

Determinants of Accounting Conservatism: The Moderating Role of State Ownership in Indonesian Banking

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Abstract—This study aims to analyse the effect of leverage and profitability on accounting conservatism, with state ownership serving as a moderating variable in Indonesian banks during the 2022–2024 period. The research employs a quantitative approach using panel data regression based on Robust Least Squares (M-estimation) with EViews 12. The sample consists of 147 bank-year observations from banks listed on the Indonesia Stock Exchange (IDX). The empirical results indicate that leverage has a negative and significant effect on accounting conservatism ($\beta = -0.3757$; $p < 0.01$), suggesting that higher debt levels are associated with lower levels of conservative reporting. Profitability also shows a negative and statistically significant effect ($\beta = -71,392.95$; $p < 0.01$), indicating that more profitable banks tend to adopt less conservative accounting practices. The coefficient of determination (Adjusted $R^2 = 0.8009$) suggests that approximately 80.09% of the variation in accounting conservatism is explained by the model. Regarding moderation, state ownership does not significantly moderate the relationship between leverage and conservatism ($p > 0.05$). However, it significantly moderates the effect of profitability ($\beta = -128,739.8$; $p < 0.05$), strengthening the negative relationship, while its direct effect remains insignificant. This study contributes to the literature by providing firm-year evidence using the C-Score measure in a highly regulated and state-influenced banking sector. The findings offer policy implications for the Financial Services Authority and the Indonesia Stock Exchange in enhancing governance quality, transparency, and financial reporting standards.

Keywords: Accounting Conservatism; Leverage; Profitability; State Ownership; Banking Sector

1. INTRODUCTION

The Financial Services Authority (OJK) revealed that as of January 2026, there were 32 cases indicated as stock trading manipulation practices that were currently undergoing legal proceedings. Fines totalling Rp 542.49 billion on 3,418 parties during the period from 2022 to January 2026. These cases were part of alleged violations in the capital market since 2022, which included the dissemination of misleading information, the formation of unreasonable prices, and the manipulation of transactions to influence stock price movements. The OJK emphasised that these enforcement actions are being taken to maintain the integrity of the capital market, enhance transparency, and protect investors (CNN Indonesia, 2026).

Accounting conservatism is a financial reporting principle that recognises losses sooner than profits and tends to value assets lower and liabilities higher so as not to exaggerate the financial position and performance of the company, thereby making reports more cautious and limiting opportunistic behaviour by managers (Ghazalat, 2025; Kale & Villupuram, 2024). Leverage is the level of debt usage in a company's financing structure, which is generally measured by the ratio of debt to total assets or equity and reflects the extent to which the company's activities are financed by creditors compared to shareholders (Chipeta et al., 2021; Herghiligiu et al., 2024; Morais et al., 2021). Profitability is a company's ability to generate profits from the resources it uses, usually measured by ratios such as return on assets (ROA) and return on equity (ROE), which describe the company's efficiency in managing assets and capital to generate profits (Chipeta et al., 2021; Cui et al., 2021; Herghiligiu et al., 2024). State ownership in the banking industry is conceptually comparable to state ownership in other sectors, where the government or public authorities retain either partial or full equity participation. Such ownership structures provide the state with the capacity to exert significant influence over strategic and critical corporate decision-making processes (Gong & Choi, 2021; Marois, 2022).

Based on the results of accounting conservatism calculations using the Khan and Watts model on 42 banking financial statements for the period 2022–2024, an average trend was obtained for the C-Score measurement, which showed a significant increase in 2023 and a decline again in 2024. Overall, this trend will have implications in line with the theory of Khan and Watts in 2009, which states that accounting conservatism can be dynamic and is greatly influenced by risk levels and market conditions (Garanina & Kim, 2023).

Accounting conservatism is understood as a principle of prudence in the preparation of financial statements, namely a tendency to accelerate the recognition of losses and delay the recognition of profits so that reports can be presented in a reasonable manner (Garanina & Kim, 2023). Basu's theory then became a foundation for further development through the C-Score and GScore models introduced by Khan and Watts at 2009, as tools that enable the measurement of conservatism based on firm-specific characteristics (Dietrich et al., 2023).

The application of accounting conservatism is not a stand-alone object, but can be influenced by several internal factors within a company. Based on previous research, this measure of leverage can describe the extent to which a company relies on debt to finance its business operations (Armanious & Zhao, 2024; Dai & Ngo, 2021). Empirical findings show inconsistent results. A study of companies in Southeast Asia found that high leverage encourages companies to be more conservative in their financial reporting due to pressure from creditors ((Dai & Ngo, 2021).

Meanwhile, research in Vietnam shows that high leverage can reduce accounting conservatism, as companies are encouraged to present better financial performance, thereby becoming less conservative (Phuong Hong & Tra My, 2024).

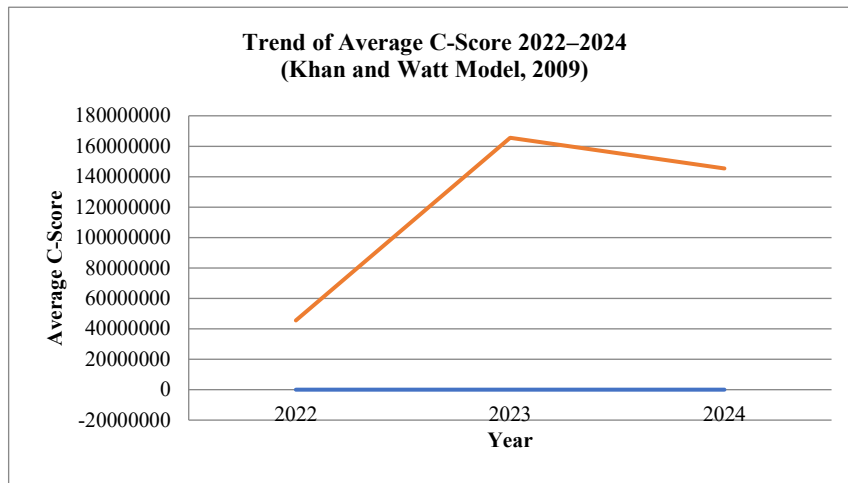


Figure 1. Trend of Average C-Score 2022–2024

Several studies show that accounting conservatism improves performance (ROA/ROE) based on figure 1 and protects company value. For example, conservatism has a positive effect on ROA and ROE in Indonesian manufacturing companies (Widati et al., 2023) and reduces the decline in stock market performance during the COVID-19 shock (Cui et al., 2021). Several studies have found that profitability can increase conservatism (Casciello et al., 2025), while other studies indicate the opposite direction (Olmo et al., 2021; Phuong Hong & Tra My, 2024).

The role of the state in maintaining the order of financial reporting in Indonesia is an interesting variable to examine. In some countries, state-owned banks play a role in maintaining financial stability and supporting development. However, in other countries, government ownership dominance can reduce efficiency, increase political intervention, and weaken reporting transparency (Aguilera et al., 2021; Gong & Choi, 2021; Panizza, 2023). State-owned banks face high public legitimacy pressures, but at the same time enjoy political protection that private companies do not have (Davydenko et al., 2023). These conditions mean that the financial treatment of leverage, profitability, and sustainability reports can vary depending on the situation. Empirical findings also show results that are not entirely same.

This study has elements of novelty in several aspects. The first aspect is that this study will specifically examine the combined effects of CSR, leverage, and profitability on accounting conservatism with state ownership as a moderating variable, which has not been widely studied in the context of Indonesian banking. The second aspect is that this study uses the C-Score measurement tool developed by Khan and Watts (2009) as a more representative measure of accounting conservatism than the Basu model. The third aspect is that this study specifically examines the banking sector in Indonesia, which fills a gap in previous studies that have mostly examined the manufacturing sector in China, Vietnam, the United States, and Saudi Arabia.

Stakeholder theory in 1984, R. Edward Freeman proposed stakeholder theory, which generally explains that a company has a responsibility not only to its investors but also to the community, government, and other related parties. In the context of this study, stakeholder theory helps explain how CSR, leverage, and profitability can affect the level of accounting conservatism (Kivits & Sawang, 2021). This study will use this theory as the foundation for the direction of observational thinking to explain the weakening or strengthening correlation of state ownership in framing the relationship between variables and accounting conservatism depending on the government's political objectives, institutional pressures faced by banks, and the perception of legitimacy that the government wants to build with the general public or other communities and countries (Kivits & Sawang, 2021).

Agency theory, this theory was first observed by scientists Michael C. Jensen and William H. Meckling in 1976, highlighting the importance of a mechanism for supervision, incentives, and control to reduce potential conflicts between the mandating party and the executing party (Del Gesso & Lodhi, 2024; Pucheta-Martínez & Gallego-álvarez, 2021). Agency theory is widely used in understanding ownership structures. Variables such as leverage and profitability play an important role, as pressure from creditors and shareholders can intensively encourage management to make more cautious reporting decisions (Pucheta-Martínez & Gallego-álvarez, 2021).

Based on the identified theoretical tensions and inconsistent empirical findings, this study aims to examine how leverage and profitability influence accounting conservatism in Indonesian listed banks during the 2022–2024 period, and to determine whether state ownership moderates these relationships. By integrating stakeholder theory and agency theory, this research seeks to clarify whether government ownership strengthens prudential reporting incentives through enhanced monitoring mechanisms or, alternatively, weakens conservatism due to political influence and reduced market discipline. Through the application of the firm-year C-Score measurement within a moderated regression framework, this study contributes to the literature by providing empirical evidence from a highly regulated and state-influenced emerging market banking sector.

2. RESEARCH METHODS

2.1 Data Analysis and Testing Techniques

This study uses a quantitative approach with a primary focus on testing the relationship between leverage and profitability on accounting conservatism, while also testing the ability of state ownership as a moderating variable.

2.2 Type of Research and Population and Sample

The population in this study includes all commercial banks listed on the Indonesia Stock Exchange (IDX) during the period 2022–2024. The banking sector was selected because it is highly regulated and has a 58 relatively high level of accounting conservatism.

Table 1. Sample Research

Sample Criteria	Number of Banks
Initial population: all commercial banks listed on the IDX as of December 2024	47
Banks not consistently listed during the 2022–2024 period	-2
Banks without complete annual financial reports for 2022–2024	-1
Banks not publishing sustainability reports in accordance with GRI Standards (2021) and POJK No. 51/POJK.03/2017	-1
Final sample of banks	43
Observation period (years)	3
Total research observations	129

2.3 Operational definitions of variables

The research object is "the variable studied by researchers at the research site." Based on table 2, the research objects in this study are leverage (X1), profitability (X2), sustainability report (X3), and accounting conservatism as dependent variables (Y), and state ownership as a moderating variable (Z). All variables were observed in banks listed on the Indonesia Stock Exchange (IDX) during the period 2022 to 2024.

Table 2. Definitoon and indicator

Variable	Definiton	indicator
Conservatism Accounting (Y)	This principle reflects prudence in dealing with uncertainty by recognizing potential losses earlier and deferring the recognition of gains.	Conservatism C-Score
Leverage (X ₁)	Debt to finance company assets, which reflects the extent to which the company relies on external sources of funding.	Debt to Assets Ratio (DAR) = Total Debt / Total Assets
Profitability (X ₂)	Profitability is a company's ability to generate profits from its resources, while also illustrating the effectiveness of asset utilization to obtain profits.	Return on Assets (ROA) = Net Income / Total Assets
State (Z)	government holds some or all of the company's shares, it can influence the direction of policy	Dummy 1 and 0

2.4 Research Hypotheses

Based on the relationship between leverage and accounting conservatism, explained in the stakeholder theory framework, companies are not only responsible to shareholders, but also have responsibilities to creditors, which directly implications the continuity of the business (Kivits & Sawang, 2021). The level of leverage reflects a company's dependence on external funding; the higher the leverage, the greater the pressure to present accurate and cautious financial statements (Ho et al., 2022). Under these conditions, accounting conservatism acts as a protective mechanism for creditors against overly optimistic reporting (Akhtar et al., 2022; Kalash, 2021).

H₁ : Leverage affects accounting conservatism in banks listed on the IDX for the period 2022 to 2024.

The agency theory perspective explains the relationship between profitability and accounting conservatism through conflicts of interest between managers and owners (Habibniya et al., 2022; Jensen & Meckling, 1976). High profitability can encourage more cautious reporting to avoid political pressure, scrutiny, and excessive expectations, so that conservatism serves to limit opportunistic management behavior (Liu & Zhang, 2023; Panizza, 2023; Safi & Mohi, 2024). Several studies also show that strong-performing companies tend to be more conservative in the long term to maintain stability and reduce risk (Widati et al., 2023). However, other findings indicate that high profitability can trigger more aggressive reporting as management seeks to highlight performance, thereby reducing conservatism (Phuong Hong & Tra My, 2024). Thus, the effect of profitability on conservatism can be bidirectional depending on the conditions.

H₂ : Profitability affects accounting conservatism in banks listed on the IDX from 2022 to 2024.

The relationship between leverage and accounting conservatism moderated by state ownership stems from a theory that emphasizes that state ownership attached to a business entity has strong legitimacy pressure, which is in line with stakeholder theory. Research conducted over the past five years indicates higher conservatism driven by corporate leverage, as companies demand more cautious reporting (Dai & Ngo, 2021; Hajawiyah et al., 2020; Herghiligi et al., 2024). Research in China shows that partial or full state ownership can consistently change the direction of the relationship between bank lending standards and accounting conservatism, depending on the institutional context and level of government control (Garanina & Kim, 2023; Yu et al., 2024).

H₃ : State ownership moderates the effect of leverage on accounting conservatism in banks listed on the IDX for the period 2022–2024.

The relationship between profitability and accounting conservatism can be examined from a scientific approach in the perspective of agency theory, which is closely related to corporate management mechanisms. Factors such as the level of board independence in a company and institutional ownership can have implications in strengthening the incentives for company management to present its financial statements in a more cautious and conservative manner (Hajawiyah et al., 2020; Zadeh et al., 2022). Contrary to this, other studies report that profitability levels can significantly negatively affect the level of accounting conservatism. These differences are usually driven by variations in corporate governance systems, ownership structure conditions, and various external influences that are difficult to predict depending on each company (Le & Moore, 2021; Zadeh et al., 2022).

H₄: State ownership moderates the effect of profitability on accounting conservatism in banks listed on the IDX for the period 2022–2024.

The relationship between profitability and accounting conservatism can be examined through the lens of agency theory, which emphasizes corporate governance mechanisms in shaping managerial reporting behavior. Board independence and institutional ownership may strengthen managerial incentives to adopt more prudent and conservative financial reporting practices (Zadeh et al., 2022). However, prior studies document inconsistent findings. Some evidence suggests that higher profitability encourages conservatism to reduce future performance pressure, while other research indicates that profitability negatively affects conservatism, leading to more aggressive reporting (Le & Moore, 2021). These differences are often driven by variations in governance systems and ownership structures. This study therefore examines whether state ownership purely moderates the profitability conservatism relationship.

2.5 Conceptual Framework

Based on Figure 2 this study uses a quantitative approach with a primary focus on testing the relationship between leverage, profitability, and sustainability reports on accounting conservatism, while also testing the ability of state ownership as a moderating variable. Descriptive statistics in this study were processed using complementary tools such as Excel, Python, and EViews. EViews is widely used in quantitative research due to its ability to handle time series, cross-section, and panel data more comprehensively, including generating descriptive statistical tables ready for analysis (Ghozali, 2021).

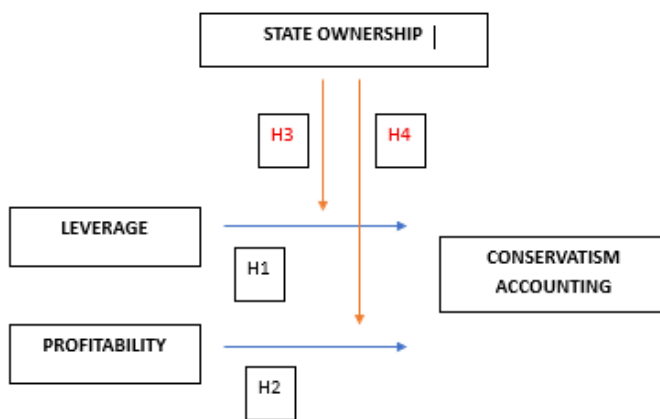


Figure 4. Research Conceptual Framework

H₁: Leverage affects accounting conservatism in banks listed on the Indonesia Stock Exchange during the 2022–2024 period.

H₂: Profitability affects accounting conservatism in banks listed on the Indonesia Stock Exchange during the 2022–2024 period.

H₃: State ownership moderates the effect of leverage on accounting conservatism in banks listed on the Indonesia Stock Exchange during the 2022–2024 period.

H₄: State ownership moderates the effect of profitability on accounting conservatism in banks listed on the Indonesia Stock Exchange during the 2022–2024 period.

2.6 Data Analysis and Testing Techniques

2.6.1 Classical Assumption

Before estimating the panel data regression, this study conducts classical assumption tests to ensure that the model produces unbiased and valid estimates. The normality test is performed using the Jarque–Bera Test to confirm that the residuals are normally distributed (p-value > 0.05). Multicollinearity is examined using the Variance Inflation Factor (VIF) and Tolerance, with criteria of VIF < 10 and Tolerance > 0.10. Heteroskedasticity is tested using the Breusch–Pagan Test to verify that the residual variance is constant, while autocorrelation is assessed using the Durbin–Watson or Breusch–Godfrey Test to detect correlations among residuals across observations. If any assumption violations are found, corrective measures such as data transformation or the use of robust standard errors are applied to maintain the validity and interpretability of the estimates.

2.6.2 Hypothesis Testing

Hypothesis testing is conducted to determine whether the independent variables (Leverage and Profitability) and their interactions with the moderating variable (State Ownership) significantly affect the dependent variable (Accounting Conservatism). The t-test (partial test) examines the individual effect of each independent variable and its interaction with the moderator. A variable is considered significant if p-value < 0.05. The F-test (simultaneous test) evaluates whether all independent variables jointly influence the dependent variable; significance is indicated by p-value < 0.05. The coefficient of determination (R² and Adjusted R²) measures how much variation in the dependent variable is explained by the model, with higher values indicating better model fit.

2.6.3 Moderated Regression Analysis (MRA)

This study utilises a moderation test, as MRA aims to determine whether the relationship between X and Y will change (be strengthened, weakened, or even reverse direction) when a moderating variable is present in the model. The general form of the MRA equation is as follows: This study use separate regressions to test the relationship between each variable.

3. RESULTS AND DISCUSSION

3.1 Research Results

3.1.1 Normality Test

Based on table 3 decision making using a significance level of 0.05: residuals are considered normal if the p-value > 0.05, while a p-value < 0.05 indicates that further action is needed, such as checking for outliers or transforming the data.

Table 3. Normality Test

Statistic	Value
Mean	-3.40E-15
Median	-0.144923
Std. Deviation	1.009897
Jarque–Bera	1.054955
Probability	0.590092

The normality test results using Jarque-Bera showed a probability value of 0.5900, which is greater than the significance level of 5%. The residuals regression model are normally distributed, the normality assumption is fulfilled.

3.1.2 Multicollinearity Test

Table 4. Multicollinearity Test

Variable	X ₁	X ₂	X ₃	Z	Y
X ₁	1.0000	0.6858	0.0968	0.0983	-0.1462
X ₂	0.6858	1.0000	-0.0687	0.2163	-0.1349
Z	0.0983	0.2163	0.0966	1.0000	-0.0663
Y	-0.1462	-0.1349	-0.1054	-0.0663	1.0000

Based on Table 4 the correlation matrix indicates that most relationships among variables are weak to moderate. The highest correlation occurs between X₁ and X₂ (r = 0.6858), which is still below the critical threshold of 0.90, indicating no severe multicollinearity. Overall, the results suggest that the independent variables are sufficiently distinct for regression analysis.

3.1.3 Heteroskedasticity Tested

Based on table 5 the heteroskedasticity test using the Panel Period Heteroskedasticity LR Test shows a probability value of 1.0000, which is greater than the 5% significance level. Therefore, the null hypothesis (H₀) is accepted, indicating that there is no evidence of heteroskedasticity in the panel regression model.

Table 5. Heteroskedasticity Test

Statistic	Value	df	Probability
Likelihood Ratio	6.368174	42	1.0000
Restricted Log Likelihood	-352.5158	122	
Unrestricted Log Likelihood	-349.3317	122	

3.1.4 Autocorrelation Test

The results of the autocorrelation test using the Durbin–Watson statistic show a value of 1.495274, which is close to 2. This indicates that there are no serious autocorrelation problems in the panel regression model.

3.2 Hypothesis Testing

3.2.1 T-test (partial test)

Based on table 6 the T-test results will provide a significance value (p-value) which, when compared to the significance level of 0.05, will indicate whether the variable has a significant effect on accounting conservatism if p-value < 0.05, or no significant effect if > 0.05.

Table 6. T-test result

Variable	Coefficient (β)	Std. Error	z-Statistic	p-value
C	18.43229	0.485043	38.00135	0.0000
Leverage (X_1)	-0.375752	0.106817	-3.517710	0.0004
State Ownership (Z)	-2.690108	3.093857	-0.869500	0.3846
$X_1 \times Z$	0.433266	0.360150	1.203016	0.2290

Based on Table 6 and Table 7 the regression results indicate that the constant term (C) is positive and statistically significant ($\beta = 18.43229$; $p < 0.001$), suggesting a baseline level of accounting conservatism when all independent variables are held constant. The interaction term between leverage and state ownership (X_1Z) shows a positive coefficient ($\beta = 0.433266$) but is not statistically significant ($p = 0.2290$), indicating that state ownership does not significantly moderate the relationship between leverage and accounting conservatism. Meanwhile, leverage has a negative and statistically significant effect ($\beta = -0.375752$; $p = 0.0004$), implying that higher leverage is associated with lower accounting conservatism. The direct effect of state ownership (Z) in this model is negative but not significant ($\beta = -2.690108$; $p = 0.3846$).

Table 7. T-test result

Variable	Coefficient (β)	Std. Error	z-Statistic	p-value
C	17.36976	0.199307	87.15064	0.0000
Profitability (X_2)	-71,392.95	4,561.760	-15.65031	0.0000
State Ownership (Z)	-1.373157	0.778735	-1.763318	0.0778
$X_2 \times Z$	-128,739.8	59,143.30	-2.176744	0.0295

In the second model, the constant term remains positive and significant ($\beta = 17.36976$; $p < 0.001$). State ownership (Z) exhibits a negative coefficient ($\beta = -1.373157$) with marginal significance ($p = 0.0778$), indicating a weak direct effect on accounting conservatism. Profitability (X_2 PROFITABILITY) has a strong negative and highly significant effect ($\beta = -71,392.95$; $p < 0.001$), suggesting that more profitable banks tend to apply less conservative accounting practices. The interaction term between profitability and state ownership as a moderation (X_2Z) is also negative and statistically significant ($\beta = -128,739.8$; $p = 0.0295$), indicating that state ownership significantly moderates the relationship between profitability and accounting conservatism by strengthening the negative effect.

3.2.2 F-Test and R-Test

Table 8. F-test and R-test

Statistic	Value
F-statistic	11.93397
Prob(F-statistic)	0.0000
R-squared	0.874196
Adjusted R-squared	0.800944
Durbin–Watson	1.495274

The F-test results show an F-statistic value of 11.93397 with a Prob(F-statistic) of 0.0000. With an estimated calculated F value of 2.68, this indicates a value that is smaller than the F table. This shows that all independent variables simultaneously have a significant effect on the dependent variable, so the regression model is valid for use. The R-squared value of 0.874196 indicates that 87.42% of the variation in C-score can be explained by the independent variables in the model. Meanwhile, the adjusted R-squared value of 0.800944 indicates that after adjusting for the number of variables

and sample size, 80.09% of the variation in C-score can still be explained by the regression model. This shows that the model has a very strong explanatory power.

3.2 Discussion

The estimation results using Robust Least Squares (M-estimation) indicate that leverage has a negative and significant effect on accounting conservatism ($\beta = -0.3757$; $p < 0.01$). Based on this significance value, the null hypothesis (H_0), which states that leverage has no effect on accounting conservatism, is rejected, while the alternative hypothesis (H_1) is accepted. This finding suggests that higher leverage levels are associated with lower accounting conservatism among banks listed on the Indonesia Stock Exchange during the 2022–2024 period, which is consistent with the debt covenant hypothesis within Positive Accounting Theory.

H_1 : Leverage affects accounting conservatism in banks listed on the IDX for the period 2022 to 2024.

The regression results using Robust Least Squares (M-estimation) indicate that leverage has a negative and significant effect on accounting conservatism ($\beta = -0.3757$; $p < 0.01$). This finding suggests that banks with higher debt levels tend to apply less conservative accounting practices. However, prior empirical studies provide inconsistent evidence. Some research argues that higher leverage increases monitoring pressure from creditors, thereby encouraging more conservative reporting (Dai & Ngo, 2021; Herghiligi et al., 2024). In contrast, other studies suggest that firms with high leverage may reduce conservatism to present stronger financial performance and avoid debt covenant violations. The findings of this study support the latter perspective, implying that in the Indonesian banking sector, leverage may incentivize more optimistic reporting behavior. This outcome may be influenced by strong regulatory supervision in the banking industry, which potentially substitutes for conservatism as a creditor protection mechanism.

H_2 : Profitability affects accounting conservatism in banks listed on the IDX from 2022 to 2024.

The regression results with robust standard errors show that profitability has a negative and significant effect on accounting conservatism ($\beta = -71,392.95$; $p < 0.01$). This finding indicates that banks with higher profitability levels tend to be less conservative in their financial reporting. The literature presents bidirectional and inconsistent findings regarding this relationship. From an agency theory perspective, higher profitability may encourage more cautious reporting to reduce political costs and limit opportunistic behavior (Habibniya et al., 2022; Liu & Zhang, 2023; Panizza, 2023; Safi & Mohi, 2024). However, other empirical evidence shows that high profitability can lead to more aggressive reporting practices, thereby reducing conservatism (Phuong Hong & Tra My, 2024). The present study aligns with the latter view, suggesting that in the Indonesian banking context, higher profitability may reduce perceived risk and decrease incentives for prudential reporting.

H_3 : State ownership moderates the effect of leverage on accounting conservatism in banks listed on the IDX for the period 2022–2024.

The moderation test results show that the interaction coefficient between leverage and state ownership is not statistically significant ($\beta = 0.4333$; $p = 0.2290$). Therefore, the null hypothesis (H_{03}) is accepted, indicating that state ownership does not moderate the effect of leverage on accounting conservatism. Prior research also reports inconsistent findings. Some studies suggest that state ownership strengthens conservatism due to legitimacy pressures and enhanced public accountability (Garanina & Kim, 2023; Yu et al., 2024). Conversely, other literature argues that government ownership may weaken reporting discipline because of political objectives and reduced market pressure. The insignificant moderating effect found in this study suggests that in the Indonesian banking sector, regulatory oversight may already function as a dominant monitoring mechanism, limiting the incremental impact of state ownership.

H_4 : State ownership moderates the effect of profitability on accounting conservatism in banks listed on the IDX for the period 2022–2024.

The regression results indicate that state ownership significantly moderates the relationship between profitability and accounting conservatism, as shown by a significant interaction coefficient ($\beta = -128,739.8$; $p < 0.05$), while its direct effect remains insignificant ($\beta = -1.373157$; $p = 0.0778$). This finding implies that the negative effect of profitability on accounting conservatism becomes stronger in government-owned banks. The literature again shows mixed evidence. Some studies argue that state ownership enhances conservative reporting through stronger governance mechanisms (Zadeh et al., 2022). However, other research suggests that political intervention and reduced market discipline may distort reporting incentives (Le & Moore, 2021). The present findings suggest that in the Indonesian banking context, profitability incentives interact with state ownership in a way that strengthens the reduction of conservatism, potentially reflecting unique institutional and governance dynamics.

4. CONCLUSION

This study examines the influence of leverage and profitability on accounting conservatism, as well as the moderating role of state ownership in banks listed on the Indonesia Stock Exchange during 2022–2024. The results show that leverage and profitability both have negative and significant effects on accounting conservatism, indicating that banks with higher debt levels and stronger financial performance tend to adopt less conservative financial reporting practices. The negative effect of leverage supports the debt covenant hypothesis of Positive Accounting Theory, while the negative effect of

profitability suggests that highly profitable banks may present more optimistic financial information. Regarding moderation, state ownership does not moderate the relationship between leverage and accounting conservatism. However, it significantly moderates the effect of profitability and acts as a pure moderator, meaning that the negative impact of profitability on conservatism is stronger in government-owned banks than in privately owned banks. This study has several limitations, including its focus on the banking sector, a relatively short observation period, and a limited set of explanatory variables. Future research is recommended to include additional industries, longer time horizons, and broader determinants such as corporate governance, audit quality, or macroeconomic factors to provide a more comprehensive understanding of accounting conservatism.

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