JRAK
Jurnal Riset Akuntansi Kontemporer

THE ANTECEDENTS OF VALUE RELEVANCE: A SYSTEMATIC LITERATURE REVIEW

https://journal.unpas.ac.id/index.php/jrak/index

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Article Info

History of Article
Received: 16/7/2024
Revised: 17/9/2024
Accepted: 18/9/2024
Available Online: 30/10/2024

Jurnal Riset Akuntansi Kontemporer
Volume 16, No. 2, October 2024,
Page 299-316
ISSN 2088-5091 (Print)
ISSN 2597-6826 (Online)

https://doi.org/10.23969/jrak.v16i2.16979

Keywords: value relevance; accounting information; determinants; theory; systematic literature review

Abstract

Research on value relevance in accounting reveals how market perceptions of accounting information are formed. Despite significant attention, a comprehensive explanation for variations in value relevance remains elusive. This study reviews the determinants of value relevance to identify gaps in the literature. Using PRISMA criteria, 47 empirical articles from 2013 to 2023 were examined across various countries. Findings indicate that International Financial Reporting Standards (IFRS) adoption and corporate governance significantly influence the value relevance of accounting information. While IFRS generally enhances financial statement comparability, outcomes vary in developing countries with weaker regulatory systems. Key factors also include board size, CEO duality, board diversity, macroeconomic conditions, and non-financial disclosures. The study employs agency and signaling theories to analyze these determinants, highlighting the complex factors affecting the utility of financial information for investors and calling for further research in underexplored contexts and on non-financial disclosures.

INTRODUCTION

The global issue of financial reporting quality has been a topic of discussion among academics for many years due to the reliance of users on accounting information for investment decision making. According to a survey on global economic crime, financial reporting frauds accounted for 24% of the total worldwide economic crime in 2022 (PwC, 2022). It was a 4% increase compared to the 2020 survey and a 6% increase compared to the 2016 survey (PwC, 2016, 2020). Notable global scandals such as Enron, WorldCom, AIG, Lehman Brothers, Tesco, Toshiba, and more recently Luckin Coffee in 2020, have also been linked to unethical financial reporting practices (Maharani et al., 2023; Mirza et al., 2019). These financial reporting crimes damaged investors' trust in financial reporting while also raising concerns about the low-quality of financial reporting.

The main objective of financial reporting is to provide high-quality financial information about an entity for appropriate economic decision making (FASB, 2010; IASB, 2018). The accounting information presented in the company's financial reports must have quality information so that it can be useful for investors in making decisions and revising previous decisions about company value (Kargin, 2013). Accounting information is useful in making decisions if it meets the fundamental characteristics of financial reporting, namely relevance and appropriate representation (IAI, 2022). Value relevance is a term generally used in previous literature to represent relevant and representation faithfulness. The term value relevance of accounting information is derived from the Clean Surplus Theory which states that company value is reflected in accounting data, especially book value and profit, contained in financial reports (Feltham & Ohlson, 1995; Ohlson, 1995; Scott, 2015). Accounting information is considered to have value relevance when the accounting information contributes to investor decision making of the reporting entity (van Beest et al., 2009).

The concept of accounting information value relevance is related to the concept of decision usefulness of accounting information. The value relevance of accounting information highlights how accounting information has value relevance to investors, while the idea of decision usefulness of accounting information emphasizes how financial reports can be useful. This means that the accounting information provided in financial reports must provide beneficial value to its user in terms of decision making (Scott, 2015). Value relevance has been variously defined in accounting literature. Beisland (2009) defines value relevance as accounting information's capacity to capture or summarize market values. Accounting information is deemed relevant when it exhibits a substantial correlation with market value, as shown by the statistical correlation between accounting information and market indicators such as stock prices or stock returns (Francis & Schipper, 1999).

Value relevance studies aim to quantify the level of correlation between accounting information and market value. Information and measurement are the primary methodologies employed in value relevance research. The information approach defines accounting information has value relevance if it causes a reaction in stock prices when it is released (Collins et al., 1997; Khader & Shanak, 2023). This approach was widely popular in the 1960s and was utilized by the majority of value relevance studies (Ball & Brown, 1968). Meanwhile, the adoption of measurement methodologies began to gain popularity in the mid-1990s. The method originates from equity valuation frameworks, which quantify the direct relationship between market indicators of a company's value and accounting information by the use of explanatory power of regression analysis (Collins et al., 1997; Dunham & Grandstaff, 2022; Veltri & Silvestri, 2020).

In the literature of value relevance, earnings per share and book value per share have been becoming the most frequently addressed subjects in literature. This research mostly employs either price model regression by Ohlson (1995), return model regression by Easton and Harris (1991a), or a combination of both to examine the study hypotheses. According to the price model, the market share prices are equal to the earnings per share and book value per share, while the value relevance of earnings is examined in the returns model by doing a regression analysis of market stock returns on earnings. The coefficient of determination (R2) from each regression model serves as a metric for assessing the value relevance of accounting information. A higher R2 number indicates the accounting information's capacity to explain stock prices (stock returns), and it considers as having more value relevance accounting information (Beaver, 2002).

The review of value relevance is driven by several key factors that highlight its significance in accounting and financial reporting. First, the evolving nature of value relevance, particularly in relation to accounting standards like IFRS, underscores its importance for investors and managers in decision-making processes. Studies indicate that while IFRS adoption generally enhances the value relevance of financial statements, anomalies such as government interference and firm-specific differences can lead to inconsistencies in this relationship (Alnodel, 2018; Armstrong et al., 2010; Chehade & Procházka, 2023; Hillier et al., 2016; Hoon Ki et al., 2019; Kargin, 2013; Liu et al., 2012; Yamani & Almasarwah, 2019; Závodný & Procházka, 2023). Value relevant accounting information is expected to help investors and other users of financial reports in making appropriate economic decisions. The implementation of International Financial Reporting Standard (IFRS) is expected to improve the quality of accounting information, such as increasing the comparability and transparency of reporting throughout the world, as well as reducing the cost of capital for companies (Armstrong et al., 2010; Dewi et al., 2024). Kargin (2013) stated that the use of IFRS has more value relevance than before the use of IFRS. However, according to Hillier et al. (2016) this condition does not necessarily apply to all countries, especially in developing countries. Developing countries are often associated with weak regulatory enforcement, so that even though they have adopted IFRS, it is assumed that they cannot immediately improve the quality of accounting information presented in financial reports. Additionally, research in Peru showed that while value relevance improved during the early IFRS period, it later declined due to the increased emphasis on fair value measurements, suggesting that changes in accounting standards can have complex effects on value relevance depending on the context (Liu et al., 2012).

Additionally, the literature also reveals a lack of consensus on the fluctuations in value relevance over time, suggesting a need for further exploration into the underlying causes of these variations. Some studies show that the combined value relevance of book value and earnings has decreased over time (Boonlert-U-Thai & Schaberl, 2022; Brown et al., 1999; Gu, 2007; Lev & Gu, 2016; Lev & Zarowin, 1999; Mulenga & Bhatia, 2020; Suwardi, 2020), while other studies do not show a decreasing trend (Barth et al., 2023; Collins et al., 1997; Ely & Waymire, 1999; Francis & Schipper, 1999). More recent studies of value relevance showing that more studies are conducted in developing countries' settings. Among those studies are conducted in China (Lam et al., 2013), Tunis (Ahmadi & Bouri, 2018), Jordan (Khader & Shanak, 2023), and Southeast European countries (Pervan & Bartulović, 2014). The results of those research also indicated that accounting information does not consistently have value relevance in all countries under observation. Numerous studies examined factors that could influence the value relevance of accounting information variability have found that there are factors other than book value of equity and earnings information that could influence value relevance of accounting information (Almujamed & Alfraih, 2020; Badu & Appiah, 2018; Elbakry et al., 2017; El-Diftar & Elkalla, 2019; Hillier et al., 2016; Kalantonis et al., 2022; Martínez et al., 2014; Mejri et al., 2022; Nijam & Jahfer, 2018; Outa et al., 2017; Roca, 2021). Conversely, the COVID-19 pandemic introduced heightened uncertainty in the business environment, which negatively impacted the value relevance of accounting information, as firms faced reduced profitability and altered investment behaviors (Imhanzenobe, 2022). Lastly, bibliometric analyses have identified thematic clusters that warrant further investigation, including the impact of non-financial information on value relevance (Nicolò et al., 2024). These findings highlight that both market conditions and regulatory frameworks play crucial roles in shaping the relevance of financial information to investors. It also indicates that there are unexplored or poorly understood aspects of how accounting information impacts market values which merit further investigation. Collectively, these factors illustrate the multifaceted nature of value relevance and the ongoing need for comprehensive research in this area.

Despite previous studies having addressed some factors affecting value relevance, others have not been thoroughly investigated. This study provides review overview of the existing research by consolidating theories and evidence regarding the factors that influence the value relevance of accounting information by identifying areas with conflicting results or limited research. Understanding these antecedents is crucial for helping academics focus on under-explored areas that could yield significant insights to financial reporting and market analysis. Academics could also develop or refine existing theories as well as developing new models to examine value relevance. This topic also provides evidence for corporate disclosure practices where companies may adjust their reporting strategies based on insights about which aspects of accounting or non-accounting information are most valued by investors.

Research on value relevance is dominated by research in developed countries, such as the United States (Barth et al., 2023; Chen et al., 2020; Kwon & Wang, 2020; Lev & Gu, 2016; Shan & Troshani, 2020) and countries on the European continent (Akbar et al., 2011; Mostafa, 2016a). However, in the last two decades, studies that examined the factors that influence value relevance of accounting information have garnered attention in developing countries. Studies such as Khader and Shanak (2023), Chehade and Prochazka (2023), Chen et al. (2001), Mostafa (2016b), Srivastava and Muharam (2022) and Saji (2022) have focus on country contexts such as China, India, Malaysia, Saudi Arabia, Jordan, Indonesia, and Egypt. Developing countries certainly have different capital market developments compared to developed countries. Developing countries are associated with weak regulatory enforcement, high investment risks and limited capital availability as well as weak investor protection (Hillier et al., 2016; Hung, 2000; Outa et al., 2017). Therefore, policymakers can use findings from this study to design regulations that enhance financial reporting quality and support harmonization of international accounting standard across borders (Barth et al., 2023).

To offer an overview of the value relevance determinant literature in the last ten years, this study analyzed 47 empirical research publications published between 2013 and 2023 from various nations across the continents. We focus on the last decade for systematic literature reviews on value relevance due to significant advancements and shifts in the field during this period. For instance, the introduction IFRS has notably influenced the value relevance of accounting information, prompting a reevaluation of existing frameworks and practices (Nicolò et al., 2024). Additionally, the increasing complexity of financial markets and the growing importance of non-financial information have necessitated updated analyses to reflect current trends and practices (Nicolò et al., 2024). Moreover, the systematic review methodology, such as the PRISMA protocol, allows for a rigorous examination of literature, ensuring that the findings are comprehensive and relevant to contemporary issues (Somohano-Murrieta et al., 2020). The last decade has also seen a surge in technological advancements impacting various fields, including accounting and education, which further justifies the focus on recent literature to capture these developments (Somohano-Murrieta et al., 2020). Thus, the choice of the last decade provides a relevant and timely context for understanding the evolving landscape of value relevance research.

This study contributes to several aspects. First, this study reviews a wide range of academic and empirical findings on the determinants of value relevance in accounting. Despite significant research in this area, there is no comprehensive or consistent explanation of the variations and antecedents of value relevance. By consolidating existing theories and evidence, the study identifies gaps in the literature, which is crucial for guiding future research efforts. This helps academics focus on under-explored areas that could yield significant insights into financial reporting and market analysis. Next, this study also emphasizes the importance of high-quality financial reporting for economic decision-making. Given the global issue of financial reporting frauds and scandals, understanding the factors that influence the value relevance of accounting information is vital. The study's findings can inform policymakers and standard setters in designing regulations that enhance the quality of financial reporting, thereby restoring investor trust and improving the comparability and transparency of financial statements. Furthermore, this study highlights the unique challenges faced by developing countries, such as weak regulatory enforcement and high investment risks, which can affect the value relevance of accounting information. By focusing on these contexts, the study provides valuable insights that can help tailor financial reporting practices to better suit the needs of developing markets. This is particularly important as these countries continue to integrate into the global economy and adopt international accounting standards like IFRS. Moreover, this study provides evidence for corporate disclosure practices, suggesting that companies may need to adjust their reporting strategies based on insights about which aspects of accounting or non-accounting information are most valued by investors. This can lead to more effective communication with stakeholders and potentially enhance the firm's market valuation. Lastly, by exploring various theoretical frameworks such as agency theory, information asymmetry, and signaling theory, the study enriches the understanding of the determinants of value relevance. These insights can help refine existing theories and develop new models to examine value relevance, contributing to the advancement of accounting research. In summary, this study is important because it addresses critical gaps in the literature, enhances the understanding of financial reporting quality, provides insights relevant to developing countries, informs corporate disclosure practices, employs rigorous methodology, and contributes to theoretical advancements in accounting research.

The article's structure is as follows. The second section provides a concise explanation of the methodology used for the literature review, followed by an analysis of empirical studies. The third section contains the findings and analysis of this literature review. Conclusions are provided in the final section of this essay.

METHODS

Systematic reviews serve various crucial goals. They can offer comprehensive overviews of the current knowledge in a specific field, pinpointing areas for future research. They can address inquiries that individual studies may not be able to tackle, highlight issues in primary research that need attention in future studies, and develop or assess theories on the causes of phenomena. We conducted this systematic review in reference to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines (Page et al., 2021). PRISMA was developed to help systematic reviewers accurately summarize the rationale behind conducting the review, the methods used by the authors, and the findings obtained.

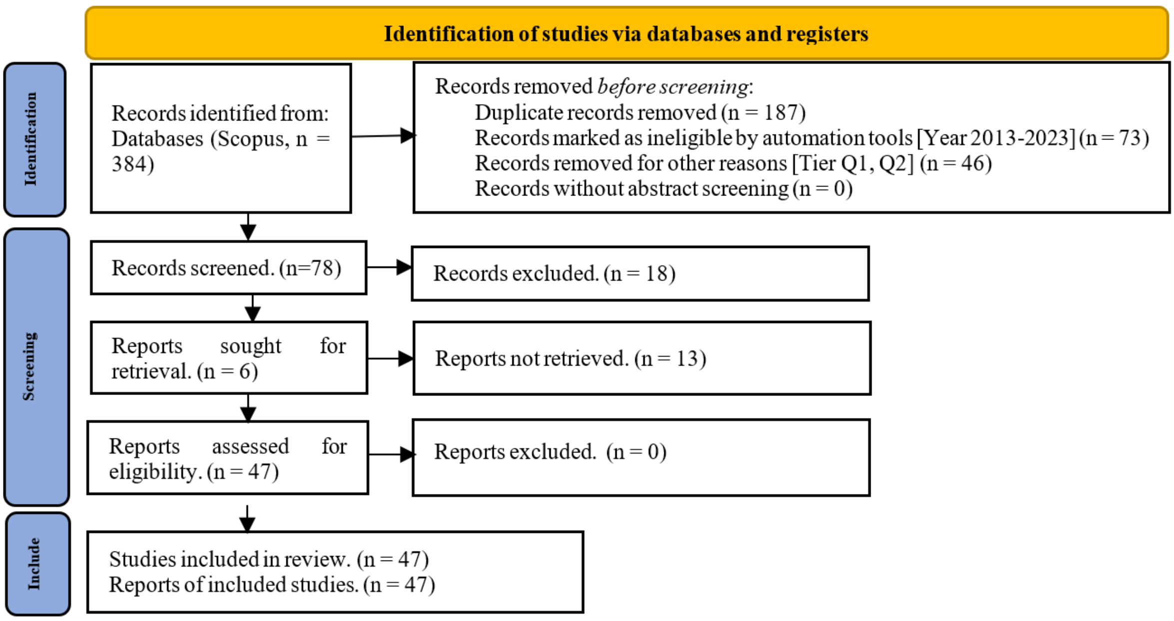

Figure 1. PRISMA Flowchart

We systematically searched Scopus database for the last ten years, which is between the years 2013-2023. We only used the Scopus database as it offers several advantages over Web of Science (WoS), including a more extensive selection of indexed articles, a user-friendly interface, advanced metrics, and comprehensive and up-to-date content. Scopus, in particular, covers many publications not included in the WoS. Most journal articles covered by the WoS are also covered by Scopus. By leveraging the strengths of Scopus, researchers can enhance the quality and efficiency of their research, ultimately contributing to more robust and impactful findings. We identified peer-reviewed studies which articles written in English only. At first, we use Boolean search, which is a method of information retrieval that uses specific operators to combine keywords and refine search results. This technique allows users to create more precise queries in databases and search engines. The primary Boolean operators are AND, OR, and NOT. We use keyword 'value relevance' OR 'value-relevance' in the title, abstract and keywords. In addition to the year limitation, we also refine the search by limiting more recent publications from journals as the source type and accounting as subject area. This search resulted in 1.408 articles which indicates the maturity of this research topic. Search terms were modified using a Boolean search including 'value relevance accounting' OR 'value relevant accounting' OR 'value relevance determinant' OR 'value relevance accounting information' OR 'value-relevance accounting information'. All the articles obtained were then analyzed for relevance, year of publication, topic studied, relevance to the purpose of this study, and comprehensive analysis of the article content.

Figure 1 illustrates the PRISMA flowchart selection procedure to correspond with previously published articles. 384 articles were generated using the search method. 187 duplicate records were removed, followed by an initial screening that excluded 73 publications not published between 2013 and 2023. A further elimination was performed by excluding 46 articles that are not classified as Q1 & Q2 tier, followed by excluding 18 irrelevant articles and 13 articles with no full text available. Preferring Scopus Q1 and Q2 articles for SLR publication is advisable due to their higher quality, rigorous peer review, significant contributions to the field, and representation of the latest advancements in research. By focusing on Q1 and Q2 articles, we hope to ensure a more comprehensive, insightful, and authoritative review of the literature. Overall, 47 articles providing quantitative empirical evidence met the outline criteria. According to Paul et al., (2021), a domain containing 40 or more publications is considered mature enough for review, allowing systematic literature reviews to significantly contribute to that domain.

RESULTS

The distribution of the number of documents and citations per year based on Scopus data is shown in Figure 2. Based on the results of literature searches using Scopus data base from 2013 to 2023, a total of 384 articles were obtained. At this stage, screening was performed according to the inclusion and exclusion criteria, and 47 articles that met the criteria were identified. In the next stage, article mapping was carried out each year, and the results revealed that the highest number of documents related to the research topic were reported in 2020 (n = 10, 21.3%), followed by 2016 (n = 7, 14.9%) and 2017, 2018, and 2021 (n = 6, 12.8%). In terms of the number of citations per year, the most citations were obtained in 2016 (n = 228, 37.4%), followed by 2013 (n = 96, 15.8%) and 2017 (n = 90, 14.8%).

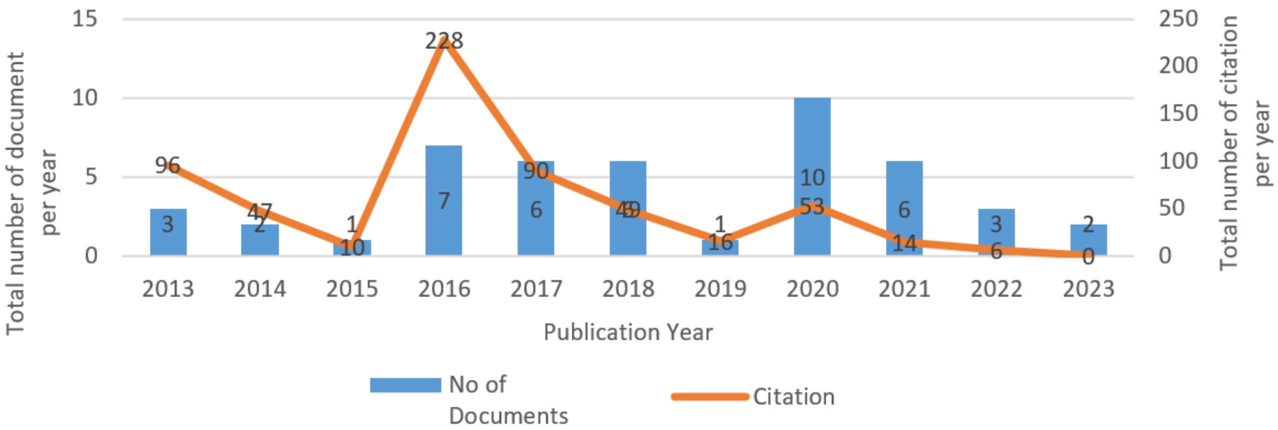

Figure 2. Distribution of Citation numbers Based on Publication Year

The number of documents does not directly correlate with the number of citations per year. For example, a small number of documents published in 2016 received a high number of citations, whereas in 2020, a larger number of documents were published but received far fewer citations. This might be due to external factors like global events such as COVID-19 pandemic. During the pandemic, there was a significant shift in research focus towards COVID-19 related topics. This shift meant that non-COVID-19 related accounting research received less attention and fewer citations. Researchers and readers were more inclined to engage with studies directly addressing the pandemic's immediate effects, leading to a lower citation count for other accounting topics. The fluctuating citation numbers in subsequent years could indicate that citations might be spread across many smaller, less influential studies, rather than concentrated in a few key papers. Additionally, the field could be fragmented into subfields, with no single paper or set of papers dominating the citation landscape. The fluctuating trend in both documents and citations suggests that there might be a need for new, impactful research to rejuvenate the field. Given the spike in 2016, it could be valuable to conduct review articles or meta-analyses that revisit and synthesize the work from that period, possibly identifying new avenues for research.

Table 1. Distribution of articles by publication resource and sample region.

	No of article in journal	Freq	%		Freq	%
Panel A: Distribution of studies by publication resource				Panel B: Distribution of studies by sample region		
Journal of Accounting in Emerging Economies	3	1	2%	North America	6	13%
Australian Accounting Review; International Journal of Accounting & Information Management; Journal of Accounting and Public Policy; Journal of Applied Accounting Research;Journal of Financial Reporting and Accounting; Journal of International Financial Management & Accounting; Sustainability	2	7	15%	South America	1	2%
				Europe & the UK	15	32%
				Middle-East	5	11%
Abacus; Accounting in Europe; Accounting Research Journal; Applied Economics; Chinese Management Studies; Economies; European Accounting Review; Global Business Review; International Journal of Ethics and Systems; International Review of Financial Analysis; Journal of Accounting & Organizational Change; Journal of Applied Economics;Journal of Business Economics and Management; Journal of Contemporary Accounting & Economics; Journal of Corporate Accounting & Finance; Journal of Intellectual Capital; Journal of Islamic Accounting and Business Research; Journal of Management and Governance; Journal of Multinational Financial Management; Mathematics; Operational Research; Research in International Business and Finance; Review of Accounting Studies; Scandinavian Journal of Management; The Accounting Review; The British Accounting Review; The Quarterly Review of Economics and Finance	1	39	83%	Asia	9	19%
				Australia	1	2%
				Africa	6	13%
				Islamic Countries	2	4%
				All Countries Adopted IAS9	1	2%
				Developed Countries	1	2%
		47	100%		47	100%

Panel A of Table 1 depicts the distribution of these 47 articles by publication source, while Panel B depicts the distribution of articles in the sample by region. Overall, articles were published in accounting, economics, management, and math journal. 32% (15 studies) of the sample focused on the Europe and UK, 19% (9 papers) employing Asian countries sample, followed by North America and African countries, which employed 6 studies each (13%). Regarding the country chosen as the sample setting in general, 52% of the sample focused on developing countries, while 39% of the sample focused on developed countries. A citations count based on source and index for all paper are depicted in Table 2. The citation counts for papers in each journal ranges from 0 to 158.

Table 2. Most referenced papers found in systematic literature review

Q1		Q2	
Source	Citation	Source	Citation
Journal of Accounting and Public Policy	158	Journal of International Accounting, Auditing and Taxation	72
The Accounting Review	61	Journal of Contemporary Accounting & Economics	25
European Accounting Review	27	Australian Accounting Review	23
Journal of Accounting in Emerging Economies	24	Journal of Accounting & Organizational Change	18
International Review of Financial Analysis	16	Journal of Business Economics and Management	18
International Journal of Accounting & Information Management	12	Journal of Financial Reporting and Accounting	18
Research in International Business and Finance	8	Journal of International Financial Management & Accounting	17
Journal of Intellectual Capital	8	The Quarterly Review of Economics and Finance	17
Scandinavian Journal of Management	8	Journal of Applied Accounting Research	10
International Journal of Ethics and Systems	7	Mathematics	10
Sustainability	6	Applied Economics	9
The British Accounting Review	4	Accounting in Europe	8
Journal of Multinational Financial Management	1	Abacus	6
		Global Business Review	6
		Journal of Corporate Accounting & Finance	5
		Accounting Research Journal	4
		Journal of Applied Economics	4
		Operational Research	3
		Journal of Islamic Accounting and Business Research	1
		Journal of Management and Governance	1
		Chinese Management Studies	0
		Economies	0

Prior studies in the field of accounting and finance have extensively examined the correlation between traditional accounting metrics and various elements believed to impact their value relevance to market valuations. These investigations commonly employ a valuation analysis framework rather than relying on a specific theoretical foundation. Typically, these studies have not extensively discussed theoretical underpinnings, opting instead to apply principles from direct valuation theory. This theory posits that the changes in a firm's equity market value can be directly linked to its book values and net income, along with the specific variables under examination. These are broadly referred to as association studies within the broader context of value relevance literature. Direct valuation theory in accounting posits that the valuation of a firm can be directly associated with observable attributes, such as the current market prices of its assets (Koller et al., 2015). Studies often proceed by comparing the changes in the coefficient of determination, known as the R2 value, derived from regression analyses conducted before and after the introduction of a new variable. These studies typically evaluate a wide range of variables in terms of accounting methods and disclosures to determine their impact on market value.

The variables examined include goodwill, historical cost, fair value, and inflation-adjusted costs, among others (Beisland & Hamberg, 2013; Bepari & Mollik, 2017; Chamisa et al., 2018; Hamberg & Beisland, 2014; Park et al., 2020; Power et al., 2017). They also scrutinize disclosures in financial statements, such as those related to research and development, value-based reporting, and corporate governance, to gauge their influence on value relevance (Kalantonis et al., 2020, 2022; Reitmaier & Schultze, 2017), or other issue included financial crises, integrated reporting, variability of scales (Adwan et al., 2020; Baboukardos & Rimmel, 2016; Ciftci et al., 2014; Kane et al., 2015). A significant focus has also been placed on the impact of International Financial Reporting Standards (IFRS), which has shown inconsistent results across various studies. The examination of IFRS has become a crucial aspect of these studies as researchers seek to understand how global standards affect the transparency and comparability of financial reports hence affect the value relevance of accounting information (Badu & Appiah, 2018; Elbakry et al., 2017; El-Diftar & Elkalla, 2019; Martínez et al., 2014; Nijam & Jahfer, 2018; Outa et al., 2017; Roca, 2021).

Furthermore, theoretical frameworks like agency theory, information asymmetry, and signaling theory provide deep insights into the determinants of value relevance. Agency theory, for instance, is often used to explore how corporate governance mechanisms, such as CEO duality, institutional ownership and characteristics of the Board of Directors (BoD), influence the quality of financial reporting and, consequently, its value relevance (Callao et al., 2016; Diab et al., 2023; Omran & Tahat, 2020). Variables related to BoD characteristics, such as educational background, gender diversity, board size, and the proportion of non-executive directors, have been studied for their potential effects on governance quality and financial transparency (Almujamed & Alfraih, 2020; Cimini, 2022). Level of investor protection and enforcement mechanism also identified as factor that influence value relevance of accounting information under agency theory (Callao et al., 2016; Mechelli & Cimini, 2021).

Information asymmetry theory, on the other hand, emphasizes how features like auditor size and the thoroughness of audit reports can enhance value relevance by improving the quality of financial reporting. This improvement ostensibly reduces the information asymmetry between corporate managers (agents) and shareholders (principals), thus enhancing the trust in reported financial outcomes (Abdollahi et al., 2020). Meanwhile, signaling theory further elaborates on the message a company intends to convey to its investors through its financial reporting practices. The adoption of IFRS, for instance, is frequently studied as a signal of high-quality financial reporting. This area of research has yielded mixed results, indicating that while some settings show enhanced value relevance post-IFRS adoption (Nijam & Jahfer, 2018; Outa et al., 2017; Srivastava & Muharam, 2022), others do not (Chehade & Procházka, 2023; Elbakry et al., 2017; El-Diftar & Elkalla, 2019; Maigoshi et al., 2018; Park et al., 2020; Roca, 2021). Other variables related to signaling theory mainly related to disclosure in financial statement, such as country segment disclosures, loan loss provision, and sustainability assurances which will served as relevant information to investors that influence value relevance of accounting information (Gao et al., 2022; Morris et al., 2016; Taran et al., 2021; Vander Bauwhede & Van Cauwenberge, 2022).

Decision usefulness theory expands on these ideas by asserting that the primary objective of accounting information should be to assist users in making informed economic decisions, focusing on the utility of the information rather than just its accuracy or adherence to standards. This perspective is crucial in assessing whether certain financial disclosures are value-relevant for decision-making processes. The theory has been applied to analyze various financial disclosures, including accounting ratios, cash flow statements, and pension liabilities (Sukmadilaga et al., 2023; Tahat & Alhadab, 2017; Yu, 2022).

Other theoretical approaches, such as institutional theory and cultural theory, have been employed to examine the variance in value relevance across different regulatory and cultural contexts. For example, institutional theory may explore the differences in financial reporting under diverse accounting standards, such as IFRS versus national standards, while Hofstede's cultural dimensions might be used to investigate how cultural factors in emerging markets influence financial reporting quality differently from those in developed markets (Agbodjo et al., 2021; Chehade & Procházka, 2023; Hillier et al., 2016; Mejri et al., 2022). Herding behaviour theory have been applied to analyze the effect of herding behaviour in deteriorating value relevance of accounting information resulted from the reduced of stock price quality (Chaudhry & Sam, 2018). Lastly, the resource dependence theory provides a lens through which corporate behaviors, such as alleged bribery expenses, can be interpreted. This theory suggests that a company's dependence on its external environment can significantly influence its financial reporting practices, particularly in how it recognizes expenses related to maintaining business relations or navigating regulatory landscapes (Zeng et al., 2016).

Based on the analysis of the 47 articles, this study classified the determinant of value relevance accounting information into two major categories, i.e. internal factor and external factor. Adoption of International Financial Reporting Standards (IFRS) is the most variable being questioned in the external factor category as the factor that affected value relevance of accounting information (Agbodjo et al., 2021; Chehade & Procházka, 2023; Elbakry et al., 2017; El-Diftar & Elkalla, 2019; Hillier et al., 2016; Maigoshi et al., 2018; Mejri et al., 2022; Nijam & Jahfer, 2018; Outa et al., 2017; Park et al., 2020; Roca, 2021). The results of these studies were mixed, as some studies such as Agbodjo et al., (2021), Nijam & Jahfer (2018), Outa (2017) as well as Srivastava & Muharam (2022) found that the adoption of IFRS has increased the value relevance of accounting information. Meanwhile the rest of it found contradictory results. Other studies investigated the effects of financial crisis to the value relevance (Adwan et al., 2020; Beisland & Hamberg, 2013; Bilgic et al., 2018; Chamisa et al., 2018; Kalantonis et al., 2020; Kane et al., 2015; Morris et al., 2016; Tahat & Alhadab, 2017). All these studies confirmed that financial crisis affected value relevance of accounting information. Other external company factors that also receive attention. Bilgic et al. (2018) found that macroeconomic factors such as inflation has impact on value relevance of accounting information. While regulatory change and culture were also deemed to influence the value relevance of accounting information (Čupić et al., 2022; Hillier et al., 2016).

Beside of external factors, some studies explore internal factor such as the influence of corporate governance, i.e. board size and CEO duality (Almujamed & Alfraih, 2020; Kalantonis et al., 2022), institutional ownership (Diab et al., 2023; Omran & Tahat, 2020), ownership diffusion (Callao et al., 2016), academic background of board members (Huang et al., 2016), investor protection (Mechelli & Cimini, 2021), and presence of female board member (Cimini, 2022). In addition to internal factor, there were studies investigating other accounting information such as accounting ratios, account receivables factoring, corporate bribery expenditure, exploration assets, goodwill accounting, pension accounting, investment capitalization, fair value, loan loss provisions, variability of scale (Adwan et al., 2020; Beisland & Hamberg, 2013; Bepari & Mollik, 2017; Ciftci et al., 2014; Hamberg & Beisland, 2014; Morris et al., 2016; Park et al., 2020; Power et al., 2017; Sukmadilaga et al., 2023; Yu, 2022; Zeng et al., 2016). Finally, internal factors such as non-financial information disclosure are also being investigated. Integrated reporting, sustainability reporting assurances, media, auditor, and country segment disclosures are among non-financial information which is identified as factors that could influence value relevance (Abdollahi et al., 2020; Baboukardos & Rimmel, 2016; Gao et al., 2022; Reitmaier & Schultze, 2017; Taran et al., 2021; Vander Bauwhede & Van Cauwenberge, 2022).

Previous research generally determined the relationship between exogenous variables, e.g. financial statement disclosure and value relevance, by segregating the variable with market value as an endogenic variable using model specifications based on the Easton and Harris (1991b) or Ohlson (1995) theoretical framework, or a combination of both. The specifications of the model are the price regressions developed by Ohlsons (1995) and the return regression models developed by Easton & Harris (1991b). These models have been adapted and extended in various ways to include other variables to see its influence on value relevance, enhancing its applicability in different contexts (Qadri et al., 2022).

In terms of research models, both price model by Ohlson (1995) as well as return model by Easton and Harris (1991a) were applied to examine the hypotheses of the study. Of 47 articles, 33 (70%) articles adopted the price model, 6 (13%) articles applied the return model, while the remaining 8 (17%) articles employed combination of both models. The variables in question usually served as the other information The coefficient of determination (R^2) from the regression of each model remains portrays the measure of the value relevance of accounting information. An increase in the R^2 value would indicate that the variable has value relevance. However, the critical price regression model approach has a size-related problem, whereas a critical return model has a weakness in terms of the low value of R^2 produced (Ota, 2003).

DISCUSSION

Table 3 presents an analysis of the various theories cited across 47 articles reviewed in this study. It includes the number of mentions (N) and the percentage of total citations (%). Valuation theory is the most frequently cited, appearing in 24 references and constituting 51% of all mentions. Agency theory is next, with 8 mentions, representing 17% of the citations. Following are Signalling theory and Decision-usefulness theory, cited 5 and 3 times, which account for 11% and 6% respectively. Institutional theory is also mentioned 3 times, making up another 6%. Theories mentioned only once, each making up 2% of the citations, include Information asymmetry, Resource dependency theory, Herding Behaviour, and a combination of Hofstede & valuation theory. This implies that research in determinants of value relevance of accounting information employs a diverse array of theoretical frameworks, each tailored to explore different dimensions of variable's impact on market valuations.

Table 3. Distribution of Theories Applied

Name of Theory	N	%
Valuation theory	24	51%
Agency theory	8	17%
Signalling theory	5	11%
Decision-usefulness theory	3	6%
Institutional theory	3	6%
Other theory (Information asymmetry, Resource dependent theory; Herding Behaviour; Hofstede & valuation theory)	4	8%
Total	47	100%

In examining the relationship between various theories applied and their corresponding variables as can be seen in Figure 3, it is evident that each theory is specialized and focused on aspects of variables and its impact on market valuations and financial reporting quality. The use of distinct variables by different theories underscores the diversity of perspectives in accounting research. This diversity is essential because it enables a comprehensive examination of the complex and multifaceted nature of accounting practices and their implications. Even though individual theories do not share common variables, their collective contributions help build a more robust and nuanced understanding of the value relevance of accounting information. By exploring different dimensions (e.g., corporate governance, international standards, audit quality, financial transparency), the research collectively covers a broad spectrum of factors influencing accounting practices. While each theory addresses specific aspects, this approach might sometimes create compartmentalized areas within research. An integrative approach that combines multiple theories could potentially offer a more holistic view of how various factors interact and influence each other, leading to more comprehensive insights into the value relevance of accounting information and its determinants.

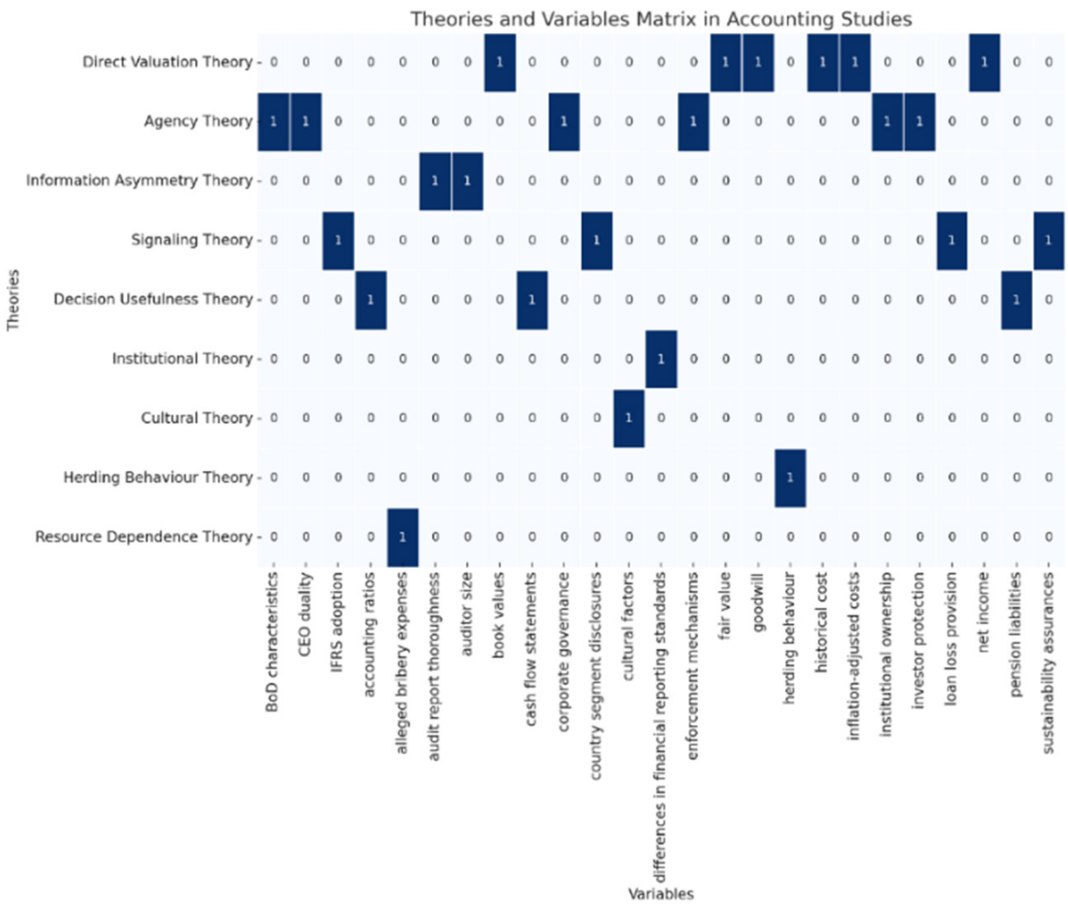

Figure 3. Matrix of Theories and Value Relevance of Accounting Information Determinants

The study examines a wide array of accounting practices, from basic elements like book values and net income to detailed disclosures such as sustainability assurances and loan loss provisions. It highlights the complexity of factors influencing financial information's value, with several variables focused on corporate governance and regulatory standards, including auditor size and audit thoroughness. Interest in global aspects is evident through variables like IFRS adoption and comparative financial reporting standards. This emphasis reflects the critical role of governance and regulatory frameworks in enhancing or undermining the value relevance of accounting information. Additionally, the research explores cultural factors and theoretical constructs like herding behavior, stressing the importance of context in accounting information. This extensive range suggests opportunities for interdisciplinary research involving economics, sociology, and psychology to enhance understanding of the social and behavioral influences on financial reporting. This research not only contributes to theoretical knowledge but also provides practical insights for policymakers and practitioners in accounting.

Despite five decades of research on value relevance, there are still chances to further develop this topic. Further research is needed to address the gap in the field of accounting on the determinants of value relevance, especially in developing countries' setting. Developing countries are known for their weak regulatory enforcement, high investment risk, limited capital availability and weak investors protection. Other than factors identified in previous research, there are vast possibilities of antecedents of value relevance of accounting information needed to be considered. Among others of potential research gaps that can be identified based on the less explored area or where inconsistent results have been reported, theoretical integration remains limited despite the diverse theories employed. Combining frameworks such as direct valuation theory with decision usefulness theory could offer a more comprehensive understanding of how financial information influences market valuations. Additionally, while some attention has been given to non-financial information disclosures, there's a notable absence of comprehensive analyses on their direct impact on investor behavior and market value, particularly across different industries. Cultural and institutional differences have also been underexplored, with potential for deeper comparative studies between regions with varying regulatory environments. Moreover, longitudinal studies tracking changes in the value relevance of accounting information over time are lacking, especially considering rapid market evolution and technological advancements. Investigating the impact of technology, including digital finance and automated trading systems, on traditional and non-traditional accounting metrics could provide valuable insights. Furthermore, the effectiveness of International Financial Reporting Standards (IFRS) implementation remains ambiguous, necessitating research into the specific conditions under which IFRS adoption enhances or diminishes value relevance. Lastly, while the influence of financial crises on value relevance has been acknowledged, further research is needed to explore sector-specific impacts and how recovery phases alter the value relevance of accounting information.

Exploring the relationship between good corporate governance and the value relevance of accounting information reveals several potential variables where research gaps exist. While some studies have looked into board diversity in terms of gender or educational background, there is less research on other diverse aspects, such as age, nationality, and industry experience. There is an ongoing debate on how executive compensation linked to short-term performance metrics versus long-term sustainability goals impacts financial reporting and market valuation. Research could focus on the effectiveness of different compensation models in promoting transparency and aligning with shareholder interests. The strength and efficacy of whistleblower policies and their impact on corporate ethics and financial reporting quality is underexplored. Investigating how robust whistleblower mechanisms affect financial disclosures and market reactions could fill a significant gap. How companies report and manage risks, particularly in volatile markets or industries prone to disruption, is crucial. Studies could explore the relationship between the quality of risk management disclosures and their impact on investor decisions and financial statement relevance. These gaps present opportunities for further investigation into how different aspects of corporate governance may affect financial transparency and investor perception.

We also recognized that while price regression model and return regression model has significantly contributed to the value relevance topic in the past publications, the price regression model approach, as discussed by Ota (2003), faces challenges associated with the size of the dataset it utilizes, which can undermine its utility. On the other hand, the return model exhibits a limitation concerning its low R2 value, suggesting that it does not explain a substantial proportion of the variance in the returns, which can be seen as a drawback in its effectiveness. This limitation necessitates the exploration of alternative methodologies. Future research could focus on developing alternative methodologies that incorporate larger and more comprehensive datasets while also exploring the integration of multiple models to provide a more nuanced understanding of value relevance. These alternatives should aim to enhance the understanding of the value relevance of accounting information, particularly in diverse economic context. Therefore, researchers should consider the specific contextual factors that may influence their analyses, such as market conditions and regulatory environments, to ensure the relevance and applicability of their findings in real-world settings. These implications underscore the importance of ongoing methodological refinement and contextual sensitivity in advancing our understanding of value relevance in accounting and hopefully better capture the complexities of market behavior and improve the accuracy of equity valuation.

CONCLUSIONS

This assessment of the literature presents research options as well as professional consequences for accounting and finance literature. Investors rely on a variety of sources of information, and they must understand which factors determine value relevance in certain scenarios. The ongoing argument about the usefulness and relevance of financial statements is critical to the profession of accounting because numerous accountants dedicate their careers to preparing, reviewing, and assessing these documents. Standards and guidelines of accounting govern the criteria and best practices for creating financial reports relevance, as it is critical from a regulatory standpoint that the financial statements be complete, comparable, and consistent.

Several studies have been trying to identify factors that could influence the value relevance of accounting information. Those factors can be classified into internal factors and external factors. The findings of those studies were varied, but generally found the significant relationship between those factors and value relevance, implying that those factors are a determinant of value relevance. The comprehensive analysis of various accounting studies and theoretical frameworks underscores the complex interplay between traditional accounting metrics and market valuations. These studies utilize valuation analysis frameworks primarily, leveraging direct valuation theory to correlate changes in a firm's market value directly to its book values, net income, and other measurable attributes. However, the depth of these studies varies significantly when integrating theoretical underpinnings such as agency theory, information asymmetry, and signaling theory, which provide broader insights into financial reporting's value relevance. Notably, the implementation of International Financial Reporting Standards (IFRS) and other financial disclosures plays a pivotal role in enhancing transparency and comparability, although results are inconsistent across different studies. The exploration of variables like corporate governance, auditor size, and financial disclosures through these lenses reveals that the value relevance of accounting information heavily depends on the quality of financial reporting and its ability to aid stakeholders in making informed economic decisions. Additionally, the adoption of theoretical perspectives such as decision usefulness, institutional theory, and cultural theory further enriches our understanding of the nuances in financial reporting across various contexts, pointing towards an ongoing evolution in the field that continuously adapts to new regulatory, economic, and cultural dynamics.

The current assessment acknowledges several constraints that may impact the comprehensiveness of its findings. The review was confined to research articles published in the English language, which implies that pertinent studies conducted in other languages could have been overlooked, potentially omitting valuable perspectives and data. Additionally, the analysis was limited to papers classified as Q1 and Q2 within the Scopus database, thereby potentially narrowing the scope of the study. This selective approach may exclude significant research findings published in lower-quartile journals or in databases not encompassed by Scopus, which could provide additional insights into the subject matter. Moreover, the exclusion of papers that were not accessible further limits the range of reviewed literature, possibly omitting relevant studies that could influence the overall analysis. By solely utilizing Scopus as the source of the database and not including other comprehensive databases such as Web of Science (WoS) and Google Scholar, there is a risk of introducing bias and rendering the analysis incomplete. These databases could contain a wealth of studies that, if included, might offer a more balanced and extensive understanding of the research topic.

To address the limitations identified in the current assessment, it is recommended to engage in a collaborative effort with researchers fluent in multiple languages, thereby expanding the scope of literature beyond English-language publications. Additionally, broadening the research to include a variety of academic databases such as Web of Science and Google Scholar can mitigate the risk of bias and provide a more exhaustive analysis. Prioritizing studies that are openly accessible and seeking out alternative methods for obtaining restricted papers, such as interlibrary loans or open-access platforms, can also enhance the inclusivity and depth of the research. By implementing these strategies, future studies can achieve a more comprehensive and representative collection of data, strengthening the overall research outcomes.

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