

The Effect of Sustainability Disclosure and Risk on Conservatism

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Abstract

Financial statements serve as essential tools that reflect a company's financial performance, guiding stakeholders in assessing profitability, forecasting future earnings, and evaluating investment or lending risks. This study aims to examine the influence of sustainability disclosure, bankruptcy risk, litigation risk, market risk, and reputational risk on accounting conservatism. The study employs a causal quantitative research approach to test the established hypotheses and analyze the relationship between independent and dependent variables. The sample in this study consists of companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period that meet the relevant criteria, determined using the Slovin formula, resulting in a total of 88 companies. The type of data used is secondary data. Data analysis was performed using quantitative techniques, including descriptive statistical calculations and regression analysis. The results of the study indicate that, simultaneously, sustainability disclosure, bankruptcy risk, litigation risk, market risk, and reputational risk all significantly influence conservatism in non-financial companies. Partially, low sustainability disclosure tends to reduce conservatism. An increased risk of bankruptcy is associated with higher conservatism, while a lower risk of litigation tends to decrease it. Similarly, declining market risk leads to higher conservatism, whereas increased reputational risk enhances the level of conservatism.

INTRODUCTION

Financial statements provide information for interested parties, both internal and external. According to Iskandar & Sparta (2019), companies must publish financial statements to show their performance in a period. Financial statements must comply with accounting objectives, rules, and principles in accordance with the SAK (Indonesian Financial Accounting Standards). Financial statements present an overview of the company's financial condition, especially related to profits, which is the main concern for interested parties. Data on profits and their elements play an important role in estimating long-term profits, assessing company performance, predicting future profits, and assessing the level of investment and lending risk. If profits show a downward trend, it can reflect suboptimal financial performance and potentially lower investor confidence (Burke et al., 2020).

Financial accounting standards allow management to choose the conservative method that is considered most appropriate in the preparation of the company's financial statements. Thus, the preparation of financial statements needs to be guided by basic accounting principles, one of which is the principle of prudence known as conservatism. Every company has the freedom to choose its financial reporting methods, so the degree of application of conservatism can vary. In the face of uncertainty in the future, managers are expected to be able to apply conservative accounting principles.

The concept of accounting conservatism is an important element in demonstrating the quality of financial statements (Ball & Shivakumar, 2005). Accounting conservatism encourages companies to acknowledge costs or losses that may occur immediately but not immediately when acknowledging profits or revenues (Ball & Shivakumar, 2005). Conservatism represents a tendency to require a higher level of verification to recognize good news than bad news in financial reporting, implying stricter recognition requirements for profits than losses (Basu, 1997).

Financial reports with international standards will increase conservatism, reduce profit management, reduce information asymmetry, increase the transparency of the information provided, and improve the overall quality of accounting information. Key & Kim (2020) found evidence in Korea consistent with less profit management after the adoption of IFRS and more timely recognition of losses, which indicates higher accounting quality. The level of conservatism in financial statements is related to the company's efforts to be accountable to stakeholders and minimize stakeholder risk in anticipation of unstable economic conditions (Shen et al., 2021).

One of the things that affects accounting conservatism is the sustainability report (Khlifi et al., 2024). So far, the presentation of information in financial statements to stakeholders has only focused on financial responsibility. In addition to being responsible to stakeholders, companies have social and environmental responsibilities. Financial Services Authority Regulation No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies explains that social and environmental responsibility shows a company's commitment to participate in sustainable economic development in order to improve the quality of life and a beneficial environment, both for the company itself, the local community, and the community in general.

Some previous research on accounting conservatism and sustainability reporting comes from Burke et al. (2020), who found that companies with good sustainability reporting disclosures are less likely to engage in opportunistic behavior when entering into contracts with stakeholders, thus reducing the demand for conditional conservatism from contracting parties. Anagnostopoulou et al. (2021) stated that in crisis conditions, companies experiencing financial distress tend to increase conservatism in financial reporting but lower the level of sustainability information disclosure. Research conducted by Garanina & Kim (2023) and Shen et al. (2021) shows a positive influence between compliance with implementing and reporting social and environmental responsibilities and accounting conservatism.

Disclosure of sustainability reports helps increase legitimacy and broaden stakeholder relationships related to accounting conservatism. Research on public companies in Shanghai and Shenzhen found that compliance with government-mandated social and environmental responsibilities led to conservative financial reporting. Similar results were also found in the study of companies listed on the Portuguese stock exchange

by Pereira et al. (2021), showing that the disclosure of sustainability reports increased conditional accounting conservatism. In contrast, Noor et al. (2021) found that sustainability report disclosure did not affect accounting conservatism, as such disclosure was only a fulfillment of government regulatory obligations. In India, compliance with the implementation and reporting of mandatory social responsibility influences conditional accounting conservatism for well-governed companies and vice versa for family companies (Shaw et al., 2021).

Another factor that affects the application of accounting conservatism is bankruptcy risk. This risk arises when a company faces financial difficulties and is unable to meet its short-term and long-term obligations. These conditions can lead to a decline in financial performance, and if not addressed immediately, the company has the potential to experience bankruptcy (Suprihatin, 2019). The results of research by Abdurrahman & Ermawati (2019) and Rafida et al. (2023) stated that bankruptcy risk affects the application of accounting conservatism. However, different results were shown by the research of Elaisza et al. (2018) and Hanum et al. (2020), which stated that bankruptcy risk did not have a significant influence.

In addition, another factor that affects accounting conservatism is litigation risk. This risk refers to the potential threat of lawsuits from parties with interests in the company who feel aggrieved (Ahmad, 2017). Litigation risks originating from creditors can arise due to the company's inability to fulfill short-term and long-term obligations. Meanwhile, from the investors' side, this risk may occur if the company's operational activities cause losses reflected through changes in the price and volume of shares.

Most previous studies, such as those conducted by Black et al. (2022), have focused more on the influence of litigation risk without covering other risks such as bankruptcy risk, market risk, and reputation risk simultaneously. Furthermore, there is still limited research linking sustainability disclosure to various types of risks and their impact on accounting conservatism among non-financial companies listed on the IDX.

The next factor that can affect conservatism is market risk (Delvira, 2013). Market risk reflects potential losses arising from fluctuations in external conditions such as changes in stock prices, interest rates, exchange rates, and general economic instability. In the face of high market risks, companies tend to apply the principles of conservatism more strictly as a mitigation measure against such uncertainty. The application of conservatism allows companies to be more cautious in recognizing income and quicker in recognizing losses, so that financial statements reflect a safer and more realistic financial position.

Delvira (2013) concluded that systematic risk factors have a negative and significant relationship with profit response, while the magnitude and persistence of profits have a positive relationship, showing consistent results. Based on several previous research studies conducted by Esmaeli & Jamali (2015) and Punnoose & Khatidizabadi (2016), market risk has a significant effect on accounting conservatism.

In addition, reputational risk factors also have an impact on conservatism (Amirkhani et al., 2023). Reputational risk arises when a company's actions or decisions have the potential to damage the image and trust of the public, investors, and other stakeholders. To maintain credibility, companies tend to be more careful in preparing financial statements, one of which is by applying conservatism. This approach helps reduce the likelihood of misleading or overly optimistic financial information emerging, which could trigger a negative market reaction. By showing a prudent attitude, companies seek to reinforce the perception that they have good and responsible governance, enabling

them to manage reputational risks more effectively. Based on several previous research studies conducted by Kim & Hwang (2018) and Amirkhani et al. (2023), reputational risk has a significant effect on accounting conservatism.

Hypothesis Development

Research conducted by Ikma & Syafruddin (2019) explains that sustainability disclosure reflects the extent to which companies transparently report the social, environmental, and economic impacts of their operational activities. Companies that actively disclose sustainability information tend to have incentives to maintain their reputations and build public trust. As part of that commitment, they may also be more likely to apply accounting conservatism in financial reporting. The application of conservatism can be seen as a form of responsibility and transparency, as it reflects management's prudence in presenting the company's financial condition (Pereira et al., 2021). Based on research by Cheng & Kung (2016) and Garanina & Kim (2023), companies with higher sustainability report disclosures tend to have more conservative financial reporting practices because sustainability report disclosure can help increase a company's legitimacy and expand stakeholder relationships, thus requiring companies to be careful in drafting financial statements.

The link between sustainability disclosures and conservatism is based on stakeholder theory, which explains that managers who are aware of corporate social responsibility behave legally and morally, suggesting that those committed to CSR are more likely to meet their fiduciary obligations to stakeholders. These insights show that companies that initiate relationships with stakeholders through social responsibility efforts tend to reduce the risk of stakeholder losses due to misleading accounting information by applying conservatism in financial reporting. This study shows that in the preparation of financial reporting, the level of accounting conservatism increases significantly along with the disclosure of a company's sustainability report. Companies that are oriented toward social responsibility and disclosure tend to use accounting conservatism to demonstrate their commitment to taking reliable actions in the interest of stakeholders.

Based on several previous research studies conducted by Cheng & Kung (2016), Ikma & Syafruddin (2019), Malo-Alain et al. (2019), Pereira et al. (2021), Garanina & Kim (2023), and Putri et al. (2023), the effect of sustainability disclosure on conservatism shows a positive relationship.

H1 : Sustainability Disclosure Affects Conservatism

Corporate dynamics can have a complex relationship with conservatism. Changes and dynamics in the business environment can affect conservatism, depending on how the company manages and adjusts to those changes (Shao, 2019). If companies are able to anticipate and respond quickly to market changes, adopt innovations, and change business strategies as needed, this can increase conservatism. Corporate dynamics affect conservatism (Das & Kumar, 2023).

Research results from Eskandari & Zamanian (2022) stating that corporate dynamics can have a positive impact on conservatism. Research from Shao (2019) stating that corporate dynamics can have a positive impact on conservatism. Companies that are able to adapt well to changing business environments can gain a competitive advantage, improve operational efficiency, and create added value for shareholders. However, if the company is not responsive to change or is unable to manage change well, this can

negatively impact conservatism. Companies that are unable to adapt quickly can lose market share, face declining revenue, and experience a decline in conservatism (Betty et al., 2023).

The risk of bankruptcy or financial hardship usually arises before a company actually goes into bankruptcy or liquidation. According to Mulkarim et al. (2019), financial difficulties describe the phase of decline in a company's financial ability that occurs before bankruptcy takes place. When financial conditions deteriorate, shareholders tend to change management, which can ultimately lower the reputation and market value of that management in the professional world. This threat often encourages management to manipulate profits by adjusting the level of accounting conservatism because accounting profit is one of the main indicators of company performance (Novianti & Astohar, 2015). According to Watts (2003), managers' motivation to increase profits can be triggered by four contractual factors: information asymmetry, limited tenure, limited responsibilities, and imbalances in profit sharing. On the other hand, in companies that do not face financial pressure, managers tend to apply conservative accounting principles to avoid contract violations and potential conflicts with creditors and shareholders (Juanda, 2007).

Several studies, such as those by Wisuandari & Putra (2018), Rivandi & Ariska (2019), and Sari & Srimindarti (2022), show that the risk of bankruptcy has a significant negative effect on accounting conservatism, meaning that the higher the risk of bankruptcy, the lower the level of conservatism applied. Conversely, findings from Sun et al. (2022) and Ramadhani & Sulistyowati (2019) show a significant positive influence, indicating that increased bankruptcy risk actually encourages the application of higher conservatism in financial reporting. Based on stakeholder theory, high-risk companies tend to provide broader information disclosure as a form of explanation for the conditions faced (Amran, 2014:73). The greater the risk faced, the more information needs to be disclosed to explain the causes, impacts, and mitigation measures taken. According to Linsley (2016:47), more transparent risk disclosure helps the market better understand a company's risk position, allowing the company to be perceived as having a lower level of risk compared to those that disclose less information.

Based on several previous research studies conducted by Ramadhani & Sulistyowati (2019), Sun et al. (2022), Heidari et al. (2022), and Fitriyah & Jelanti (2023), bankruptcy risk has a significant positive effect on accounting conservatism.

H2 : Risk of Bankruptcy affects Conservatism

Litigation risk is one of the factors that affect the level of accounting conservatism (Utami, 2011). According to Utami (2011), this risk illustrates the potential threat of lawsuits from parties who have interests in the company, such as creditors, investors, and regulators. The research of Shella Deslatu (2010) on manufacturing companies during the period 2005–2008 shows that litigation risk has a significant influence on accounting conservatism based on multiple linear regression analysis. Meanwhile, a study conducted by Asti Awalia (2014) on companies listed on the Indonesia Stock Exchange (IDX) during the period 2010–2012, using a purposive sampling method with specific criteria, found that litigation risk had a significant effect on discretionary accruals positively, indicating a decline in the quality of financial reporting. Litigation risk itself can be understood as a legal risk that arises when a company faces claims from parties who feel aggrieved by the company's activities.

According to Juanda (2007), litigation risk can be measured through several financial indicators that reflect the potential for companies to face lawsuits from investors and creditors. Risks originating from creditors generally arise when a company is unable to meet its short-term or long-term obligations. In general, litigation occurs when an individual or institution brings a dispute into the legal sphere to settle a claim or obtain compensation. From the perspective of creditors, litigation can arise when a company violates a contractual agreement, while from the investor's side, litigation can occur due to losses caused by the company's non-transparent operational practices, such as concealing negative information that may affect the price and volume of shares (Juanda, 2007). Because the litigation process has the potential to incur substantial legal costs, the higher the litigation risk faced, the lower the tendency of management to apply the principle of conservatism in its financial statements.

Based on several previous research studies conducted by Shella Deslatu (2010), Asti Awalia (2014), Mustikasari et al. (2020), and Black et al. (2022), the influence of litigation risk on conservatism shows a positive relationship.

H3 : Risk of Litigation affects Conservatism

Systematic risk is a risk that cannot be avoided or diversified by investors in stock trading patterns. If this risk occurs, all types of stocks will suffer losses due to factors such as interest rates, foreign exchange rates, and government policies. The profit response that occurs in the capital market is influenced by various factors that can cause differences in a company's profit response, such as: 1) Beta (Systematic Risk); 2) Capital Structure (Leverage); 3) Revenue Persistence; 4) Profit/Revenue Quality; 5) Growth Opportunities; and 6) Informative Pricing (Rahmawati, 2012).

Delvira (2013) concluded that systematic risk factors have a negative and significant relationship with profit response, while the magnitude and persistence of profits have a positive relationship, yielding consistent results. In addition, the principles of financial statements influenced by accounting conservatism are believed to affect the quality of profits, where companies applying conservative accounting tend to receive positive responses from investors regarding the profits presented in published financial statements (Tuwentina & Wirama, 2014).

Another study on accounting conservatism was conducted by Suaryana (2007), whose results show that companies applying accounting conservatism have a lower predictive ability in responding to profits than companies using optimistic accounting practices. The application of conservative accounting does not significantly affect differences in the profit response coefficient because the more conservative a company is, the more likely profit fluctuations occur, leading to profit bias and reporting that is less reflective of actual conditions (Utami, 2015).

Based on several previous research studies conducted by Esmaeli & Jamali (2015) and Punnoose & Khatidizabadi (2016), market risk has a significant effect on accounting conservatism.

H4 : Market Risk Affects Conservatism

Most previous studies have argued that increased earnings management occurs a year before a company's IPO to attract investors and raise the offering price (Liu et al., 2002; Morsfield & Tan, 2006; Choi & Kim, 1997; Kim et al., 2004; Lee et al., 2005; Choi et al., 2010; Battuya & Choi, 2011; Kim et al., 2014). Studies have also examined the relationship between underwriter reputation and earnings management in IPO companies

(Lee & Masulis, 2011; Hwang et al., 2015). However, because research on the relationship between underwriter reputation and accounting conservatism remains limited, this study focuses on examining this relationship.

Accounting conservatism is one type of bias in financial reporting. A realistic view of accounting conservatism may appear negative because it reduces neutrality. However, upon further consideration, the nature of accounting conservatism can provide useful information for users of financial statements. A typical example is its role in protecting creditors (Watts, 2003).

The influence of reputation risk within companies is highly valuable for stakeholders when making investment decisions. Risk disclosure is also one of the company's means of communication with stakeholders. Through risk disclosure, companies can provide critical information, especially about risks that occur in their operations. By presenting risk information more deeply and broadly, companies demonstrate their effort to meet stakeholders' informational needs (Taures, 2015:156). Accounting conservatism reduces the likelihood of bad news being revealed too slowly while good news is reported cautiously. This mechanism makes creditors more sensitive to bad news about a company and helps them respond appropriately when the company experiences difficulty meeting its obligations. Conversely, companies using borrowed capital might engage in opportunistic earnings management behavior to avoid default risk.

Based on several previous research studies conducted by Kim & Hwang (2018) and Amirkhani et al. (2023), reputational risk has a significant effect on accounting conservatism.

H5 : Reputational Risk Affects Conservatism

RESEARCH METHOD

The method used in this study is causality research. The population includes companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The sample determination technique in this study uses purposive sampling. The sample consists of companies listed on the IDX during the 2020–2023 period, with a total of 352 observations. The type of data source used is secondary data. The data analysis method applied in this study is panel data regression analysis. The following is the regression equation of the panel data model used in this study:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Information:

Y	= Conservatism
X1	= Disclosure <i>Sustainability</i>
X2	= Risk of Litigation
X3	= Risk of Bankruptcy
X4	= Market Risk
X5	= Reputational Risk
a	= Constant
b	= Regression Parameter
e	= Error Term

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics are used to show the amount of data (n) as the sample used in this study, along with the highest value (maximum), lowest value (minimum), mean value (mean), and standard deviation (standard deviation) (Ghozali, 2016:19). Descriptive analysis is presented based on frequency and percentage values. The variables tested include sustainability disclosure, bankruptcy risk, litigation risk, market risk, reputational risk, and conservatism. The results of the descriptive statistical test can be seen in Table 1 as follows:

Table 1. Descriptive Statistical Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Conservatism	352	-112.201	31.100	-.08178	8.832212
Sustainability disclosure	352	0.00	86.81	26.3392	28.76735
Risk of bankruptcy	352	-53.231	13.686	1.83138	4.180770
Litigation risk	352	-994.863	982.281	109.55595	153.177224
Market risk	352	-994.863	22.764	-2.96755	53.166783
Reputational risk	352	0	1	0.37	0.484
Valid N (listwise)	352				

Source: Research Results, 2025 (Data processed)

Based on the results of descriptive statistics, conservatism has a minimum value of -112.201 and a maximum value of 31.100. The mean value of conservatism is -0.08178, and the standard deviation is 8.832212. The mean value of conservatism is smaller than the standard deviation value, which means that the level of conservatism in the data sample is highly variable and widespread, although the general level of conservatism is low. This indicates that while most entities in the sample tend not to be very conservative, there is considerable variation among them—some may be highly conservative while others are not conservative at all.

The hypothesis states that sustainability disclosure, bankruptcy risk, litigation risk, market risk, and reputational risk affect conservatism in companies listed on the Indonesia Stock Exchange (IDX). The models used to estimate these influences are:

Table 2. The Influence of Free Variables on Conservatism

Variable name	B	Standard Error	Stuttgart	Table	Sig.
Constant	-4,851	0,136	25,089	1,651	0,000
Sustainability disclosure	0,025	0,001	29,795	1,651	0,000
Risk of bankruptcy	0,016	0,006	2,790	1,651	0,006
Litigation risk	-0,128	0,024	-5,433	1,651	0,000
Market risk	-0,002	0,000	-4,558	1,651	0,000
Reputational risk	0,512	0,050	10,198	1,651	0,000
Company size	0,258	0,009	28,761	1,651	0,000

Correlation Coefficient (R) = 0.876

Coefficient of Determination (R²) = 0.767

Adjusted (R²) = 0.749

Calculation = 360,716

Table = 2,260

Sig. F = 0.000

Source: Research Results, 2025 (Data processed)

Based on the results of Eviews as seen in the table above, the multiple regression equation is obtained as follows,

$$Y = -4.851 + 0.205X_1 + 0.016X_2 - 0.035X_3 - 0.002X_4 + 0.512X_5 + e$$

To find out how much a linear increase can be explained through the relationship between veribel-variable (correlation). If all the values of these variables can meet an equation correctly, then it can be said that there is a perfect correlation in this analysis model. From the output of Eviews, it can be seen the level of relationship between the free variable and the bound variable, including:

Table 3. Correlation Coefficient and Determination Values

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.876a	0,767	0,749	0,44198	1,735

Source: Research Results, 2025 (Data processed)

The result of the determination coefficient function measures the influence of sustainability disclosure, bankruptcy risk, litigation risk, market risk, and reputational risk on conservatism in non-financial companies. Based on Table 3, the R Square value is 0.749. This value indicates that the contribution of sustainability disclosure, bankruptcy risk, litigation risk, market risk, and reputational risk to conservatism is 74.9%, while the remaining 25.1% is influenced by other variables not included in this study.

The results of statistical testing show that the value of Fcount (360.716) > Ftable (2.260), meaning that the first hypothesis (Ha1) is accepted. Sustainability disclosure, bankruptcy risk, litigation risk, market risk, and reputational risk together significantly affect conservatism in non-financial companies. This finding indicates that conservatism in non-financial companies is indeed influenced by sustainability disclosure, bankruptcy risk, litigation risk, market risk, and reputational risk.

The results of statistical testing show that sustainability disclosure has a negative effect on conservatism. By comparing the calculated tvalue (29.795) with the ttable value (1.651), the tvalue is greater, meeting the criteria for hypothesis testing. Therefore, Ha2 is rejected, meaning that sustainability disclosure affects conservatism in non-financial companies listed on the Indonesia Stock Exchange (IDX). The results of this study are in line with previous research by Malo-Alain et al. (2019) and Putri et al. (2023), which also state that sustainability disclosure has a positive and significant effect on conservatism. This suggests that companies that are more active and transparent in disclosing sustainability information tend to apply higher levels of conservatism in their financial reporting.

The results of statistical testing show that bankruptcy risk has a positive effect on conservatism. By comparing the results between the calculated t value (2.790) and the t-table value (1.651), the calculated value is greater, meeting the criteria for hypothesis testing. Therefore, Ha3 is accepted, meaning that bankruptcy risk positively affects conservatism in non-financial companies. The results of this study are supported by previous research from Heidari et al. (2022), who also found that bankruptcy risk individually has a positive effect on conservatism. Similarly, research by Fitriyah & Jelanti (2022) found that bankruptcy risk positively affects conservatism. This indicates that the higher the bankruptcy risk faced by a company, the greater its tendency to apply conservative principles in financial reporting.

The results of the test show that litigation risk has a negative effect on conservatism. By comparing the calculated t value (-5.433) with the t-table value (1.651), the calculated value is smaller, fulfilling the criteria for hypothesis rejection. Therefore, Ha4 is rejected, meaning that litigation risk negatively affects conservatism in non-financial companies. This finding is supported by previous research from Black et al. (2022), which also concluded that litigation risk negatively affects conservatism. This suggests that the higher the company's risk of being involved in legal proceedings or lawsuits, the lower its tendency to apply conservative accounting principles.

The results of the test indicate that market risk has a negative effect on conservatism. By comparing the calculated t value (-4.558) with the t-table value (1.651), the calculated value is greater in magnitude, meeting the criteria for hypothesis testing. Therefore, Ha5 is accepted, meaning that market risk negatively affects conservatism in non-financial companies. This finding is supported by previous studies, including those by Esmaeli & Jamali (2015) and Punnoose & Khattidizabadi (2016), which both found that market risk significantly influences conservatism. This suggests that when market risk increases, companies tend to reduce the application of conservative principles in financial reporting.

The results also show that reputational risk has a positive effect on conservatism. By comparing the calculated t value (10.198) with the t-table value (1.651), the calculated value is greater, satisfying the criteria for hypothesis testing. Therefore, Ha6 is accepted, meaning that reputational risk positively affects conservatism in non-financial companies. This finding aligns with the research of Amirkhani et al. (2023), which also found that reputational risk positively influences conservatism. This indicates that the higher the reputational risk faced by a company, the greater its tendency to apply conservative accounting principles in financial reporting.

CONCLUSION

Disclosure of sustainability, bankruptcy risk, litigation risk, market risk, and reputational risk affects conservatism in non-financial companies. Changes in conservatism among non-financial companies are influenced by these five variables, as sustainability disclosure, bankruptcy risk, litigation risk, market risk, and reputational risk each play a role in the increase or decline of conservatism. Partially, low sustainability disclosure can reduce conservatism. An increased risk of bankruptcy can enhance conservatism. A decreased risk of litigation can lower conservatism. A decline in market risk can increase conservatism. Meanwhile, an increase in reputational risk can strengthen conservatism.

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