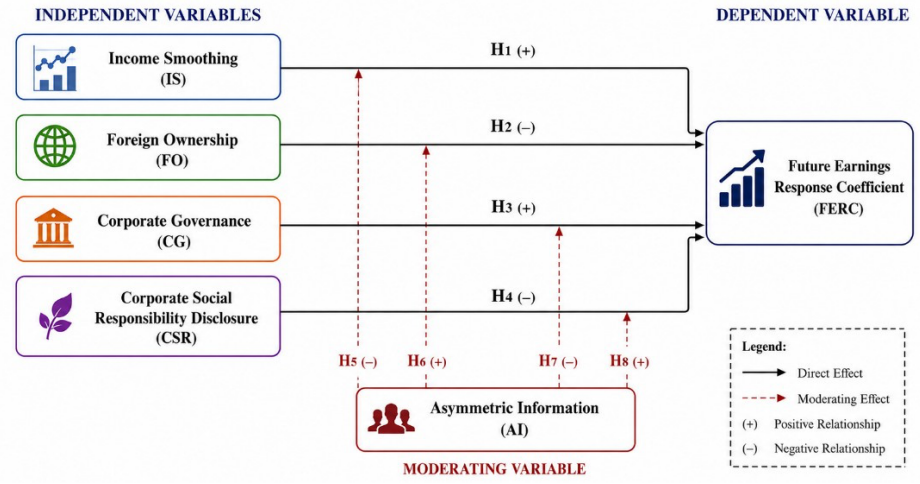

Figure 1. Conceptual Framework

RESULTS AND DISCUSSION

RESULT

This study examines the effects of income smoothing, foreign ownership, corporate governance, and corporate social responsibility (CSR) disclosure on earnings informativeness, as measured by the Future Earnings Response Coefficient (FERC), with asymmetric information acting as a moderating variable. The empirical analysis is conducted using panel data regression based on firm-year observations of companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2022 observation period.

Table 1. Descriptive Statistics

Variable	Min	Max	Mean	Std. Dev.
FERC	–1.610403	0.520720	–0.353041	0.959422
ISM	–116.4000	254.2400	2.127636	23.183141
CG	69.29000	107.1500	83.90927	7.099827
CSR	4.490000	86.52000	36.58848	17.49554
FO	0.000000	89.32000	13.77055	26.84813
ASI	0.000000	0.060000	0.007030	0.009385
FSIZE	13.46202	19.83968	16.40102	1.407209

Notes:
FERC = Future Earnings Response Coefficient; ISM = Income Smoothing; CG = Corporate Governance; CSR = Corporate Social Responsibility; FO = Foreign Ownership; ASI = Asymmetric Information; FSIZE = Firm Size.

Source: Processed by the Author (2026)

Table 1 presents the descriptive statistics of the research variables. The mean value of FERC is –0.353041, indicating that, on average, future earnings information is negatively reflected in stock returns during the observation period. This finding may suggest that future earnings information is not fully incorporated into current stock prices and may be interpreted more cautiously by investors under conditions of uncertainty and information asymmetry in the post-COVID-19 recovery period. Corporate governance (CG) has an average value of 83.90927, suggesting relatively high governance implementation among the sampled firms. Meanwhile, the average CSR disclosure score is 36.58848, indicating variations in sustainability disclosure practices across companies. The descriptive statistics also show substantial variation in income smoothing and foreign ownership, reflecting differences in reporting behavior and ownership structures within the Indonesian capital market. In addition, the relatively low mean value of asymmetric information indicates varying levels of market information efficiency among the sample firms during the post-COVID-19 period.

Table 2. Correlation Matrix

Variable	FERC	ISM	FO	CG	CSR	ASI	FSIZE
FERC	1.000000						
ISM	0.041069	1.000000					
FO	0.014608	–0.011757	1.000000				
CG	–0.035128	0.124286	0.096732	1.000000			
CSR	0.130451	0.019977	–0.019296	0.119523	1.000000		
ASI	0.003990	0.039899	–0.067267	–0.131576	–0.194497	1.000000	
FSIZE	0.007606	0.099319	–0.113812	0.275127	0.328141	–0.329927	1.000000

Source: Processed by the Author (2026)

Table 2 shows that the relationships among the research variables are generally low to moderate. This indicates that each variable represents a different construct and can therefore be included simultaneously in the regression analysis. None of the correlation coefficients exceed 0.80, indicating that multicollinearity is unlikely to be a serious concern in this study.

The correlation results also show that corporate governance (CG) and corporate social responsibility (CSR) disclosure have positive relationships with firm size (FSIZE), suggesting that larger firms tend to demonstrate better governance practices and broader CSR disclosure. In contrast, asymmetric information (ASI) shows negative relationships with CG, CSR, and FSIZE, indicating that firms with stronger governance quality, broader disclosure practices, and larger firm size tend to experience lower levels of information asymmetry within the Indonesian capital market.

Table 3. Panel Model Selection

Test	Statistic	Prob.	Selected Model
Chow Test (Cross-section F)	2.071250	0.0000	Fixed Effect Model (FEM)
Hausman Test (Chi-Sq.)	0.000000	1.0000	Random Effect Model (REM)
Lagrange Multiplier Test (Breusch-Pagan)	139.6731	0.0000	Random Effect Model (REM)

Source: Processed by the Author (2026)

Table 3 presents the panel model selection results. The Chow test result shows a probability value of 0.0000, indicating that the Fixed Effect Model (FEM) is preferred over the Common Effect Model (CEM). Furthermore, the Hausman test result produces a probability value of 1.0000, indicating that the Random Effect Model (REM) is more appropriate than the Fixed Effect Model (FEM). The Lagrange Multiplier (LM) test also shows a significant probability value of 0.0000, indicating that the Random Effect Model (REM) is preferable to the Common Effect Model (CEM). Therefore, the Random Effect Model (REM) was selected as the most appropriate estimation model for this study.

Table 4. Heteroskedasticity Test

Test	Statistic	Prob.	Conclusion
Cross-section Heteroskedasticity LR Test	1.514105	1.0000	No Heteroskedasticity

Source: Processed by the Author (2026)

Table 4 presents the heteroskedasticity test results. The probability value of the Panel Cross-section Heteroskedasticity LR Test is 1.0000, which is greater than 0.05. This indicates that the regression model does not suffer from heteroskedasticity problems. Therefore, the regression model is considered sufficiently robust for hypothesis testing.

Table 5. Autocorrelation Test

Indicator	Value
Durbin-Watson Statistic	1.58326

Table 5 presents the autocorrelation test results using the Durbin-Watson statistic. The regression model produces a Durbin-Watson value of 1.58326. Based on the Durbin-Watson criteria, values between 1.8270 and 2.1730 indicate the absence of autocorrelation, while values between 1.580 and 1.8270 fall within the inconclusive region. Since the obtained Durbin-Watson value of 1.58326 falls within the inconclusive region and is very close to the lower bound, the test does not provide definitive evidence regarding the presence of autocorrelation. Therefore, while the possibility of autocorrelation cannot be completely ruled out, no strong indication of autocorrelation is detected, and the regression model remains acceptable for further analysis.

Table 6. Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.507350	1.213626	-4.537931	0.0000
ISM	0.000017	0.003192	0.005473	0.4980
CG	0.019653	0.012500	1.572273	0.0589
CSR	-0.014001	0.004755	-2.944345	0.0019
FO	-0.009974	0.003229	-3.088614	0.0027
ASI	309.4706	149.1435	2.074986	0.0193
ISM*ASI	-0.236777	0.395909	-0.598058	0.2754
CG*ASI	-3.883048	1.772936	-2.190179	0.0144
CSR*ASI	0.731903	0.354496	2.064632	0.0203
FO*ASI	0.057173	0.376661	0.151788	0.4398
FSIZE	0.248278	0.056605	4.386164	0.0000

Source: Processed by the Author (2026)

Notes:

FERC = Future Earnings Response Coefficient; ISM = income smoothing; FO = foreign ownership; CG = corporate governance; CSR = corporate social responsibility; ASI = asymmetric information; ISM*ASI, FO*ASI, CG*ASI, and CSR*ASI = interaction terms between asymmetric information and the independent variables; FSIZE = firm size.

Significance levels:

*** significant at the 1% level; ** significant at the 5% level; * significant at the 10% level.

Table 6 presents the regression results of the determinants of Future Earnings Response Coefficient (FERC). The results indicate that foreign ownership (FO), corporate social responsibility (CSR) disclosure, asymmetric information (ASI), the interaction terms CG*ASI and CSR*ASI, and firm size (FSIZE) significantly affect FERC. In contrast, income smoothing (ISM), ISM*ASI, and FO*ASI do not show significant effects on FERC.

Income smoothing (ISM) does not significantly affect FERC (coefficient = 0.000017; p = 0.4980). In contrast, foreign ownership (FO) negatively and significantly affects FERC (coefficient = -0.009974; p = 0.0027). Corporate governance (CG) shows a positive and marginally significant effect at the 10% significance level (coefficient = 0.019653; p = 0.0589), while CSR disclosure negatively and significantly affects FERC (coefficient = -0.014001; p = 0.0019).

Asymmetric information (ASI) positively and significantly affects FERC (coefficient = 309.4706; p = 0.0193). Meanwhile, the interaction terms ISM*ASI and FO*ASI are not statistically significant. In contrast, CG*ASI negatively and significantly affects FERC (coefficient = -3.883048; p = 0.0144), indicating that asymmetric information weakens the effectiveness of corporate governance in improving earnings informativeness. Meanwhile, CSR*ASI positively and significantly affects FERC (coefficient = 0.731903; p = 0.0203), suggesting that investors rely more heavily on CSR disclosure under higher information asymmetry conditions. Finally, FSIZE positively and significantly affects FERC (coefficient = 0.248278; p = 0.0000).

Table 7. Model Statistics

Statistic	Value
R-squared	0.254289
Adjusted R-squared	0.205867
F-statistic	5.251443
Prob(F-statistic)	0.000001

Source: Processed by the Author (2026)

Table 7 presents the overall model statistics of the regression analysis. The regression model produces an R-squared value of 0.254289, indicating that approximately 25.43% of the variation in Future Earnings Response Coefficient (FERC) can be explained by income smoothing, foreign ownership, corporate governance, corporate social responsibility (CSR) disclosure, asymmetric information, the interaction terms, and firm size included in the model. Meanwhile, approximately 74.57% of the variation in FERC is attributable to factors outside the research model, suggesting that earnings informativeness may also be influenced by other firm-specific, market-related, and institutional factors not included in the present study.

The adjusted R-squared value of 0.205867 indicates that the independent variables included in the model explain a meaningful proportion of the variation in Future Earnings Response Coefficient (FERC). These findings suggest that earnings informativeness in emerging markets is influenced by various governance, disclosure, and market information factors.

Furthermore, the F-statistic value of 5.251443 with a probability value of 0.000001 indicates that the regression model is statistically significant at the 1% significance level. This result suggests that the independent variables jointly have a significant effect on Future Earnings Response Coefficient (FERC). Therefore, the regression model is considered appropriate for explaining the determinants of earnings informativeness in the Indonesian capital market during the post-COVID-19 period.

Discussion

Income Smoothing and FERC

The results indicate that income smoothing does not significantly affect Future Earnings Response Coefficient (FERC). This finding indicates that investors do not strongly rely on income smoothing practices when evaluating future earnings informativeness in the Indonesian capital market. In emerging markets characterized by relatively high information asymmetry and varying disclosure quality, investors tend to respond cautiously to earnings stability signals.

This finding is inconsistent with Tucker and Zarowin (2006), who found that income smoothing may improve future earnings informativeness because smoother earnings help investors estimate future firm performance more accurately. However, the results are consistent with studies in emerging markets showing that income smoothing does not always influence investor responses due to low disclosure credibility and uncertainty regarding earnings quality (Dechow et al., 2010; Khan et al., 2022). During the post-COVID-19 period, investors may also prioritize liquidity, profitability, and broader market conditions rather than earnings management indicators.

Foreign Ownership and FERC

The results show that foreign ownership negatively affects Future Earnings Response Coefficient (FERC). This finding indicates that firms with higher foreign ownership tend to experience lower future earnings informativeness.

Although foreign ownership is generally associated with stronger monitoring mechanisms (Chhibber & Majumdar, 1999; Blomstrom & Kokko, 1998), the findings suggest that these benefits may not operate effectively in emerging markets characterized by institutional uncertainty and uneven disclosure quality. This result is consistent with Healy and Palepu (2001), who emphasized that disclosure quality and information environments strongly influence investor perceptions regarding financial reporting credibility.

The findings also support recent studies indicating that governance and disclosure mechanisms in emerging markets may not always function effectively because of institutional limitations and inconsistent regulatory enforcement (Saeed et al., 2023). Foreign investors may therefore respond more cautiously to future earnings information due to concerns regarding transparency, disclosure reliability, and market volatility. This finding may indicate that foreign

investors rely not only on reported earnings but also on broader institutional, governance, and market signals when assessing future firm performance in emerging markets.

Corporate Governance and FERC

The results indicate that corporate governance has a positive and marginally significant effect on FERC. This evidence supports that stronger governance practices partially improve investor confidence regarding future earnings information.

The findings are consistent with agency theory proposed by Jensen and Meckling (1976), which explains that corporate governance functions as a monitoring mechanism intended to reduce agency conflicts and improve managerial accountability. The results also support García-Sánchez et al. (2021) and Hassan and Romilly (2018), who found that governance quality influences investor confidence and market perceptions regarding corporate transparency.

Recent evidence by Alodat et al. (2023), Nguyen et al. (2024), and Buertey et al. (2024) also demonstrates that governance effectiveness in emerging markets is closely associated with institutional quality, disclosure transparency, and investor protection mechanisms. However, the relatively weak significance indicates that governance effectiveness in Indonesia may still be perceived as compliance-oriented rather than fully substantive. As a result, governance mechanisms may improve investor confidence, but their ability to enhance earnings informativeness depends on the extent to which governance practices are implemented effectively rather than merely fulfilling regulatory requirements.

CSR Disclosure and FERC

The results show that CSR disclosure negatively affects Future Earnings Response Coefficient (FERC). This finding indicates that broader CSR disclosure tends to reduce investor responses to future earnings information.

This result is inconsistent with signaling theory proposed by Spence (1973), which suggests that CSR disclosure should function as a positive signal regarding corporate transparency and long-term sustainability. However, the findings are consistent with Cho et al. (2013), who argued that variations in disclosure quality and reporting credibility may reduce the usefulness of CSR information for investors.

Recent studies by Velte (2022), Orazalin and Akhmetzhanov (2023), and Orazalin and Mahmood (2024) also indicate that the quality and credibility of sustainability disclosure play an important role in shaping investor perceptions in emerging markets. The negative relationship identified in this study suggests that CSR disclosure may not always be interpreted as value-relevant information for predicting future earnings performance. In the Indonesian capital market, investors may perceive extensive CSR disclosure as a compliance-oriented activity or a legitimacy mechanism rather than as evidence of stronger future financial prospects. Consequently, investors may place greater emphasis on financial indicators such as profitability, cash flows, and earnings stability when evaluating future firm performance. This finding does not necessarily imply that CSR disclosure lacks importance; rather, it suggests that the credibility and informativeness of sustainability reporting may vary across firms, reducing its ability to enhance future earnings informativeness. The result further highlights the importance of improving the quality, consistency, and transparency of CSR reporting to strengthen investor confidence in non-financial disclosures.

Asymmetric Information and FERC

The results indicate that asymmetric information positively affects FERC. This finding demonstrates that under higher information asymmetry conditions, investors respond more strongly to future earnings information.

This finding is consistent with Healy and Palepu (2001), who explained that asymmetric information increases uncertainty among investors regarding firm performance and future prospects. Consequently, investors rely more heavily on future earnings information in investment decision-making. The findings also support Collins et al. (1994), who argued that stock prices may incorporate expectations regarding future earnings before earnings announcements are publicly released.

This finding may also reflect the characteristics of emerging capital markets, where information distribution is often uneven and investors face greater challenges in obtaining reliable information. Under such conditions, future earnings become an important source of information for assessing a firm's long-term prospects. As information asymmetry increases, investors tend to place greater emphasis on earnings expectations and forward-looking information when valuing firms. Consequently, future earnings information becomes more relevant in investors' valuation decisions, resulting in a higher Future Earnings Response Coefficient (FERC). This result suggests that earnings informativeness in the Indonesian capital market is shaped not only by accounting performance but also by the quality of the information environment surrounding the firm.

The Moderating Role of Asymmetric Information

The results indicate that asymmetric information does not moderate the relationship between income smoothing and FERC, nor the relationship between foreign ownership and FERC. These findings suggest that information asymmetry does not substantially alter how investors interpret income smoothing practices and foreign ownership in evaluating future earnings informativeness.

In contrast, asymmetric information significantly weakens the positive effect of corporate governance on FERC. This finding supports agency theory, which emphasizes that information gaps between managers and investors reduce monitoring effectiveness and weaken investor trust in governance-related disclosures.

The results also show that asymmetric information strengthens the relationship between CSR disclosure and FERC. This result suggests that when information asymmetry is high, investors may rely more heavily on CSR disclosure as an alternative source of information to reduce uncertainty regarding future firm prospects. Under such conditions, sustainability-related disclosures become increasingly relevant in supporting investment decisions, particularly when traditional financial information is perceived as insufficient to fully assess future performance. This finding is consistent with signaling theory proposed by Spence (1973), which explains that disclosure practices reduce uncertainty and improve market perceptions regarding corporate credibility. Recent studies by Boubaker et al. (2023) and Arif et al. (2023) further indicate that ESG and sustainability-related disclosures increasingly influence investor perceptions in emerging capital markets, particularly during periods of heightened uncertainty and economic instability. Therefore, CSR disclosure may serve as a complementary information source that helps investors evaluate future firm prospects when information asymmetry is relatively high.

Integrated Interpretation (Emerging Market Perspective)

Overall, the findings indicate that earnings informativeness in emerging markets is influenced not only by accounting performance, but also by governance quality, disclosure credibility, ownership structure, and market information conditions. The results show that foreign ownership and CSR disclosure negatively affect Future Earnings Response Coefficient (FERC), while corporate governance demonstrates a weak positive relationship with future earnings informativeness. In addition, asymmetric information plays an important moderating role in shaping investor responses to governance and sustainability-related disclosures.

These findings suggest that investors in the Indonesian capital market may interpret financial and non-financial information differently during the post-COVID-19 recovery period. The negative effect of foreign ownership indicates that foreign investors may respond more cautiously to future earnings information due to institutional uncertainty and disclosure inconsistency. Similarly, the negative relationship between CSR disclosure and FERC suggests that sustainability disclosures in emerging markets may not always be perceived as credible indicators of future financial performance. This finding supports Cho et al. (2013), who argued that sustainability disclosures may function more as symbolic legitimacy than substantive transparency when disclosure quality remains uneven. Meanwhile, the positive effect of corporate governance suggests that stronger governance practices may strengthen investor confidence regarding future earnings information. These conditions are particularly relevant in the Indonesian capital market, where governance implementation and disclosure quality remain relatively heterogeneous across firms despite increasing regulatory oversight by the Financial Services Authority (OJK).

These results are consistent with Buertey et al. (2024) and Orazalin and Mahmood (2024), who emphasized that the effectiveness of governance and disclosure mechanisms in emerging markets depends heavily on disclosure credibility, transparency, institutional quality, and investor trust. Under conditions of relatively high information asymmetry, investors tend to place greater emphasis on disclosure quality and institutional credibility in evaluating future corporate performance. The post-COVID-19 recovery period may also have increased investor sensitivity toward disclosure credibility, transparency, and future earnings information. Therefore, improving transparency and disclosure quality remains important for strengthening earnings informativeness in emerging capital markets.

CONCLUSION

This study examines the determinants of Future Earnings Response Coefficient (FERC) in the Indonesian capital market, with asymmetric information acting as a moderating variable. The results indicate that foreign ownership and corporate social responsibility (CSR) disclosure negatively affect FERC, while corporate governance shows a weak positive effect on future earnings informativeness. Income smoothing does not significantly affect FERC.

The findings also show that asymmetric information plays an important moderating role in shaping investor responses to governance and sustainability-related disclosures. Asymmetric information weakens the effect of corporate governance on FERC while strengthening the relationship between CSR disclosure and future earnings informativeness. However, asymmetric information does not significantly moderate the relationship between income smoothing, foreign ownership, and FERC.

Overall, the findings suggest that earnings informativeness in emerging markets is influenced not only by accounting-related factors but also by governance quality, disclosure credibility, ownership structure, and market information conditions. In environments characterized by relatively high information asymmetry and institutional uncertainty, investor responses to future earnings information depend heavily on transparency, disclosure quality, and market trust.

This study contributes to the FERC literature by integrating financial and non-financial determinants within a moderated framework in an emerging market context. The findings also highlight the importance of improving governance effectiveness, disclosure credibility, and transparency to enhance earnings informativeness in the Indonesian capital market. For regulators, the findings highlight the importance of strengthening disclosure standards and governance monitoring mechanisms. For firms, improving the credibility of sustainability reporting and governance implementation may enhance investor confidence in future earnings information.

This study is subject to several limitations. The analysis is limited to Indonesian listed companies during the 2020–2022 observation period and focuses on a specific set of governance, ownership, disclosure, and information environment variables. Future studies may employ longer observation periods, alternative measures of earnings informativeness, and comparative analyses across different emerging markets to provide a broader understanding of the determinants of future earnings informativeness.

Suggestions for Future Research

Future studies may examine additional determinants of Future Earnings Response Coefficient (FERC), such as audit quality, ESG performance, institutional ownership, and investor sentiment. Further research may also employ alternative proxies for asymmetric information and earnings informativeness, as well as alternative FERC estimation methods, to provide more comprehensive evidence regarding investor responses to future earnings information. In addition, future studies may extend the observation period to capture pre-pandemic, during-pandemic, and post-pandemic dynamics and conduct comparative analyses across emerging markets, such as Indonesia, Malaysia, Thailand, and Vietnam, to provide broader insights into how institutional quality, governance practices, and disclosure environments influence earnings informativeness under varying market conditions.

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