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Determinant Stock Liquidity with Asymmetric Information as Intervening Variables in Property and Real Estate Companies Listed on the Indonesia Stock Exchange

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Abstract: This study aims to analyze the influence of financial strategy, capital expenditure, and earnings growth on stock liquidity through the role of information asymmetry as an intervening variable in property and real estate companies listed on the Indonesia Stock Exchange. Stock liquidity is identified as a crucial element in equity market stability, where information asymmetry often challenges the main factors influencing stock trading activity. The methodology used involves secondary data analysis of major property board companies during the period 2018-2023. Data were analyzed using a structural equation modeling (SEM PLS) approach to identify direct and indirect relationships between the studied variables. The results show that financial strategy and capital expenditure have a positive effect on stock liquidity, both directly and through information asymmetry. Earning growth contributes significantly to reducing information asymmetry, which ultimately increases stock liquidity. These findings support the importance of information transparency and strategic management as a means to increase investor confidence and market stability. This study provides an in-depth overview of stock liquidity dynamics in the context of the property and real estate market listed on the Indonesia Stock Exchange, highlighting the critical role of strategic information management. It also recommends the implementation of policy transparency and effective communication strategies to mitigate the negative impact of information asymmetry.

Keywords: Financial Strategy, Capital Expenditure, Earnings Growth, Asymmetric Information, Stock Liquidity.

INTRODUCTION

The Stock Exchange is a place where companies seek additional funding for their business continuity, except in Indonesia. Companies can do this by offering a portion of their shares to the public in accordance with applicable regulations in Indonesia and the Indonesia Stock Exchange, and the public will receive proof of share ownership (Purwanto & Wijaya, 2022). Company shares purchased by the public (individuals or companies) during an initial public offering can be traded on the stock exchange to other investors. Shares traded on the

stock exchange are expected to attract investor interest so that they can be quickly converted into cash and cash equivalents for the public selling them (Gunawan & Oktaviani, 2021).

Investor interest in company share transactions on the stock exchange is influenced by the liquidity of the shares in question. Margaretha (2014) stated that high investor interest in a stock indicates high liquidity (the shares are traded more frequently). Lower investor interest in a stock indicates low liquidity (the shares are traded less frequently) or less frequently traded. The liquidity component in this study is examined in terms of stock trading frequency because the focus of this study is not the number of shares traded but rather the frequency of a stock's trading within a given period (Mulfita & Yusra, 2019).

In the dynamic realm of financial markets, stock liquidity (stock liquidity) emerges as a key attribute that enables asset transactions without causing significant price fluctuations. As an integral part of the broader liquidity framework, liquidity plays a crucial role in supporting equity market efficiency, facilitating investors' ability to enter or exit positions with minimal impact costs. Factors such as market depth, trading volume, and the spread between buy and sell prices play key roles in determining stock liquidity (Natsir et al., 2019). However, the issue of asymmetric information, where there is an imbalance in access to or quality of information between market participants, dominates as a significant factor influencing stock liquidity, requiring in-depth analysis of its impact and mitigation strategies (Arifin, 2007).

Rooted in basic economic theory, the concept of asymmetric information highlights the anomalies of emerging markets, which impact investors in navigating this complexity. Stock liquidity, which indicates the ease of trading stocks without significant price changes, is significantly affected by the dynamics of asymmetric information. Interactions between informed and uninformed traders, based on information differences, can significantly impede market participation, causing variations in liquidity across stocks (Attig et al., 2006). This phenomenon highlights the need for regulatory mechanisms and market practices that can address the negative impacts of asymmetric information, supporting a liquid and efficient market environment.

Stock liquidity is a crucial element of financial markets, allowing investors to trade securities with minimal impact on prices. Various studies have identified factors influencing stock liquidity, beyond three primary variables—financial strategy, capital expenditure, and earnings growth. For example, Wang & Ma (2025) found that volatility in outstanding earnings and market value significantly increased stock liquidity, suggesting that larger firms and stable financial performance attract more trading activity.

Financial strategies, proxied by capital structure as an independent variable, contribute to increased returns using external financing or debt, thus improving financial performance. Financial strategies that do not use additional equity capital (equity financing from shareholders) are based on leverage considerations, considering the higher cost of capital compared to debt or equity financing, particularly given limited equity (Frand & Goyal, 2024).

Reasonable capital expenditures can influence stock liquidity, leading to increased sales or more economical business scale expansion. This is where management's investment decisions come into play, determining the feasibility of financial accounting alternatives that consider discounted cash inflows and outflows, or the feasibility of alternative economic considerations of externalities or social benefits and costs, in addition to financial aspects. Research by Putri et al. (2021) reports that capital expenditure has a positive and significant effect on revenue growth. This means that capital expenditure has a positive effect on cost leadership or the revenue-to-cost ratio.

Company growth can have a complex impact on stock liquidity, depending on various factors such as growth rate, growth stability, and the level of asymmetric information. By

implementing transparent and effective communication strategies, companies can help investors understand their growth potential and increase their stock liquidity. Company growth is an important factor for internal investors to consider when evaluating a company. Positive growth can increase the attractiveness of a company's shares and boost liquidity (Mandjar & Triyani, 2019).

This study uses agency theory, signaling theory, and asymmetric information theory. Agency theory is a concept used to understand the relationship between a principal (who grants authority) and an agent (who acts on behalf of the principal) (Jensen & Meckling, 1978). Signaling theory is one of the theories underlying the problem of information asymmetry. This theory utilizes company management to provide positive and negative signals to reduce information asymmetry (Kim & Lee, 2019). Asymmetric Information Theory is a condition in which one party has more information than another party. For example, company management has more information than investors in the capital market (Auronen, 2003).

Updates in study This is the existence of asymmetric information and earnings growth that can be used as stock liquidity tool on a company, although there have been lots of research that examines company liquidity (Daryaie and Fattahi, 2021, Chiad and Sahraoui, 2022), there are a number of gaps that still exist. Not yet touched in a way deep. The problem of information asymmetry at the company property and real estate in Indonesia is still a big challenge for investors. Many investors do not own sufficient information about the financial strategy that the company will execute to maintain their performance and liquidity. Existing research often does not integrate factor asymmetry information with a company's financial strategy in an in-depth way. Empirical studies that examine How transparency of information and communication company with investors can influence liquidity shares are very necessary . This is important For understanding How companies can reduce information asymmetry and improve investor confidence, especially in economic situations that are uncertain post pandemic.

Literature Review

Asymmetric Information Theory

Information asymmetry is a condition in which one party has more information than another. The level of this information asymmetry varies from very high to very low. Information asymmetry significantly impacts financial and financial decisions (Atmaja, 2020). According to Lubis & Pratiwi (2020), information asymmetry exists between managers and external parties. Managers have more complete information about the company's condition than external parties. When stock prices are overvalued, managers tend to issue shares (taking advantage of the high price). Of course, external parties (the market) do not want to cheat.

Information asymmetry is an important mediating variable because the property sector often faces information imbalances between management companies and investors. Prasetyo (2022) emphasizes that information asymmetry can undermine investor confidence, increase bid-ask spreads, and decrease stock liquidity. In the Indonesian context, information asymmetry is more significant because the level of transparency in the property sector remains low compared to other sectors (Lahaya, 2016). With a sound financial strategy, companies can reduce information ambiguity, thereby increasing investor confidence.

Stock Liquidity

Stock liquidity is something relatively valuable that is traded quickly on the stock market, where the stock price has aligned with the stock's intrinsic value (Becker-Blasé & Paul, 2006). Other experts state that stock liquidity is the ability to buy and sell shares

without being influenced by the stock price (Gopalan et al., 2012). Based on the explanation and definition of stock liquidity, stock liquidity has the following characteristics: 1) shares can be sold relatively quickly and regularly. 2) share prices reflect available information. 3) shares can be sold only when the stock exchange is open. 4) shares are always traded by stock market participants when the stock market is operating. 5) share prices (buy and/or sell) have a relatively small difference and are tolerable by investors willing to buy or sell shares. 6) The frequency and volume of stock trading are relatively high on the One-Day Stock Exchange.

Stock liquidity is... A stock is defined as easily and/or quickly traded on the stock market, with its actual market price (intrinsic value), or in other words, easily converted into cash or other equivalents (Rahma, 2020). Therefore, a stock's liquidity can be determined by investor interest in stock transactions, as evidenced by the frequency and/or volume of stock trading.

Financial Strategy

Financial strategy or capital growth structure (FLEV) is a company's strategic management decision in determining the composition of its capital structure during the observation period (t), which can influence the company's liquidity evaluation criteria (Calandro & Flynn, 2007). Financial strategy or capital structure is an independent variable that contributes to increasing the ability to generate returns by using debt or external financing, thereby improving financial performance outcomes such as return on equity (ROE) and return on assets (ROA) without using additional funding from shareholders. Debt selection, taking into account the cost of capital, is more important for increasing stock liquidity (Alekseev et al., 2018). This capital structure is able to influence the cost leadership ratio or the best comparison between income and costs, and has an impact on stock liquidity, thus being the reason for selecting this variable as an independent variable.

Capital Expenditure

Carter and Usry (2002) state that capital expenditures are costs or funds intended to provide benefits in future periods and are reported as assets. Horngren (2009) states that capital expenditures are expenditures that increase the capacity or efficiency of an asset or extend its useful life. Gitman (2000) defines capital expenditures as expenditures that a company expects to generate profits over a period of more than one year. A viable capital expenditure or investment policy can impact stock liquidity to increase sales or expand a business's scale more economically. This is where management's investment decisions come into play, determining the feasibility of financial accounting alternatives that consider discounted cash inflows and outflows, or the feasibility of alternative economic considerations of externalities or social benefits and costs in addition to financial aspects.

Earnings Growth

Earnings before interest and taxes (EBIT) growth is a variable that indicates a company's operating results each period. Operating profit growth indicates that high operating profit growth will directly impact funding strength, which can improve efficiency or cost leadership, and influence stock liquidity (Eng & Vichitsarawong, 2022). Earnings before interest and taxes, or EBIT, is a variable that influences stock liquidity. Profitability indicates the operational ability to generate revenue or profit greater than operating costs. The greater the positive difference between operating income and operating costs, the more positive its impact on stock liquidity (Strouhal et al., 2018). Earnings before interest and

taxes, or EBIT, can influence the cost leadership ratio, or the optimal ratio between revenue and costs, and impact stock liquidity, thus justifying its selection as an independent variable.

Framework Study

From all over description on so can made framework Work as following:

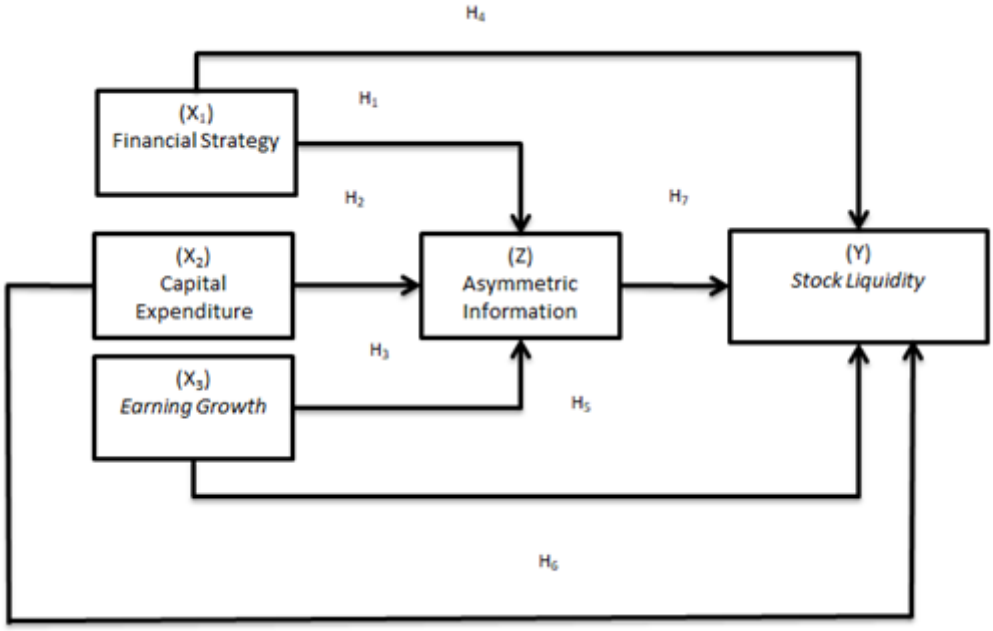

Figure 1 Framework Work Study

Hypothesis

H1: Financial strategy has influence against asymmetric information
H2: Capital expenditure has influence against asymmetric information
H3: Earning growth has influence against asymmetric information
H4: Financial strategy has influence on stock liquidity
H5: Capital expenditure has influence on stock liquidity
H6: Earning growth has influence on stock liquidity
H7: Asymmetric information has influence on stock liquidity
H8: *Financial strategy* has influence to *stock liquidity* through *asymmetric information*
H9: Capital expenditure has influence on stock liquidity through asymmetric information
H10: Earning growth has influence on stock liquidity through asymmetric information

METHOD

This research design is based on a questionnaire study, while the research approach uses a quantitative survey method. Survey research is research that collects information from a sample using questionnaires to describe aspects of the population. This research is a causality study to obtain empirical results on the influence of financial strategy, capital expenditure, and profit growth on stock liquidity, with asymmetric information as an intervening variable. Stock liquidity in this study uses the illiquid measure from Amihud (2002) as the inverse measure of stock liquidity (ILLIQ). The financial strategy variable uses the debt-to-equity ratio (DER). These variables are Capital Expenditure, Profit Growth, and Asymmetric Fixed Information with the same name. The population in this study is property and real estate companies listed on the Indonesia Stock Exchange (IDX). Meanwhile, the sample of this study is property and real estate companies. The main companies listed on the IDX are 35 companies.

The data collection technique in this study was conducted through a library method, namely by reading and studying books and journals related to the problem in this study as well as documentation by studying, collecting, recording, and reviewing and analyzing secondary data from property and real estate financing companies' reports on the main board of companies listed on the IDX. After the data collection or field of work is completed, the data will be converted by editing, coding, and tabulating data (Zikmund et al., 2014). Thus, standardized data can be obtained, both in terms of consistency and uniformity of data. Next, the data is analyzed. This study uses data analysis using SmartPLS software, which is run on a computer. PLS (Partial Least Square) is a variant-based structural similarity analysis (SEM) that can simultaneously test measurement models and test structural models. The measurement model is used for validity and reliability testing, while the structural model is used for causality testing. PLS (Partial Least Square) is a soft modeling analysis because it does not assume that the data must be on a certain measurement scale, which means the number of samples can be small (under 100 samples)..

RESULTS AND DISCUSSION

Measurement Model Testing (Outer Model)

Validity testing is conducted to determine the research instrument's ability to measure what it is supposed to measure. An indicator has a factor loading above 0.5 on the desired construct. Validity testing for reflective indicators uses the correlation between item scores and construct scores. Measurement with reflective indicators shows changes in an indicator within a construct if other indicators within the same construct change (or are removed from the model). The Smart PLS output is as follows.

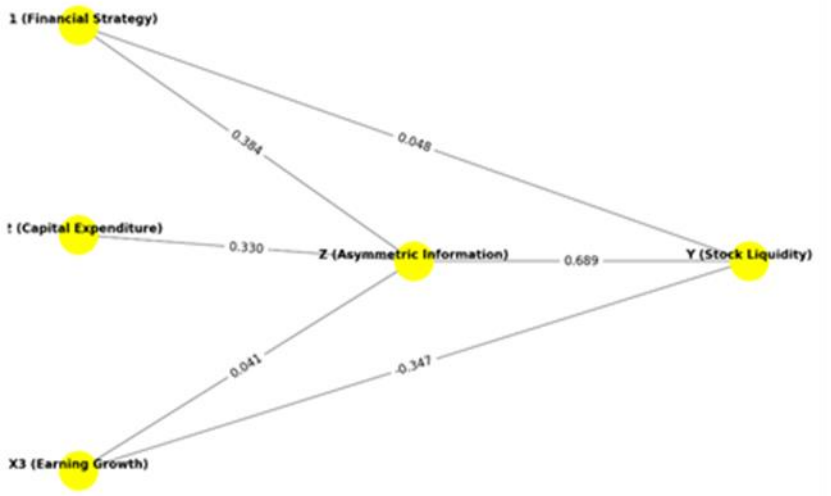

Figure 2 Smart PLS Output

Based on the image above construct of each variable has a loading factor of 0.000, so the Smart PLS Output loading factor with results as following:

Table 1 Loading Factor

Variables	Original Sample (O)	Original Sample (O)	T Statistics (O/STERR)	Results
Financial Strategy	1.000	>0.5	>1.96	Valid
Capital Expenditure	1.000	>0.5	>1.96	Valid

Earning Growth	1.000	>0.5	>1.96	Valid
Asymmetry Information	1.000	>0.5	>1.96	Valid
Stock Liquidity	1.000	>0.5	>1.96	Valid

Source: Processed data (2024)

In this study, we used reflective indicators to measure specific drafts. To ensure the validity of these indicators, we analyzed the strength of the relationship between each item and the overall concept being measured. The analysis showed that all items had a very strong relationship with the concept, as indicated by factor loading values exceeding the threshold of 0.5. This finding indicates that the indicators we used can accurately measure the concept we intended to examine, thus meeting the criteria for convergent validity.

Latent Variable Correlations Testing

Interpretation latent variable correlation own mark standard that is must more from 0.5 in study This mark latent variable correlations can seen in the table following:

Table 2 Latent Variable Correlations

	Financial Strategy	Capital Expenditure	Earning Growth	Asymmetry Information	Stock Liquidity
Financial Strategy	1.00	0.564	0.456	0.347	0.292
Capital Expenditure	0.564	1.00	0.5662	0.256	0.402
Earning Growth	0.456	0.385	1.00	0.312	0.231
Information Asymmetry	0.347	0.359	0.412	1.00	0.361
Stock Liquidity	0.292	0.452	0.253	0.251	1.00

Source: Processed data (2024)

Based on coefficient correlation between variables in the table can concluded gauge (indicator) used in study This has fulfil criteria validity discriminant.

Measurement Model Testing (Inner Model)

Tests on the structural model were carried out For test connection between latent construct . The R Square value is coefficient determination on endogenous constructs. The R Square value as presented in the table following:

Table 3 R-Square

	R Square	R Square Adjusted
Information Asymmetry	0.831	0.821
Stock Liquidity	0.853	0.812

Source: Processed Data (2024)

Based on the regression test results, information asymmetry has an R-square value of 0.83, indicating that Financial Strategy, Capital Expenditure, and Revenue only contribute 83% to information asymmetry, while other factors besides Financial Strategy, Capital Expenditure, and Revenue contribute 17%.

Based on the regression test results, liquidity share has an R-square value of 0.85, indicating that Financial Strategy, Capital Expenditure, and Revenue only contribute 85% to liquidity share, while other factors besides Financial Strategy, Capital Expenditure, and Revenue contribute 15%.

The path coefficient estimate represents the path coefficient, or the significant relationship/influence on the latent construct, with 0.02 being weak; 0.15 being moderate; and 0.35 being strong. The path coefficient estimation was performed using the bootstrapping procedure. Effect size (f-square) is used to determine the goodness-of-fit of the model.

Table 4 F-Square

	Information Asymmetry	Stock Liquidity
Financial Strategy	0.128	0.127
Capital Expenditure	0.002	0.073
Earning Growth	0.204	0.007
Asymmetry Information		0.043

Source : Processed data (2024)

Based on table, highest f-square information asymmetry is influence capability organization to Information Asymmetry of 0.204. Then , the highest f-square liquidity share is the influence of intellectual capital to liquidity share of 0.083.

Hypothesis Testing

The significance of the hypothesis support measure can be measured by comparing the T-table and T-statistic values. If the T-statistic value is higher than the T-table value, it means the hypothesis is accepted. For a 95 percent confidence level (alpha 5 percent), the T-table value for a two-sided hypothesis is ≥ 1.96 and for a one-sided hypothesis is ≥ 1.64. To evaluate the significance of the prediction model in testing the structural model (inner model), it can be seen from the T-statistic value between the independent variable and the dependent variable in the path coefficient table in the Smart PLS output as presented in Figure 2 and tables 5 and 6, namely as follows:

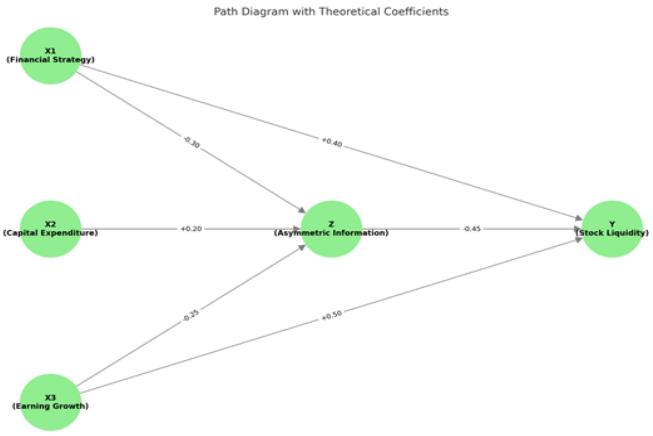

Figure 3 Bootstrapping Data Processing Results

Table 5 Path Coefficient at Smart PLS Output

	Original Sample (O)	T statistics	P-Value (P<0.05) Sig	Conclusion
Financial Strategy → Asymmetry Information	0.30	3.703	0.000*	Hypothesis Accepted
Financial Strategy → Stock Liquidity	0.40	2.249	0.012*	Hypothesis Accepted
Capital Expenditure → Asymmetry Information	0.20	4.644	0.000*	Hypothesis Accepted
Capital Expenditure → Stock Liquidity	0.23	3.501	0.004*	Hypothesis Accepted
Earning Growth → Asymmetry Information	0.25	3.364	0.004*	Hypothesis Accepted
Earning Growth → Stock Liquidity	0.40	2.579	0.013*	Hypothesis Accepted
Asymmetry Information → Stock Liquidity	0.450	2.841	0.033*	Hypothesis Accepted

Source : Processed data (2024)

The results of table 5 with level 95% confidence level shows :

1. Financial Strategy influential negative to Asymmetric Information with P-Value of 0.012 or more small from 0.05
2. Financial Strategy influential positive to Stock Liquidity with P-Value of more than 0.013 small from 0.05
3. Capital Expenditure influential positive to Asymmetric Information with a P-Value of more than 0.004 small from 0.05
4. Capital Expenditure influential positive to Stock Liquidity with a P-Value of more than 0.000 small from 0.05
5. Earning Growth influential negative to Asymmetric Information with a P-Value of more than 0.004 small from 0.05
6. Earning Growth influential positive to Stock Liquidity with P-Value of more than 0.000 small from 0.05
7. Asymmetric Information influential negative to Stock Liquidity with P-Value of more than 0.003 small from 0.05

Table 6 Specific Indirect Effects on Smart PLS Output

	Original Sample (O)	T statistics	P-Value (P<0.05) Sig	Conclusion
Financial Strategy → Information Asymmetry → Stock Liquidity	-0.18	3.506	0.006*	Hypothesis Accepted
Capital Expenditure → Asymmetry Information → Stock Liquidity	-0.09	2.653	0.049*	Hypothesis Accepted

Earning Growth → Asymmetry Information → Stock Liquidity	-0.225	3.216	0.006*	Hypothesis Accepted

Source : Processed data (2024)

Results of table 6. with level 95% confidence level shows:

1. Financial Strategy through information asymmetry capable mediate Stock Liquidity with a P-value of more than 0.006 small from 0.05
2. Capital Expenditure through information asymmetry capable mediate Stock Liquidity with a P-value of 0.049 or more small from 0.05
3. Earning Growth through information asymmetry capable mediate Stock Liquidity with a P-value of more than 0.006 small from 0.05

Discussion

The Effect of Financial Strategy on Asymmetric Information

The research findings yield a coefficient of 0.30 for financial strategy on asymmetric information, with a P-value of 0.012 <0.05. In conclusion, financial strategy negatively impacts asymmetric information, meaning that the higher the financial strategy, the lower the asymmetric information. This finding corroborates previous research (Brennan & Kraus, 1987), which showed that financial strategy can easily overcome adverse selection problems in cases where information asymmetry is characterized by the dominance of the first stochastic level or differences in the average ordering across all company income distributions. Research conducted by Darmawan & Pamungkas (2019) concluded that financial attitudes, financial behavior, and financial strategy influence asymmetric information. Strategies to mitigate these differences include increasing transparency and developing metrics to rank stakeholder interests based on their information superiority, thereby improving decision-making quality. The Effect of Capital Expenditures on Asymmetric Information

The research findings yield a coefficient of 0.20 for capital expenditure on asymmetric information, with a P-value of 0.013 <0.05. In conclusion, capital expenditures have a positive effect on asymmetric information, meaning they can increase asymmetric information (positively) if not managed transparently. However, this effect is likely not dominant. When investors have less information about a company's financial health or future prospects, they demand higher returns to compensate for perceived risks. This is supported by findings showing a positive relationship between information asymmetry and the cost of equity capital (Nasih et al., 2016). Similarly, other studies highlight that high information asymmetry increases transaction costs and reduces liquidity, thereby increasing the cost of equity capital (Lahaya, 2016). Companies facing high levels of information asymmetry often experience greater sensitivity in their investment decisions. This is because the uncertainty associated with asymmetric information makes it difficult for companies to secure financing, causing them to rely more on internal funds. This phenomenon is observed in studies where investment spending is lower and more sensitive to cash flow fluctuations when the probability of trading information is high. The pricing order theory is also relevant here, as it suggests that companies prefer internal funding over external sources when faced with information asymmetry.

The Effect of Growth on Information Asymmetry

Based on the study's findings, the growth coefficient for information asymmetry is 0.25 and the P-Value is 0.004 <0.05. In conclusion, growth negatively affects information asymmetry, meaning that earnings growth reduces uncertainty and reduces information

asymmetry. Earnings growth negatively affects information asymmetry. The relationship between earnings growth and asymmetric information is an important theme in finance and management theory.

Earnings quality is an important factor in reducing information asymmetry. High-quality earnings reports can reduce information asymmetry by providing clearer insights into a company's financial performance, thereby increasing investor confidence and reducing the cost of equity capital (Lahaya, 2016). Information asymmetry also influences earnings management practices. Companies can engage in earnings management to manipulate financial results, which can be exacerbated by information asymmetry. This manipulation can distort a company's financial health, impacting investor decisions and market efficiency (Yando, 2018).

The Influence of Financial Strategy on Stock Liquidity

Based on findings study show size financial strategy coefficient on liquidity share of 0.40 with P-Value value of 0.000<0.05. In conclusion , the financial strategy influential positive to liquidity stocks , good financial strategies increase liquidity share with increase investor confidence and transparency . Impact implementation of financial strategies to liquidity share Can Enough significant . Relationship between financial strategy and liquidity shares (stock liquidity) is an important area in studies finance that studies How decision financial company influence ability its shares For traded with easy in the market.

Trading strategically by informed traders can in a way significant influence liquidity shares . Informed traders , who have information superior , in terms of strategic trade oppose market maker for maximize profit they . Behavior strategic This can hinder distribution information to the market, influencing dynamics liquidity (Mendelson & Tunca, 2007). Learning process about Market liquidity also plays a role . Informed traders adjust their strategy based on movement past prices and trading volume , which can be cause change belief they about market liquidity . Learning process This influence aggressiveness trading and, consequently , liquidity stock (Hong & Rady, 2000). Liquidity stocks also affect decision investment company . Company with liquidity more shares Good can utilise opportunity investment with more effective , leading to more investment height and increase efficiency capital allocation . Relationship This moderated by factors like constraint finance and growth company.

The Effect of Growth on Stock Liquidity

Based on the study's findings, the coefficient of growth in size on stock liquidity is 0.50 with a P-value of 0.000 < 0.05. The conclusion is that growth has a positive effect on stock liquidity, meaning that higher earnings growth significantly increases investor confidence and stock liquidity. Company growth itself has a significant impact on stock liquidity. Consistent, market-visible positive growth tends to increase liquidity, thus attracting investor interest. However, the volatility and uncertainty that may arise with growth can negatively impact liquidity. Therefore, effective management and transparent growth are crucial to maximizing stock liquidity.

The relationship between liquidity and growth is non-linear. Research shows that excessive liquidity can be detrimental to growth, with a threshold at which the marginal effect of liquidity turns negative. This is particularly evident in high-income countries, where the effects of increased liquidity on growth are better explained (Sitorus & Elinarty, 2017). Liquidity also affects stock returns, with more liquid stocks generally generating higher returns. This is supported by research on the Indonesian stock market, where stock liquidity was found to have a positive and significant effect on stock returns (Violita, 2019).

The Effect of Asymmetric Information on Stock Liquidity

The research findings show that the coefficient of information asymmetry on stock liquidity is 0.45, with a P-Value of 0.033 <0.05. The conclusion is that information asymmetry negatively impacts stock liquidity. This means that information asymmetry reduces stock liquidity because investors are more cautious when information is not evenly available. The relationship between information asymmetry and stock liquidity is an important area of study in financial markets due to its impact on market efficiency and investor behavior. Asymmetric information, where some market participants have more or better information than others, can significantly impact stock liquidity, which is the ease of buying or selling shares without affecting the price.

Various measures of adverse selection, such as the bid-ask spread, are used to estimate information asymmetry. This often shows a strong correlation with illiquid stocks, reinforcing the idea that higher information asymmetry leads to less market liquidity (Będowska-Sójka & Garsztka, 2019). Meanwhile, the relationship between information asymmetry and stock liquidity is generally negative, meaning that higher information asymmetry leads to higher liquidity. There are nuances based on market conditions and governance structures. For example, in some cases, strategic liquidity provision can mitigate the adverse effects of information asymmetry, highlighting the complex interplay between market participants and information dynamics. Understanding this relationship is crucial for market-making policies and regulators aimed at improving market efficiency and investor confidence.

The Influence of Financial Strategy on Stock Liquidity through Asymmetric Information

Based on research findings, the magnitude of The coefficient of Financial Strategy on Stock Liquidity through Asymmetric Information is 0.070 with P-Value value of 0.006 < 0.05. In conclusion, the financial strategy has a positive influence on liquidity share through information asymmetry, meaning the higher financial strategy so liquidity share will increase through low information asymmetry. The relationship between financial strategy and liquidity share through the lens of asymmetric information is a multifaceted topic involving understanding How asymmetric information influences market dynamics and investor behavior. Financial strategies, such as company disclosure, dividend policy, and ownership structure, can influence liquidity share with changing levels of information asymmetry in the market. This relationship is very important because it impacts on investment efficiency, market stability, and power pull share in an overall way for investors. The following section explores dynamics This in a detailed way . Information asymmetry can cause illiquidity, as seen in the Indian market, where there is a lack of transparency correlated with declining market liquidity. On the other hand, strategic traders can provide liquidity in the market with high information asymmetry, stabilizing the market and reducing the possibility of predatory trade (Teguia, 2015).

Temporary subtraction asymmetry information generally increase liquidity shares , important For consider cost related potential with improved transparency . For example, costs disclosure Can be significant, and excessive transparency Possible Not always profitable, because it can cause strategic loss in a competitive market (Teguia, 2015). In addition, the relationship between asymmetry information and values cash holdings shows that in a number of cases, asymmetry more information tall can cause higher cash market valuation low, in tune with free cash flow theory (Drobetz et al., 2010). Nuance This highlights complexity connection between financial strategy, asymmetry information and liquidity shares, showing that companies must Be careful balance transparency with strategic considerations.

The Effect of Capital Expenditure on Stock Liquidity through Asymmetric Information

Research results show that capital expenditure has a positive effect on stock liquidity through asymmetric information with coefficient of 0.070 and P-value of 0.006 < 0.05. This means that capital expenditure can increase liquidity share if accompanied by disclosure of transparent information, because of lower level asymmetry of information in the market. Transparency in investment project announcements give investors a better understanding of the company's related prospects and risks, so that strengthen trust and increase liquidity shares (Chen et al, 2019). On the contrary, lack of openness or detention of information precisely makes things worse information asymmetry, increased uncertainty, and potential lower liquidity (Kong et al., 2010).

Empirical studies show that companies with a higher level of investment transparency tend to get more positive investor reactions to announced capital expenditure, which has an impact on increasing stock liquidity (Chen et al., 2022). This effect is more clearly seen in the company with financial constraints and a high level of information asymmetry, where liquidity plays an important role in reducing the negative impact of asymmetric information to investment decisions. However, this relationship is also influenced by external factors such as market conditions, regulations, and characteristics of industries and companies, which form investor perception of capital expenditure and determine how much big its influence to liquidity share.

The Effect of Growth on Stock Liquidity through Asymmetric Information

The results show that earnings growth has a positive effect on stock liquidity through asymmetric information, with a coefficient of 0.070 and a P-value of 0.006 <0.05. This means that earnings growth can increase the liquidity share with lower levels of information asymmetry. Under conditions of high information asymmetry, the liquidity share plays a crucial role in mitigating agency conflicts and preventing misstatements in financial statements, thereby improving the quality of reported earnings (ElBannan & Farooq, 2019). Higher liquidity also helps companies face financial constraints by reducing the risk of underinvestment or overinvestment, especially in companies vulnerable to information asymmetry (Quah et al., 2021).

Furthermore, institutional investors play a crucial role in strengthening market liquidity by reducing information asymmetry through increased trading volume and lower bid-ask spreads. However, the relationship between earnings growth and stock liquidity is also influenced by external factors such as investor sentiment, company risk, and market regulation. The presence and behavior of institutional investors increasingly modulate the effects of information asymmetry on liquidity, so that a comprehensive understanding of market dynamics is important for investors and policymakers in efforts to improve market efficiency and stability.

CONCLUSION

Based on research findings, financial strategy, capital expenditure, company growth, and net profit play a significant role in influencing information asymmetry and stock liquidity. An effective financial strategy, through increased transparency, risk management, and sound information disclosure, can reduce information asymmetry, thereby increasing investor confidence and improving company performance. Transparently managed capital expenditure can reduce uncertainty, support investment decisions, and encourage increased stock liquidity, although the risk of project failure or minimal disclosure can have the opposite effect. Company growth and profits also have a significant impact, with disclosure of information regarding growth strategies and accurate earnings reports helping to reduce information asymmetry, attracting investor interest, and increasing stock trading volume.

Conversely, high levels of information asymmetry can worsen the cost of capital, widen bid-ask spreads, and reduce liquidity. Therefore, transparency, disclosure of quality information, and appropriate management of financial strategies are key to maintaining market efficiency, increasing liquidity, and creating long-term value for the benefit of the company and its stakeholders.

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