
How Can Accounting Conservatism Be Implemented? (Study of Infrastructure Sector Companies on the Indonesian Sharia Stock Index)

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Abstract

Objective & object:

This study examines the effect of earnings pressure, financial distress, and capital intensity on accounting conservatism, with the independent board of commissioners as a moderating variable in infrastructure companies listed on the Indonesian Sharia Stock Index (ISSI) during 2019–2023.

Methods:

This study uses a quantitative approach with panel data analysis on 125 samples selected through purposive sampling and analyzed using EViews 12.

Results & Conclusions:

The results show that earnings pressure and financial distress have a significant negative effect on accounting conservatism, while capital intensity has no effect. The independent board of commissioners moderates the effect of earnings pressure but does not moderate financial distress or capital intensity.

Limitations:

This study is limited to infrastructure companies listed on the Indonesian Sharia Stock Index (ISSI) and the 2019–2023 period.

Implications:

The findings provide practical and academic implications regarding the role of corporate governance in maintaining accounting conservatism.

Keywords: Earnings Pressure; Financial Distress; Capital Intensity; Accounting Conservatism.

Abstrak

Tujuan & objek:

Penelitian ini menguji pengaruh *earnings pressure*, *financial distress*, dan *capital intensity* terhadap konservatisme akuntansi dengan dewan komisaris independen sebagai variabel moderasi pada perusahaan infrastruktur yang terdaftar di Indeks Saham Syariah Indonesia (ISSI) periode 2019–2023.

Metode:

Penelitian ini menggunakan pendekatan kuantitatif dengan analisis data panel terhadap 125 sampel yang dipilih melalui *purposive sampling* dan dianalisis menggunakan EViews 12.

Hasil dan Simpulan:

Hasil penelitian menunjukkan bahwa *earnings pressure* dan *financial distress* berpengaruh negatif signifikan terhadap konservatisme akuntansi, sedangkan *capital intensity* tidak berpengaruh. Dewan komisaris independen memoderasi pengaruh *earnings pressure*, namun tidak pada *financial distress* dan *capital intensity*.

Keterbatasan:

Penelitian ini terbatas pada perusahaan infrastruktur di Indeks Saham Syariah Indonesia (ISSI) dan periode 2019–2023.

Implikasi:

Hasil penelitian memberikan implikasi praktis dan akademis terkait peran tata kelola perusahaan dalam menjaga konservatisme akuntansi.

Kata kunci: Tekanan Laba; Kesulitan Keuangan; Intensitas Modal; Konservatisme Akuntansi.

1. Introduction

The choice of flexible accounting methods can open up opportunities for management to manipulate financial statements to improve company performance, which often reflects low levels of conservatism. This phenomenon was seen in PT Waskita Karya (WSKT) and PT Wijaya Karya (WIKA), which were suspected of manipulating financial statements by reporting profits despite negative cash flow. This highlights the importance of implementing accounting conservatism to prevent distortion of financial information that could harm related parties.

The influence of earnings pressure on accounting conservatism is part of the accounting conservatism approach; according to (Triantoro, 2023), earnings pressure has a negative and significant effect on accounting conservatism. Meanwhile, according to (Sabaruddin & Affandi, 2021), earnings pressure does not affect accounting conservatism. In other words, financial distress is a stage of decline in financial condition that occurs before bankruptcy or liquidation (Caniago & Serly, 2023). This financial difficulty started from the company's inability to meet its obligations, especially short-term obligations (Hala et al., 2021). Previous research by (Nur & Herman, 2024) explained that financial distress negatively impacts accounting conservatism. However, research also conducted by (Haryadi et al., 2020) Putra & Sari, (2020) stated that financial distress does not significantly impact accounting conservatism.

The quantity of capital required by a company in the form of assets to generate income is called capital intensity (Sanira & Ratnasari, 2024). Companies are categorized as large if they use many assets to generate income from sales. This statement is the same as (Azizah et al., 2022), an increase in capital intensity tends to be followed by an increase in the level of accounting conservatism, and vice versa. In other words, a decrease in capital intensity will be associated with a decrease in the level of accounting conservatism. This shows a positive and significant relationship between capital intensity and accounting conservatism. However, according to (Yuliana et al., 2022) states that because companies with large assets face high political costs, corporate profits become more conservative, so capital intensity does not significantly affect accounting conservatism.

Based on the description and the findings of previous studies on the variables of earnings pressure, financial distress, and capital intensity, the researcher aims to clarify the problem of whether there is an Influence of earnings pressure, financial disclosure, and capital intensity on accounting conservatism with an independent board of commissioners as a moderating variable in infrastructure companies listed on Indonesian Sharia Stock Index (ISSI) in 2019-2023. This study is expected to provide scientific contributions for stakeholders and academics in decision-making regarding accounting conservatism.

2. Literature Review

2.1. Positive Accounting Theory

Positive Accounting Theory (PAT) makes a significant contribution to research on accounting conservatism, as it explains that the choice of accounting policies is not only based on technical considerations but is also influenced by the economic interests of the parties involved in the company. Positive accounting theory is based on the assumption that both managers and shareholders are rational and seek to maximize their utility, which is directly related to their compensation and welfare (Haryadi et al., 2020). This theory provides a clear framework for understanding accounting, highlights the important role of contracting costs in accounting theory, explains the rationale for using accounting, and offers a framework for predicting accounting choices (Gede et al., 2020). Furthermore, this theory also encourages relevant research, which emphasizes the prediction and explanation of accounting phenomena (Nur & Herman, 2024).

Therefore, in accounting conservatism research, positive accounting theory becomes a strong theoretical foundation to explain why the level of conservatism differs between companies and how company characteristics, governance mechanisms, and contractual incentives influence the choice of conservative accounting policies.

2.2. Agency Theory

According to (Jensen & Meckling, 1976), agency theory describes an agency relationship as a contract in which one or more individuals (principals) employ other individuals (agents) to perform certain services and then delegate decision-making authority to the agent. LaFond & Watts, (2006) argue that financial reports that apply the principle of conservatism can reduce the opportunity for managers to manipulate financial reports and reduce agency costs arising from information asymmetry. Information asymmetry is a situation in which management has more information than investors (Manulu & Fiana, 2023).

In accounting conservatism research, agency theory is the main basis for explaining the relationship between corporate governance characteristics, ownership structure, leverage, management compensation, and monitoring mechanisms on the level of conservatism implemented by the company, because the higher the potential for agency conflict, the greater the need for companies to implement conservative accounting practices as a means of protecting the interests of stakeholders.

2.3. Accounting Conservatism

Accounting conservatism is also defined as the tendency to choose accounting methods based on generally accepted accounting standards, which leads to the recognition of expenses, undervaluation of assets, and understatement of liabilities (Oktana et al., 2023). This conservative approach serves as a tool to facilitate more efficient contracting. In financial reporting, this results in the balance sheet showing net assets lower than those that would otherwise be distributed (Simon dan Watts, 2003).

$$CONNACC = \frac{NI + DEP - CFO}{TA}$$

Information:

CONACC : Level of accounting conservatism

NI : Net Income

DEP : Depreciation

CFO : Cash Flow from Operations

TA : Total Assets

Source: (Givoly & Hayn, 2000).

2.4. Earnings Pressure

According to Sugiyarti & Rina (2020), earnings pressure is a strategic measure to reduce corporate profits to lower taxes. When a company experiences higher-than-expected profits, it needs to reduce them to achieve income smoothing. Earnings pressure can be exploited to achieve this by shifting time to the next period through financial management that can increase future profits (Putri, 2023).

$$EPress = \frac{\text{Current Year Profit} - \text{Previous Year Profit}}{\text{Total Assets as Beginning of Year}}$$

Source: (Sabaruddin & Affandi, 2021)

2.5 Financial Distress

According to Piatt & Piatt, (2002), financial distress is defined as a stage of financial decline that occurs before bankruptcy or liquidation. This financial difficulty stems from a company's inability to meet its obligations, particularly short-term ones (Hala et al., 2021). *Financial distress* causes a company to require additional funds to finance its operations and repay its debts, which ultimately increases the company's debt level. The formula is as follows:

$$Z = 3.25 + 6.56$$

Information:

X1 : Working capital to total assets (WCTA)

X2 : Retained earnings to total assets (RE)

X3 : Earnings before interest and taxes to total assets (EBIT)

X4 : Book value of equity to book value of total debt (BV)

2.6 Capital Intensity

Capital Intensity describes the size of a company's capital in the form of assets. The more assets a company uses to generate revenue from sales, the larger the company can be. This means that large, capital-dense companies will be more likely to be noticed by the government. (Yuliana et al., 2022).

$$\text{Capital Intensity} = \frac{\text{Total Assets}}{\text{Sales}}$$

Source:(Lumbantobing et al., 2022)

2.7 Independent Board of Commissioners (IBC)

According to the Independent Board of Commissioners, an Independent Commissioner is a member of the board of commissioners who has no affiliation with anyone within the company or with the company itself (Pratomo & Havivah, 2021). In this study, the proportion of the board of commissioners (KI) will be proxied and measured using the following formula.

$$\text{IBC} = \frac{\text{Number of Independent Commissioners}}{\text{Number of Members of The Board of Commissioners}}$$

Source:(Pratomo & Havivah, 2021)

2.8 Research Framework

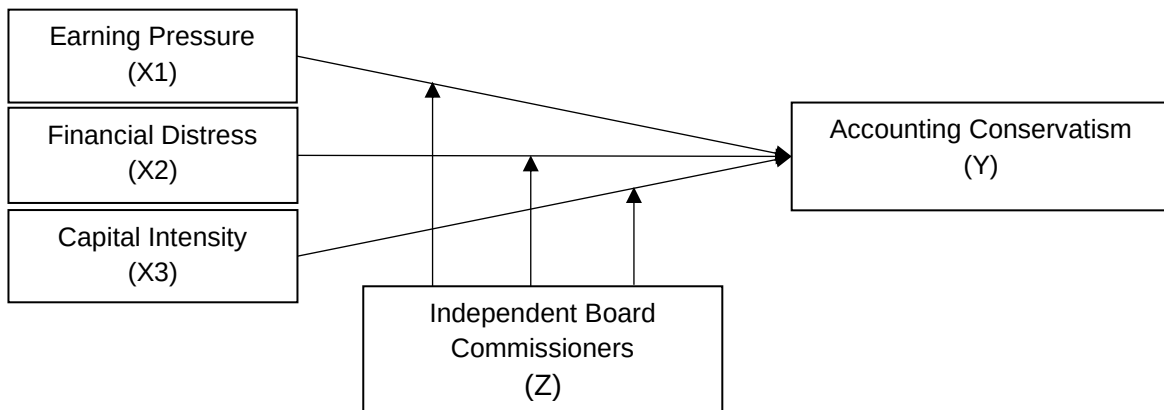


Figure 1. Research Model Framework

2.9 Hypothesis Development

The Influence of Earnings Pressure on Accounting Conservatism

Earnings pressure is an effort made by a company to reduce profits and increase debt to minimize tax payments (Triantoro, 2023). The relationship between earnings pressure and accounting conservatism in this study uses positive accounting theory. This can occur if profit pressure causes managers to be more likely to manipulate financial reports to meet certain expectations, rather than applying the principle of conservatism. Sulastris et al., (2018) Based on this, higher profit pressure or targets will encourage managers to reduce the level of accounting conservatism, which means a negative effect. This statement is supported by several previous studies that state that financial distress has a significant negative effect on accounting conservatism, namely (Triantoro, 2023).

H1: Earnings pressure has a negative effect on accounting conservatism.

The Influence of Financial Distress on Accounting Conservatism

Financial distress is an early symptom of a company going bankrupt, characterized by the company's difficulty in paying off its short-term and long-term obligations to creditors on time, so that it requires funds to pay for the company's operational activities and pay off the debts owed by the company. Rivandi & Ariska (2019), Based on positive accounting theory, predict that increasing levels of financial distress in a company will encourage managers to lower their level of accounting conservatism (having a negative effect). This statement is supported by several previous studies that state that financial distress has a significant negative effect on accounting conservatism, namely (Nur & Herman, 2024; Dhanendra et al., 2023).

H2: Financial Distress has a negative effect on accounting conservatism.

The Effect of Capital Intensity on Accounting Conservatism

According to (Rivandi & Ariska, 2019) Capital intensity describes how many assets a company requires to generate revenue. Positive accounting theory argues that companies with high capital intensity typically face greater political costs. This means that the more assets used in operations to generate revenue, the larger the company's scale. This aligns with research conducted by (Juwini, 2023; Tosmar & Riansyah, 2023).

H3: Capital Intensity has a negative impact on accounting conservatism.

The Influence of Earnings Pressure on Accounting Conservatism with the Independent Board of Commissioners as a Moderating Variable

An independent board of commissioners can serve as an effective oversight mechanism. They are expected to provide objective and impartial perspectives, thereby pressuring management to refrain from manipulating financial statements. (Widyati & Maria, 2023). Based on the explanation above, the following research hypothesis can be formulated:

H4: Independent board of commissioners moderates the effect of earnings pressure on accounting conservatism.

The Influence of Financial Distress on Accounting Conservatism with the Independent Board of Commissioners as a Moderating Variable

A company experiencing financial distress can influence management to manipulate financial statements by increasing reported profits relative to actual earnings. Research has (Emrinaldi, 2007) shown that the greater the number of independent commissioners in a company, the lower the likelihood of financial distress. Furthermore, (Hanifah & Purwanto, 2013) an independent board of commissioners can reduce information asymmetry between management and shareholders, which in turn can reduce the likelihood of financial distress. Based on the explanation above, the following research hypothesis can be formulated:

H5: Independent board of commissioners moderates the effect of financial distress on accounting conservatism.

The Influence of Capital Intensity on Accounting Conservatism with the Independent Board of Commissioners as a Moderating Variable

Capital intensity reflects the amount of capital required to generate revenue. The higher the capital intensity ratio, the higher the capital required to generate sales, and the greater the political costs involved. Companies must report financial results carefully, as high capital intensity can lead to significant political costs, encouraging management to be more conservative in reporting and reducing profits. A large number of independent commissioners strengthens management oversight in preparing financial reports and making decisions related to company policy (Safitri et al., 2019).

H6: Independent board of commissioners moderates the effect of capital intensity on accounting conservatism.

3. Research Method

3.1 Types of Research

The type of research used in this study is a quantitative approach using panel data. Panel data is data taken from several objects over a certain time period. With this approach, it is expected to provide data results and calculations obtained related to the influence of earnings pressure (X1), financial distress (X2), and capital intensity (X3) on the dependent variable of accounting conservatism (Y), with an independent board of commissioners as a moderating variable (Z).

3.2 Population and Sample

The population of this study is all infrastructure sector companies listed on the Indonesian Sharia Stock Index (ISSI) during the 2019-2023 period, which can be accessed via www.idx.co.id.

The sampling method used was purposive sampling, meaning the selected sample must meet predetermined criteria. The sample selection criteria in this study were:

- 1) Infrastructure sector companies listed on the Indonesian Sharia Stock Index (ISSI) for the 2019-2023 period.
- 2) Infrastructure sector companies that publish and present complete annual financial reports and have had an IPO (Initial Public Offering) during the 2019-2023 period.
- 3) Companies that record financial reports in rupiah currency.

Table 1. Criteria for Determining Company Samples

No.	Criteria	Number of Companies
1.	Infrastructure companies listed on the Indonesian Sharia Stock Index (ISSI) for the 2019-2023 period	98
2.	Infrastructure companies have not consistently been included in ISSI for five consecutive years	(70)
3.	Companies that do not report finances in rupiah currency	(3)
Total		25

5 year period x 25 companies	125
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Source: Data processed

4. Results and Discussion

4.1 Results

Descriptive statistical analysis is used to provide an overview of the data through the mean, minimum, maximum, and standard deviation values. These descriptive statistics provide concise information about the data, including the mean, standard deviation, variance, maximum, and minimum. The following are the results of the descriptive statistical analysis of the variables in this study:

Table 2. Descriptive Statistics

	N	Mean	Median	Min.	Max.	Std. Dev.
Earnings Pressure	125	0.007053	0.001871	-0.19075	0.185215	0.045846
Financial Distress	125	7.339039	6.105413	1.678944	36.41292	4.611164
Capital Intensity	125	3.199538	2.154933	0.619522	12.93257	2.730204
Accounting Conservatism	125	-0.2641	-0.18165	-0.9545	0.092272	0.244850
Independent Board of Commissioners	125	0.402530	0.357143	0.142857	0.676767	0.097880

Valid N 125 (listwise)

Source: Data processed

4.2 Stationarity Test

Table 3. Stationarity Test

Variables	Prob.	Levels	Information
Earning Pressure	0.0000	<i>First Difference</i>	Stationer
Financial Distress	0.0000	<i>First Difference</i>	Stationer
Capital Intensity	0.0000	<i>First Difference</i>	Stationer
Accounting Conservatism	0.0027	<i>First Difference</i>	Stationer
Independent Board of Commissioners	0.0379	<i>First Difference</i>	Stationer

Source: Data processed

Based on the stationarity test results in Table 3, it means that all variables have a probability value <0.05 , so it can be said that the data are stationary at the level, and further testing can be carried out.

4.3 Chow Test

Chow test in research uses probability values. If the probability value exceeds 0.05, then the appropriate model is the common effect. However, if the probability value does not reach 0.05, then the appropriate model is the fixed effect. Here are the results of the Chow test.

Table 4. Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	44.780181	(24,96)	0.0000
Cross-section Chi-square	312.628717	24	0.0000

Source: Data processed

Based on the results of the Chow test in Table 4, which shows a probability result of <0.05 , it can be interpreted that the best model to be used is the fixed effect.

4.4 Hausman Test

Table 5. Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.760292	4	0.0674

Source: Data processed

Based on the results of the Hausman test in Table 5, which shows a probability result of > 0.05 , it can be interpreted that the best model to be used is random effects.

4.5 Lagrange Multiplier Test

Table 6. Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	176.3161 (0.0000)	0.492820 (0.4827)	176.8089 (0.0000)

Source: Data processed

Based on the results of the Lagrange multiplier test in Table 6, which shows a probability of <0.05 , it can be interpreted that the best model to use is the random effects model. From the three tests that have been conducted, it can be concluded that the appropriate model is the random effects model. Therefore, in this study, the best model to be used is the random effects model.

4.6 Normality Test

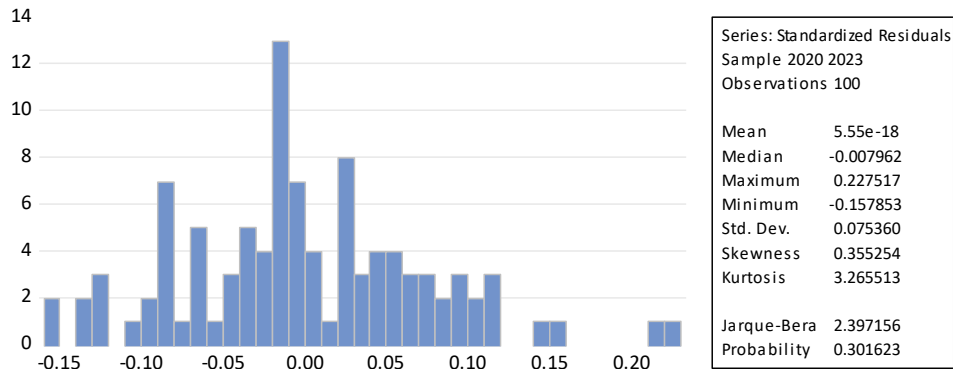


Figure 2. Normality Test

Source: Data processed

The test results in Figure 2 show that the Jarque-Bera value is 0.301623 with a probability value of 0.301623. The probability value is known to be more than 0.05, which means that the data in this study are normally distributed.

4.7 Multicollinearity Test

This test is used to determine whether a relationship exists between independent variables in the regression model. The VIF value is the tolerance value. Variables are not correlated if the tolerance value is >0.10 and the VIF value is <10 .

Table 7. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000109	1.000046	NA
D(X1)	0.027196	1.033618	1.033612
D(X2)	1.04E-05	1.280484	1.280481
D(X3)	4.69E-05	1.290373	1.290362
D(Z)	0.010543	1.014275	1.014244

Source: Data processed

Based on the test results in Table 7, it shows that all variables in this study have a VIF value of less than 10, which means that multicollinearity does not occur in this study.

4.8 Heteroscedasticity Test

Table 8. Heteroscedasticity Test

F-statistic	0.708823	Prob. F(4,119)	0.5874
Obs*R-squared	2.885668	Prob. Chi-Square(4)	0.5771
Scaled explained SS	4.154232	Prob. Chi-Square(4)	0.3855

Source: Data processed

Based on the test results in Table 8, it shows that the Chi-Square probability value of 0.5771 exceeds 0.05. This means that there is no heteroscedasticity in this study.

4.9 Autocorrelation Test

Table 9. Autocorrelation Test

R-squared	0.111823	Mean dependent var	0.013897
Adjusted R-squared	0.074426	S.D. dependent var	0.079963
S.E. of regression	0.076930	Sum squared resid	0.562228
F-statistic	2.990161	Durbin-Watson stat	1.992601
Prob(F-statistic)	0.022588		

Source: Data processed

Based on the results of the autocorrelation test in Table 9, it can be concluded that $N = 125$ and K (independent variables) are 3 variables, then based on the Durbin Watson reference table with $\alpha = 5\%$ the following results are obtained that decision making of autocorrelation test results: $DU < DW < 4 - DU = 1.7574 < 1.992601 < 2.2426$ It can be concluded that the data does not show autocorrelation symptoms because the Durbin Watson statistical value of the DW value is between the DU and 4-DU values.

4.10 Hypothesis Testing

Table 10. Hypothesis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.015273	0.007970	1.916397	0.0583
D(X1)	-0.257097	0.121963	-2.107987	0.0377
D(X2)	-0.009709	0.004419	-2.197219	0.0304
D(X3)	0.003821	0.007606	0.502335	0.6166
D(Z)	0.000112	0.092855	0.001206	0.9990

Source: Data processed

4.11 Moderating Regression Analysis (MRA) Test

Table 11. MRA Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.014916	0.007976	1.870120	0.0645
D(X1_Z)	-0.581025	0.283940	-2.046297	0.0435
D(X2_Z)	-0.018162	0.009338	-1.944879	0.0547
D(X3_Z)	0.020496	0.018869	1.086190	0.2801

Source: Data processed

4.12 Discussion

The Influence of earnings pressure on accounting conservatism

The results of the study indicate that the regression coefficient for the earnings pressure variable is -0.257097 with a negative direction and a probability value of 0.0377, which is less than 0.05. This indicates that earnings pressure has a negative and significant influence on accounting conservatism. The conclusion of the third hypothesis (H1) in the study is accepted.

Based on the theory used in this study, namely agency theory, there should be a positive relationship between earnings pressure and accounting conservatism, as they explained (Raharja & Sandra, 2014) that companies often use profit reduction strategies to minimize tax payments. This strategy is usually implemented when the company's actual profit has exceeded the profit target, so managers choose to increase accounting conservatism through earnings pressure actions. However, this study aligns with positive accounting theory, which states that earnings pressure can influence conservatism. In general, positive accounting theory predicts that managers facing pressure to meet earnings targets are more likely to reduce conservatism in their financial statements, as this conflicts with their desire to show higher profits. This suggests a negative relationship between earnings pressure and accounting conservatism.

The results of this study explain that the higher the earnings pressure, the lower the accounting conservatism, supporting the initial hypothesis that earnings pressure has a negative effect on accounting conservatism. This study also shows a negative relationship that can be caused by other factors, such as management's preference to report higher earnings than they should or the presence of pressure from external parties to improve financial performance in the short term. This research is in accordance with research conducted by (Triantoro, 2023; Sabaruddin & Affandi, 2021).

The Influence of financial distress on accounting conservatism

Based on the t-test statistical table, financial distress has a coefficient value of -0.009709 with a negative coefficient direction. This indicates that the magnitude of accounting conservatism will decrease by -0.009709 if there is a decrease of one unit in financial distress. Accounting conservatism is significantly influenced by financial distress. This is shown at a significant level with a probability value of 0.0304 ($0.0339 < 0.05$). The conclusion of the results of the third hypothesis (H2) in the study is accepted.

Experiencing financial distress is an early sign that a company may face bankruptcy. Shareholders or company owners certainly do not want bankruptcy or financial distress to occur, as they seek to protect their investments. Companies experiencing financial distress tend to avoid applying accounting conservatism principles, in accordance with positive accounting theory, which states that the higher the level of financial distress, the more managers will tend to reduce the application of accounting conservatism. Management, as agents, risks losing their position, so they strive to prevent financial distress from reaching the principals (shareholders or company owners). As managers, management has broader and faster access to information than shareholders or company owners. Management exploits this advantage to conceal bankruptcy or financial distress by avoiding accounting conservatism in the presentation of financial statements.

In this way, management can report higher profits, indirectly concealing the company's financial problems from shareholders or owners. Furthermore, this step also helps protect management's reputation from being negatively perceived by

company owners or shareholders as principals. This research aligns with research conducted by (Dhanendra et al., 2023; Nur & Herman, 2024).

The influence of capital intensity on accounting conservatism

Based on the t-test statistics table, capital Intensity has a coefficient value of 0.003821 with a positive coefficient direction. This indicates that the magnitude of accounting conservatism will grow by 0.003821 if there is a one-unit increase. Accounting conservatism is significantly influenced by capital intensity, which is shown at a significant level with a probability value of 0.06166 ($0.06166 > 0.05$). The conclusion of the third hypothesis (H3) in the study is rejected.

This study also cannot provide evidence to support positive accounting theory, which states that companies with high capital intensity will tend to implement higher accounting conservatism. The results of this study indicate that there is no significant relationship between capital intensity and the implementation of accounting conservatism. Furthermore, this study shows that although companies with high capital intensity may face greater political costs, this does not necessarily encourage the implementation of accounting conservatism.

Corporate managers may focus more on increasing short-term profits and expanding assets, rather than reporting earnings conservatively to avoid political scrutiny. Some companies may avoid applying accounting conservatism to demonstrate better performance to shareholders or to attract investors. Thus, although capital intensity and profitability are interrelated, they do not always have a direct impact on accounting decision-making, particularly regarding the accounting conservatism applied by companies. This research is consistent with research conducted by (Widyanto, 2022; Nagano & Djashan, 2024; Yuliana et al., 2022).

The Influence of earnings pressure on accounting conservatism moderated by the independent board of commissioners.

Based on the t-test statistics table, the moderating variable between the independent board of commissioners and earnings pressure on accounting conservatism has a coefficient value of -0.581025 with a negative coefficient direction. This indicates that the magnitude of accounting conservatism will decrease by -0.581025 if there is a one-unit increase. Accounting conservatism is significantly influenced by Capital Intensity, which is shown at a significant level with a probability value of 0.0435 ($0.0435 < 0.05$). The conclusion of the third hypothesis (H4) in the study is accepted. This shows that an independent board of commissioners can moderate the effect of earnings pressure on accounting conservatism.

This research supports agency theory, which explains that there are differences in interests between principals (shareholders) and agents (managers). Shareholders want to see the company achieve optimal profits and long-term growth, while managers may be more focused on achieving short-term profit targets to maintain their performance and bonuses. Earnings pressure often arises from the profit targets that managers must achieve, which can encourage them to take actions that may not be entirely aligned with the company's long-term interests.

However, with the presence of an independent board of commissioners, the principle of moderation is achieved, where the board of commissioners acts to balance the interests of the principal and agent. An independent board of commissioners serves as an objective monitor, ensuring that managers' actions in achieving profit targets do not harm the long-term interests of the company and its shareholders. Thus, despite the pressure to achieve profits, an independent board of commissioners can help encourage the implementation of more appropriate accounting conservatism.

The influence of financial distress on accounting conservatism moderated by the independent board of commissioners.

Based on the statistical test results, the moderating variable between the independent board of commissioners and financial distress on accounting conservatism showed a coefficient value of -0.018162, which is negative. This indicates that accounting conservatism tends to decrease by 0.018162 for every one-unit decrease in financial distress. This means that when a company experiences lower financial distress, the application of accounting conservatism decreases. However, despite the negative effect, the probability value of 0.0547 (greater than 0.05) indicates that the relationship is not statistically significant at the 5% level. This means that the influence of the independent board of commissioners on the relationship between financial distress and accounting conservatism is not strong enough to be accepted as significant evidence in this study. Based on these results, the fifth hypothesis (H5) is rejected.

Financial distress experienced by companies often forces management to focus more on efforts to maintain the company's survival and maintain its financial image in the eyes of investors and creditors. In this situation, although independent commissioners have a duty to oversee and ensure the implementation of appropriate accounting principles, they tend to be unable to moderate the effect of financial distress on accounting conservatism. This may be due to information asymmetry between management and the independent commissioners, as well as management's priority being more oriented towards preventing further losses.

Based on positive accounting theory, financial distress may cause management to reduce conservatism to present a more optimistic financial picture, while based on this study, independent commissioners do not have enough influence to restrain such decisions, especially in high-stress situations such as financial distress. Perhaps other, stronger factors or more effective monitoring mechanisms are needed to significantly moderate this relationship. This research is in accordance with research conducted by (Fatmawati, 2020).

The influence of capital intensity on accounting conservatism moderated by the independent board of commissioners.

Based on the t-test results, the regression coefficient value was 0.020496 with a positive direction and a probability value of 0.2801, which is greater than 0.05. This indicates that capital intensity has a positive effect on accounting conservatism moderated by an independent board of commissioners, but this effect is not significant.

This means that although there is a positive relationship between capital intensity and accounting conservatism, the effect is not significant. Hypothesis H6, which states that an independent board of commissioners moderates the relationship between capital intensity and accounting conservatism, is rejected. This study shows that independent boards of commissioners are unable to moderate the effect of capital intensity on accounting conservatism. These results do not support positive accounting theory, which states that companies with capital tend to adopt accounting conservatism. This is likely because decisions regarding conservatism are more influenced by management than by independent boards of commissioners.

This failure to moderate could be due to the limited role of the independent board of commissioners in influencing accounting policy, or because companies with large or small capital focus more on operational efficiency than accounting conservatism. This indicates that the independent board of commissioners does not significantly moderate the effect of capital intensity on accounting conservatism in the context of this study. This research is consistent with research conducted by (Khofifah, 2020). Other factors may be more influential or more relevant in moderating this relationship. This finding also indicates that the relationship between capital intensity, accounting conservatism, and the role of the independent board of commissioners still requires further study.

5. Conclusion

Based on the research results, it can be concluded that the level of accounting conservatism in infrastructure companies listed in the Indonesian Sharia Stock Index (ISSI) for the 2019–2023 period is influenced by earnings pressure and financial distress, both of which have been shown to significantly reduce the application of accounting conservatism. This finding indicates that when companies face pressure to meet profit targets or experience financial distress, management tends to reduce conservative reporting practices to maintain the company's image of performance. Conversely, capital intensity has not been shown to affect accounting conservatism, so the amount of investment in fixed assets does not necessarily determine the level of prudence in preparing financial statements. From a corporate governance perspective, an independent board of commissioners has been shown to strengthen oversight of the impact of earnings pressure, thereby moderating the relationship with accounting conservatism, but has not been effective in moderating the influence of financial distress and capital intensity. Thus, this study confirms that performance pressure factors and good corporate governance mechanisms, particularly the effectiveness of the independent board of commissioners, have a more dominant role than asset structure characteristics in explaining variations in accounting conservatism in sharia companies in the infrastructure sector, although the generalization of the findings is still limited to the scope of the companies and the research period used.

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