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The Influence of Managerial Ownership Structures, Leverage, Financial Distress and Corporate Social Responsibility on Accounting Conservatism

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ABSTRACT

This study aims to analyze the effect of managerial ownership structure, leverage, financial distress, and corporate social responsibility (CSR) on accounting conservatism in companies listed on the Indonesia Stock Exchange (IDX) for the period 2022–2022. Accounting conservatism is measured by an approach that prioritizes fairness of reporting and is more careful in recognizing revenue and expenses. Managerial ownership structure is expected to influence conservative accounting decision-making, while leverage and financial distress are assumed to encourage companies to be more careful in reporting their financial performance. In addition, CSR is considered a variable that can improve the company's image and influence more conservative accounting decisions. The method used is multiple regression analysis with secondary data processing from the annual reports of listed companies. The results of the study indicate that managerial ownership structure and leverage have a significant effect on accounting conservatism, while financial distress and CSR do not have a significant effect. These findings provide an important contribution to understanding the influence of internal company factors on more careful accounting practices, as well as providing implications for regulators and policymakers in formulating more appropriate accounting policies to improve transparency and reliability of financial statements.

KEYWORDS *managerial ownership structure; leverage; financial distress; corporate social responsibility; accounting conservatism*

INTRODUCTION

The rapid development of the business world triggers the emergence of business competition in running a business. There are many ways that companies can employ to maintain their business continuity. The company's condition can be clarified by its financial performance, which is reflected in the financial statements (Kusumadewi, 2018). Financial statements are an important source of financial information for companies. Every company is required to present financial statements as a form of management accountability in managing various company resources over a certain period of time (Maulana et al., 2021). The information contained in the financial statements is used by both internal and external parties in decision-making. The company's financial statements, which are prepared based on generally accepted accounting principles, provide flexibility for management in determining the accounting methods and estimates used (Andreas et al., 2017).

Financial Accounting Standards allow for the selection of methods and calculations of financial records in the company, which the manager will later choose to apply according to the company's situation. Companies are free to report their finances both optimistically and conservatively (Jaya & Maria, 2022; JAYA & Maria, 2022; Zulni & Taqwa, 2023). If the company applies reports that tend to be excessive in reporting profits or with an optimistic nature, it can result in losses to the users of the financial statements themselves. In contrast, accounting conservatism will require a higher level of verification and assurance when acknowledging profits rather than reporting losses as a precautionary response to uncertainty.

The application of accounting conservatism carried out by companies can aim to prevent financial manipulation by management because this principle can prevent overstated financial reporting (Rif'an & Linda, 2021). Conservative financial statements can prevent asymmetric information by limiting management's ability to manipulate financial statements (Yuliarti, 2017). Accounting conservatism is the premise in the introduction of budget reports that are planned to legitimize and measure resources and benefits, which are carried out carefully considering financial and business facts surrounded by vulnerabilities (Wibowo, 2022).

The principle of accounting conservatism has become controversial because there are many criticisms that have arisen over its application, but there are also those who support it (Mayangsari and Wilopo, 2002). Those who oppose the principle of conservatism argue that the application of accounting conservatism in compiling financial statements can cause the resulting financial statements to not reflect the actual financial position of the company and tend to be biased. However, on the other hand, those who support the use of the principle of conservatism argue that its application is useful because it can prevent opportunistic behavior of managers who want to manipulate profits when preparing financial statements (Hardiyanti et al., 2022).

There are several cases of financial problems in Indonesia that are still widely found. A summary of cases involving the banking sector related to accounting conservatism can be seen in Table 1 as follows.

Table 1. Banking Sector Case Summary

No	Company Name	Year	Case
1	Bank Century	2008	The existence of allegations of fraud committed by the Company's management requires the House of Representatives and the KPK to submit a forensic audit where it was found that a large number of fictitious loans were made by the Bank's management for the personal interests of the management
2	PT. Bank Bukopin	2016	The case of PT Bank Bukopin which revised its net profit in 2016 to Rp183.56 billion from the previous Rp1.08 trillion. The largest decline occurred in the portion of provisioning and commission income which is income from credit cards. This revenue decreased from Rp1.06 trillion to Rp317.88 billion (CNBC, 2018).
3	PT. State Savings Bank (Persero)	2019	Corruption case involving the directors of state-owned companies related to an alleged corruption case worth 300 billion rupiah
4	People's Credit Bank	2019	As of November 1, 2019, there are 72 People's Credit Banks that have been liquidated by the Deposit Insurance Corporation and 25 People's Credit Banks are waiting to be liquidated based on data from www.lps.go.id website. The average liquidation of BPRs is due to fraud problems carried out by management and commissioners, the percentage of which reaches 99 percent. An example of a case that befell Bank BPR is BPR Multi Artha Mas Sejahtera where the bank's commissioner made false records on the financial statement books with a total of Rp.6.289 billion which was used for personal interests

Source: Data processed (2023)

The large number of financial cases that occur shows that the application of accounting conservatism is still very low. Many factors can affect accounting conservatism, including: managerial ownership structure, leverage, financial distress, and *corporate social* *responsibility* (*CSR*). The managerial ownership structure is the level of the number of shares claimed by the commissioners and directors in the organization compared to the number of shares outstanding. With the expansion of managerial responsibilities for the organization, management will be encouraged to develop potential and execution ability so as to influence the organization in satisfying the desires of other investors. A small percentage of managerial ownership will affect the purpose and objectives of a company in decision-making by management. The higher the degree of managerial ownership, the organization will generally be more careful in planning financial statements (Damayanty & Rofina, 2022). The company will increasingly apply conservative accounting principles if the shareholding owned by management is larger. This is because the company, in its financial statements, is not only concerned with high profits but also more concerned with long-term company continuity (Dewi & Suryanawa, 2014).

Research on managerial ownership structure was conducted by Khasanah (2020), who found that managerial ownership structures have an effect on accounting conservatism. The results of a study by Furwati et al. (2022) show that managerial ownership has a significant positive effect on accounting conservatism. Different results were obtained by Yunita & Susanto (2022), which showed that managerial ownership had no effect on accounting conservatism. The research by El-Haq et al. (2019) found that managerial ownership did not have a significant effect on accounting conservatism. This is in line with several studies that show the relationship between managerial ownership and accounting conservatism can vary, sometimes showing a negative association, especially when agency problems increase as managerial ownership declines, which in turn increases the demand for conservatism.

In addition to managerial ownership, leverage can also affect the application of accounting conservatism. Leverage is defined as the ratio of debt to capital to fund business assets. Management, in seeking funding through the debt mechanism, will consider this ratio so that both manager and creditor can decide on the agreement (Rahmi & Niswah, 2022). Leverage shows how much a company's assets are financed by debt and is an indication of the level of security for lenders. The higher the level of leverage, the greater the potential for conflict between shareholders, which will ultimately affect contractual demands for conservative accounting (Kalbuana & Sri, 2020). Research by Damayanty & Rofina (2022) found that leverage has a negative and significant effect on accounting conservatism. Noviantari & Dwi (2015) also stated that leverage has a negative effect on accounting conservatism. However, Rahmi & Niswah (2022) found that leverage has a positive and significant effect, and Kalbuana & Sri (2020) stated that leverage has no effect on accounting conservatism. Other studies confirm that leverage can significantly affect accounting conservatism, with higher debt levels sometimes encouraging managers to increase reported profits to present a better financial condition to creditors.

Positive accounting theory states that managers will tend to reduce the level of accounting conservatism if the company experiences a high level of financial difficulty. Financial distress can encourage shareholders to change company managers because managers are considered incapable of managing the company properly. This can encourage managers to manipulate profits, which are one of the benchmarks of managerial performance, by regulating the level of accounting conservatism (Noviantari & Dwi, 2015). Financial distress can be interpreted as the appearance of an early signal or symptom of bankruptcy or a decline in the financial condition experienced by the company (Saputra, 2016). If the company experiences financial distress and continues to use accounting conservatism, the financial statements will become understated, giving a bad signal to interested parties (Rif'an & Linda, 2021). Companies experiencing high levels of financial distress may prompt managers to take non-conservative actions, so the higher the financial distress, the lower the accounting conservatism. Studies have shown that financial distress has a significant negative effect on accounting conservatism, supporting the notion that distress leads to less conservative reporting.

The company must continue to maintain business continuity by implementing adequate governance and social responsibility through activities that can support the surrounding environment. *Corporate social responsibility* is a social responsibility carried out by the company in accordance with applicable regulations. The disclosure of information on social responsibility activities is a form of action in accordance with business ethics that is oriented to improve the economy and quality of life of the local community and employees (Sari & Priyadi, 2020). The results of a study conducted by Agata et al. (2021) found that *CSR* has a positive effect on accounting conservatism. The same results were obtained by Nabela (2018), who found that *CSR* has a positive effect on accounting conservatism. However, other research indicates that the relationship between *CSR* and accounting conservatism can be complex, with some studies showing that higher conservatism may be negatively associated with a *CSR* orientation, especially under certain economic conditions.

Apart from managerial ownership, leverage, financial distress, and the implementation of *CSR*, accounting conservatism is also influenced by company size. The larger the company, the more structured the financial management system will be, so many aspects are considered, including accounting conservatism in the preparation of financial statements. Research shows that company size has a positive effect on accounting conservatism, as larger companies tend to report more conservatively to reduce political costs and tax burdens. However, some studies have found no effect or even a negative effect, indicating that the influence of company size may vary depending on context and industry.

Referring to the cases previously described, accounting fraud practices are not only found in large companies but also in banking companies such as *Bank Perkreditan Rakyat* (*BPR*), which face similar problems. This shows that accounting conservatism practices are still not widely applied in the banking sector.

Previous research conducted by Atmojo & Suyatmin (2021) found that company size influences accounting conservatism. Ibrahimy & Rossje (2022) also found a positive effect, while Sumiari & Dewa (2016) and Yulqina (2019) found no effect.

Based on the problems that have been explained previously regarding the number of companies that do not apply accounting conservatism in the preparation of financial statements, the application of the concept of accounting conservatism has its pros and cons with various assumptions circulating in the business world. Many argue that accounting conservatism should be applied to avoid fraud by certain parties, while others note the interests of shareholders who want maximum profit and the high potential for taxes. Previous studies have shown inconsistent results, with some finding no effect, others finding positive or negative effects. Therefore, the researcher is interested in re-examining accounting conservatism with the title "The Influence of Managerial Ownership Structure, Leverage, Financial Distress, and Corporate Social Responsibility on Accounting Conservatism with Company Size as a Moderation Variable."

METHOD

This type of research uses *an explanatory research approach.* In this study, the causal relationship between the variables of managerial ownership structure, *leverage, financial distress* and *corporate social responsibility* moderated by company size is explained.

The population in this study is 46 companies in the banking sector listed on the IDX in 2020-2022. Observations were carried out for 3 years, so that the total population was 46 times 3 years equal to 138 audit financial statements. The population in this study uses audit financial statements from 46 banking sector companies listed on the IDX in 2020 – 2022 with the consideration that the audit reports have been prepared professionally and independently, so that the reports presented are in accordance with applicable financial accounting standards. Audit financial statement data can be accessed through the idx.co.id website.

Sampling in this study uses *a purposive sampling* technique, namely sample selection using certain criteria. The criteria used are:

1. Banking sector companies listed on the IDX in 2020 – 2022;
2. Companies that have been in a profit position for the last 3 years
3. Companies that implement CSR
4. Financial statements presented in rupiah currency

This research begins by formulating a problem, then looking for a theoretical study that is in accordance with the research. Next, determine the population and sample to be used in the study. After that, determine the data collection method and research instruments. Then data testing was carried out with research instrument tests, classical assumption tests and hypothesis tests. The test results are interpreted and analyzed in accordance with the theoretical study and the results of previous research presented in the research discussion. From the results and discussion, conclusions were made about the results of the research.

The data collection technique in this study is through documentation. Documentation is carried out by accessing the financial statements which are research samples on the IDX website. After the data is collected, it is continued by tabulating the data, which is recapping the data needed in the research stated in the company's financial statements.

The data analysis technique used in this study is multiple linear regression with panel data. The regression model applied is $Y = \alpha + \beta 1X1 - \beta 2X2 - \beta 3X3 + \beta 4X4 + \beta 1X1.Z - \beta 2X2.Z - \beta 3X3.Z + \beta 4X4.Z + e$, where Y is accounting conservatism, X1 to X4 are independent variables that represent managerial ownership structure, leverage, financial distress, and corporate social responsibility, respectively, and Z is the size of the company, with e being the standard error. The data test involves descriptive statistics to describe the maximum, minimum, mean, and standard deviation values, as well as a panel model test using three estimation methods: common effect, fixed effect, and random effect, which were selected through the Chow test and the Hausman test. The Chow test is used to choose between a common effect and fixed effect model, while the Hausman test is used to choose between a fixed effect and a random effect. In addition, the Lagrange Multiple test is carried out to determine the best model between common effect and random effect. Hypothesis testing was carried out to determine the influence of independent variables on dependent variables using multiple regression, measured by the coefficient of determination, a statistical F test to test the co-influence of all independent variables, and a statistical t-test to test the influence of independent variables individually.

RESULTS AND DISCUSSION

Data Description

The object of this study is 46 banking sector companies listed on the IDX in 2020 – 2022. The researcher used a sampling technique with *purposive sampling*, so that a sample of 27 companies was obtained with observation for 3 years, a total of 81 samples were obtained. Data collection in this study uses secondary data obtained from idx.co.id in the form of financial statements.

Data tabulation is carried out by recapitulating financial statement data according to the indicators of each variable and calculating the ratio according to the formula that has been explained in the operational definition of the variables of this study. The implementation of this study is intended to analyze the influence of managerial ownership structure, *leverage, financial distress* and CSR on accounting conservatism with company size as a moderator.

Before testing the hypothesis, first conduct a descriptive statistical test. Descriptive statistical analysis is statistics used to analyze data by describing the data that has been collected. Descriptive statistics are used to describe data into clearer, more understandable information that provides an overview of information about the relationships between variables. The results of the descriptive statistical test are presented in Table 2 as follows.

Table 2. Descriptive Statistical Test Results

	Obs	*Mean*	*Std. Dev*	*Min*	*Max*
Managerial Ownership Structure (X_1)	81	0,014	0,048	0,001	0,287
Leverage (X2)	81	0,773	0,178	0,137	0,919
Financial Distress (X3)	81	0,323	0,264	-0,122	1,469
CSR (X4)	81	0,860	0,229	0,333	1,000
Company Size (Z)	81	13,991	0,722	12,413	15,299
Conservatism in Accounting (Y)	81	-0,022	0,101	-0,264	0,390

Source: Data processed (2024)

Based on the data in Table 2, it is known that the variable of managerial ownership structure has a minimum value of 0.001 with a maximum value of 0.287, an average value of 0.014 with a standard deviation of 0.048. The average value is closer to the minimum value, which shows that managerial ownership in banking sector companies listed on the IDX in 2020 – 2022 tends to be low.

The *leverage* variable has a minimum value of 0.137 with a maximum value of 0.919, an average value of 0.323 with a standard deviation of 0.178. The average value is closer to the maximum value, which shows that the *leverage* owned by banking sector companies listed on the IDX in 2020 – 2022 tends to be high.

The *financial distress* variable has a minimum value of -0.122 with a maximum value of 1.469, an average value of 0.773 with a standard deviation of 0.264. The average value is closer to the minimum value, which shows that the level of *financial distress* in banking sector companies listed on the IDX in 2020 – 2022 tends to be low.

The CSR variable has a minimum value of 0.333 with a maximum value of 1.000, an average value of 0.860 with a standard deviation of 0.229. The average value is closer to the maximum value, which shows that CSR disclosures in banking sector companies listed on the IDX in 2020 – 2022 tend to be high.

The company size variable has a minimum value of 12.413 with a maximum value of 15.299, an average value of 13.991 with a standard deviation of 0.722. The average value is closer to the maximum value, which shows that the size of banking sector companies listed on the IDX in 2020 – 2022 tends to be large.

The variable of accounting conservatism has a minimum value of -0.264 with a maximum value of 0.390, an average value of -0.022 with a standard deviation of 0.101. The average value is closer to the minimum value, which shows that the application of accounting conservatism in banking sector companies listed on the IDX in 2020 – 2022 tends to be low.

Panel Regression Model Determination

This technique is the simplest way to estimate panel data. This method simply connects all *time series* and *cross section* data. The results of *the common effect model* testing in this study are presented as follows.

Tabel 3. *Common Effect Model*

KA	*Coef.*	*Std. Err*	*t*	*P>|t|*	*[95% Conf. Interval]*	
SKM (X1)	0,3109555	0,2816481	1,10	0,273	-0,2501162	0,8720272
LEON (X2)	-0,066419	0,1494458	-0,44	0,658	-0,3641302	0,2312923
FDI (X3)	-0,0005801	0,1069068	-0,01	0,996	-0,2135493	0,2123891
CSR (X4)	0,0138057	0,0510159	0,27	0,787	-0,0878233	0,1154346
UP (Z)	-0,0125542	0,0179032	-0,70	0,485	-0,0482193	0,0231109
cons	0,1890518	0,2381535	0,79	0,430	-0,2853743	0,6634778

Source: Data processed (2024)

Information:

KA = Accounting Convergence
SKM = Managerial Ownership Structure
LEV = *Leverage*
FDI = *Financial Distress*
CSR = *Corporate Social Responsibility*
UP = Company Size

Based on the data in Table 3, the *resulting common effect model* regression model can be seen as follows.

$$Y = 0.3109555X1 - 0.066419X2 - 0.0005801X3 + 0.0138057X4 – 0.1890518Z+ e$$

1. Model Feasibility Testing

To find out what approach will be used as a model in this study, then *a chow* test will be carried out to determine whether the model tends to follow *the common effect model* or *fixed effect model.* The results of this test are seen from the probability value (Prob) for *Cross-Section F,* the hypothesis test for this test is as follows.

H0 : *Common Effect Model*
H1 : *Fixed Effect Model*

If the Prob value for *the Cross Section* > 0.05, then the selected model is *the Common Effect Model*. If the Prob value for *the Cross Section* < 0.05 then the selected model is the *Fixed Effect Model*. The results of Chow's test are presented as follows.

Table 4. Chow Test Results

F(26,49)	2,33
Prob > F	0,0052

Source: Data Processed (2023)

Based on Table 4, it is known that the probability value is 0.0052 < 0.05 which means that at the level of 5%, H_0 is rejected and H_1 is accepted, so the model chosen is *the Fixed Effect Model.*

2. Classic Assumption Testing

Data normality testing is carried out to test whether errors in the study are distributed normally or not. If Prob Chi^2 > 0.05 then the data is normally distributed and if Prob Chi^2 < 0.05 then the data is not normally distributed. The results of the normality test in this study are presented in Table 5 as follows.

Table 5. Normality Test Results

Variabel	*Obs*	*Pr (Skewness)*	*Pr (kurtosis)*	*Adj chi (2)*	*Prob>chi2*
KA (Y)	81	0,5129	0,1212	15,35	0,0705
SKM (X1)	81	0,4561	0,5632	77,71	0,0810
LEON (X2)	81	0,5631	0,6321	43,10	0,1020
FDI (X3)	81	0,5963	0,3245	42,67	0,1109
CSR (X4)	81	0,9568	0,2982	15,35	0,2501
UP (Z)	81	0,9408	0,1070	6,70	0,0650

Source: Processed Data (2024)

Information:
KA = Accounting Convergence
SKM = Managerial Ownership Structure
LEV = *Leverage*
FDI = *Financial Distress*
CSR = *Corporate Social Responsibility*
UP = Company Size

Based on Table 5, it can be seen that all variables have a Prob $Chi^{\text{value of } 2}$ > 0.05, then the data is normally distributed and can be used in the research.

3. Multicollinearity Test

Multicollinearity testing is performed to test whether there is a strong or perfect relationship between independent variables. There should be no linear relationship between independent variables in order to obtain unbiased results (Ghozali, 2013). In the study, Stata used a multicollinearity test through VIF (*Variance Inflation Factor*) testing. If the VIF value is > 10, then the variables in the model can be said to contain multicollinearity. The results of the multicollinearity test are presented in Table 6 as follows.

Table 6. Multicollinearity Test Results

Variabel	BRIGHT	1/LIVE
SKM (X1)	1,44	0,694959
LEON (X2)	5,52	0,181204
FDI (X3)	6,16	0,162226
CSR (X4)	1,06	0,945366
UP (Z)	1,30	0,770606

Source: Processed Data (2024)

Information:
SKM = Managerial Ownership Structure
LEV = *Leverage*
FDI = *Financial Distress*
CSR = *Corporate Social Responsibility*
UP = Company Size

Based on the data in Table 6, it can be seen that the VIF value of the managerial ownership structure variable is 1.44 < 10 with *a tolerance* of 0.694959 > 0.1. The *leverage* variable has a VIF value of 5.52 < 10 with a *tolerance* of 0.181204 > 0.1. The *financial distress* variable has a VIF value of 6.16 < 10 with a *tolerance* of 0.162226 > 0.1. The CSR variable has a VIF value of 1.06 < 10 with a *tolerance* of 0.945366 > 0.1. The company size variable has a VIF value of 1.30 < 10 with a *tolerance* of 0.770606 > 0.1. All variables have a VIF value of < 10 and a tolerance > 0.1, so it is said that the model is free from multicollinearity.

4. Hypothesis Test

In this study, panel data regression analysis was used which aimed to determine the influence of independent variables on dependent variables. Based on the results of the model feasibility test, the selected regression model is a *fixed effect model*. The results of the fixed *effect regression model* test are presented as follows.

Table 7. Direct Influence Regression Model

KA	*Coef.*	*Std. Err*	*t*	*P>|t|*	*[95% Conf. Interval]*	
SKM (X1)	0,337627	0,5577113	2,40	0,020	0,2168641	2,45839
LEON (X2)	-0,5750666	0,3955091	-1,45	0,152	-1,369872	0,2197388
FDI (X3)	-0,2138174	0,3028312	-2,71	0,014	-0,3947447	0,8223794
CSR (X4)	0,0496522	0,0734426	0,68	0,502	-0,0979361	0,1972406
UP (Z)	-0,1100616	0,1869046	-0,59	0,559	-0,4856604	0,2655373
cons	1,831493	2,725169	0,67	0,505	-3,644939	7,307925

Source: Data processed (2024)

Information:
KA = Accounting Convergence
SKM = Managerial Ownership Structure
LEV = *Leverage*
FDI = *Financial Distress*
CSR = *Corporate Social Responsibility*
UP = Company Size

Based on the data in Table 7, the regression model in this study is as follows.

$$Y = 0.337627X1 - 0.5750666X2 - 0.2138174X3 + 0.0496522X4 – 0.1100616Z + e$$

The regression model equation in this study can be interpreted as follows.

a. The value of the variable coefficient of the managerial ownership structure of 0.337627 indicates that every increase in managerial ownership by one percent, then accounting conservatism will decrease by 0.34 percent assuming that other variables are constant.
b. The value of the *leverage variable* coefficient of -0.5750666 indicates that every increase *in leverage* of one rupiah, accounting conservatism will decrease by 0.58 percent assuming other variables are constant.
c. The value of the *variable coefficient of finance distress* of -0.2138174 shows that every increase in *financial distress* of one rupiah, accounting conservatism will decrease by 0.21 percent assuming other variables are constant.
d. The value of the CSR variable coefficient of 0.0496522 shows that every increase in CSR disclosure by 1 time, accounting conservatism will increase by 0.04 percent assuming other variables are constant.
e. The value of the company size variable value of -0.1100616 indicates that every increase in the size of the company by 1 level, accounting conservatism will increase by 0.11 percent assuming other variables are constant.

5. Direct Impact Test

The direct influence test aims to determine the influence of free variables on bound variables. The results of direct influence are presented in Table 8 as follows.

Table 8. Direct Influence Hypothesis Test

Hypothesis	*Coef.*	*Std. Error*	t	*P>|t|*	Conclusion
SKM => KA	0,337627	0,5577113	2,40	0,020	Accepted
LEV => KA	-0,5750666	0,3955091	-1,45	0,152	Rejected
FDI => KA	-0,2138174	0,3028312	-2,71	0,014	Accepted
CSR => KA	0,0496522	0,0734426	0,68	0,502	Rejected

Source: Data Processed (2023)

Information:

KA = Accounting Convergence
SKM = Managerial Ownership Structure
LEV = *Leverage*
FDI = *Financial Distress*
CSR = *Corporate Social Responsibility*
UP = Company Size

6. Coefficient Determination Test

The determination coefficient essentially measures how far a model is able to explain the variation of dependent variables. The value of the coefficient of determination is between zero and one. A small R2 value means that the ability of independent variables to explain the variation of dependent variables is very limited. A value close to one means that independent variables provide almost all the information needed to predict dependent variables (Ghozali, 2013). The results of the determination coefficient test obtained an *R Square* value of 0.612 which means that the combination of independent variables used in this study was only able to explain 61.2% of the dependent variables, the remaining 38.8% was explained by other variables that were not tested in this study.

The Influence of Managerial Ownership Structures on Accounting Conservatism

The results of the study found that the managerial ownership structure had a significant positive effect on accounting conservatism in banking sector companies listed on the IDX in 2020 – 2022. This shows that the more managerial ownership, the higher the accounting conservatism.

These results support the agency theory that underlies the contractual relationship between shareholders or owners as well as management or managers. The relationship between the owner and management is inherently difficult to create because of the conflicting interests. This theory can be related to managerial ownership where there is ownership of shares owned by management, so that management will be more careful in implementing accounting because there is a high sense of ownership of the Company, then management decisions will affect the Company's decision in applying accounting conservatism. The small percentage of managerial ownership will affect the purpose and objectives of a company in decision-making by management. The higher the degree of administrative ownership, the organization will generally be careful in planning financial statements (Damayanty & Rofina, 2022).

The results of this study are in line with previous research conducted by Khasanah (2020) which found that managerial ownership structures have an effect on accounting conservatism. The results of a study by Furwati et al (2022) show that managerial ownership has a significant positive effect on accounting conservatism.

The Influence of Leverage on Accounting Conservatism

The results of the study found that *leverage* had no effect on accounting conservatism in banking sector companies listed on the IDX in 2020 – 2022. This indicates that the high and low *leverage* of the Company will not increase or decrease the level of accounting conservatism.

Leverage shows how much a company's assets are financed by debt and is an indication of the level of security of lenders. The higher the level of *leverage*, the greater the potential for conflict between shareholders which will ultimately affect contractual demands for conservative accounting (Kalbuana & Sri, 2020). The findings obtained that this high leverage does not affect accounting conservatism. This is because when the Company has high debts, of course, the creditors will always supervise the Company's performance, so that the Company will present the actual conditions.

The results of this study are in line with previous research obtained by Rif'an & Linda (2021) which found that leverage has no effect on accounting conservatism. Atmojo & Suyatmin (2021) in the study also found that leverage has no effect on accounting conservatism.

The Effect of Financial Distress on Accounting Conservatism

The results of the study found that financial distress had a significant negative effect on accounting conservatism in banking sector companies listed on the IDX in 2020 – 2022. This shows that the higher the level of financial difficulty of the Company, the lower the accounting conservatism.

Signal theory explains why companies have the initiative and drive to provide information to external parties. The company made the disclosure driven by the initiative to build investor confidence in the company's state and also the risks it may face. The signals provided by the Company indicate the conditions that the Company is currently experiencing. One of them is the occurrence of *financial distress* as a signal for investors to pay attention to the condition and sustainability of their business. With this financial difficulty, the management will certainly try to show good financial condition even though in reality it will experience *financial distress.*

The results of a study conducted by Rif'an & Linda (2021) found that *financial distress* has a significant negative effect on accounting conservatism. The results of a study by Dewi & Suryanawa (2014) stated that *financial distress* has a negative effect on accounting conservatism.

The Influence of CSR on Accounting Conservatism

The results of the study found that CSR had no effect on accounting conservatism in banking sector companies listed on the IDX in 2020 – 2022. This shows that the frequency or frequency of the Company carrying out social responsibility activities will not increase or decrease the level of accounting conservatism.

Corporate social responsibility is a social responsibility carried out by the company in accordance with applicable regulations. Information disclosure of social responsibility activities is a form of action in accordance with business ethics that is oriented to improve the economy and quality of life of the local community and employees (Sari & Priyadi, 2020). Companies that do CSR certainly have good financial conditions so that they can spend money on these CSR activities.

The fact that CSR disclosure cannot affect the application of accounting conservatism. This shows that whether or not this social responsibility is carried out will not make the Company improve the application of conservative accounting.

Company Size Moderation on the Influence of Managerial Ownership Structure on Accounting Conservatism

The results of the study show that the size of the Company can strengthen the influence of the managerial ownership structure on accounting conservatism in companies in the banking sector listed on the IDX in 2020 – 2022. This suggests that the larger the size of the Company can increase the influence of managerial ownership on accounting conservatism.

Agency theory explains that there is a difference in interests between the owner of the company and the manager. Company owners or investors want profits that seem not large to avoid taxes that are too big. Meanwhile, the company manager wants the profit to look big so that the manager's own performance looks good.

Company size is how large a company is as measured by its total assets. The size of the company will affect the level of political costs that the company will face so that it will affect conservative accounting principles (Ramadona, 2016). The larger the size of the company, the more structured the financial management system will be so that many aspects are considered, including accounting conservatism in the preparation of financial statements. With high managerial ownership, the company will be able to apply good accounting conservatism, especially when balanced with a large company size.

The results of this study are in line with the results of previous research conducted by Atmojo & Suyatmin (2021) found that company size has an effect on accounting conservatism.

Company Size Moderation on the Influence of Leverage on Accounting Conservatism

The results of the study found that the size of the Company was unable to moderate the influence of leverage on accounting conservatism in Banking sector Companies listed on the IDX in 2020 – 2022. This shows that the size of the Company cannot weaken the influence of high leverage on accounting conservatism.

Company size is how large a company is as measured by its total assets. The size of the company will affect the level of political costs that the company will face so that it will affect conservative accounting principles (Ramadona, 2016). The size of the company will certainly be able to influence the application of accounting conservatism.

However, the fact that occurs is that the size of the Company cannot strengthen or weaken the relationship between the level of debt and the application of conservative accounting. This is because the size of the company from the banking sector varies, so it cannot be generalized that the larger the size, the higher the opportunity to carry out accounting conservatism.

Company Size Moderation on the Influence of Financial Distress on Accounting Conservatism

The results of the study found that the size of the Company weakened the influence of financial distress on accounting conservatism in companies in the banking sector listed on the IDX in 2020 – 2022. This shows that the company's large size can weaken the negative influence of financial difficulties faced by the company in implementing accounting conservatism.

Signal theory explains why companies have the initiative and drive to provide information to external parties. The company made the disclosure driven by the initiative to build investor confidence in the company's state and also the risks it may face. The signals provided by the Company indicate the conditions that the Company is currently experiencing. One of them is the occurrence of *financial distress* as a signal for investors to pay attention to the condition and sustainability of their business. With this financial difficulty, the management will certainly try to show good financial condition even though in reality it will experience *financial distress.*

Company size is how large a company is as measured by its total assets. The size of the company will affect the level of political costs that the company will face so that it will affect conservative accounting principles (Ramadona, 2016). The size of the company will certainly be able to influence the application of accounting conservatism. The existence of financial difficulties will certainly urge management to present financial statements that are not conservative, so that it has an impact on accounting conservatism. However, large-scale companies will be able to minimize these impacts because large companies still have the potential to rise from financial difficulties, so that the size of the company can minimize the impact of *financial distress* on accounting conservatism.

Company Size Moderation on the Influence of CSR on Accounting Conservatism

The results of the study found that the size of the Company was not able to moderate the influence of CSR on accounting conservatism in companies in the banking sector listed on the IDX in 2020 – 2022. This shows that the size of the Company cannot strengthen the influence of CSR to apply accounting conservatism.

CSR certainly has sufficient funding for operations so that it is able to carry out CSR. In addition, this CSR activity is also seen as part of the company's social responsibility for environmental impact. Company size is how large a company is as measured by its total assets. The size of the company will affect the level of political costs that the company will face so that it will affect conservative accounting principles (Ramadona, 2016).

The fact that the size of the Company cannot strengthen or weaken the relationship between the implementation of CSR and the application of accounting conservatism. This means that a large company has not yet implemented its social responsibility so that no impact is found on the implementation of accounting conservatism.

CONCLUSION

This study of banking sector companies listed on the IDX for the period 2020–2022 found that managerial ownership has a positive and significant influence on accounting conservatism, while financial distress exerts a negative and significant effect; in contrast, leverage and *corporate social responsibility* (*CSR*) were not found to significantly impact conservatism. Furthermore, firm size was shown to strengthen the positive relationship between managerial ownership and conservatism, as well as weaken the negative effect of financial distress, but did not moderate the effects of leverage or *CSR*. For future research, it is suggested to broaden the sample to include non-banking sectors, extend the observation period, incorporate additional variables such as corporate governance and macroeconomic factors, employ alternative measures of conservatism, and conduct cross-country comparisons to yield deeper insights and enhance the generalizability of the findings.

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