İSTANBUL UNIVERSITY PRESS

Istanbul Business Research

Istanbul Business Research,
IBR 2025, 54 (2): 256–269

https://doi.org/10.26650/ibr.2025.54.1438705

Submitted: 24.07.2024
Accepted: 28.07.2025

Research Article

Open Access

The impact of global economic policy uncertainty on accounting conservatism: A research on companies listed in the BIST 100 index

Uğur Bellikli [1] & Abdulkerim Daştan [2]

[1] Giresun University, Alucra Turan Bulutcu Vocational High School, Giresun, Türkiye.
[2] Karadeniz Technical University, Faculty of Economics & Administrative Department of Business Administration, Trabzon, Türkiye.

Abstract The aim of this study is to investigate the effect of global economic policy uncertainty on the level of accounting conservatism of companies listed in the Borsa Istanbul-100 index. Regression developed by Basu (1997) was used to determine the conservatism levels of businesses, and within the scope of the research, the data of 73 companies, whose data were fully accessible for the years 2017-2022 were analyzed with the panel data method. The analysis revealed that the conservatism levels of the examined companies were low during the specified years. However, findings indicated that both global economic policy uncertainty indexes determined by current values and parity increased the level of conservatism in these companies. The results can be interpreted that in times of uncertainty, companies tend to act in the interest of protecting stakeholders' interests, and managerial behavior tends to avoid opportunistic actions. Furthermore, the increase in conservatism levels due to uncertainty can also help reduce information asymmetry among stakeholders. Businesses may not have many options in situations of uncertainty. However, precautions taken in advance can enable businesses to navigate uncertain environments with minimal damage. Accounting conservatism can provide businesses with this opportunity.

Keywords Uncertainty · Global economic policy uncertainty · Accounting conservatism · Panel data analysis

Author Note This study is an extended version of the text presented in the 7th International Accounting and Finance Symposium, in Turkish, hosted by Karadeniz Technical University, Faculty of Economics & Administrative Sciences and The Association of Accounting and Finance Academicians (AAFA), between 1-4 September 2023, based on the increase in data entry

Citation: Bellikli, U. & Daştan, A. (2025). The impact of global economic policy uncertainty on accounting conservatism: A research on companies listed in the BIST 100 index. *Istanbul Business Research*, 54(2), 256-269. https://doi.org/10.26650/ibr.2025.54.1438705

This work is licensed under Creative Commons Attribution-NonCommercial 4.0 International License.

© 2025. Bellikli, U. & Daştan, A.

Corresponding author: Uğur Bellikli ugur.bellikli@giresun.edu.tr

1. Introduction

Uncertainty, which is subject to debates from various branches of science at the conceptual level, is generally used more frequently as a phenomenon, especially during crises, particularly economic crises. In the context of the 2008 global financial crisis and the current inflationary environment in Türkiye, there is a growing interest in understanding the concept of uncertainty. This is especially relevant when price movements become unpredictable, as seen during crisis periods and their aftermath. In such times, measuring the level of uncertainty and anticipating its effects becomes increasingly important. In essence, uncertainty, the opposite of the ability to predict future developments, referred to by Egilmez (2024) citing Stanley Budner (1962:30), lists three reasons as follows: *(i) the existence of a new situation where no known clues are available, (ii) the presence of conflicting situations due to the abundance of clues, and (iii) the presence of conflicting situations based on different information provided by different clues.*

The phenomenon of uncertainty can directly influence individual and societal behaviors through reactions such as panic, haste, and fear. This impact is observable across various aspects of life. As a result, uncertainty is a central concern in many fields of science (particularly economics, business administration, management sciences, accounting, and finance) especially in relation to investor decision-making. Uncertainty arises in situations where outcomes cannot be guaranteed, potentially creating risk. To address this, researchers often rely on statistical and mathematical methods. These include analyses and modeling techniques aimed at understanding and managing such uncertainty.

From a historical perspective, the concept of uncertainty has played a significant role, especially in economic decision-making processes and business strategies. Cantillon's book *Essay on the Nature of Trade in General*, written in the 1730s, is one of the earliest works to address the concept of uncertainty. In it, he explains how entrepreneurs try to cover their investment costs while also managing the uncertainties of competitive markets. Such historical perspectives help to understand how the concept of uncertainty has evolved in the history of economic thought.

Uncertainty can have a profound impact on the decisions of market participants, managers, households, and policymakers. This influence stems from both macroeconomic and microeconomic events, as well as non-economic factors. In today's world, global events, pandemics, political upheavals, and climate change significantly increase uncertainty. As a result, economic policymakers, business managers, and other stakeholders are compelled to navigate an unpredictable future. As mentioned above, the 2008 global financial crisis has increased the importance of uncertainty in the economic agenda and has triggered academic research on this topic. The International Monetary Fund (IMF) has stated that uncertainty is one of the significant reasons behind the slow recovery after the global crisis, which has further accelerated research on uncertainty.

Accounting conservatism primarily aims to enhance the reliability of financial information produced by businesses. To achieve this, it promotes a more cautious and prudent approach in the determination and application of accounting policies. Accounting conservatism ensures that uncertainty and risk are considered within the financial reporting systems of businesses. It encourages a more careful, cautious, and reliable approach in processes such as revenue and expense recognition, asset and liability valuation, and profit or loss calculation. Accounting conservatism, which demonstrates efforts to create reliable and transparent financial information, is essentially one of the strategies used to cope with uncertainty and enhance financial robustness.

Examining the relationship between 'uncertainty' and 'accounting conservatism' could be beneficial. Uncertainty directly affects decision-making processes, while accounting conservatism aims to provide reliable information through a cautious and prudent approach to potential future risks. The purpose of this study, considered within the framework of these principles, is to investigate the impact of global economic policy uncertainty on the level of accounting conservatism of the companies listed on the BIST 100 index. In the absence of any empirical studies in Türkiye, this research fills that gap by examining how global economic policy uncertainty impacts accounting conservatism in the Turkish context. The regression developed by Basu (1997) was used to determine the level of conservatism of the firms, and the data of 73 firms for the years 2017-2022, for which information on variables could be fully accessed, were analyzed using the panel data method in the research.

The study was conducted following the introduction with conceptual framework, literature review, and research subsections. The findings obtained in the research section were discussed in the light of the literature.

2. Conceptual framework

2.1. Uncertainty and Global Economic Policy Uncertainty (GEPU)

Although a common definition cannot be established across many fields of science, uncertainty refers to the inability to precisely measure or predict the time, impact, and extent of situations or events that may occur in the future, within the current context.

Uncertainty exists in every situation and field where a clear diagnosis cannot be made, or even if made, the future direction remains unclear. It refers to the inability to fully understand how and where the situation will develop due to insufficient information, which makes diagnosing the current state difficult or impossible (Egilmez, 2021). Another approach defines uncertainty as a concept encompassing the probabilities of future events for market participants, managers, households, and policymakers, who are affected by both macro and microeconomic events as well as non-economic factors (Bloom, 2014)

All of the actors mentioned in the definition strive to minimize uncertainty as much as possible, aiming to make decisions about the future with clearer data. Businesses, as market participants, are among those who aim to manage and minimize risks and uncertainties in order to ensure business continuity. However, it should be noted that there are differences between risk and uncertainty from the perspective of businesses. For example, in an economic crisis scenario where banks may reduce credit opportunities for businesses, it may be possible for businesses to manage this risk by evaluating alternative options. In contrast, during recent events like the COVID-19 pandemic, the social and economic impacts are uncertain in both their extent and nature. This uncertainty limits the options available to businesses, making it difficult to manage these challenges effectively.

Historically, the concept of uncertainty, closely associated with the science of accounting, was introduced through Cantillon's book 'Essay on the Nature of Trade in General,' written in the 1730s, which presented an economic approach. In the aforementioned book, it is expressed that entrepreneurs, while expecting profit by investing and simultaneously covering costs, also tolerate the uncertainty inherent in competitive markets, which is considered as the nature of the competitive market (Rothbard, 2006).

After the 2008 global financial crisis, the concept of uncertainty regained significant economic interest. This led to increased attention in academic literature, especially regarding the measurement of uncertainty

and its effects on the economy, making it a popular research topic. Furthermore, during the crisis period, the view of uncertainty as one of the most significant reasons behind the slow recovery after the global crisis, as identified by the IMF (2012), further intensified this interest. When evaluated in terms of the current situation; recent global developments such as the ongoing COVID-19 pandemic, climate change, fluctuations in energy prices, and the Russia-Ukraine war have increased uncertainties, leading to elevated levels of economic and political unpredictability accordingly (Goodell et al., 2021). Indeed, following these developments, the situation has taken on a state of uncertainty within uncertainty, especially for businesses, often referred to as the 'uncertainty of uncertainty' (Cui et al., 2023).

Especially from an economic perspective, an environment of uncertainty increases information asymmetry among business managers, shareholders, and third parties associated with the business (Khan & Lo, 2019; Dai & Ngo, 2021). At the same time, an environment of uncertainty may encourage opportunistic behavior by managers. This situation motivates stakeholders to seek ways to limit such behavior, highlighting the need for more detailed disclosures to ensure accurate and accessible accounting information (Brockman et al., 2015). In addition to all these factors, if businesses are subject to financing constraints and require high collateral to obtain capital, stakeholders associated with the business are even more vulnerable in such situations. In such situations, tighter scrutiny of the business's financial information is demanded by all stakeholders associated with the business (Dai & Ngo, 2021).

In this study, the first part of the research consists of the Global Economic Policy Uncertainty (GEPU) variable and its calculation method, which are based on relevant studies, as outlined below.

Firstly, Baker et al. (2013) developed the Economic Policy Uncertainty index (EPU) for the United States and then expanded their research in 2016 to include the economies of 11 countries (Germany, Australia, France, Brazil, South Korea, India, the United Kingdom, Italy, Canada, Mexico, and Russia). Among these studies, following Baker et al. (2013), research has been conducted to develop national economic policy uncertainty indices for China (Baker et al., 2013), the Netherlands (Kroese et al., 2015), Chile (Cerda et al., 2016), Singapore (Davis, 2016), Sweden (Armelius, 2017), Ireland (Zalla, 2017), Japan (Arbatli et al., 2017), Colombia (Gil and Silva, 2018), Greece (Hardouvelis et al., 2018), and Spain (Ghirelli et al., 2019). In addition to these studies, Baker et al. (2016) have also developed the Global Economic Policy Uncertainty Index, and they have calculated this index for 21 countries (Australia, Brazil, Canada, Chile, China, Colombia, France, Germany, Greece, India, Ireland, Italy, Japan, Mexico, the Netherlands, Russia, South Korea, Spain, Sweden, the United Kingdom, and the United States).

The calculation principles and steps for the variable can be summarized as follows (Baker et al., 2016):

- The frequency of articles containing the concepts of economy, politics, and uncertainty in newspaper publications for each country is considered, and the national economic policy uncertainty index for countries is determined. The purpose of determining the index is to:
  - Who makes economic policy decisions?
  - When will specific economic policy actions take place?
  - What are the economic and non-economic consequences of policy actions? The aim is to obtain the statistical numerical representation of these questions.
- Starting from the initial year of calculation, which is 1997, until the year 2015, each national EPU index is re-normalized to have an average of 100, and missing values are completed using a regression-based method.

- Subsequently, using the Gross Domestic Product (GDP) data of countries, each national EPU index value is divided by GDP, resulting in monthly GEPU values. These values obtained on a monthly basis are expressed as the current GEPU value.
- In addition, another GEPU value is calculated by dividing the national EPU index values by the Gross Domestic Product (GDP) adjusted for purchasing power parity.

Since the GEPU index is constructed from the EPU indices of the selected 21 countries, it represents approximately 71% of global output and around 80% of market exchange rates on a purchasing power parity basis (Gürsoy & Zeren, 2022: 356).

2.2. Accounting conservatism

Accounting conservatism refers to a cautious, careful, and prudent approach in determining and implementing accounting policies with the aim of enhancing the reliability of financial information produced within businesses. *"A prudent approach to uncertainties and risks that may impact the presentation of financial information necessitates the suitable reporting of assets, liabilities, income, and payments. It involves prioritizing the least optimistic situation, considering potential losses rather than potential gains, for the benefit of company owners"* (Bellikli & Dastan, 2021: 334).

At a conceptual level, accounting conservatism can be related and interact with the concept of Prudence in Accounting Basic Concepts. Accounting conservatism delays the recognition of gains that are considered as good news for the firm while accelerating the recognition of losses that are considered as bad news. This mechanism reduces information asymmetry between parties and minimizes agency costs, thus safeguarding the interests of investors and creditors (Basu, 1997: 4; Gong & Luo, 2018: 188; Dai & Ngo, 2021: 277). Furthermore, third parties involved in relationships with businesses, who feel the need for more explanation and transparency, demand an increase in conservatism (Hui et al., 2012). Because accounting conservatism serves as a balancing mechanism between financially transparent business managers and stakeholders demanding transparency (Cui et al., 2023: 2).

Although there are various methods[1] in the literature to measure accounting conservatism, Basu's (1997) "Asymmetric Timeliness of Earnings" measurement method stands out due to its frequent use in many studies. In this method, the asymmetry of earnings timing is emphasized, suggesting that the greater the asymmetry in earnings timing, the higher the level of conservatism in firms. This method involves developing a cross-sectional regression equation to predict the level of conservatism. In the method, a dummy variable is used to distinguish between good and bad news and to ensure the slope of the coefficients. The distinction between good and bad news is linked to stock returns. A stock return being 0 or positive is considered good news, while the opposite is considered bad news. In the case of good news, the dummy variable is assumed to be 0, while in the case of bad news, it is assumed to be 1 (Basu, 1997: 14). In the equation ($EPS_{it}/SP_{it}=\alpha_0+\alpha_1 DV_{it}+\beta_0 SR_{it}+\beta_1 SR_{it}\times KD_{it}+\mu_{it}+\varepsilon_{it}$) developed by Basu (1997) and used to measure conservatism, the timeliness coefficient for good news is β_0, while the timeliness coefficient for bad news is $\beta_0+\beta_1$. The coefficient β_1 in the equation is considered an indicator of accounting conservatism. Due to the frequent use of Basu's method in the literature, many studies have addressed the strengths and weaknesses of this measurement method. Strengths;

[1]Among these measurement methods, the ones that stand out in the literature are; the ratio of market value to book value method, the asymmetry of accruals and cash flows method, the hidden reserves method, and the negative accruals method (Beaver & Ryan, 2000; Ball & Shivakumar, 2005; Penman & Zhang, 2002).

- This measurement method has been widely used in the literature for a long time as the sole measurement method (Ball and Shivakumar, 2006).
- In many studies using this measurement method, theoretical predictions have aligned with the results of the measurement method (Ryan, 2006).
- This measurement method is highly suitable for large-scale samples (Wang, 2009).

Weaknesses;

- When applied to data over a specific time period, this measurement method fails to perform its function (Givoly et al., 2007).
- This measurement method cannot perform measurements at the firm level (Wang, 2009).
- In the proposed regression equation of this measurement method, changes in economic rents have not been included in stock returns (Roychowdhury & Watts, 2007).
- Mispricing in the stock market can lead to incorrect stock prices and, consequently, to the misinterpretation of economic news (Wang, 2009).
- Basu (1997)'s approach as that measure captures statistical bias rather than conditional conservatism (Badia et al, 2021).

Taking the weaknesses into account, there may be a perception that this measurement method is erroneous in accurately predicting the degree of accounting conservatism. However, the fact that none of the authors other than those mentioned in the literature have addressed these weaknesses, coupled with the frequent emphasis on the strengths of the measurement method and its widespread use in the literature, has raised questions about the validity of these weaknesses (Ryan, 2006; Bellikli, 2019). Based on these reasons, the Basu method has been preferred in this study[2].

3. Literature review

When examined, it can be noted that there are limited studies directly addressing the relationship between uncertainty and accounting conservatism in accounting and finance literature. However, below are some studies that relate to the subject.

Anderson et al. (2009) conducted a study focusing on the impact of uncertainty and risk on asset pricing. They found that the effect of risk and uncertainty on asset pricing is positive, and uncertainty plays a significant role in explaining returns.

Drechsler (2013) examined the impact of uncertainty on option contracts and premiums. In this study, it was found that uncertainty significantly explains option contracts and premiums, and the variation in uncertainty over time leads to fluctuations in premium prices.

Neamtiu et al. (2014) examined how macroeconomic uncertainty affects capital investments. They found that macroeconomic uncertainty has a negative impact on capital investments but is positively associated with cash holdings. Additionally, it was noted that uncertainty reduces the value of investment opportunities.

Bloom (2014) offered a conceptual perspective on uncertainty. He highlighted that uncertainty rises during economic downturns and is generally higher in developing countries compared to developed ones.

[2] For detailed information, please refer to Basu (1997: 13-14).

He emphasized that situations of uncertainty significantly impact economic behavior, based on existing literature.

In the study conducted by Goodell et al. (2021), the impact of global economic policy uncertainty on firms' cash flows was examined. According to the results obtained in the study, firms tend to hold more cash on hand in periods of higher uncertainty.

Cui et al. (2021) addressed how global economic policy uncertainty influences corporate innovation investments. It was found that as uncertainty increases, corporate innovation investments tend to decrease.

In addition, Cui et al. (2023) conducted a study directly related to the topic, examining the impact of global economic policy uncertainty on accounting conservatism. The study found that in uncertain environments, firms' conservatism is positively affected. Moreover, it was indicated that uncertainty increases the number of contracts as a result of conservatism.

As seen from the above explanations, when accounting and finance literature is reviewed, it is observed that the topic of uncertainty is studied in relation to various subjects such as asset pricing (Anderson et al., 2009), options contracts and premiums (Drechsler, 2013), capital investments (Neamtiu et al., 2014), equity risk premium (Goodell et al., 2020), and cash flows (Goodell et al., 2021). Additionally, it can be noted that there are few studies in foreign literature (Cui et al., 2023; Bloom, 2014) directly or indirectly addressing the topic of uncertainty and accounting conservatism. The limited number of studies directly addressing the topic and the absence of research on the subject in Türkiye serve as the starting point for undertaking this study. Indeed, this study could contribute to the literature by further investigating the relationship between global economic policy uncertainty and accounting conservatism. Considering the extant literature and the identified gap, the present study formulates the following research question: There is a positive relationship between global economic policy uncertainty and firms' level of accounting conservatism, i.e., as policy uncertainty increases, accounting conservatism also increases.

4. Empirical research

4.1. Research aim, method, and data set

The aim of this study is to examine the impact of global economic policy uncertainty (both current and parity-based) on the level of accounting conservatism of the companies included in the BIST 100 Index (73 firms[3]) covered by the research, using statistical data from the years 2017-2022.

Panel data analysis has been employed in this research, as it allows for the combination of both cross-sectional (firms) and time-series dimensions of multiple firms' data over a specific time period. Panel data analysis focuses on examining the repeated measurements of the same sample units at different time points by combining cross-sectional and time-series data. These data structures aim to evaluate and analyze both cross-sectional and time-series effects simultaneously. Such data structures are used to understand both changes over time and variations among different units, hence they have been preferred in this study. In this context, in line with the research objective, the regression equation developed by Basu (1997) has been restructured to determine the impact of global economic policy uncertainty on firms' conservatism levels.

[3] In this research of firms, 32 are in manufacturing; 21 are financial institutions; 7 are in electricity, gas, and water; 5 are in technology; 4 are in wholesale and retail trade; and the remaining 4 operate in various sectors.

$$\begin{aligned} \mathrm{EPS}_{it}/\mathrm{SP}_{it} = \alpha_{it} + \beta_1 \mathrm{DV}_{it} + \beta_2 \mathrm{SR}_{it} + \beta_3 \mathrm{currentGEPU}_{it} + \beta_4 \mathrm{parityGEPU}_{it} + \beta_5 \mathrm{SR}_{it} \times \mathrm{KD}_{it} \\ + \beta_6 \mathrm{currentGEPU}_{it} \times \mathrm{DV}_{it} + \beta_7 \mathrm{parityGEPU}_{it} \times \mathrm{DV}_{it} + \mu_{it} + \varepsilon_{it} \end{aligned} \quad (1)$$

Equation 1's symbols;

- α_{it} constant term of equation,
- β_1, β_2, β_3, β_4, β_5, β_6 and β_7 coefficients of equation,
- μ_{it} the error term varying by firm or time,
- ε_{it} the error term.

μ_{it} represents the varying fixed effects for a specific individual (for example, a firm) and a specific time period. This term reflects the impact of each individual's unique characteristics or fixed effects (such as a firm's overall management style or industry characteristics). It is a complement to the model and includes unobserved random factors that could influence the results. For instance, if a firm has a management style different from other firms during a specific period, this is expressed by μ_{it}. On the other hand, ε_{it} represents the unexplained error term of the model. In other words, it is the part of the dependent variable (for example, profit or stock price) that is not explained by μ_{it} and other independent variables. It is a complement to the model and includes unobserved random factors that could potentially influence the results. For example, economic fluctuations, market conditions, or unexpected events (such as natural disasters) are included in the ε_{it} term (Yerdelen Tatoglu, 2020). The explanations of the variables included in the equation and information on where the research variables were obtained are provided in Table 1.

Table 1

Explanations of the Research Variables

Variables	Explanation	Source
EPS	Earnings per Share	Financial statements of the firms (PDP)
SP	Stock Price	Financial websites (mynet, investing)
DV	Dummy Variable	0 in good news, 1 in bad news
SR	Stock Return	Income Statement of firms (PDP)
currentGEPU	Global Economic Policy Uncertainty (current)	policyuncertainty.com
parityGEPU	Global Economic Policy Uncertainty (parity)	policyuncertainty.com

Note: Created by the authors.

The data of 73 companies listed on the Borsa Istanbul (BIST) 100 index, for the years 2017-2022, were obtained from audited financial statements published on the Public Disclosure Platform (PDP). These data were analyzed using the static panel data analysis method. Since data from 73 companies for a period of 6 years were utilized, a total of 438 observations were obtained for each variable.

4.2. Research findings and discussion

As mentioned in the previous section, static panel data analysis was used in this study. Panel stationarity analysis was not conducted, considering the time dimension of the research. The research findings firstly include Table 2, which presents descriptive statistics and explanations of these statistics.

Table 2
Descriptive Statistics

Variables	Obs.	Mean	Std. Deviation	Min.	Max.	Skewness	Kurtosis
EPS/SP	438	0,2126	0,5680	−2,6097	4,3750	3,1236	22,2972
SR	438	3,0802	10,1962	−19,2800	149,1100	8,6013	106,8295
DV	438	0,0936	0,2916	0	1	2,7904	8,7862
SR×DV	438	−0,2114	1,4737	−19,2800	0	−10,8684	133,1245
currentGEPU	438	238,8727	50,4203	175,6450	318,3800	0,2414	1,6789
parityGEPU	438	246,2409	52,4468	180,0686	326,1910	0,1719	1,5814
currentGEPU×DV	438	23,0048	73,5784	0	318,3800	3,0525	10,8704
parityGEPU×DV	438	23,6935	75,7873	0	326,1910	3,0506	10,8419

Note: Created by the authors.

An average value of −0.2114 is observed for the accounting conservatism variable (SR_{it}×DV_{it}), while the average current GEPU value stands at 238.8727, and the average GEPU value determined by parity is 246.2409. It is particularly observed that the indices of global economic policy uncertainty are high throughout the years covered in the study.

In the study, the variance inflation factor (VIF) value was examined to assess the presence of multicollinearity among the series forming the panel data set. According to the results obtained, the VIF value was found to be between 0.00 and 0.94. This value being less than 5 indicates that there is no multicollinearity issue (Yerdelen Tatoglu, 2020: 261).

The correlation analysis, illustrating the relationship between variables, was conducted in the research, and the correlation analysis is presented in Table 3. The coefficients between variables are generally below 0.5, indicating a relationship at the 1%, 5%, and 10% significance levels between the dependent variable and independent variables.

Table 3
Correlation Matrix

Variables	1	2	3	4	5	6	7	8
EPS/SP (1)	1,0000							
SR (2)	0,3438	1,0000						
DV (3)	−0,3148	−0,1685	1,0000					
SR×DV (4)	0,1517	0,1910	−0,4469	1,0000				
currentGEPU (5)	−0,0901	0,0983	0,0439	−0,0781	1,0000			
parityGEPU (6)	−0,0891	0,1013	0,0422	−0,0740	0,9992	1,0000		
currentGEPU×DV (7)	−0,3002	−0,1699	0,9740	−0,4753	0,1176	0,1152	1,0000	
parityGEPU×DV (8)	−0,2997	−0,1696	0,9730	−0,4735	0,1177	0,1154	0,9998	1,0000

Note: Created by the authors.

In panel data analysis, the validity of the model is determined by executing the model estimation process. This process begins with conducting the F (Chow) test, followed by the Breusch-Pagan (1980) test, and finally concludes with the Hausman test. When the model estimation process is conducted, it is understood from

Table 4 that the fixed effects model is valid. It is also observed that both firm and time effects are present in the aforementioned model.

Table 4

Results of Model Test Process

	Results	Effect/Result
Firm Effect	8,06 (0,0000)	Yes
Time Effect	3,44 (0,0046)	Yes
Hausman	19,52 (0,0015)	Fixed Effect

Note: Created by the authors.

After the model estimation process, various tests were conducted to examine fundamental assumptions such as heteroscedasticity, autocorrelation, and cross-sectional dependence. Since the fixed effects model is assumed to be valid, the Modified Wald Test was used to assess the heteroscedasticity issue. To test for autocorrelation issue, Bhargava etc. Durbin-Watson and Baltagi-Whu LBI local best invariance tests were applied. To assess the issue of cross-sectional dependence, the Friedman test was used. See Table 5 for detailed results.

Table 5

Results of the Basic Assumption Tests

Types of Tests	Results	Issue
Modified Wald	10,7084 0,0000	Yes
Bhargava etc. DW	1,4834	Yes
Baltagi-Whu LBI	1,7646	Yes
Friedman	22,76 0,0000	Yes
The critical value for local best invariance tests is 2.		

Note: Created by the authors.

Upon reviewing the values in Table 5, it was determined that there are issues with heteroscedasticity, autocorrelation, and cross-sectional correlation. To address the mentioned issues and ensure efficient parameter variances, the Driscoll-Kraay Robust Estimator was employed for model estimation. In other words, it was used to solve the research equation. The results of the research regarding these findings are presented in Table 6.

Table 6

Research Results

Dependent Variable EPS/SP	Coefficients	Driscoll-Kraay Std. Deviation	Significance
C	0,5606	0,0846	0,0010*
SR	0,0179	0,0053	0,0200**
DV	-1,1464	0,3237	0,0170**
SR×DV	-0,0135	0,0054	0,0560***
currentGEPU	0,0047	0,0088	0,6130
parityGEPU	-0,0060	0,0085	0,5120

Dependent Variable EPS/SP	Coefficients	Driscoll-Kraay Std. Deviation	Significance
currentGEPU×DV	−0,0342	0,0137	0,0550***
parityGEPU×DV	0,5606	0,0846	0,0480**
R^2	0,2063		
Observations	438		

* 1%, ** 5% and *** 10% significance level.
Note: Created by the authors.

If we examine Table 6, it is necessary to make interpretations regarding the conservatism level of the 73 companies included in the research on the BIST 100 index. Accordingly, if DV is set to 0 for companies where SR is positive, the effect of SR on the dependent variable (0.0179 - 0 = 0.0179) is positive. In companies where SR is negative, when DV is set to 1, the effect of SR on the dependent variable (0.0179 - 0.0135 = 0.0044) remains positive. So, there is no asymmetry when the news is good or bad. This indicates that the conservatism level of these companies is low, and they do not behave overly conservatively in financial reporting. To better understand the impact of uncertainty indices on the dependent variable, a table has been created based on whether the news is good or bad. The aforementioned situation is illustrated in Table 7.

Table 7
The Effect of News on the Dependent Variable

Variables	Status of the News	Coefficient	Effect/Result
	Good	0,0179	Positive
SR×DV	Bad	0,0044	Positive
	Asymmetry	No	Conservatism Low
	Good	0,0047	Positive
currentGEPU×DV	Bad	−0,0295	Negative
	Asymmetry	Yes	Conservatism Increasing
	Good	−0,006	Negative
parityGEPU×DV	Bad	0,5546	Positive
	Asymmetry	Yes	Conservatism Increasing

Note: Created by the authors.

When the news is good, the effect on the dependent variable is positive (0.0047 - 0 = 0.0047) in terms of the currentGEPU variable. When the news is bad, the effect on the dependent variable is negative (0.0047 - 0.0342 = −0.0295). Yes, so there is an asymmetry present. Therefore, the current GEPU increases firms' conservatism level, uncertainty situations lead firms to behave more conservatively. Therefore, concerning the parityGEPU variable, when the news is good (-0.0060-0=-0.0060), the effect on the dependent variable is negative. Conversely, when the news is bad (-0.0060+0.5606=0.5546), the effect on the dependent variable is positive. Yes, again, there is asymmetry when the news is good and bad. Therefore, a similar interpretation can be made for this uncertainty index as well. In other words, uncertain situations drive businesses to behave more conservatively. Furthermore, it can be understood from Table 7 that the findings are significant at the 1%, 5%, and 10% levels.

The obtained results are consistent with the studies mentioned in the literature section, indicating that firms tend to act more cautiously in uncertain situations. Additionally, the results of this study are in line with the findings of Cui et al. (2023), indicating a consistent pattern.

5. Conclusion

Uncertainty refers to situations where predicting future events and outcomes is difficult or impossible. Uncertainty can pertain to both macroeconomic factors (such as economic growth, inflation, unemployment) and microeconomic factors (such as consumer demand, company profits) related to economic events. Additionally, non-economic factors (such as political events, natural disasters, technological advancements) can also influence uncertainty.

Uncertainty directly influences the decisions of various actors such as market participants (investors, consumers, businesses), managers, households, and policymakers regarding the future. These actors prefer to base their decisions on more precise and reliable data. However, due to uncertainty, future events and conditions become unpredictable, complicating the decision-making process.

Factors such as the COVID-19 pandemic, political conflicts, climate change, fluctuations in energy prices, and international tensions increase challenges for businesses. These challenges affect their ability to plan and manage operations effectively. Uncertainties can negatively impact businesses' decision-making processes; business managers may struggle to assess risks and opportunities accurately due to the uncertainty of future conditions. Ultimately, uncertainties can lead to businesses experiencing instability in areas such as long-term investment decisions, cost calculations, and market strategies.

Accounting conservatism refers to a more careful and cautious approach in determining and implementing accounting policies in order to enhance the reliability of financial information produced within businesses. Accounting conservatism supports the creation of reliable and transparent financial information. It provides an approach in the financial reporting process on when and how revenues and expenses should be recognized, serving as a strategy to manage uncertainty. This approach involves businesses recording revenues, which are perceived as good news, more cautiously and conservatively, and recognizing losses, considered as bad news, more promptly.

In this study, summarized as above, the data of 73 companies, whose data was fully accessible for the years 2017-2022 were analyzed with the panel data method. The study examined the effect of Global Economic Policy Uncertainty (GEPU) Index, during the mentioned years, on the level of accounting conservatism of the companies.

The analysis revealed that the conservatism levels of the examined companies were low during the specified years. However, findings indicated that both global economic policy uncertainty indexes determined by current values and parity increased the level of conservatism in these companies. The results can be interpreted that in times of uncertainty, companies tend to act in the interest of protecting stakeholders' interests, and managerial behavior tends to avoid opportunistic actions. Furthermore, the increase in conservatism levels due to uncertainty can also help reduce information asymmetry among stakeholders (Brockman et al., 2015).

It should be noted that the results obtained are specific to the businesses included in the study and the years under consideration. Different findings may be reached and consequently, interpretations may vary depending on the use of different samples. Additionally, future research could explore the relationship

between accounting conservatism in firms and various uncertainty indices specific to countries, or broader measures such as the World Uncertainty Index[4] developed by the IMF.

The famous author Fyodor Mikhailovich Dostoevsky is attributed with the statement that uncertainty is more painful than the worst possible outcome[5]. Inspired by this concise saying, the following points can be shared: Businesses may not have many options in situations of uncertainty. However, precautions taken in advance can enable businesses to navigate uncertain environments with minimal damage. Accounting conservatism can provide businesses with this opportunity.

Peer Review: Externally peer-reviewed.
Author Contributions: Conception/Design of study: U.B., A.D.; Data Acquisition: U.B., A.D.; Data Analysis/Interpretation: U.B., A.D.; Drafting Manuscript: U.B., A.D.; Critical Revision of Manuscript: U.B., A.D.; Final Approval and Accountability: U.B., A.D.; Technical or Material Support: U.B., A.D.; Supervision: U.B., A.D.
Conflict of Interest: The authors have no conflict of interest to declare.
Grant Support: The authors declared that this study has received no financial support.

Author Details
Uğur Bellikli (Assoc. Prof. Dr.)
[1] Giresun University, Alucra Turan Bulutcu Vocational High School, Giresun, Türkiye.
0000-0002-4571-6200 ugur.bellikli@giresun.edu.tr

Abdulkerim Daştan (Prof. Dr.)
[2] Karadeniz Technical University, Faculty of Economics & Administrative Department of Business Administration, Trabzon, Türkiye.
0000-0002-8244-1648 akdastan@ktu.edu.tr

References

Ahir, H., Bloom, N. & Furceri, D. (2020). 60 Years of Uncertainty, Retrieved from https://www.imf.org/Publications/fandd/issues/2020/03/imf-launches-world-uncertainty-index-wui-furceri

Anderson, E.W., Ghysels, E. & Juergens, J.L. (2009). The impact of risk and uncertainty on expected returns, *Journal of Financial Economics,* 94(2), 233–263. https://doi.org/10.1016/j.jfineco.2008.11.001

Badia, M., Duro, M., Penalva, F. & Ryan, S.G. (2021). Debiasing the Measurement of Conditional Conservatism, *Journal of Accounting Research,* 59(4), 1221-1259. https://doi.org/10.1111/1475-679X.12366

Baker, S. R., Bloom, N. & Davis, S. J. (2016). Measuring economic policy uncertainty, *The Quarterly Journal of Economics,* 131, 4, 1593–1636. https://doi.org/10.1093/qje/qjw024

Baker, S. R., Bloom, N. & Davis, S., J. (2013). Measuring Economic Policy Uncertainty, Retrieved from http://www.policyuncertainty.com/media/BakerBloomDavis.pdf

Ball, R. & Shivakumar, L. (2006). The Role of Accruals in Asymmetrically Timely Gain and Loss Recognition, *Journal of Accounting Research,* 44, 207-242. https://doi.org/10.1111/j.1475-679X.2006.00198.x

Basu, S. (1997). The conservatism principle and the asymmetric timeliness of earnings, *Journal of Accounting and Economics,* 24(1), 3-37. https://doi.org/10.1016/S0165-4101(97)00014-1

[4] For further information, see https://worlduncertaintyindex.com. On the other hand, it can be shared that the World Uncertainty Index created by the IMF and Türkiye-specific values of the index were included in the research model together and separately, but no meaningful results were obtained for the period studied. The recommendation expressed here is based on country, business and period differences.

[5] https://www.ekoyapidergisi.org.

Beaver, W. H. & Ryan, S. G. (2000). Biases and Lags in Book Value and Their Effects on the Ability of the Book-to-Market Ratio to Predict Book Return on Equity, *Journal of Accounting Research,* 38(1), 127-148. https://doi.org/10.2307/2672925

Bellikli, U. (2019). *Muhasebe Muhafazakârlığının Entelektüel Sermaye Üzerindeki Etkisi: Borsa İstanbul (Bist) 100 Endeksi'ndeki İşletmelerde Bir Araştırma,* Doctoral Dissertation, Karadeniz Technical University, Trabzon.

Bellikli, U. & Daştan, A. (2021). Accounting Conservatism and Intellectual Capital: Evidence from Turkey with Comparison Models and Sectors. *Ege Academic Review,* 21 (4), 333-355. https://doi.org/10.21121/eab.1017873

Bloom, N. (2014). Fluctuations in Uncertainty, *Journal of Economic Perspectives,* 28(2), 153–176. https://doi.org/10.1257/jep.28.2.153

Brockman, P., Ma, T. & Ye, J. (2015). CEO compensation risk and timely loss recognition, *Journal of Business Finance & Accounting,* 42(1–2), 204–236. https://doi.org/10.1111/jbfa.12100

Budner, S. (1962). Intolerance of ambiguity as a personality variable, *Journal of Personality*, 30, 29-50. https://doi.org/10.1111/j.1467-6494.1962.tb02303.x

Cui, X., Ma, T., Xie, X. & Goodell, J.W. (2023). Uncertainty of uncertainty and accounting conservatism, 52, 103525. https://doi.org/10.1016/j.frl.2022.103525

Cui, X., Wang, C., Liao, J., Fang, Z. & Cheng, F. (2021). Economic policy uncertainty exposure and corporate innovation investment: evidence from China, *Pacific-Basin Finance Journal,* 67, 101533. https://doi.org/10.1016/j.pacfin.2021.101533

Dai, L. & Ngo, P. (2021). Political uncertainty and accounting conservatism, *European Accounting Review,* 30(2), 277–307. https://doi.org/10.1080/09638180.2020.1760117

Drechsler, I. (2013). Uncertainty, time-varying fear, and asset prices, *The Journal of Finance,* 68(5), 1843–1889. https://doi.org/10.1111/jofi.12068

Eğilmez, M. (2021). Dünya Belirsizlik Endeksi, *Kendime Yazılar*, Retrieved from https://www.mahfiegilmez.com/2021/01/dunya-belirsizlik-endeksi.html

Eğilmez, M. (2024). Öngörülebilirlik ve Belirsizlik, *Kendime Yazılar*, Retrieved from https://www.mahfiegilmez.com/2024/02/ongorulebilirlik-ve-belirsizlik.html

Givoly, D., Hayn, C. K., & Natarajan, A. (2007). Measuring Reporting Conservatism. *The Accounting Review*, *82*(1), 65–106. https://www.jstor.org/stable/30243458

Gong, G. & Luo, S. (2018). Lenders' experience with borrowers' major customers and the debt contracting demand for accounting conservatism, *Accounting Review,* 93(5), 187–222. https://doi.org/10.2308/accr-52022

Goodell, J.W., Goyal, A. & Urquhart, A., (2021). Uncertainty of uncertainty and firm cash holdings, *Journal of Financial Stability,* 56, 100922. https://doi.org/10.1016/j.jfs.2021.100922

Gürsoy S. & Zeren, F. (2022). Ekonomik Politika Belirsizliği ve Borsa İlişkisi: G7 ve BRIC Ülkeleri Örneği, *Erciyes Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi,* (61), 353–368. https://doi.org/10.18070/erciyesiibd.986321

https://worlduncertaintyindex.com/ (08.02.2024).

Hui, K.W., Klasa, S. & Yeung, P.E. (2012). Corporate suppliers and customers and accounting conservatism, *Journal of Accounting and Economics,* 53(1–2), 115–135. https://doi.org/10.1016/j.jacceco.2011.11.007

International Monetary Fund (IMF) (2012). Coping with High Debt and Sluggish Growth, World Economic Outlook.

Khan, U. & Lo, A.K. (2018). Bank Lending Standards and Borrower Accounting Conservatism, *Management Science,* 65(11), 5337-5359. https://doi.org/10.1287/mnsc.2018.3094

Neamtiu, M., Shroff, N., White, H.D. & Williams, C.D. (2014). The impact of ambiguity on managerial investment and cash holdings, *Journal of Business Finance & Accounting,* 41(7–8), 1071–1099. https://doi.org/10.1111/jbfa.12079

Penman, S. H. & Zhang, X.J. (2002). Accounting Conservatism the Quality of Earnings, and Stock Returns, *The Accounting Review,* 77(2), 237-264. https://www.jstor.org/stable/3068897

Rothbard, M. N. (2006). Economic Thought Before Adam Smith - An Austrian Perspective on th History of Economic Thought Volume I. Auburn, Alabama: Edward Elgar Publishing, Ltd.

Roychowdhury, S. & Watts, R. L. (2007). Asymmetric Timeliness of Earnings, Market-to Book and Conservatism in Financial Reporting, *Journal of Accounting and Economics,* 44(1-2), 2-31. https://doi.org/10.1016/j.jacceco.2006.12.003

Ryan, S. G. (2006). Identifying Conditional Conservatism, *European Accounting Review,* 15(4), 511-525. https://doi.org/10.1080/09638180601102099

Wang, R. Z. (2009). *Accounting Conservatism,* Doctoral Dissertation, Victoria University, Wellington.

Yerdelen Tatoğlu, F. (2020). Panel veri ekonometrisi stata uygulamalı, 5. Baskı, Beta Basım Yayım Dağıtım A.Ş., İstanbul.