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The Effect Of Financial Distress, Capital Intensity, Managerial Ownership, And Institutional Ownership On The Prudential Principle

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Abstract

The purpose of this study is to analyze and determine the effect of Financial Distress, Capital Intensity, Managerial Ownership, and Institutional Ownership on the Prudential Principle. The population of this study is the Transportation & Logistics Sector and Energy Sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021. The sample was selected based on the purposive sampling method obtained from a selection of 34 companies. Data is collected through the Indonesia Stock Exchange (IDX) and the company's websites. The results of this study indicate that Capital Intensity has a positive effect on the Prudential Principle. Meanwhile, Managerial Ownership has a negative effect on the Prudential Principle, and Financial Distress and Institutional Ownership do not affect the Prudential Principle.

INTRODUCTION

Competing in the era of the global economy is a problem that business actors in Indonesia must face because many business actors can easily follow this competition even though awareness of the implementation of these policies is still lacking in implementing the International Financial Reporting Standard (IFRS) which aims to balance financial statements reports of all companies in Indonesia with world financial reports (Sinambela & Almilia, 2018). The information needed by external and internal parties to make decisions about the company can be seen in the financial statements, where financial statements can provide complete information about the company's performance, economic policy on the company's currency control, and performance of a company's management

(Ursula & Adhivinna, 2018).

In presenting financial statements, Financial Accounting Standards in Indonesia allow managers to determine accounting policies that are to business circumstances and conditions. Still, in practice, managers often use the wrong choice of accounting policies when compiling and presenting financial statements, so it can be concluded that accounting policies indirectly affect financial statements (Tazkiya & Sulastiningsih, 2020). According to previous research, the principle of accounting conservatism, now known as the Prudential Principle, still leaves debates on the pros and cons of encouraging companies to be more careful in presenting all financial and other aspects. On the one hand, the Prudential Principle is one of the obstacles to the quality of financial reports due to deviations regardless of the company's current state or condition. On the other hand, the Prudential Principle is considered useful for avoiding misbehavior. Who takes advantage of various ways, even in unfavorable or illegal ways, related to contracts using financial statements (Ariska & Rivandi, 2019).

The Prudential Principle is a consideration that managers make when presenting financial statements with the precautionary principle regarding delays in recognizing profits or revenues that may arise from uncertainties in identifying possible profits or revenues, but speeding up the recognition of costs that may occur (Angela & Salim, 2020). The Prudential Principle in the financial statements for the period in question will indicate that it is not wise to report future periods. For example, the cost of an asset with future economic benefits will reduce the amount of profit so that it becomes more conservative but becomes overstated in the next period because the related expenses have been incurred in the previous period (El-Haq, et al., 2019).

The case related to the weak application of accounting conservatism occurred in the public company PT Garuda Indonesia Tbk. In 2019, PT Garuda Indonesia TBK submitted a financial report recognizing receivables as revenue to increase profit (Wardoyo, et al., 2022). In this case, the management of PT Garuda Indonesia TBK failed to recognize revenue that should not have been identified, so the financial statements were overstated in net income (Afriani, et al., 2020).

Based on the limitations and inconsistencies of the research conducted (Ariska & Rivandi, 2019). This study shows that the factors that influence the prudential principle are financial distress which has a negative effect on the prudential principle and capital intensity has a positive and significant effect on the prudential principle. Researchers are interested in replicating topics related to the Prudential Principle. The difference between this research and the research conducted by (Ariska & Rivandi, 2019) is that there are additional independent variables, namely Institutional Ownership and Managerial Ownership which are included in the part of the company's Corporate Governance. This is where researchers get their variables from research conducted by (Hariyanto, 2020) and (Brilianti, 2013). For this research, it is necessary to review whether each added variable, namely Institutional Ownership and Managerial Ownership, affects the Prudential Principle in Transportation & Logistics Sector and Energy Sector companies.

This study aims to analyze the effect of Financial Distress, Capital Intensity, Managerial Ownership, and Institutional Ownership on the Prudential Principle.

This research will provide information to potential investors and regulators about analyzing the factors that can influence the company to apply the prudential principle to the financial statements presented so that it can assist investment decision-making in companies and regulators in determining whether the company has implemented the precautionary principle in the presentation of its financial statements.

Agency Theory

Jensen and Meckling (1976) argued that the separation between the owner (Principal) and manager (Agent) in a company could cause two problems in the Agency Problem, namely 1) Adverse selection and 2) Moral Hazard. Agency theory suggests that in a company, several interested parties achieve goals, some of whom are called managers and shareholders (Rajagukguk & Rohman, 2020) In this case, the management as a representative will have the potential to present financial statements with large profits to get bonuses in the company (Brilianti, 2013). Agents and principals generally want to make as much profit as possible.

The conflict related to agency theory is that company managers consider their interests first in making decisions. Then after that, they are interested in shareholders, which causes asymmetric information, where company management as agents get complete information about the company than shareholders, so the impact of this information on shareholders as executives who find it difficult to oversee or manage the company (Rajagukguk & Rohman, 2020).

Positive Accounting Theory

Positive Accounting Theory is a theory to explain and predict accounting practices. With this theory, policymakers can predict the economic consequences of different accounting policies and procedures. Three assumptions in Positive Accounting Theory can motivate managers to perform earnings management. The assumptions are (1) Bonus Plan Hypothesis, (2) Debt Covenant Hypothesis, and (3) Political Cost Hypothesis proposed by (Watts & Zimmerman, 1986). hese assumptions can influence the careful selection of accounting methods (Alfian & Sabeni, 2013).

Signalling Theory

According to Ross (1976), providing information to potential investors or outsiders will greatly help increase the stock price of companies that investors prefer to use to reduce asymmetry between companies and outsiders(Angela & Salim, 2020).

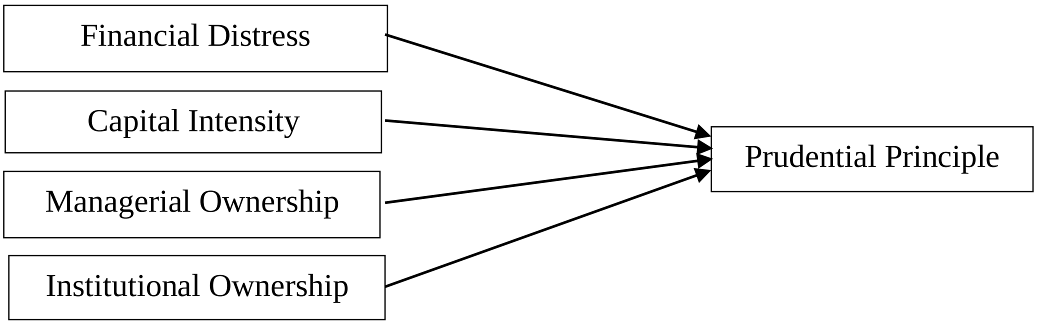
Preparing financial statements with the prudential principle as a positive signal to investors and creditors that management has applied the precautionary principle to benefit from a quality company activity that is not exaggerated and reduces uncertainty about the company's prospects to external parties (Dayyanah & Suryandari, 2019). Sending signals in the form of information is very useful for investors and traders because it provides information, notes, or descriptions, both about past, present and future conditions of business existence and how they will affect the business.

Prudential Principle

The Principle of Prudence / Accounting conservatism is conceptualized as an accounting principle that encourages a decrease in accrual reporting and slower revenue recognition but an increase in the speed of cost recognition, thereby reducing the value of an asset and increasing the value of liabilities (Rumapea, et al., 2019). he Prudential Principle is used in financial reporting because being overly optimistic in reporting can be reduced from being pessimistic, and reporting overstated returns is more dangerous than underestimating overreporting to convey as complete and correct information as possible.

Conceptual Framework

The conceptual framework that can be compiled based on the previous literature review are:



Hypothesis Development

1) The Effect Of Financial Distress On The Prudential Principle

Financial distress is one of the stages before the company is declared bankrupt because it cannot fulfill existing obligations to other parties such as creditors, services to debtors, and others so that the company is not on the verge of bankruptcy (Sudarmanto & Lestari, 2021). The causes of financial distress are persistent losses from business operations, unsatisfactory sales, poor cash flow management, product backlogs that fail to meet operational obligations or failure to satisfy customers and investors in our business. According to Signaling Theory and Positive Accounting Theory, leaders will encourage management to provide information signals if a company has poor prospects. Through financial statements, accounting policies are applied by choosing the optimal accounting method to achieve several business objectives. But mostly, when the company has Financial Distress, the company seeks to fulfill its obligations, especially short-term liquidity debt and debt solvency category, rather than providing information in determining accounting policies in choosing the best accounting method to achieve a goal of the company.

Financial distress has signs or indicators that indicate the economic pain of a company, namely: First, Class A, a very dangerous situation, almost 100% will cause the company to go bankrupt. Second is category B, where the company loses money due to key factors, such as the economic crisis, lack of capital, and failure to meet investor expectations. Third, in Category C, conditions arise due to internal constraints, such as ineffective corporate strategies, debt collection, damages, etc. Fourth, category D, conditions in which a minor event causes poor performance or financial loss (NISP, 2021)

Previous researchers have researched financial distress with the Prudential Principle. According to research (Putra & Sari, 2020) (Hardiyanti, et al., 2022) Financial Distress does not affect the Prudential Principle because shareholders encourage to change company management because they cannot operate the company properly, so management does not be careful in presenting financial statements. So that management will turn profit into a performance measure (principle) of control. Meanwhile, according to research (Anggraini, 2017) (Afriani, et al., 2020) (Ariska & Rivandi, 2019) Financial distress has a negative effect on the prudential principle managers in severe financial pain can be suppressed by breach of contract. This can pose a threat to the management involved. As a result, according to positive accounting theory, management will use prudent accounting practices in presenting financial statements to avoid potential conflicts between creditors and shareholders. Based on this explanation, the hypotheses that can be taken are:

H_1: Financial Distress Has A Negative Effect On The Prudential Principle

2) The Effect Of Capital Intensity On The Prudential Principle

Capital intensity reflects the amount of capital the business has as an asset used to generate revenue from the sale of business products. We can see that a company is capital intensive from the ratio of capital intensive. If the capital-intensive ratio is high, then the company is a capital-intensive company (Salim & Apriwenni, 2018). Capital intensity is a parameter of the political cost hypothesis because the more assets a company uses to generate sales of its products, the more likely it is that large companies will claim them. Capital-intensive companies report carefully to avoid large political costs (Sahputra, 2022). Increasing business conservatism will require an increase in the value of capital intensity in wage and wage requirements, thus requiring companies to recognize liabilities and losses immediately and be more careful in reporting financial.

Research (Sinambela & Almilia, 2018) (Juniarso, et al., 2021) states that capital intensity does not significantly affect the Prudential Principle. The higher the capital intensity, the higher the capital intensity ratio. However, the high capital intensity does not guarantee that the company will be careful in its financial statements. Management tries not to issue a more conservative report on the matter, even though the company has the assets to boost revenue. This is different from research according to (Hotimah & Retnani, 2018) (Ariska & Rivandi, 2019) (Aurillya, et al., 2021) hich states that capital intensity has a positive effect on the Prudential Principle. by calculating the cumulative cost of inactivity (NOA). It can be concluded that capital-intensive firms are said to have higher political costs and are more likely to cut profits or that financial statements tend to be conservative. The explanation above shows that sales influence political costs and use the Prudential Principle. Based on this explanation, the hypotheses that can be taken are:

H_2: Capital Intensity Has A Positive Effect On The Prudential Principle

3) The Effect Of Managerial Ownership On The Prudential Principle

Managerial ownership is a condition in which a manager owns shares in a company, often associated with efforts to increase the company's value because managers are not only management but also a list of company shareholders. Managers include management who are directly involved in decision making, where decisions set goals to encourage management's intention to work optimally for the business and generate profits (Tunggal & Lasdi, 2021). In line with the problems that occur in Agency Theory with the assumption of Moral Hazard, namely violating ethics, regulations, and contracts. Fraud or selfishly committed by trying to circumvent agreements and rules cause the company to lose profits. Meanwhile, according to Positive Accounting Theory with the assumption of the Bonus Plan Hypothesis, the higher the manager's ownership, the lower the application of the Prudential Principle in the company because managers tend to report increased profits and are considered good performers to receive bonuses.

(Angela & Salim, 2020) (Sari, 2021) shows that the manager's ownership structure has no significant effect on the precautionary principle. Indeed, with a low shareholder base, the company is more concerned with the profits earned and those presented in the financial statements. Contrary to research conducted by (Brilianti, 2013) (Deslatu & Susanto, 2017) (Saldy, 2022) with an alpha of 5% while (Ursula & Adhivinna, 2018) with an alpha of 10% shows that the managerial ownership structure has a negative effect because most companies have an ownership structure that focuses on institutional ownership, so that company policies are more regulated by the controlling shareholder. Based on this explanation, the hypotheses that can be taken are:

H$_3$: Managerial Ownership Has A Negative Effect On The Prudential Principle

4) The Effect Of Institutional Ownership On The Prudential Principle

Institutional ownership is the ownership of shares by another company or organization. Ownership is divided into a party formed by institutions such as insurance companies, banks, investment companies, and other institutional assets. Institutional ownership can control management through an effective monitoring process and reduce management actions to implement results management (Sembiring, 2017). Institutional investors are encouraged to monitor the activities and performance of managers more closely, and investors tend to expect their investments in companies to be safe and profitable (Tamur, 2022).

Research (Hariyanto, 2020) (Afriani, et al., 2020) shows that institutional ownership is neglected by 5%, which means that institutional ownership has no significant effect on the precautionary principle because in their research they show institutional share ownership, which is large in the company, has not been able to force institutional parties to control the company's management performance by implementing the Prudential Principle in the preparation of the main financial statements. In contrast to research (Putra, et al., 2019) (El-Haq, et al., 2019) (Tamur, 2022 Institutional Ownership has a positive effect on the Prudential Principle. However, the significant influence of institutional ownership positively affects non-operational accruals, meaning that the higher the institutional ownership, the higher the value of non-operational accruals, which means the company is less careful. Based on this explanation, the following hypothesis can be taken are:

H$_4$: Institutional Ownership Has A Positive Effect On The Prudential

Principle

METHODS

Operational Defenition And Measurement Of Variables

The Prudential Principle / Accounting Conservatism is a management attitude to take any action or decision to overcome what will happen in the face of a threat in the business environment (Hariyanto, 2020). Applying the Prudential Principle with the accrual basis, where the amount of accruals calculated from operating activities is added to non-operating accruals are also computed using company profits before differentiating, and amortization minus cash flows from operating activities (Putra, et al., 2019). The formula for the Prudential Principle / Accounting Conservatism, according to research (Hariyanto, 2020), is:

$$CONACC = \frac{(NIO + DEP - CFO)\ x\ (-1)}{TA}$$

Keterangan:
CONACC : Prudential Principle
NIO : Net Income Operation
DEP : Depreciation Expense
CFO : Cash Flow from Operation
TA : Total Asset

Financial distress is a decrease in management performance on economic conditions from the previous year experienced by a company or an indication that the company will experience early bankruptcy or liquidation because it cannot pay the obligations that must be paid (Haryadi, et al., 2020). his study was measured using the Altman Zscore model version of the five ratios cited by Edward I. Altman (1968). The Financial Distress formula, according to research conducted by (Tazkiya & Sulastiningsih, 2020), is:

$$Z - Score = (0{,}717\ Q1 + 0{,}847\ Q2 + 3{,}107\ Q3 + 0{,}420\ Q4 + 0{,}998\ Q5)\ x\ (-1)$$

Keterangan:
Q1 = Working Capital / Total Asset
Q2 = Retained Earnings / Total Asset
Q3 = Income Before Tax Expense / Total Asset
Q4 = Equity Market Value / Total Liabilities
Q5 = Revenue / Total Asset

According to (Hanafi, 2010), if a company's Z-Score has a Z score of <1.81, the company will have a high potential for bankruptcy. If the company has a score between 1.81 - 2.99, it can be categorized as a company that has not indicated a healthy company or a company that will experience bankruptcy. Or most likely will not go bankrupt.

Capital intensity is a requirement needed by a company in a business that is run to reflect the amount of capital needed to carry out business activities to increase company profits (Surya & Anwar, 2015). The Capital Intensity Formula, according to research conducted by (Ariska & Rivandi, 2019), is:

$$Capital\ Intensity = \frac{Total\ Asset}{Sales}$$

Managerial Ownership is the management owning shares in the company, such as the board of directors and commissioners of the company holding shares in the company is run, which is obtained from company bonuses ((Sinambela & Almilia, 2018). The managerial ownership formula, according to research conducted by (Ursula & Adhivinna, 2018), is:

$$Man.Ownership = \frac{Number\ of\ shares\ owned\ by\ managerial}{Total\ shares\ outstanding}\ x\ 100\ \%$$

Institutional ownership is the ownership of shares in a government, financial institution, legal entity, or foreign entity. But not only, what is called institutional ownership can also be in the form of percent share ownership in insurance companies, pension funds, or other companies expressed as a percentage at the end of the year (Pramugita & Sukarmanto, 2021). The search for Institutional Ownership does not only focus on viewing a company's financial statements. Still, it can also refer to the website of PT Kustodian Sentral Efek Indonesia alias KSEI, a Shelter and Payment Institution (LPP) in Indonesia. The institutional ownership formula, according to research conducted by, is:

$$Ins.Ownership = \frac{Number\ of\ shares\ owned\ by\ institutions}{Total\ shares\ outstanding}\ x\ 100\ \%$$

Population And Sampling

The population in this study are Transportation & Logistics Sector and Energy Sector companies listed on the Indonesia Stock Exchange for the 2019-2021 period. I took the Transportation and Logistics Sector because I took one of the inappropriate phenomena in implementing the precautionary principle (Prudential Principle). In contrast, for the other Sector, I took the Energy Sector. However, it was still relevant to the Transportation and Logistics Sector to take research samples, namely as many as a minimum of 100 samples. The year taken is the period 2019-2021 because there are still several companies until the time the researcher collects data. There are still no financial reports available. Samples were taken using the purposive sampling method. The criteria for this sample area:

1) All Transportation and Logistics Sector and Energy Sector companies listed on the IDX and not delisted during the observation period from 2019 to 2021.P
2) Public companies disclose financial statements during the research period and companies do not publicly IPO during observations from 2019-2021.
3) Companies with annual financial reports publish complete, legible, and audited financial statements annual financial statements.
4) The company has complete data for the needs of this research.

Table 1. Company Sample Criteria

No	Company Sample Criteria	Number of Samples/ Company
1	Transportation & Logistics and Energy Sector Companies listed on the IDX in 2019-2021	102
2	Companies that do not have Managerial, Institutional Ownership and do not issue 2021 Financial Statements	(54)
3	Companies that conduct IPOs during the observation period	(14)
4	Number of Companies that meet the criteria	34
	Number of samples used for research (34x3)	102

Data Analysis Technique

The research model used was panel regression analysis to determine the effect of Financial Distress, Capital Intensity, Managerial Ownership, and Institutional Ownership with the prudential principle. The SPSS 27 program assisted in data processing for this research. The analysis that can be drawn in the form of the following equation is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Keterangan:

Y = Prudential Principle
α = Constanta
β = Regression coefficient of each variable
X_1 = Financial Distress
X_2 = Capital intensity
X_3 = Managerial Ownership
X_4 = Institutional ownership
e = Error

Based on the established criteria, 34 companies pass the requirements. During the monitoring period from 2019-2021, the data collected was 102 monitoring data.

RESULTS AND DISCUSSION

Descriptive Text

Descriptive analysis is an analysis that is needed to provide an overview of the variables in this study. The table below is the result of the descriptive analysis of this research.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PRUDENTIAL PRINCIPLE	102	-.249	.150	-.031	.064
FINANCIAL DISTRESS	102	-2.823	13.704	2.286	2.581
INTENSITAS MODAL	102	.398	6.140	2.156	1.433
KEPEMILIKAN MANAJERIAL	102	.000	.631	.095	.170
KEPEMILIKAN INSTITUSIONAL	102	.003	.999	.526	.385
Valid N (listwise)	102				

Figure 1. Descriptive Statistics

Based on the descriptive statistics of the variables used in the research design according to the table above, the descriptive analysis of each variable is as follows:

The number of Prudential Principle (Y) variables that represent a company's maximum and minimum values for the 2019-2021 period has a minimum of -0.249 and a maximum of 0.150. The company with the minimum Prudential Principle value is Bayan Resources Tbk in 2019, while the company with the maximum Prudential Principle value is Adi Sarana Armada Tbk in 2019. The entire sample has a mean value with the prudential principle adopted in general, which is - 0.031 with a standard deviation of 0.064 data.

The variable Financial Distress (X1) represents the results of descriptive statistics, which show that the minimum value of a company is -2,823, and the maximum value is 13,704. Meanwhile, the mean of the entire sample is 2.286, with a standard deviation of data reaching 2.581. The company has a minimum Financial Distress value of SAP Express Tbk in 2020. Meanwhile, the company had a maximum Financial Distress value of Mitra International Resources Tbk in 2020.

Capital Intensity Variable (X2) represents the results of descriptive statistics, which show that the minimum value owned by a company is 0.398, and the maximum value is 6.140. At the same time, the mean of the entire sample is 2.156, with a standard deviation of data reaching 1.433. The company has a minimum Capital Intensity value of SAP Express Tbk in 2019. Meanwhile, the company had a maximum Capital Intensity value of Apexindo Pratama Duta Tbk in 2020.

Managerial Ownership Variable (X3) represents the results of descriptive statistics, which show that the minimum value owned by a company is 0.000 and the maximum value is 0.631. At the same time, the mean of the entire sample is 0.095, with a standard deviation of data reaching 0.170. The company has a minimum Managerial Ownership value of Golden Energy Mines Tbk in 2019. Meanwhile, the company had a maximum Managerial Ownership value of Sidomulyo Selaras Tbk in 2020.

Institutional Ownership Variable (X4) represents the results of descriptive statistics, which show that the minimum value owned by a company is 0.003, and the maximum value is 0.999. At the same time, the mean of the entire sample is 0.526, with a standard deviation of data reaching 0.385. The company has a minimum institutional ownership value of Indika Energy Tbk in 2021. Meanwhile, the company had a maximum institutional ownership value of Golden Energy Mines Tbk in 2021.

Classic Assumption Test

Normality Test

Statistical analysis is part of the normality test where the study uses the Kolmogorov-Smirnov (KS) parametric statistical test. If the Kolmogorov-Smirnov (KS) test value is <0>0.05, then the processed data is normally distributed.

The results of data processing in this study are normally distributed. It can be seen in the picture below that the researchers got the results of the Asymp sig (2-tailed) value showing the number 0.200, which is the maximum value of the normality test requirements.

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			102
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.05943228
Most Extreme Differences	Absolute		.048
	Positive		.047
	Negative		-.048
Test Statistic			.048
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.818
	99% Confidence Interval	Lower Bound	.808
		Upper Bound	.828

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Figure 2. Normality Test

We can see the probability graph image below, where the histogram provides a distribution pattern that follows the scope of the diagonal line of the probability graph. In the normality test of the probability histogram technique, if it follows and does not move away from the scope of the diagonal line, it is concluded that the residual value is normally distributed.

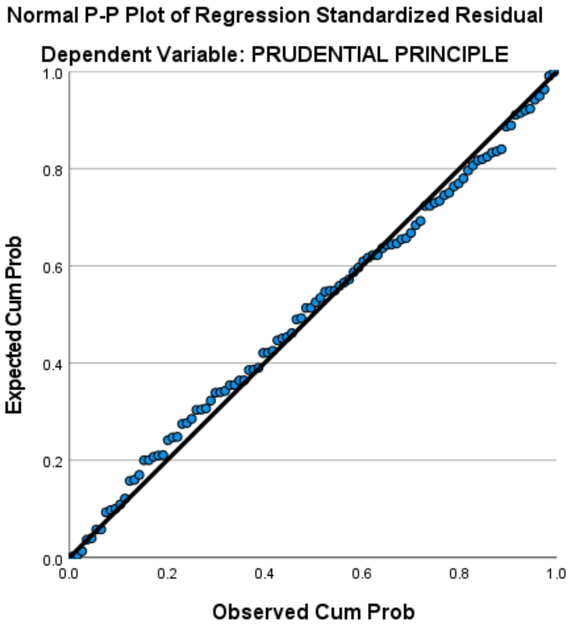


Figure 2. Normality Plot

Multicollinearity Test

A good regression model is a regression model that does not correlate with independent variables. The multicollinearity test aims to check whether the regression model finds a correlation between the independent variables. The maximum value commonly used to indicate the presence of multicollinearity is a tolerance value of 0.10 or the same as the VIF value of 10, so if the VIF value is 0.10, then multicollinearity does not occur (accept Ho).

The following table shows the results of the multicollinearity test:

Model		Collinearity Statistics Tolerance	VIF
1	FINANCIAL DISTRESS	.551	1.816
	INTENSITAS MODAL	.648	1.543
	KEPEMILIKAN MANAJERIAL	.831	1.204
	KEPEMILIKAN INSTITUSIONAL	.867	1.153

a. Dependent Variable: PRUDENTIAL PRINCIPLE

Figure 3. Multikolinieritas Test

Based on Figure 3, the tolerance value of each research variable exceeds 0.10, and the calculated VIF value shows a number less than 10. It can be concluded that the study has passed the collinear multiplex test.

Heterosdesticity Test

Heteroscedasticity test using ScatterPlots is the language of classical hypothesis testing in regression models. The appropriate condition in the regression model is that there should be no heteroscedasticity symptoms that describe a pattern in this test. As long as this happens, the emergence of symptoms or problem variables will cause inaccuracies in the results of the regression analysis.

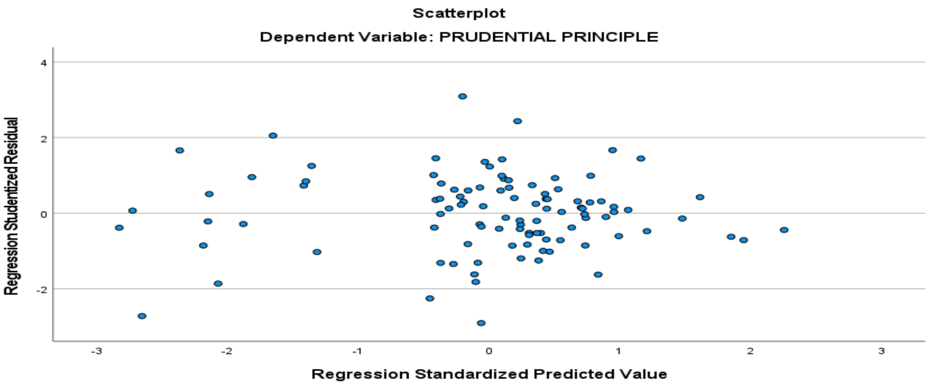


Figure 4. Scatterplot

Based on the results of the scatter plot above, it can be seen that the points are spread out and do not form a clear pattern. Therefore, we can conclude that there is no heteroscedasticity problem.

Autocorralation Test

The autocorrelation test aims to check whether, in the linear model, there is a correlation between nuisance error at time t1 (Ghozali, 2011). The autocorrelation test in this study was using Durbin-Watson (DW).

If the Durbin-Watson (DW) value is greater than 0 and less than dL, then there is a positive autocorrelation. If the Durbin-Watson (DW) value is more significant than dL and less, there is a negative correlation. If the Durbin-Watson (DW) value is more potent than dL and more petite than dU, it cannot be concluded that it is in the undefined region. If the Durbin-Watson (DW) value is more significant than du and less than dL, it cannot be concluded that it lies in the unconvincing territory.

The autocorrelation test performed using the Durbin Watson test can be stated as follows:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.369[a]	.136	.100	.0606453046	2.077

a. Predictors: (Constant), KEPEMILIKAN INSTITUSIONAL, INTENSITAS MODAL, KEPEMILIKAN MANAJERIAL, FINANCIAL DISTRESS

b. Dependent Variable: PRUDENTIAL PRINCIPLE

Figure 5. Durbin Watson Test

Based on this research, with the number of independent variables with a value of N = 102, the dL value is 1.5969 with a dU value of 1.7596. Based on the results of the autocorrelation test above, the dW value was 2.077, which indicated that there was no autocorrelation in this study.

Koefisien Determinan (R^2)

The coefficient of determination test (adjusted R^2) is helpful to find out how significant the percentage of the contribution of the independent variables studied is to changes in the dependent variable. If R^2 approaches the value of 1, it will show the more significant influence of the independent variable on the dependent variable. The following table R^2:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.369[a]	.136	.100	.0606453046

a. Predictors: (Constant), KEPEMILIKAN INSTITUSIONAL, INTENSITAS MODAL, KEPEMILIKAN MANAJERIAL, FINANCIAL DISTRESS

Figure 6. R Square Value

From the table above, the variables Financial Distress, Capital Intensity, Managerial Ownership, and Institutional Ownership) influence 10%, 90% then were influenced by other variables not included in this study that can affect the Prudential Principle

F Test

The F statistical test shows whether all the independent variables included in the model have a combined effect on the dependent variable. Ha is accepted if the significance value is lower than 0.05 (<0.05, = 5%). Hypothesis tested:

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.056	4	.014	3.814	.006[b]
	Residual	.357	97	.004		
	Total	.413	101			

a. Dependent Variable: PRUDENTIAL PRINCIPLE

b. Predictors: (Constant), KEPEMILIKAN INSTITUSIONAL, INTENSITAS MODAL, KEPEMILIKAN MANAJERIAL, FINANCIAL DISTRESS

Figure 7. F Test

Based on the table above with N = 102 with the number of independent variables 3 having a value of Fcount 3.33 > Ftable 2.67, it can be concluded that the variables Financial Distress, Capital Intensity, Managerial Ownership, and Institutional Ownership have a simultaneous effect on Prudential Principle

Table 2. Hypothesis Test

Variable	Prediction	Unstandardized B		t	Sig.	Sig/2	Conclusion
		B	Std. Error				
(Constant)		-0,041	0,019	-2,236	0,028	0,014	
Financial Distress	-	-0,002	0,003	-0,782	0,436	0,218	H1 Rejected
Capital Intensity	+	0,011	0,005	2,017	0,046	0,023	H2 Accepted
Managerial Ownership	-	-0,113	0,039	-2,888	0,005	0,003	H3 Accepted
Institutional Ownership	+	-0,013	0,017	-0,796	0,428	0,214	H4 Rejected
Adjusted R2	0,100						
F Test	3,814						
F sig	0,006						

Based on the results of the regression test, it can be drawn the equation for the panel regression analysis model:

$$Y = -0,041 - 0.002FD + 0.011IM - 0.113KM + 0.013 + e$$

In the panel regression model, it can be seen that the resulting constant value is -0.041. The resulting value indicates that if it is assumed that there is no change (increase or decrease) in the variables of Financial distress, Capital Intensity, Managerial Ownership, and Institutional Ownership, the value of the Prudential Principle variable is -0.054.

Testing The Financial Distress Hyphotesis Against The Prudential Principle

The results obtained show a significance value of 0.000 alpha 0.05. Based on the first variable hypothesis test results with the Financial Distress variable, the probability value is 0.218. During the test period, an error rate of 0.05 was used. The decision Ho is accepted, and Ha is rejected, so it can be concluded that Financial Distress does not affect the Prudential Principle.

Testing The Capital Intensity Hyphotesis Against The Prudential Principle

The results obtained show a significance value of 0.000 alpha 0.05, the decision Ho is rejected, and Ha is accepted, so it can be concluded that the Capital Intensity positively affects the Prudential Principle. Based on the results of the second variable hypothesis test using the Capital Intensity variable, the probability value is 0.023. During the test period, an error rate of 0.05 was used.

Testing The Managerial Ownership Hyphotesis Against The Prudential Principle

The results obtained show a significance value of 0.000 alpha 0.05, the decision Ho is rejected, and Ha is accepted, so it can be concluded that it is concluded that managerial ownership has a negative effect on the Prudential Principle. Based on the results of the third variable hypothesis test using the Managerial Ownership variable, the probability value is 0.002. During the test period, an error rate of 0.05 was used.

Testing The Institutional Ownership Hyphotesis Against The Prudential Principle

The results show a significance value of 0.000 alpha 0.05, the decision Ho is accepted, and Ha is rejected, so it can be concluded that institutional ownership does not affect the Prudential Principle. Based on the results of the fourth variable hypothesis testing using the Institutional Ownership variable, the probability value is 0.214. During the test period, an error rate of 0.05 was used.

DISCUSSION

The Effect Of Financial Distress On The Prudential Principle

The test results indicate that Financial Distress does not affect the Prudential Principle. These results can be interpreted as follows: the higher the financial distress of a company, the company also does not affect the prudential principle in its financial statements. This decision is inconsistent with Signaling Theory and Positive Accounting Theory. If the business has poor prospects, leaders will encourage management to provide signaling information through financial statements to determine optimal accounting policies to achieve business goals. However, the results of this study prove that when Financial Distress occurs, the company tries to fulfill its obligations, especially short-term liquidity debt and debt solvency category, so the prudential principle is not applied correctly.

The results of this study are supported by the results of research conducted by research(Putra & Sari, 2020) (Hardiyanti, et al., 2022) which concludes that financial distress does not affect the prudential principle in the company because shareholders encourage to change the management of the company. After all, it cannot operate the company properly, so management is not careful in presenting financial statements. So that management will turn profit into a performance measure (principle) of control.

Research that is not in line with the results of the study conducted (Anggraini, 2017) (Afriani, et al., 2020) (Ariska & Rivandi, 2019) shows that financial distress has a negative effect on the prudential principle. Because in times of great Financial Distress, managers can be pressured by breaches of contract. This is undoubtedly by positive accounting theory, which can threaten the management involved so that managers will reduce the use of the prudential principle in the presentation of financial statements to avoid conflicts between creditors and shareholders.

The Effect Of Capital Intensity On The Prudential Principle

Based on the test results show that Capital Intensity has a positive effect on the Prudential Principle. The results of this study can be interpreted in Positive Accounting Theory, that capital-intensive companies are expected to have higher political costs and are more likely to reduce their profits, or their financial statements tend to apply the precautionary principle.

The results of this study are supported by the results of research conducted(Hotimah & Retnani, 2018) (Ariska & Rivandi, 2019) (Aurillya, et al., 2021) have a positive and significant effect on the Prudential Principle. The results indicate that capital intensity positively affects the Prudential Principle because investors and creditors are interested in the company's profitability in the use of funds. Therefore, companies must be able to calculate financial statement disclosures.

Research that is not in line with the results of(Sinambela & Almilia, 2018) (Juniarso, et al., 2021) states that capital intensity does not significantly affect the Prudential Principle. Because, according to his research, the average company is a capital-intensive company, it tends not to apply conservatism in the presentation of its financial statements. However, the high capital intensity does not guarantee that the company will be careful in its financial statements.

The Effect Of Managerial Ownership On The Prudential Principle

The test results show that the manager's ownership has a negative effect on the Prudential Principle. These results are inconsistent and not by Agency Theory, indicating that in a business with many stakeholders interested in achieving goals, management can reduce opportunistic actions so that they can take action with a tendency to apply the Prudential Principle.

The results of this study are supported by the results of research conducted (Brilianti, 2013) (Deslatu & Susanto, 2017) (Saldy, 2022) which states that managerial ownership has a significant negative effect on the Prudential Principle. This study's results are insignificant because most companies have an ownership structure that focuses on institutional ownership, so company policies are more regulated by the controlling shareholder.

Research that is not in line (Putra, et al., 2019) (Hariyanto, 2020) shows that the managerial ownership structure of the Prudential Principle has a significant positive effect. The high proportion of managers' equity in the company makes managers think about bonuses they will receive and want to increase their happiness. Hence, they choose to apply positive accounting principles.

The Effect Of Institutional Ownership On The Prudential Principle

The test results show that institutional ownership has no effect on the Prudential Principle. This is because institutional ownership requires the investment they have made to pay off in large amounts. This result is not in line with the Agency Theory, which explains that institutional ownership can limit the information asymmetry between management and shareholders, making companies more cautious.

The results of this study are in line with the results of research conducted byHariyanto, 2020) (Afriani, et al., 2020) showing that institutional ownership can be ignored at the 5% level, which means that institutional ownership has no significant effect on the Prudential Principle. Institutional ownership does not matter because company management will tend to focus on making profits with solid public ownership and public pressure. This may be why managers will downplay the level of conservatism in the presentation of financial statements.

Research that is not in line According to a study (Putra, et al., 2019) (El-Haq, et al., 2019) (Tamur, 2022) partial institutional ownership has a significant effect on the Prudential Principle. The more institutional ownership, the greater the degree of monitoring and control. As a result, institutional ownership requires better quality of financial reporting, including applying prudential principles to financial statements.

CONCLUSION

This study aims to research Financial Distress, Capital Intensity, Managerial Ownership, and Institutional Ownership on the Prudential Principle. The research data used are Transportation & Logistics Sector companies and the energy sector listed on the Indonesia Stock Exchange (IDX) during the 2019-2021 period, including 34 sample companies with time series. The data that was processed was 102 data. Based on the results of hypothesis testing, it can be concluded that:

1. Financial Distress does not affect the Prudential Principle
2. Capital Intensity has a positive effect on the Prudential Principle
3. Managerial Ownership has a negative effect on the Prudential Principle
4. Institutional Ownership does not affect the Prudential Principle

The limitation of this study is that the adjusted R^2 has a relatively low value of 0.100 or 10%. In comparison, 90% then were influenced by other variables not included in this study that can affect the Prudential Principle. The research object is still focused on companies in the Transportation & Logistics Sector and the Energy Sector only and can only collect 102 data.

The managerial implications in this research are

1. For the company, it is hoped that this research can be a lesson or knowledge in determining optimal accounting policies by the company's circumstances so that they do not violate legal provisions and do not deviate from applicable accounting standards.
2. For Investors and Creditors, in assessing a financial report, it is advisable to consider the factors that influence the Accounting Conservatism (Prudential Principle) to be careful and pay more attention to every financial information published by the company in making investment decisions.
3. Regulators or Governments, Regulators or Governments are advised to pay more attention to capital-intensive companies because companies may carry higher political costs and are more likely to reduce their profits, or their financial statements tend to apply the Accounting Conservatism (Prudential Principle).
4. For academics, it is hoped that researchers and readers can continue research on the Effect of Financial Distress, Capital Intensity, Managerial Ownership, and Institutional Ownership on the Prudential Principle so that this research is beneficial for other interested parties.

The researcher found that the results obtained in this study still have several weaknesses due to the limitations of the researcher. Further researchers are advised to pay attention to several things such as:

1. Increase the size of the observation data by adding the company sector because this study only covers two company sectors
2. Researchers extend the sampling period to describe the dependent variable better so that it can increase the observational data studied
3. Adding the dependent variable also affects the prudential principle that has not been used so far, such as Corporate Governance or Financial Performance

Measurement of the Prudential Principle can also be expanded or measured by several other than accrual accounting measurements to clarify the influence of independent variables on dependent variables.

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