Factors Affecting Accounting Conservatism: A Meta Analysis Study

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ABSTRACT

This study aims to identify the determinants of accounting conservatism in Indonesia through the use of meta-analysis methods. This study uses 20 articles from academic journals related to conservative accounting, published between 2016 and 2022. The results show that there are seven factors that facilitate conservative accounting: financial distress, leverage, litigation risk, debt covenant, firm size, management ownership, and growth opportunities. As a result, these seven factors have a positive effect on maintaining the balance sheet.

Keywords: Accounting Conservatism; Meta-Analysis, Determinant

1. Introduction

Given the ambiguous nature of the economy's future, conservatism is dominant. Being careful not to publish biased financial figures is a conservative reporting approach. Due to large expenses and liabilities, conservatism is an accounting approach that reduces the quantity of revenue and assets. Conservatism indicates that expenditures are legitimated immediately and income is legitimated at the time of realization, even though net assets are valued below the stock market or current market price rather than the purchase price (Hendriksen and Van Breda, 2000 in Fitranita, 2019) . Financial statements play a big role in investors' decision-making when it comes to making investments. When preparing the financial statements for each company, it is up to the management to choose the best method. It is important to use caution when presenting financial statements to investors and other third parties since using the right methodology is likely to lower the likelihood of unstable economic risks.

The conservative approach to accounting can be the precautionary concept in reporting. According to Ghozali and Chariri (2007 in Dewi & Suryanawa, 2014), conservatism bases the presentation of profit in assets on the idea that profit should be suspended and loss should be recognized right away. Contrarily, if this occurs, you will suffer losses, costs, or liabilities and should be warned right away. If, however, there exist circumstances that can produce profits, income, or assets, those circumstances will really take place before it is noticed. Cases that arise in businesses as a result of using the precautionary principle don't usually harm the reputation of the organization.

The accounting methods used by the American energy corporation Enron are among the most well-known scandals in economic history. As is well known, the Houston, Texas-based energy business

Enron Corporation benefited from its strong performance by fabricating earnings statistics and altering its balance sheet. This is a moral action.

After Enron Corporation was declared bankrupt, with losses of up to US$ 11 billion (or Rp. 159.5 trillion at the current currency rate), the scandal that was perpetrated by the business was effectively revealed. Although the case's foundation is the expansion of investment, it is a loss and definitely hurts the bankrupt stockholders. Another accounting issue was uncovered at PT, according to KAI (Persero). The business that provided the company's financial accounts declared a profit of Rp 6.9 billion, despite the company losing Rp 63 billion.

IAI contends that the company's financial statements are false. KAI is brought on by three things: (1) The decrease in the Total Inventory of Parts and Equipment as a Loss by Company Management in 2022 was around 24 billion Rupiah when it turned out that there was inventory reported. (2) The Company's Obligation to Pay Rp95. 2 Billion on VAT Assessment and Report to the Financial Statements as Receivables from Several Customers. KAI will be introduced progressively over the course of five years. (3) The balance sheet as of December 31, 2005 has been stable for many years as an obligation and the presence of government support for Rp. 674.5 has not yet been established.

The Enron and PT. KAI scandals demonstrated that if management is not interested in presenting it, it has failed to apply accounting conservatism, resulting in losses that lead to bankruptcy. Financial statements must be presented cautiously and correctly in order to avoid causing significant harm to investors. As a result, the precautionary principle must be applied in accounting practice. According to Hellman (2007 in Purnama H & Daljono, 2013), even if conservatism was no longer emphasized in the Standard Financial Statements, companies would still be concerned with the uncertainties that would be encountered when preparing calculations, and where there was uncertainty, conservatism was always present. Penman & Zhang (2002) argued that, accounting conservatism can reduce the quality of profits generated by a company. While Watts (2003)claims that conservatism will limit managers' opportunistic actions and increase the company's value, conservatism also limits opportunistic payments to managers or parties' shareholders.

Moreover, Aristiyani & Wirawati (2013) stated that the proportions of the company are divided into small and large companies. Large corporations have a more complex management system with high profits. While small businesses have a low policy cost. As a result, large corporations face more complex problems and risks, as well as higher policy costs. To cut the cost of the policy, use conservative accounting.

The ownership structure is an internal factor in determining the company's progress (Susilo & Aghni, 2017). A corporate ownership structure includes not only a managerial ownership structure, but also an institutional ownership structure. Institutional structure includes institutions such as insurance companies, banks, investment firms, and other institutional ownership (Tarjo, 2008 in Sintyawati & S, 2018). Bandi and Shintawati (2014 in Jao & Ho, 2019)discovered that managerial ownership has a significant positive effect on accounting conservatism. However, these findings contradict Wardhani's (2008 in Jao & Ho, 2019)) research, which found that managerial ownership has a negative impact on accounting conservatism.

A debt covenant is a contract that protects the lender from the manager's actions that are detrimental to the interests of creditors, such as excessive dividends, additional loans, or working

capital below the established level. Eka Nurmala Sari (2009) discovered that debt covenants have a positive but insignificant effect on accounting conservatism. In contrast to the findings of Sari and Adhriani (2009 in Oktomegah, 2012), who discovered a negative influence of debt covenant on accounting conservatism.

Litigation risk is a company-inherent risk that allows threats to interested parties and companies that feel disadvantaged (Utami, 2011). A study conducted by Putri et al. (2017) discovered that litigation risk had a negligible effect on accounting conservatism. In contrast, A'isya & Vestari (2019) discovered that litigation risk has a positive effect on accounting conservatism. According to the findings of a study conducted by Dewi & Suryanawa (2014), managerial ownership structure and leverage have a positive effect on accounting conservatism. Unlike financial distress, which has a significant negative impact on accounting conservatism.

2. Literature Review And Hypothesis Development

2.1. Literature Review And Hypothesis Development

2.1.1. Accounting Conservatism
In order to strengthen the financial statements' efficacy and objectivity, these uncertainties and risks must be accounted for. All users of financial statements derive the greatest advantage from prudent reporting. Conservatism is a careful response to current uncertainty, taking into account the risks and uncertainties associated with the business environment (Sinambela & Almilia, 2018). Watts (2003) described conservatism as a financial reporting reaction to the precautionary principle. This enables businesses to rapidly identify and evaluate their assets and profits, as well as rapidly detect prospective losses and obligations. Glossary No. 2 FASB (Financial Accounting Standards Board) explains that we cautiously assess the inherent unpredictability of the business and effectively consider business risks.

2.1.1.1. Principle of Conservatism
When it comes to financial reporting, companies required to adhere to the principle of conservatism, specifically to avoid losses for shareholders. In the concept in the principle of conservatism, costs and liabilities are recognized as soon as possible if the result is uncertain, but then income and assets are recognized only if they are reliably received. Losses should be recorded if there is uncertainty in the form of suspicion of recognition of income and assets.
In contrast, companies report lower earnings, income value ranges, and asset values therefore uncertainty can be cautiously managed. The principle of conservatism can also be applied in the following circumstances. For example, if the billing assumes that the receivables group has 3% bad credits, but some sales tend to be 5% higher than the company's declining sales situation in considering bad credits, but if the company does not have a strong asset value, then the company needs to consider 5% of evidence in the form of financial statements

2.1.1.2. Accounting Conservatism based on PSAK
The following information is the construction of conservative financial statements:
- PSAK No.14 related to inventory, the company states that one way is to use FIFO to record inventory costs
- PSAK No. 16 related to fixed assets and other assets related to the estimated useful lives of fixed assets.
- PSAK No.19 related to intangible assets related to depreciation method 19.

- PSAK No. 29 related to R & D costs states that the allocation of R & D costs is based on the relationship between costs and economic benefits that the company is expected to obtain from its R & D activities. If costs can increase future economic benefits and you can measure them reliably, you can leverage them as an asset.

2.1.2. Financial Distress

Financial distress is a period of financial decline that precedes bankruptcy (Widhiari & Merkusiwati, 2015). According to Platt and Plat (2002 in Munthe, 2014), financial distress is the process of a company's financial condition deteriorating prior to its bankruptcy or liquidation. According to Hofer and Whitaker in Sinambela & Almilia (2018), companies with a negative net profit over the years are in financial distress. According to Fahmi (2011 in Sulastri & Anna, 2018), financial distress is a period of financial deterioration preceding bankruptcy and liquidation. Financial distress is the stage of deteriorating financial conditions that precedes bankruptcy or liquidation.

Accounting conservatism is used by management in difficult financial conditions to reduce conflicts between investors and creditors. Because conservatism is a precautionary principle, financial difficulties encourage businesses to be more cautious in the face of an uncertain environment. According to Tazkiya & Sulastiningsih (2020), financial difficulties have a positive and significant direction in accounting conservatism. As a result, financial difficulties in this case benefit accounting conservatism. According to Sulastri & Anna (2018), financial distress has a significant impact on accounting conservatism, and the greater a company's financial distress, the more conservative the company will be. As a result, the following hypotheses emerge:

H₁: *Financial distress* **has a positive effect on accounting conservatism**

2.1.3. Leverage

Leverage shows the company's ability to meet obligations both long-term short and long term (Sutra & Mais, 2019). Leverage is expected to provide additional sources of funding in addition to the regional budget to cover local government budget deficits, as the high ratio confirms the poor performance of local governments. Raharja (2011 in Putri et al., 2017) Leverage shows how much of a company's assets are financed by debt and provides an indication of the lenders'/creditors' level of security. Leverage is a ratio that shows how much debt or capital is used to fund a company's assets (Noviantari and Ratnadi in Sulastri & Anna (2018). High leverage will make the company cautious because it is a threat to the company's survival.

In accordance with the findings of Putri *et al.* (2017), leverage had a significant negative effect on accounting conservatism. This high ratio highlights the deterioration of local governments, as leverage is expected to provide additional funding sources to cover local government budget deficits in addition to the regional budget. Raharja (2011) in Sutra & Mais (2019) defines leverage as the amount of a company's assets that are covered by debt and the level of security of lenders/creditors. Leverage is a measure of how much debt or stock a company uses to fund its assets (Noviantari and Ratnadi in Sulastri & Anna, 2018). High leverage threatens the company's survival; as a result, high leverage makes companies cautious. This is consistent with research indicating that partial leverage has a significant negative impact on conservative accounting (Putri *et al.,* 2017).

H₂: *Leverage* **has a negative effect on accounting conservatism**

2.1.4. Litigation Risk

According to Utami (2011) litigation risk is defined as the risk inherent in the company that allows the threat of litigation by parties interested in the company who feel aggrieved.   Litigation risk is the company's risk that results in the company relating to the law. The cause of litigation risk is the attitude of the company to raise profits in each company without being accountable, so that investors will feel aggrieved and eventually report the company to the law.

Research conducted by Putri *et al.* (2017) managers will be more encouraged to apply the principle of conservatism in order to accelerate the recognition of the company's debt and the profit presented is lesser, so that the company can avoid the high risk of litigation. Litigation has a positive effect on accounting conservatism A'isya & Vestari (2019), meaning that the greater the risk of litigation that occurs in the company, the greater the application of conservatism. With the purpose of the statement supports the third hypothesis:

H₃: ***Litigation risk*** **has a positive effect on accounting conservatism**

2.1.5. Debt Covenant

Nugroho (2012) argued that a contract for a long-term loan protects the lender from control measures over the creditor's interests. Paying excessive dividends or allowing Capital to fall below the required threshold. A debt contract is a leverage-based debt contract. With the debt arrangement, the administrator obtains the assets obtained from the creditor's loan. This loan displays the manager's capacity to oversee all firm assets (Sinambela & Almilia, 2018).

According to a study Pambudi (2017) , debt contracting attempts to avoid debt contracting by selecting accounting practices that can improve profits as the company nears a violation of contract. According to the research of Sari and Adhariani (2009 in Purnama H & Daljono, 2013), it is more probable to increase the reported profit for the period if the leverage ratio used to measure the debt ratio is greater or if the financial statements are less conservative. The evidence therefore supports the fourth theory.

H₄: ***Debt covenant*** **has a positive effect on accounting conservatism**

2.1.6. Firm Size

The size of a company is based on how many assets it has (Sunarto and Budi, 2009 in Ursula & Adhivinna, 2018) . As a result, company owners tend to use accounting methods that move profits from one period to the next. This is because the bigger the company, the higher the standard of performance and profitability (Sumiari & Wirama, 2016). The study of firm size is backed by the positive accounting theory, which says that as a company grows, its managers need to be careful about how they measure profits and use conservative accounting methods to cut down on political costs(Aryani & Muliati, 2020). The bigger a company is, the more care it will take to report its finances in a way that is easy to understand and trust. This study matches the research done by Agustina *et al*. (2016). Based on the results of past studies, the fifth hypothesis was put forward.

H₅: Firm size has a positive effect on accounting conservatism

2.1.7. Managerial Ownership

Management ownership, as defined by Siregar and Pambudi (2017 cited in El-haq, 2019), is the level of share ownership by management that is directly and actively involved in decision making. Greater management ownership encourages management rights to be used to maximize Management Welfare. When holdings are high, Oktomegah (2012) companies are increasingly adopting conservative accounting principles. According to Alfian & Sabeni(2013) managers are

more owned by the company, the more managers owned, the more conservative revenue reporting becomes, and managers prepare to hide. This has the potential to increase the size of your company's investment.

Management ownership, according to Zahira (2017) cited in Prastiyanti & Mahardhika, (2022), is the level of management ownership that is directly and actively involved in decision making. The greater of the manager's ownership, the less conservative of the company's accounting approach. Managers typically report high profits, so they are regarded as high performers and are rewarded. As a result, it lends support to the sixth hypothesis.

H6: Managerial ownership has a positive effect on accounting conservatism

2.1.8. *Growth Opportunities*

The Growth Option is an investment opportunity for firms. Typically, a company's potential to grow rapidly requires a substantial quantity of capital to fund future expansion Rianawati & Setiawan (2015). According to research conducted by Susanti (2016) in (El-haq, 2019), management employs conservative principles in order to strike a compromise between strong growth potential and high corporate capital requirements.

Growth Opportunities or company growth opportunities are opportunities for businesses to invest in items that are profitable. The quantity of funding necessary pushes managers to use conservative accounting practices to fund their investments (Saputra et al., 2016). The larger the potential for growth, the greater the finance requirement. Consequently, this evidence supports the seventh hypothesis.

H7: Growth Opportunities has a positive impact on accounting conservatism

2.2. *Research Model*

This study uses the following research model to describe the proposed hypothesis that can be seen in Figure 1. The figure 1 below shows a picture of a frame of mind that describes the influence of the 7 determinants as explained earlier.
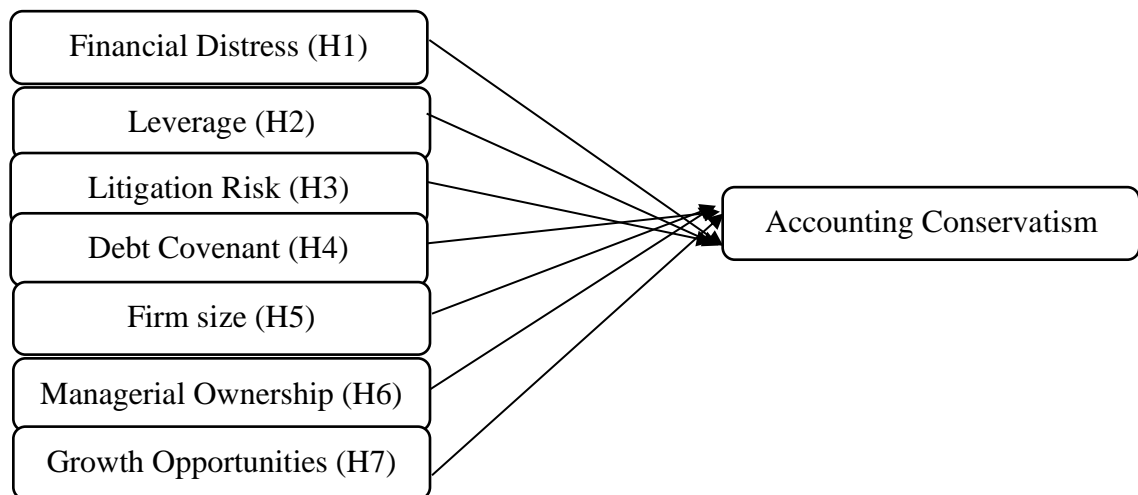

Figure 1. Research models of factors affecting accounting conservatism

3. Research Methodology

3.1. Approaches and Types of Research

This study use meta-analysis as its methodological foundation. Correlation Meta-analysis is a strategy for methodically assessing current literature to refine and expand existing theories (Nair, 2006 in Kiswara et al., 2018). Lyons, 2000; Hunter and Schmidt, 2004 in Eny (2019) noted that the meta-analysis methodology utilized in this work can explain the findings several similar studies (factors affecting accounting conservatism) using statistical techniques to obtain a quantitative blend of data. This study examined scholarly articles on conservatism published in Indonesia six years later, between 2016 and 2022. It is expected that it can give data and research pertinent to Indonesia's on going growth. According to the accounting e-journal website, thirteen articles published in academic journals on factors impacting accounting maintenance were compiled for the study.

Economics and management are monitored by Google Scholar. Using the keyword "accounting conservatism" in a journal search yielded 6,340 hits in this study to determine the article's citation. Only 40 of the 6,340 articles discovered supported the intended debates between 2016 and 2022. The selected articles were then reorganized according to the following criteria: (1) research papers utilized between 2016 and 2022 and (2) research articles focusing on accounting publications. According to the created poll, there will be thirteen linked articles included in this research.

The methodologies utilized for data analysis are primarily quantitative meta-analysis techniques. The study provides a summary of the findings from the statistical processes included in the investigation of accounting conservatism variables. In addition, its relevance and effect magnitude are determined and measured (differences in indicators between variables that affect accounting maintainability). In this study, the problems that frequently arise when investigating conservative accounting determinants can be circumvented by identifying and mapping the many independent variables involved. Ultimately, the output of the statistical test is determined primarily based on the selection of articles using this method. It is verified that the independent variable is a determinant of the dependent variable using the research output.

3.1.2. Research Sample

This study is the result of research that examines the elements that influence the conservatism of accounting. The sample utilized is a required sampling objective for the meta-analysis investigation. The study's sampling strategy is based on the following criteria:

- The study is supported by a credible meta-analysis. Minimum of two articles concerning independent variables. We got 40 publications, of which 20 are suitable for meta-analysis; nevertheless, these articles will be utilized in the subsequent meta-analysis study.
- The accounting conservatism study demonstrates that the relationship between independent variables should have a direct effect on the dependent variable. The survey must determine if the independent variable has a direct effect on the dependent variable. Meta-analytic tests reveal that the independent variable is statistically evaluated as a direct predictor of the dependent variable.
- The selected publications must contain F and t measurements applicable to the meta-analysis method, as well as hypotheses, survey samples, and data on the independent variables evaluated in this study. To retest the link between variables using statistical tests that need output data, a meta-analysis is performed. At this point, the findings produce new

decisions regarding the statistical output necessary for analyzing this meta-analytical method.

3.1.3. Data Analysis Techniques

The results of prior studies on the same subject, accounting conservatism, appear to vary. According to Fanani (2007), the stages of data analysis and interpretation in a meta-analysis study to rectify sampling errors are as follows:

- Utilizing explanatory variables, this study identified prior research from a database using a database search.
- This study employs meta-analysis via transformation and statistical conversion of effect sizes (effect size) of any research translated into person coefficients for statistical analysis (ri). The formula is as follows:

$$r_i = \sqrt{\frac{t^2}{t^2+df}}$$

Where:

r_i = *Person Correlation* per year for each study

t = Value of converted research statistics

df =*Degree of freedom*

- Definition of mean correlation ($\underline{r}$) obtained by calculating the weighted average *correlation coefficient* (r_i) with sample size (N_i) of the total research studied.

$$\underline{r} = \frac{\sum \ (N_i r_i)}{\sum \ N_i}$$

Where:

N_i = Number of samples in the study

$\underline{r}$ = Population mean correlation

- The calculation of variance (S_r^2) observed as a survey sample is obtained from the sum of the selected correlation coefficients. This calculation divides the weighted mean square error by the number of samples present.

$$S_r^2 = \frac{\sum \ (N_i(r_i - r)^2])}{\sum \ N_i}$$

- Calculation of variance sampling error. This calculation aims to correct for error variance by finding the true population variance by finding the difference between the observed total variance and the estimated variance from the sampling error.

$$\bullet \quad S_e^2 = \frac{(1-\underline{r}^2)^2 K}{\sum \ N_i} \rightarrow S_P^2 = S_r^2 - \ S_e^2$$

Where:

S_e^2 = Estimated sampling *error variance*

S_P^2 True population Variance

S_r^2 = Total *variance* the observed

K = number of studies in the analysis
6. Determinage of precentage level confidence interval. This study with a sample consisting of 40 samples, then the statistical Z is determined by:

$$[[\underline{r} - S_P Z\ 0{,}975, \underline{r} + S_P Z\ 0{,}975] \approx [\underline{r} - S_P(1{,}96), \underline{r} + S_P(1{,}96)]$$

3.1.4. Hypothesis Testing

Utilize meta-analytic methods to test your hypothesis: (1) Using a significance level of 95%, analyze the link between distinct independent factors and the dependent variable and test for a significant relationship. When the average correlation lies between the minimum confidence interval and the maximum confidence interval, and all values are either positive or negative, this relationship is crucial. However, if one value is negative and the other is positive, the connection is no longer significant. (2) The relationship is positive and the hypothesis is accepted if the mean correlation reveals a positive value (+) and the level of trust suggests a substantial link. The contrary is also correct.

4. Results and Discussions

4.1. Results

Researchers discovered 40 study articles on accounting conservatism in all, all of which were published from different sources. Only 20 articles out of the population can be considered in meta-analysis. Example of a description:

Table 1. Results of the Initial Selection of Articles For Meta-Analysis Testing

No.	Description	Amount
1	Number of articles obtained	40
2	Articles whose year is less than 2016	7
3	*Output* statistics not included in the article	13
4	Articles can be used in the analysis	20

In this study, seven independent variables financial distress, leverage, litigation risk, debt covenant, firm size, managerial ownership, and development opportunities were investigated to see how conservative accounting would perform. First, create a Pearson coefficient for each explanatory variable using the t value or p value from the previous article (r).

Table 2. Effect Size

NO	Author	n	FinDis	Leverage	Lirisk	Firm Size	Debcov	ManOwn	Groopn
			(r)	(r)	(r)	(r)	(r)	(r)	(r)
1	Anike, 2017	30	0,032734	0,352228	0,122237				
2	Maria & Luciana, 2018	192			0,013235	0,034058	0,035371	0,032962	
3	Olvy & Susanto, 2020	61	0,448072	0,346342		0,217803		0,124163	
4	Risa & Mekani, 2019	100			0,194414		0,005178		

No	Author	N							
5	Intan & Hery, 2021	19					0,425732		0,093094
6	Muhammad & Wita, 2018	42	0,00032	0,010888					
7	Dewi & Muliati, 2020	51	0,219712	0,683364	0,408255				
8	Susi & Yane, 2018	47	0,654747	0,452088					
9	Zia & Sumardi, 2019	49					0,143723	0,662589	
10	Januar, 2017	60					0,228131	0,377522	
11	Esa & Vidya, 2018	60		0,462441		0,894932	0,225735	0,47905	
12	Robert & Devina, 2019	247					0,000128	0,000962	
13	Evira & Susanto, 2022	33		0,359055			0,23625		
14	Nobita & Ida, 2017	141			0,221238		0,189645		0,085408
15	Tri & Mughni, 2017	74					0,194859		0,379567
16	Nur et al,, 2021	8	0,768876	0,853937	0,562027				
17	Subaeti & Weni, 2022	50	0,278606	0,997371		0,035903			0,052253
18	Kevin & Sufiyati, 2022	69	0,360902	0,109147		0,117247	0,071977		0,034806
19	Suyono *et al*, 2022	90		0,157287			0,291312		0,473917
20	Andreas & Linda, 2017	33			0,046374	0,10982			0,388575

Source: Processed Data, 2022

Table 3. Meta-Analysis Result

Variable	N	r	S_r^2	S_e^2	S_p^2	Percentage Explained	95% Confidence Interval		Hypotheses
							Max	Min	
Financial Distress	362	0,313	0,042	0,018	0,024	18,88	0,265	0,361	Accepted
Leverage	541	0,381	0,077	0,015	0,062	56,886	0,256	0,503	Accepted
Litigation Risk	504	0,125	0,006	0,012	-0,006	2,964	0,136	0,113	Accepted
Debt Covenant	833	0,084	0,008	0,008	-0,001	6,385	0,086	0,083	Accepted
Firm size	516	0,209	0,074	0,012	0,062	41,79	0,088	0,330	Accepted

Manageri al Ownershi p	702	0,093	0,013	0,009	0,003	9,038	0,087	0,098	Accepted
Growth Opportun ities	585	0,280	0,027	0,013	0,016	18,303	0,253	0,306	Accepted

Significant <5%. Source: Processed Data, 2022.

Based on table 3, it can be concluded that based on the meta analysis, it can be concluded that the r values for financial distress, leverage, litigation risk, debt covenant, firm size, managerial ownership, and growth opportunities are between the confidence interval value and alpha 5% so that all hypotheses are accepted.

4.2. Discussion

4.2.1. The Influence of Financial Distress toward Accounting Conservatism
The results of the total sample study demonstrate that financial distress has a favorable effect on balance sheet upkeep. This is demonstrated by the correlation mean (r) value of 0.313. With a 95% confidence interval ranging from 0,265 to 0,361, it may be inferred that H1 is accepted. Regardless of the severity of the company's financial issues, the accounting system can be undetermined. According to the findings of Sulastri & Anna (2018), financial distress has a considerable effect on accounting conservatism. The bigger a company's financial difficulty, the more cautious it becomes. These results contradict the findings of Abdurrahman & Ermawati (2018), which indicate that financial difficulty reduces accounting conservatism.

4.2.2. The Influence of Leverage toward Accounting Conservatism
According to the findings of the examination of the entire sample, leverage benefits the upkeep of the balance sheet. The correlation mean (r) of 0,381 indicates this. It was inside the 95% confidence interval of 0,256 to 0,503, which led one to the conclusion that H2 is valid. As a result, it is well recognized that a company's leverage has a significant impact on how its accounting is maintained. This outcome is consistent with Sulastri & Anna (2018) study, which demonstrates that leverage significantly affects the maintainability of accounting. A corporation is considered to be more conservative the larger its leverage. According to a study by Saputra et al. (2016), leverage has a considerable and advantageous impact on accounting conservation. These findings contradict the research Putri et al. (2017), which demonstrates that partial leverage significantly reduces accounting conservativity. This demonstrates that adopting a conservative accounting approach is significantly impacted by the leverage a firm uses to finance its business.

4.2.3. The Influence of Ligitation Risk toward Accounting Conservatism
The results of the total sample that has been analyzed show that litigation risk has a positive influence on accounting conservatism. Based on the findings mean correlation (r) = 0,125, which is at 95% confidence interval between 0,136 and 0,113, it can be concluded that H3 is accepted. As a result, the study's findings indicate that the greater the increase experienced by a company, the greater the risk of litigation faced by the company. This study supports the findings of (Saputra et al., 2016) who discovered that litigation risk is a significant and positive influencing factor on

accounting conservatism. According to research conducted by Putri et al., (2017), litigation risk has no significant effect on accounting conservatism.

4.2.4. The Influence of Debt Covenant toward Accounting Conservatism

According to the findings of the total sample analysis, the debt clause has a positive impact on the conservative nature of accounting. The correlation mean (r) = 0,084, which is between 0,086 and 0,083 with a 95% confidence interval, indicates that H4 is accepted. These findings are consistent with the findings of Saputra *et al.*, (2016), who discovered that debt has an impact on conservatism accounting. The findings contradict surveys that show debt has no effect on conservatism, and conservatism is rarely used because businesses can act independently of creditors (Susilo & Aghni, 2017).

4.2.5. The Influence of Firm' Size toward Accounting Conservatism

According to the findings of the overall sample analysis, there is a positive effect on the company's accounting conservativity on a broad scale. This is evident from the correlation mean (r) = 0,209 at a 95% confidence interval between 0,088 and 0,330 received by H5. The findings of this study are consistent with the findings of Aryani & Muliati (2020), who found that firm size has a positive effect on accounting conservatives and that large companies tend to use conservative accounting methods. The hypothesis process lowers the policy's cost (taxes). These findings contradict the findings of Sumiari & Wirama (2016)'s study, but they show that the size of the company has no bearing on accounting maintenance. In this case, the company's size does not define its ability to benefit from accounting conservatism.

4.2.6. The Influence of Managerial Ownership toward Accounting Conservatism

Based on the results of the total sample analysis, it has been determined that management ownership conservatism accounting has a beneficial effect. This is evident from the results of H6's correlation mean (r) = 0,093 with a 95% confidence range ranging from 0,087 to 0,098. Andreas et al., (2017) provide evidence that board ownership has a large impact on conservative accounting. Consistent with the findings of Suyono *et al.* (2022), ownership has a beneficial effect on the maintainability of accounting. The high ownership percentage of the firm's shareholders indicates that they do not wish to reveal excessive earnings, and there are hidden riches that the company might use to grow by boosting investment (Mayangsari and Wilopo, 2002 cited in Alfian & Sabeni, 2013)). The results contradict a poll conducted by El-haq (2019) and Alfian & Sabeni (2013), but demonstrate that management ownership is unrelated to cautious accounting. Companies with greater ownership stakes are more likely to engage in revenue management and are less beholden to conservative accounting; as a result, they place a greater emphasis on the perception of profits and costs to be compensated.

4.2.7. The Influence of Growth Opportunities toward Accounting Conservatism

Based on the analysis's findings, it was found that possibilities for expansion had a favorable impact on accounting conservatism. Based on the results, which show a mean correlation (r) of 0,280 and a 95% confidence interval between 0,253 and 0,306, H7 is acceptable. This research is consistent with El-haq (2019) findings about the impact of growth opportunities on accounting conservatism. The results of this study do not agree with that of Noviani et al. (2021), who found that growth opportunities have no bearing on accounting conservatism and that the quantity of

growth possibilities is not the primary determinant of how the rules of accounting conservatism are applied.

5. Conclusion, Limitation, and Suggestion

5.1. Conclusion

The aim of this study is to identify the factors that influence Indonesian accounting conservatism. Based on the findings of the meta-analysis method, the seven factors that determine conservative accounting are financial distress, leverage, litigation risk, debt covenant, firm size, managerial ownership, and growth opportunities have a significant impact on conservative accounting. Thus, the result of this study consistent with previous research that showed significant results.

5.2. Limitation

Conservative accounting research provides valuable insight into why a company's financial statements are presented more cautiously in order to present a quality report. Accounting conservatism research has some limitations. The study's first limitation is that it did not test the mitigating effect of each variable after performing an overall meta-analysis. According to (Fanani, 2007), the mitigation effect test can improve the analysis of the relationship between independent and dependent variables by lowering the degree of heterogeneity. Second, there is no reference in the study that can be used as a reference for meta-analysis data processing techniques. Third, the samples used are typically limited, allowing future studies to add samples for further diversification.

5.3. Suggestion

Researchers propose recommendations for financial users based on the study's findings to better instill a cautious attitude in order to anticipate uncertainty by balancing related factors that affect it. Second, in order for the study to provide more comprehensive insights, additional samples, variables, and moderation variables must be added for future research.

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