

THE EFFECT OF FINANCIAL DISTRESS, LEVERAGE, AND MANAGERIAL OWNERSHIP ON ACCOUNTING CONSERVATISM IN PROPERTY COMPANIES LISTED ON THE IDX IN 2021-2023

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Abstract:

This study aims to determine the effect of Financial Distress, Leverage, and Managerial Ownership on Accounting Conservatism in property companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023. This study uses an associative strategy to determine the relationship between two or more variables. The data in this study uses secondary data. The population in this study amounted to 92 companies. Sampling and sample size determination in this study were carried out using the Purposive Sampling method, resulting in a sample of 29 entities. The analytical approach uses multiple linear regression analysis, the coefficient of determination, the classical assumption test, and descriptive statistical data analysis. Use the t-test and F-test to test the hypothesis. This study found that Financial Distress has a significant effect on accounting conservatism, Leverage has no significant effect on accounting conservatism, and Managerial Ownership has no significant effect on accounting conservatism. The F-test in this study concluded that only Financial Distress has a significant effect on Accounting Conservatism, while Leverage and Managerial Ownership have no significant effect on Accounting Conservatism.

INTRODUCTION

Finance is a crucial element in running a business. Sufficient understanding and knowledge are essential for its continued growth. One crucial factor is financial reporting. Financial reports contain information about a company's operating profit, which is essential for investors, stakeholders, creditors, the government, the public, and other interested parties. Before determining the accounting plan to be used in the fiscal summary, Financial Accounting Standards (FAS) allow an organization the freedom to influence the method used in financial reporting. One such method is conservatism. (Astutik & Wulandari, 2025) State that conservatism is a prudent approach to financial reporting, where a company does not optimistically recognize assets and profits but promptly recognizes potential losses and liabilities. Many variables influence accounting conservatism, one of which is if the situation is unable to address organizational problems well, if the company is in a state of financial distress, then management tends to increase conservatism in financial reporting, namely delaying revenue recognition and immediately recording losses, especially when added to the risk of litigation, so that investors and supervisors can be calm in facing difficult financial conditions (Listyorini, 2023). Another factor influencing accounting conservatism is leverage. Leverage is a ratio that indicates the extent to which a company finances its assets with debt or loans from external parties (Iskandar et al., 2023). Companies must bear fixed costs to acquire assets through borrowed funds. The leverage ratio serves as a guarantee for lenders regarding the repayment of funds. Banks and creditors typically encourage companies to use the principle of



conservatism in preparing financial statements to protect their interests. However, many companies still fail to implement this principle effectively, for example, by not requiring down payments from tenants. As a result, less serious tenants can cancel the transaction at any time, which can result in losses and threaten business continuity (Brueckner & Rosenthal, 2025). Another influencing variable is managerial ownership. Managerial ownership reflects the extent to which a company's shares are directly owned by parties involved in decision-making (Lubis et al., 2025). According to (Maulana & Widyawati, 2024), management ownership creates incentives for managers to make optimal decisions for the company because they also act as owners. Management ownership plays a crucial role in aligning management and shareholder objectives to minimize conflicts of interest (Lin & Nguyen, 2022). Managerial ownership in a company is measured by the percentage of share ownership by directors, commissioners, and top management, divided by the total outstanding shares, then multiplied by 100% (Lin & Nguyen, 2022). The greater the percentage of managerial ownership in a company, the more likely management is to continue to develop and advance the company. This study focuses solely on the financial performance reports of companies that use the Principle of Accounting Conservatism. Accounting Conservatism is a principle, namely the principle of prudence, applied in the preparation of financial statements to anticipate uncertainty in business activities (Iskandar et al, 2023). Very prudent accounting principles (conservatism) tend to result in low asset and profit recording, but higher expenses, resulting in financial statements that tend to "underestimate" business results (Ren, 2025). The development of the property and real estate industry, which is growing along with population growth in Indonesia, has attracted the attention of researchers to examine how accounting conservatism is applied. The higher the level of conservatism, the greater the potential for increased public and investor trust in the company.

As explained above, the researcher is interested and motivated to conduct this research with the title "The Effect of Financial Distress, Leverage, and Managerial Ownership on Property Companies Listed on the IDX in 2021-2023.

METHODS

This study uses an associative strategy aimed at understanding the relationship between two or more variables (Sugiyono, 2020:65). The analytical method employed a descriptive quantitative approach, which involves describing an object under study through sample or population data, without the intention of drawing generalizable conclusions (Sugiyono, 2020:206). This quantitative study utilizes secondary data, specifically annual financial reports, from the 2021 financial report to the 2023 financial report. According to Sugiyono (2023), secondary data is data that is not directly provided to data collectors. The population of this study was 92 property companies listed on the Indonesia Stock Exchange in 2021-2023. Sampling and sample size were conducted using a purposive sampling method. Purposive sampling is a sampling technique based on specific considerations (Sugiyono, 2023). Of the 92 companies selected, 29 property companies met the sample criteria.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis Test.

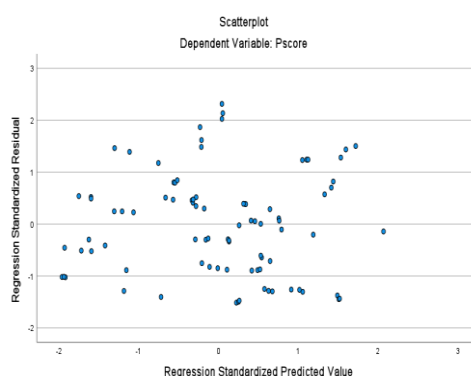
1. Financial Distress (FD) variable with a minimum value of 0.23, with a maximum value of 12.09, with an average value (mean) of 5.5186. Meanwhile, the standard deviation of 3.08600 is smaller than the average value (mean)



- The Debt to Equity Ratio (DER) variable obtained a minimum value of 0.12 with a maximum value of 2.03, with an average value (mean) of 0.6385. The standard deviation is 0.49952, which is lower than the average (mean)
- The Managerial Ownership (ManOwn) variable obtained a minimum value of 0.00 with a maximum value of 0.14, with an average value (mean) of 0.0191 and a standard deviation of 0.03402, which is greater than the average value (mean) of 0.0191.
- The Accounting Conservatism variable obtained a minimum value of 0.00 and a maximum of 0.04, with an average value (mean) of 0.0154. The standard deviation is 0.00943, which is lower than the average value (mean).

Classical Assumption Test.

- Normality Test. The significance value obtained is 0.200, which is greater than 0.05 according to the Kolmogorov-Smirnov (K-S) normality test.
- Multicollinearity Test. To conclude that all variables in the research model have a Tolerance value above 10 and a Variance Inflation Factor (VIF) below 10, it can be concluded that there is no multicollinearity between the independent variables in this regression model.
- Autocorrelation Test. The Durbin-Watson value is 1.830, and the du (upper bound) value is around 1.53. Since the DW value is between 1.53 and 2.47 (i.e., 4-du), it can be concluded that the regression model does not experience autocorrelation, so the model can be declared free from serial relationships between errors.
- Heteroscedasticity Test



Source: SPSS Data Processing Results

Figure 1. Heteroscedasticity Test Results

Figure 1 shows the scatterplot results. It appears that the points are randomly distributed and do not form a specific pattern, either narrowing or widening. This indicates that the regression model does not experience heteroscedasticity.

Multiple Linear Regression Analysis.

Table 1. Multiple Linear Regression Analysis Test Results

Variable	Koefisien
Constant	0.221
FD	-0.867
DER	-0.232



ManOwn 0.034

Source: SPSS Data Processing Results

Based on Table 4.6, the following equation can be obtained:

$$Pscore = 0.221 - 0.867(FD) - 0.232(DER) + 0.034(ManOwn)$$

Based on the equation above, it can be explained that:

- Financial Distress (FD) has a coefficient value of -0.221. This indicates that FD has a negative effect on accounting conservatism (Pscore). This means that every 1 unit increase in FD will decrease the Pscore by 0.221 units, if other variables are held constant.
- Debt to Equity (DER) has a coefficient value of -0.232. This indicates that DER has a negative effect on accounting conservatism (Pscore). This means that every 1 unit increase in DER will decrease the Pscore by 0.232 units, if other variables are held constant.
- Managerial Ownership (ManOwn) has a coefficient value of 0.034. This indicates that ManOwn has a positive effect on accounting conservatism (Pscore). This means that every 1 unit increase in ManOwn will increase the Pscore value by 0.034 units, if other variables are held constant.

Hypothesis Testing, Coefficient of Determination (R²)

Table 2. Coefficient of Determination Test

	Mark
R-Square	0.601

Based on the Model Summary output, the R Square value was 0.601. This indicates that 60.1% of the variation in accounting conservatism (Pscore) can be explained by the variables financial distress, debt-to-equity ratio, and managerial ownership. Meanwhile, the remaining 39.9% is explained by other factors outside the model that were not examined in this study.

Simultaneous Test (F-Test). The F test is used to determine whether independent variables simultaneously or jointly have a significant effect on the dependent variable (Ghozali, 2021). In this study, the independent variables tested were Financial Distress (FD), Debt to Equity Ratio (DER), and Managerial Ownership (ManOwn), while the dependent variable was accounting conservatism (Pscore). Based on the results shown in Table 4.8, the calculated F value was 1.768 with a significance level of 0.160. This significance value is greater than $\alpha = 0.05$ ($0.160 > 0.05$), so it can be concluded that the three independent variables simultaneously do not have a significant effect on the Pscore variable.

Table 3. F-Test Results

F- count	Significance
1.768	0.160

Partial Test (T-Test). The t-test was used to determine whether each independent variable had a significant influence on the dependent variable, namely accounting conservatism (Pscore). The results of the t-test are shown in Table 4.9.



Table 4. T-Test Results

Variable	Significance	Conclusion
FD	0.021	Significant
DER	0.146	Not Significant
ManOwn	0.259	Not Significant

Based on the results of the t-test, the influence of each variable can be explained as follows:

- The significance value for the Financial Distress (FD) variable is 0.021, which is smaller than the significance level of 0.05. This means that, partially, FD has a significant effect on accounting conservatism (Pscore).
- The significance value of the DER variable is 0.146, greater than 0.05. Thus, it can be concluded that DER does not have a significant effect on accounting conservatism (Pscore).
- The significance value for the managerial ownership variable is 0.259, which is also greater than 0.05. Therefore, it can be concluded that managerial ownership does not have a significant effect on accounting conservatism (Pscore).

CONCLUSION

Based on the results of data analysis and discussion in this study, several conclusions can be drawn as follows:

- Financial distress has a significant effect on accounting conservatism. This means that the higher the level of financial distress a company experiences, the lower the level of conservatism applied. This reflects that companies in financial distress tend to avoid conservative financial reporting to maintain a positive image in the eyes of investors and creditors.
- The Debt-to-Equity Ratio (DER) does not significantly influence accounting conservatism. This indicates that the proportion of debt to equity is not a factor influencing a company's conservative policy in preparing financial statements.
- Managerial ownership does not have a significant effect on accounting conservatism. The percentage of managerial share ownership does not have a significant effect on the level of accounting conservatism.

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