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The Influence of Managerial Ownership, Institutional Ownership, Investment Opportunity Set, and Capital Intensity on Accounting Conservatism with Political Connections as A Moderation Variable

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ABSTRACT

Purpose : This study investigates how managerial ownership, institutional ownership, investment opportunity sets, and capital intensity affect accounting conservatism moderated by political connections.
Method : State-owned companies are the population in this study that went public from 2014 to 2021. A total of 17 companies per year were obtained using purposive sampling (136 units of analysis). Research data were collected using documentation techniques and analyzed using descriptive and inferential statistical analysis techniques.
Findings : The findings indicate a positive relationship between institutional ownership and accounting conservatism and that high capital intensity can reduce accounting conservatism. Meanwhile, managerial ownership and investment opportunity set does not affect accounting conservatism. We also find that political connections cannot moderate the effect of managerial ownership, institutional ownership, and investment opportunity sets on accounting conservatism. However, political connections weaken the negative effect of capital intensity on accounting conservatism.
Novelty : The originality of this study is in a different research model from previous research. The thing that concerns this research is based on the object used, namely BUMN companies. State-Owned Enterprises (BUMN) are the primary channel for the state to carry out its role as an economic actor. However, there are still cases of harmful accounting activities involving SOEs. So this study also emphasizes the existence of political connections, which are suspected to be one of the factors that make it difficult for companies to develop for the better.

INTRODUCTION

Uncertainty in the future that cannot be predicted is a consideration company must consider in making accounting records. Hajawiyah et al. (2020) state that implementing accounting conservatism is essential when encountering uncertainties in economic activities. Conservatism is prudent financial reporting that shows careful consideration and reaction to future uncertainties. This principle is applied by delaying the recognition of earnings before they are realized and immediately recognizing potential losses.

The application of conservatism is required so that the measurement and recognition of assets and profits are carried out with great care. According to Sari & Agustina (2021), conservatism acts as a counterweight when there is managerial bias, which is attempted by balancing the opportunistic actions of managers with the obligation to verify first. The attitude of managers who are too optimistic tends to cause financial statements to be presented in an overstatement manner. Profits declared too high can cause financial reports to contain inappropriate financial information, as happened in the 2018 financial reports of PT Timah Tbk (TINS) and PT Garuda Indonesia (Persero) Tbk, which presented too high profits.

TINS management revised the 2018 financial report data with quite significant changes. In the financial statements as of December 31, 2018, TINS's net profit was recorded at IDR 531.35 billion; this profit decreased to IDR 132.29 after the revision. In its 2019 financial report, TINS management stated the reasons for revising the 2018 fi-

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nancial statements: reconsidering the interpretation of relevant facts, circumstances, and accounting treatment. One of the reasons is caused by less record of the cost of revenue from sales of refined tin (www.kontan.co.id, 2020); this shows that TINS does not implement accounting conservatism.

The low application of accounting conservatism in companies causes profits to be stated too high or overstated, which can trigger fraud in financial reports that violate the law. Financial statement fraud cases occurred at PT Garuda Indonesia (Persero) Tbk. Garuda Indonesia was proven guilty of financial manipulation after the Financial Professional Development Center (PPPK) and the Financial Services Authority (OJK) decided that there was a misstatement in Garuda Indonesia's financial statements. In the 2018 financial report, IDR 3.48 trillion in funds is still receivable for a 15-year contract but had been recognized and recorded as revenue in the first year, so Garuda reported a profit of IDR 72.5 billion. Garuda recorded a loss of IDR 2.53 trillion after being asked to restate its financial statements. Recognition of contractual receivables as revenue indicates a violation of prudent reaction, which means the company is not conservative in preparing financial reports.

Managerial ownership, studied by Chiedu Christian et al. (2022) and Waluyo (2019), shows a positive relationship between managerial ownership and accounting conservatism. Another result was shown by Pasko et al. (2021), Hajawiyah et al. (2020), and Liu (2019), which shows that managerial ownership has a negative effect. Meanwhile, O Asiriuwa et al. (2019) and El-Habashy (2019) show the absence of the effect of managerial ownership on accounting conservatism. Institutional ownership studied by Hajawiyah et al. (2020), Mohammed et al. (2017), Alkurdi et al. (2017) Lin (2016) shows the results of a positive effect on accounting conservatism. These findings are not in line with the research of El-Habashy (2019) and El-Haq et al. (2019), which shows that the results of institutional ownership have a negative effect. Meanwhile, other results are shown by Alves (2021), Waluyo (2019), and Salehi & Sehat (2019), which explain that institutional ownership has no effect. The investment opportunity set studied by Sholikhah & Baroroh (2021), and Permatasari (2020) shows a positive influence on accounting conservatism. Unlike the results of Oktavianti et al. (2021) found that the investment opportunity set has a negative effect on accounting conservatism. Meanwhile, Indarti et al. (2021) and Mumayiz & Cahyaningsih (2020) did not find the effect of the investment opportunity set on accounting conservatism. The capital intensity studied by Oktavianti et al. (2021) and Zahro (2021) show that capital intensity positively affects accounting conservatism. However, different results were shown by Suyono et al. (2021) and Agustina et al. (2016), which explain a negative relationship between capital intensity and accounting conservatism. Meanwhile, the research conducted by Wati, Pirzada, et al. (2020) and Mumayiz & Cahyaningsih (2020) shows that capital intensity does not affect accounting conservatism.

Previous research, which still needs consistent results, is suspected because other factors influence the relationship between the two. This condition pushes research by presenting political connections to moderate the effect of managerial ownership, institutional ownership, investment opportunity sets (IOS), and capital intensity on accounting conservatism. Political connection is a relationship of political closeness that exists within the company. According to Chaney et al. (2011), Companies without political ties usually have better reporting than those with political ties. Because they depend on the government, companies with political ties are perceived as having poor corporate governance and more problems. Based on agency theory, political connections can cause agency problems by influencing organizational behavior; this is because political connections can trigger a moral hazard for managers. Therefore, the political connection factor is essential to note.

Accounting conservatism was investigated through managerial ownership, institutional ownership, investment opportunity sets, and capital intensity. In addition, political connections were analyzed and predicted as a moderating variable for accounting conservatism's influence on managerial ownership, institutional ownership, investment opportunity sets, and capital intensity.

This research is a development of the Sholikhah & Baroroh research model (2021). The originality of this study is in a different research model from previous research. The thing that concerns this research is based on the object used, namely BUMN companies. State-Owned Enterprises (BUMN) is the primary channel for the state to carry out its role as an economic actor. Good SOE governance is essential to ensure equality in obtaining equal business opportunities, maintaining the integrity of the domestic economy, and supporting the delivery of quality public services (OECD, 2018). However, there are still cases of harmful accounting activities involving SOEs. So this study also emphasizes the existence of political connections, which are suspected to be one of the factors that make it difficult for companies to develop for the better.

Agency difficulties arising from conflicts of interest between investors, creditors, and management are explained by agency theory. Differences in interests between individuals trigger information asymmetry, leading to agency costs. Biased information occurs because managers sometimes act against the interests of shareholders (Jensen & Meckling, 1976). Conservatism is believed to be a means that can reduce agency costs because it can decrease information asymmetry and inappropriate practices in agency contracts (Watts, 2003).

Positive accounting theory seeks to explain the application of the most appropriate policies for the company. Positive accounting theory shows the flexibility of managers in choosing the application of accounting methods, procedures, and policies. According to Ghozali & Chariri (2014), positive accounting theory aims to explain and foretell what will happen when managers make confident choices. Three hypotheses are explained in this theory, one of which is the political cost hypothesis which explains that political costs are typically high for large businesses, thus affecting the application of accounting conservatism.

The proportion of the company's outstanding shares owned by managers and directors is known as managerial ownership. Agency theory explains that each individual will try to be selfish. The existence of agency conflicts in companies provides managers with the opportunity to manipulate financial information and commit fraud. Agency problems can be minimized when the company has managerial ownership. According to Permatasari (2020), companies with managerial ownership have different decisions and activities when compared to companies that do not have managerial ownership. Managerial ownership is considered capable of aligning the interests of owners and managers in agency relationships; this is because managers who are also shareholders will tend to prioritize the sustainability of the company so that managers will apply more conservative financial statements. The higher the managerial ownership, the more careful the manager will present financial reports by conservatively presenting profits. This hypothesis is strengthened by the results of Indarti et al. (2021), Alves (2020), and Waluyo (2019) show that managerial ownership has a positive effect on accounting conservatism.

H_1: Managerial ownership has a positive effect on accounting conservatism

The ratio of institutional ownership to the total number of outstanding shares is known as institutional ownership. In agency theory, institutional investors in a company have a significant influence (Hajawiyah et al., 2020). One effort to eliminate information asymmetry in agency problems is to require management to disclose the company's financial condition fully. However, sometimes managers are too optimistic in disclosing their financial statements. The existence of sizeable institutional ownership can encourage strict supervision of management and is also able to restrict managers' opportunistic behavior through the supervisory process so that managers will be more careful in disclosing financial statements. Hajawiyah et al. (2020) explained that institutions try to pressure managers to apply conservative accounting so that the capital they invest remains safe and has a good return.

Contrary to the individual investor, institutional investors view the investment as long-term, encouraging them to pay attention to management practices to maximize profits (Majeed et al., 2017). Therefore, it is clear that the greater the institutional ownership, the greater the pressure managers have to apply conservative financial reporting. This hypothesis is supported by the results of Hajawiyah et al. (2020), Majeed et al. (2017), and Alkurdi et al. (2017), which show that institutional ownership has a positive effect on accounting conservatism.

H_2: Institutional ownership has a positive effect on accounting conservatism

Investment opportunity set can be interpreted as investment opportunities and investment options available in the future to generate profits and benefits in the future. Managers and shareholders often have a conflict of interest in making company investment decisions. Based on agency theory, investment opportunity sets can minimize the problems in agency relationships. Savitri (2016) explains that variations will influence the manager's role in overcoming agency relationships in internal managers to determine the investment opportunity set constantly. Variations of investment decisions chosen by managers can provide an overview regarding the value of the company, which can indirectly affect a company's stock price. The investment opportunity set can benefit accounting conservatism if the market-to-book ratio is used as a proxy for accounting conservatism. Companies with good investment opportunities will get a positive reaction from the market and be able to increase stock prices; this is due to the right investment decisions from several available opportunities, indicating that the company has good growth opportunities. The increase in the stock price means that it will increase the market to book as conservatism. This hypothesis is strengthened by the research results of Sholikhah & Baroroh (2021) and Permatasari (2020), demonstrating that the investment opportunity has positively impacted accounting conservatism. Based on the statement above, increased investment opportunities in companies can result in increased use of accounting conservatism.

H_3: Investment opportunity set has a positive effect on accounting conservatism

Capital intensity is capital in the form of the amount of company-owned assets needed to earn income. Companies with large capital intensity are generally large size companies. Political cost hypothesis explains that companies with a large size characterized by high capital intensity tend to receive more attention from the government, where this can trigger political costs. The government as the state regulator will try to encourage companies to pay high taxes in line with the profits they make. The higher the political costs borne by the company, the manager will try to defer the current period's profits to future periods so that the company can reduce high political costs. Therefore companies with large capital intensity tend to prefer conservative accounting practices and report lower profits. It can therefore be understood that increasing the capital intensity of a company increases the application of accounting conservatism. This hypothesis is strengthened by the research results of Oktavianti et al. (2021) and Zahro (2021) show results that capital intensity has a positive effect on accounting conservatism.

H_4: Capital intensity has a positive effect on accounting conservatism

Agency problems in a company can be minimized when the company has managerial ownership. Managers who are also shareholders tend to prioritize the sustainability of the company. This will encourage managers to apply more conservative financial reports. So that the higher managerial ownership, the more conservative reporting will increase.

The phenomenon of active and inactive state and government officials, who hold positions as directors and commissioners in BUMN companies in Indonesia is often filled by people appointed by the president. Filling or replacing those who occupy the position of commissioner of BUMN, are people who come from volunteers or from members of political parties (Wicaksono, 2017). This means that there is a kind of political reciprocity from the political relationship. It is difficult for companies to openly share information with outsiders due to political affinities. As a result, politically affiliated companies often have opaque financial reports. (Wati, Pirzada, et al., 2020). According to Chaney et al. (2011), managers of politically connected firms have no incentive to respond to market pressures and are lacking pay attention to the quality of their income. Managers as shareholders who should prioritize the sustainability of the company, but the existence of political relations triggers a moral hazard in the behavior of managers. So that the actions of managers who are careful in reporting their accounting are bad because there are political connections. Companies that are politically connected will tend to apply accounting that is less conservative because managers do not care about the quality of the financial statement information presented. So it can be hypothesized that political connections may weaken the impact of managerial ownership on the accounting conservatism.

H_5: Political connection weakens the effect of managerial ownership on accounting conservatism

The ratio of institutional ownership to the total number of outstanding shares is known as institutional ownership. The existence of high institutional ownership in the company is able to reduce agency conflicts. Institutional investors can encourage close monitoring of management and are also able to restrict managers opportunistic behavior through the monitoring process. This will encourage managers to apply more conservative financial reports.

Agency theory states that the existence of political connections in a company can lead to agency costs. According to Joni et al. (2020) political connections are an external dimension of corporate governance mechanisms capable of influencing organizational behavior. Politically connected companies ignore good corporate governance because they have non-transparent financial reports. Wati, Pirzada, et al. (2020) explained that political connections within a company can raise governance issues in information disclosure, resulting in low-quality financial reports and a high degree of information asymmetry. Politically connected companies have less conservative financial reports and less likely to timely report losses. So they frequently report subtantial profits because companies belive they are safeguarded by the government (Joni et al., 2020). The existence of political connections can affect the role of institutional ownership of accounting conservatism. This is because political connections can weaken the role of corporate governance. Companies with weak governance will tend to apply more aggressive accounting, which reduces conservatism. Political connections can distort the oversight function provided by institutional ownership as an important governance system. So it can be hypothesized that political connections may weaken the impact of institutional ownership on the accounting conservatism.

H_6: Political connections weakens the effect of institutional ownership on accounting conservatism

Manager and shareholders often have a conflict of interest in making company investment decisions. Savitri (2016) explains that the manager's role as an effort to overcome agency relationships will be influenced by variations in internal managers determine the investment opportunity set constantly. Investment opportunity set can have a positive effect on accounting conservatism if the proxy for accounting conservatism used is the market to book ratio. This is because companies with good investment opportunities will get a positive reaction from the market and are able to increase stock prices. The increase in the stock price means that it will increase the market to book as conservatism.

Managers in companies that are politically connected will tend to behave in moral hazard. This is due to the benefits of political connections, namely being a bridge for companies to obtain various facilities such as access to trade permits, corporate investment security guarantees and other facilities (Wati, Ramdany, et al., 2020). Political connections to the company can influence organizational behavior and also provide investment security benefits. These conditions will encourage moral hazard in managers. Agency theory explains that each individual will maximize his utility. According to Chi et al. (2019) managers often have the motivation to delay termination of work on projects that have a net present value because the project is related to their personal benefits. Mistakes in making investment choices will result in future returns and trigger conflicts of interest. Political connections can influence the behavior of managers in determining investment opportunity sets which have an impact on reducing conservatism. This is because when the interests between the manager and the owner are not in the same direction, due to an error in selecting the investment opportunity set. Companies with unfavorable investment opportunities will not get a positive reaction from the market and lower stock prices. The decline in the share price will mean a decrease in the market to book as conservatism. So it can be hypothesized that political connections may weaken the impact of investment opportunity sets on the accounting conservatism.

H_7: Political connection weakens the effect of investment opportunity set on accounting conservatism

Companies with high capital intensity tend to apply accounting that reduces profits with the aim of reducing political costs. Capital intensity is one indicator of the political cost hypothesis. Political cost hypothesis explains that compared to small companies, large companies characterized by high capital intensity are more likely to apply conservative accounting methods that reduce profits.

The political cost hypothesis explains that companies with large capital intensity will try to reduce political costs, so they tend to report profits conservatively. According to Wati, Ramdany, et al. (2020), access to finance, government contracts, big subsidies, and lower tax rates are some benefits of having political connections. The existence of political connections within the company will moderate the effect of capital intensity on the level of implementation of accounting conservatism. This is because low-quality financial reports make politically connected companies feel safe from sanctions. Companies that are politically connected will receive straightforward access to capital loans and government protection, low tax audit risk so that companies are aggressive in carrying out tax planning which results in opaque financial transparency (Faccio et al., 2006). Companies with large capital intensity are more likely to earn large profits, thus enabling companies to pay higher taxes. However, the ease with which politically connected companies receive benefits can trigger tax evasion. Companies with political ties tend to reduce their incentives to practice accounting conservatism in order to avoid the high political costs. So it can be hypothesized that political connections may weaken the impact of capital intensity on accounting conservatism

H_8: Political connection weakens the effect of capital intensity on accounting conservatism

RESEARCH METHODS

The population of this study consists of 20 state-owned companies listed on the Indonesia Stock Exchange (IDX) (2014-2021). The selection of research samples was carried out using non-probability sampling techniques, which were determined by sampling purposive. The final sample in this study was obtained by 17 companies, with a research observation period of eight years, so that in this study obtained 136 units of analysis. The criteria and identification of the research sample are explained in Table 1.

Accounting conservatism is the study's dependent variable, while managerial ownership, institutional ownership, investment opportunity set and capital intensity are the study's independent variables. This study uses political connections as a moderating variable. Variable operational definitions can be seen in Table 2.

The data collection using documentation techniques. Documentation is done by downloading the annual report of BUMN companies from the official website of each company and also the official website of the Indonesia Stock Exchange (IDX). In this research, the data collected are data related to accounting conservatism, managerial ownership, institutional ownership, investment opportunity set, capital intensity and political connections.

Descriptive and inferential statistical analysis in this study was used to analyze the data that had been obtained. In this research, the descriptive data used to describe a data is by looking at the average (mean), minimum and maximum values, and the standard deviation of each research variable. Inferential statistical analysis is used to test research hypotheses that have previously been formulated based on a frame of mind. The inferential statistical analysis consists of the classical assumption test, the moderation regression analysis (MRA) test, the partial significance test and the coefficient of determination test. The regression equation formed in this study can be shown in equation 1. To test equation (2) the value of $KM_{\_CX}$, $KI_{\_CX}$, $IOS_{\_CX}$, $IM_{\_CX}$ is the mean centered.

$$KA=\alpha+\beta_1KM+\beta_2KI+\beta_3IOS+\beta_4IM+e \quad \text{......1}$$

$$KA=\alpha+\beta_1KM+\beta_2KI+\beta_3IOS+\beta_4IM+\beta_5KP+\beta_6KM_{\_CX}*KP+\beta_7KI_{\_CX}*KP+\beta_8IOS_{\_CX}*KP+\beta_9IM_{\_CX}*KP + e \quad \text{......2}$$

KA : Log of Accounting Conservatism
α : Constant
β : Regression Coefficient
KM : Managerial Ownership

Table 1. Criteria and identification of the research

No	Criteria	Not Included Criteria	Total
	Research population		20
1	BUMN companies that are consistently listed on the Indonesia Stock Exchange during the period 2014-2021	-	20
2	BUMN companies that disclose annual reports consecutively for 2014-2021	(3)	17
3	BUMN companies that present complete data based on the variables studied	-	17
Number of samples			17
Number of years of study			8
Total units of analysis (17 companies x 8 periods)			136
Number of data outliers			26
Number of final analysis units			110

Source: secondary data, processed 2022

Table 2. Variable Operational Definitions

No	Variable	Definition	Measurement
1.	Accounting Conservatism (KA)	Accounting conservatism is described as accounting practices or trends that cause the value of accounting net assets to be skewed lower than the values of economic net assets. (Ruch & Taylor, 2015).	Market To Book (MTB) = market value of common equity / book value of common equity (Alves, 2019)
2.	Managerial Ownership (KM)	Managerial ownership is defined as company shares owned by managers (El-habashy, 2019).	Managerial Ownership = Number of shares owned by managers / Number of outstanding shares (El-habashy, 2019)
3.	Institutional Ownership (KI)	ownership is company shares owned by institutional investors and the government (El-habashy, 2019).	Institutional Ownership = Number of shares owned by institutions / Number of outstanding shares (El-habashy, 2019)
4.	Investment Opportunity Set (IOS)	Investment Opportunity Set is a choice of future investment opportunities that have an impact on the growth of company assets (Sholikhah & Baroroh, 2021).	Capital Expenditure to Book Value Assets (CAPBVA) = (book value of fixed assets$_t$-book value of fixed assets$_{t-1}$) / total assets (Sholikhah & Baroroh, 2021).
5.	Capital Intensity (IM)	Capital intensity is the amount of capital needed to create company profits (Sholikhah & Baroroh, 2021).	Capital Intensity = Total assets / Total sales (Sholikhah & Baroroh, 2021).
6.	Political Connection (KP)	Political connection is political closeness within a company which makes it difficult for the company to be open in providing information to outsiders. So they tend to have non-transparent finances (Wati, Pirzada, et al., 2020)	Classification of political connections in this study if: current or former members of the board, or commissioners are: (a) Members of Parliament, (b) Ministers or heads of government area, or (c) closely related to politicians or parties. (Habib et al., 2017) Dummy Variable: 1 = there is a political connection 0 = there is no political connection (Wati, Pirzada, et al., 2020)

Source: secondary data, processed 2022

KI : Institutional Ownership
IOS : Investment Opportunity Set
IM : Capital Intensity
KP : Political Connection
KM*KP : Value of Managerial Ownership multiplied by Political Connection
KI*KP : Value of Institutional Ownership multiplied by Political Connection
IOS*KP : Value of Investment Opportunity Set multiplied by Political Connection
IM*KP : Capital Intensity Value multiplied by Political Connection
e : Standard Error

RESULTS AND DISCUSSIONS

Table 3 shows the findings of this study's descriptive statistical analysis. Descriptive statistical analysis shows that the mean of KA, KM, IOS and IM is smaller than the standard deviation value. This shows that this variable has a large level of data distribution, while the KI variable has a mean that is greater than the standard deviation value, which means that KI has a small level of data distribution.

The normality test results show the Asymp value. sig. By 0.200. Where the value is > 0.05 which means that the residual data is normally distributed. The results of the multicollinearity test indicate that there are no signs of multicollinearity in this research model because each independent variable has a tolerance of less than 0.10 and a VIF value of less than 10. The results of the heteroscedasticity test showed the sig. each independent variable > 0.05 which means that, in this research model there are no symptoms of heteroscedasticity. The results of the autocorrelation test show that the Asymp. Sig. Amounting to 0.848. Where the value is > 0.05, which means that there is no autocorrelation in the regression model.

The results of the regression analysis test for equations 1 and 2 in this study obtained a regression model that

Table 3. Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviation
KA	110	-.8479	2.4025	.555981	.6711943
KM	110	.0000	.0119	.000359	.0014181
KI	110	.7053	.9999	.923205	.0712287
IOS	110	-.0421	.6164	.034834	.0784588
IM	110	.3830	14.4163	3.620998	3.7528040
KP	110	0	1	0.77	0.421
Valid N (listwise)	110				

Source: secondary data, processed 2022

can be shown in equations 3 and 4.

$$KA = -3.096 + 1.161\ KM + 4.079\ KI + 0.988\ IOS - 0.041\ IM \quad \ldots\ldots 3$$

$$KA = -1.894 + 101.896\ KM + 3.271\ KI - 1.028\ IOS - 0.135\ IM - 0.145\ KP - 106.941\ KM_{-CX}{*}KP + 1.941\ KI_{-CX}{*}KP + 2.324\ IOS_{-CX}{*}KP + 0.104\ IM_{-CX}{*}KP \quad \ldots\ldots 4$$

The results of testing the research hypothesis, both the accepted and rejected hypotheses produce a summary of the hypothesis results which can be seen in Table 4.

The Effect of Managerial Ownership on Accounting Conservatism

Summary of the results of the hypothesis testing in table 4 shows that accounting conservatism is not influenced by managerial ownership variables. This study's findings are inconsistent with agency theory which states that the existence of managerial ownership will enable a company to report earnings conservatively. This is due to the very low level of managerial ownership in BUMN companies where the value is not more than 1.19%. The low percentage of managerial ownership causes managers to be less able to influence company policies, including in determining the level of accounting conservatism.

Research shows that even if a company has zero percent managerial ownership, it still has a high conservatism value, supporting the lack of managerial ownership effect on accounting conservatism. These companies include the following; PT Bank Rakyat Indonesia Tbk (BBRI) in 2014 obtained a conservatism value of 1.0786. PT Pembangunan Perumahan Tbk (PTPP) in 2014 obtained a conservatism value of 1.9800. PT Bukit Asam Tbk (PTBA) in 2014 obtained a conservatism value of 1.1424. PT Semen Baturaja Tbk (SMBR) in 2016 the conservatism value obtained was 2.1742. PT Kimia Farma Tbk (KAEF) in 2020 the conservatism value obtained was 1.2005. This illustrates that the application of accounting conservatism is not influenced by the size of managerial ownership. The results of this study support research conducted by El-haq et al. (2019), El-habashy (2019) and O Asiriuwa et al. (2019) which shows that managerial ownership has no effect on accounting conservatism.

Table 4. Summary of Hypothesis Test Results

No	Hypothesis	β	Sig	Result
1.	H_1: Managerial ownership has a positive effect on accounting conservatism.	1.161	0.978	Rejected
2.	H_2: Institutional ownership has a positive effect on accounting conservatism.	4.079	0.000***	Accepted
3.	H_3: Investment opportunity set has a positive effect on accounting conservatism.	0.988	0.194	Rejected
4.	H_4: Capital intensity has a positive effect on accounting conservatism.	-0.041	0.014**	Rejected
5.	H_5: Political connection weakens the effect of managerial ownership on accounting conservatism.	-106.941	0.438	Rejected
6.	H_6: Political connection weakens the effect of institutional ownership on accounting conservatism.	1.941	0.256	Rejected
7.	H_7: Political connection weakens the effect of investment opportunity sets on accounting conservatism.	2.324	0.241	Rejected
8.	H_8: Political connection weakens the effect of capital intensity on accounting conservatism.	0.104	0.095*	Rejected

Source: secondary data, processed 2022

*** sig 1%, ** sig 5%, * sig 10%

The Effect of Institutional Ownership on Accounting Conservatism

Summary of the results of the hypothesis testing in table 4 shows that the institutional ownership variable has a positive effect on accounting conservatism. This result is consistent with agency theory which states that the existence of institutional ownership enables a company to report its earnings conservatively. This suggests that institutional ownership determines how much conservatism is put into practice.

Institutional shareholders can be an important governance mechanism as a potential controller of agency problems. Agency conflicts arising from information asymmetry in agency relationships can be minimized through institutional ownership. A high number of institutional shareholdings can provide stronger incentives to monitor managerial performance and behavior so that management will work more transparently. So the greater the institutional ownership, the greater the pressure received by managers to apply conservative financial reporting. This suggests that businesses with a lot of institutional ownership will be more likely to use conservative accounting practices. This can be seen in PT Bank Rakyat Indonesia Tbk (BBRI) in 2018 has institutional ownership of 0.9897 or 98.79%. Furthermore, in 2019 it increased to 0.9901 or 99.01%. The increase in the percentage of institutional ownership was followed by an increase in the value of accounting conservatism from 0.8816 in 2018 to 0.9463 in 2019. Likewise, PT Telkom Indonesia Tbk (TLKM) in 2018 had institutional ownership of 0.9002 or 90.02%. increased to 0.9941 or 90.41% in 2019. Where the increase was followed by an increase in the TLKM accounting conservatism value of 1.1527 in 2018 to 1.2102 in 2019. The results of this study are in line with that of Hajawiyah et al. (2020) and Alkurdi et al. (2017) who found that institutional ownership has a positive effect.

The Effect Investment Opportunity Set on Accounting Conservatism

Summary of the results of the hypothesis testing in table 4 shows that accounting conservatism is unaffected by the investment opportunity set. This means that the size of the investment opportunity set is not able to influence the level of application of accounting conservatism. This result is inconsistent with agency theory which states that the existence of an investment opportunity set will enable a company to report earnings conservatively.

There is no effect of the investment opportunity set on accounting conservatism because most of the IOS values in this study are in very low category of the class intervals that are made. This means that the company has not been able to maximize the available investment options. This is supported by research results which show the small IOS value owned by state-owned companies where as many as 78 out of a total of 110 units of analysis have an investment opportunity set below the average and even some companies have a minus IOS value. Like what happened to PT Aneka Tambang Tbk (ANTM), PT Semen Baturaja Tbk (SMBR), and PT Perusahaan Gas Negara Tbk (PGAS). This means that the company has low investment growth. Companies with low investment growth tend not to get a good response from the market and lower stock prices. The decline in the share price means that it is unable to increase the market to book as conservatism. The results of this study are consistent with the results of Indarti et al. (2021) and Mumayiz & Cahyaningsih (2020) which show that the investment opportunity set has no effect on accounting conservatism.

The Effect of Capital Intensity on Accounting Conservatism

Summary of the results of the hypothesis testing in table 4 shows that accounting conservatism is negatively affected by capital intensity variable. The results is inconsistant with political cost hypothesis of positive accounting theory which predicts that managers will use accounting methods that reduce profits. The high intensity of capital increases the company's optimism in covering political costs. This is because the company feels able to pay the high political costs. Companies are not worried about political costs such as high taxes, so they feel there is no need to apply accounting conservatism which aims to reduce high political costs.

This condition is supported by research results shown by PT Waskita Karya Tbk in 2021 which has a high capital intensity value of 8.4752 then has a low level of accounting conservatism. PT Bank Tabungan Negara Tbk in 2021 obtained a very high capital intensity value of 14.4164 then has a very low level of accounting conservatism – 0.1557. This suggests that accounting conservatism is lower when capital intensity is high. The results of this study are in line with the research of Suyono et al. (2021) and Agustina et al. (2016) which shows the result that capital intensity has a negative effect on accounting conservatism.

The Effect of Managerial Ownership on Accounting Conservatism Moderated by Political Connections

Summary of the results of the hypothesis testing in table 4 shows that political connections cannot moderate managerial ownership's influence on accounting conservatism. These results contradict agency theory which explains that political connections lead to earnings management practices in firms and can make managers indifferent to the quality of information in financial reports. The absence of this influence is assumed because political connections are unable to influence the behavior of managers. The low managerial ownership in this study results in the influence of political connections also being low. Some research samples do not even have managerial ownership, so that political connections cannot influence company decisions because there is nothing to influence. The manager only acts as a manager not as an owner, this causes the manager to run the company according to the rules and what it is. In addition, managers do not try to do self-serving behavior as a form of responsibility towards the company. So that the presence or absence of political connections does not affect managers in making accounting decisions.

PT Pembangunan Perumahan Tbk in 2014 is a company that is politically connected and has no managerial ownership, but has a high accounting conservatism value of 1.9800. Similar results were shown for PT Semen Baturaja Tbk in 2016, the company is politically connected and has no managerial ownership, but has a very high conservatism value of 2.1742. The two companies illustrate that political connections have failed to weaken managerial ownership of accounting conservatism.

The Effect of Institutional Ownership on Accounting Conservatism Moderated by Political Connections

Summary of the results of the hypothesis testing in table 4 shows that political connections cannot moderate institutional ownership influence on accounting conservatism. The results of this study are not in line with agency theory. This theory states that the existence of political connections can weaken the oversight function provided by the institution. The absence of this influence is suspected because the political connections that exist in the company are unable to weaken the supervision provided by the institution over managers. Institutional investors will continue to pressure managers to apply conservative accounting, with the aim of keeping the capital they have invested in the company safe and have good returns. The existence of the institution as a shareholder has a great influence in controlling and influencing the actions of managers through their efficient supervision. This means that the presence or absence of political connections does not affect the oversight function provided by the institution to managers to request conservative financial reporting.

The results of the study, for example, in 2014 PT Waskita Karya Tbk is a company that is politically connected and has low institutional ownership 0.7993 but has a high level of accounting conservatism 1.6133. The results for PT Perusahaan Gas Negara Tbk in 2021 are a company that is not politically connected and has very low institutional ownership but has a very low level of accounting conservatism -0.0176. This proves that institutional ownership of accounting conservatism cannot be moderated by political connections.

The Effect of Investment Opportunity Set on Accounting Conservatism Moderated by Political Connections

Summary of the results of the hypothesis testing in table 4 shows that political connections cannot moderate investment opportunity sets influence on accounting conservatism. This result is inconsistant with agency theory. Political connections cannot influence the behavior of managers in determining investment opportunity sets which have an impact on reducing conservatism. This is presumably due to the low value of the investment opportunity set owned by state-owned companies, so that political connections will not try to influence investment decisions. Investment opportunity set shows that managers are not varied in determining IOS. So that political connections to the company will not lead to determining the investment opportunity set and looking for other ways to influence the company. Political connections do not seek to exacerbate the value of the investment opportunity set. This is done to prevent the company's condition from getting worse.

The results of the study, for example, in 2014, PT Bank Rakyat Indonesia Tbk is a company that is politically connected and has investment opportunity set a very low 0.0024, but has a high level of accounting conservatism 1.0786. while the results for PT Pembangunan Perumahan Tbk in 2021 are a company that is not connected to politics and has investment opportunity set , but has a very low level of accounting conservatism -0.8479. This proves that the investment opportunity set in accounting conservatism cannot be moderated by political connections.

The Effect of Capital Intensity on Accounting Conservatism Moderated by Political Connection

Summary of the results of the hypothesis test in table 4 shows that the political connection variable can mo-

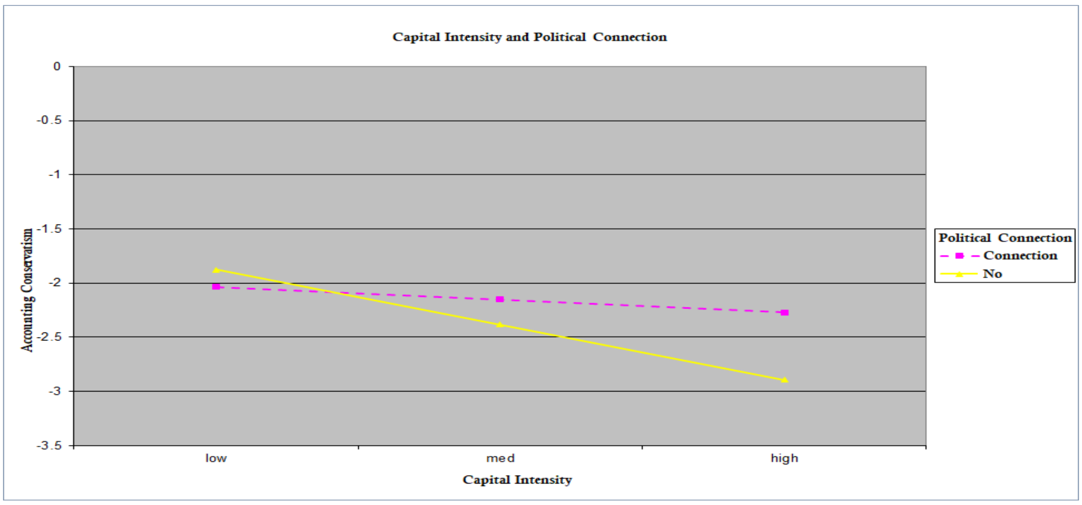

Figure 1. Testing the graph and the significance value of the slope

derate the effect of capital intensity against accounting conservatism. The results of this study prove that political connections can weaken the negative effect of capital intensity on accounting conservatism. Political connections are able to suppress the opportunistic behavior of companies with large capital intensity in carrying out aggressive reporting. This is because the politically connected members of the board of commissioners and directors will compete to contribute positively to the nation. This is done with the aim of obtaining a political return, with the hope that they will get a promotion to a larger BUMN company and strengthen their political legitimacy (Wicaksono, 2017). So that company management will apply more conservative accounting in order to obtain reliable and quality financial reports. Testing the graph and the significance value of the slope using ModGraph can be seen in Figure 1. When capital intensity is low, there is no significant difference associated with low accounting conservatism. However, when the capital intensity is high, there are striking differences in the application of accounting conservatism.

CONCLUSIONS

Accounting conservatism is the subject of this study, which uses political connections as a moderating variable to investigate the effects of managerial ownership, institutional ownership, investment opportunity set, and capital intensity. Institutional supervision can pressure managers to request conservative accounting reporting, in line with this statement the study's findings demonstrate that institutional ownership has a positive effect on accounting conservatism. Meanwhile, accounting conservatism is less frequently used the higher the company's capital intensity. This is because businesses with a lot of capital feel confident about their ability to cover high political costs, so they don't need to use conservative accounting to cut down on these high costs. Then, it was discovered that managerial ownership and investment opportunity set have no significant impact on accounting conservatism. Political connections, on the other hand, weaken the negative impact of capital intensity on accounting conservatism, whereas managerial ownership, institutional ownership, and investment opportunity sets cannot be moderated by political connections. Because politically connected boards of commissioners and directors will compete to make good contributions to the country, in order to maintain their position or get promoted to larger state-owned companies.

The small sample is a limitation in this study because data after 2014 on several state-owned companies cannot be found on the company's official website. Suggestions for further research are to expand the object of research by extending the observation period by means of which the researcher is able to dig up the necessary information directly from the company.

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