# THE EFFECT OF ACCOUNTING CONSERVATISM ON CASH HOLDINGS WITH CONTROLLING SHAREHOLDERS AS MODERATING VARIABLE

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## ABSTRACT
According to prior studies, accounting conservatism defined as an accounting practice principle that recognize losses in a more timely manner than recognizing profit. The purpose of this research is to examine the influence of accounting conservatism on cash holdings in a company with the role of controlling shareholders as a moderating variable. There are two forms of accounting conservatism occurred in this research, namely conditional accounting conservatism and unconditional accounting conservatism. The role of controlling shareholders in this research is utilized to discover its influence towards the relationship between both types of accounting conservatism and cash holdings. The analysis method used is the multiple linear regression analysis, and the analysis is conducted using SPSS software. The total sample used is amounting to 46 total of companies from banking sector that are listed in Indonesia Stock Exchange (IDX) with the research period of 2018-2020, and are selected using purposive sampling method.

The findings of this research indicate that conditional accounting conservatism significantly affect the cash holdings. On the other hands, unconditional accounting conservatism does not significantly affect the cash holdings. Furthermore, the role of controlling shareholders does not affect the relationship between both of the two forms of accounting conservatism and cash holdings, this might be due to the level of ownership from the controlling shareholders.

Keywords: Accounting Conservatism, Cash Holdings, Controlling Shareholder

## INTRODUCTION

In preparing and presenting a qualified financial statement, companies are faced with considerations, one of which is the application of accounting conservatism. In order to be cautious, some companies employ the accounting conservatism principle to estimate their prediction of losses that would have occurred in the financial statements. This precautionary principle tends to be applied when there is a possibility of loss or decline in assets. Accounting conservatism is a principle to anticipate losses by understating assets and revenues. With this principle, all existing liabilities and expenses will be recognized immediately, so that losses will be more easily anticipated.

There are two different general ways of accounting conservatism, namely unconditional conservatism and conditional conservatism. According to Beaver & Ryan (2005), as the result to various of predefined factors of the accounting process, the book value of net assets is understated in the recording process of unconditional conservatism principle implementation. Under conditional conservatism, book value is written down when conditions are significantly negative, but also not written up when conditions are good. Based on the previous study, the practice of accounting conservatism has a greater chance to prevent the managers from avoiding responsibility and hiding losses by manipulating financial data. As a consequence, accounting conservatism has indeed been considered as a strategy for overcoming agency issues and increasing company value by reducing the chances of decreased cash value due to overinvestment decisions. According to Lin et al. (2018), since the proportion of discretionary capital available to managers is restricted by the timeliness of the losses timely recognition, companies that have implemented the accounting conservative principles are less likely to engage in overinvestment activities. Furthermore, when the method of accounting conservatism principle is implemented, the board of directors and

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shareholders are more probable to recognize an investment initiative that are not appropriate. Although accounting conservatism could help to reduce the potential of losses and managers tend not to misreport the good news, it is still possible for companies that adopt the practice of accounting conservatism to still experience losses and manipulation in financial reporting. Manipulation of financial statements is relevant when the signals of information about economic earnings are low.

Association of Certified Fraud Examiners reported that from January 2018 to September 2019, the Certified Fraud Examiners has investigated and resulting a 2,504 number of cases of occupational fraud. These cases analysis are provided by The 2020 Report to the Nations, and a total of 386 cases of fraud are from banking companies.

According to Almutairi & Quttainah (2019), banking companies tend to adopt accounting conservatism practices because accounting practices in banking companies are more complex and complicated, having a great information risk, contracting distinctiveness, and as well as having an intense regulations and rules. The explanation of fraud cases in banking companies above can be used as the evidence that the practice of accounting conservatism principles does not shut the possibilities of the manipulation and losses existence.

There are also cases found in several banking companies in Indonesia that have been occurred in the last few decades. These cases are the latest cases under Financial Services Authority (OJK) supervision that occurs in banking companies in Indonesia. One of the several banking companies in this case is PT Bank Pembangunan Daerah Banten Tbk. In 2019, PT Bank Pembangunan Daerah Banten Tbk recorded a loss in its financial statements of IDR 137.55 billion. This amount of loss was higher than the net loss from the previous year, which was IDR 100.13 billion.

Therefore, it can be assumed from the explanation given above that the practice of accounting conservatism principles is quite important for the prevention of losses to the company, because accounting conservatism is used to anticipate losses by reporting financial transactions in a pessimistic manner. The writer assumes that accounting conservatism have positive impacts to cash value because as a result of this conservatism implementation, the numbers in the financial statements are lower or higher than they otherwise would. Many also argue that accounting conservatism has a positive impact on company finances.

However, many also think otherwise. The accounting conservatism principle is particularly important for the financial statement in regards of its objective. Accounting conservatism can lead to fraud or manipulation, which is a negative outcome of the inappropriate implication of accounting conservatism, as well as anticipating a company's finances, which is a positive outcome of the appropriate implication of the accounting conservatism principle. Moreover, there are some significant arguments over the advantages of accounting conservatism in financial reporting until now. Some researchers argue that profits earned by the implication of conservative principle are of inadequate quality, insignificant, and useless, while others still argue contrary. Researchers that have a different perspective of conservatism principle believe that conservative earnings, which are calculated using conservative accounting principles, recognize the company's least profitability, and that profits calculated using conservative methods do not reflect profits that are overstated or overvalued. However, there could still be two opposing points of view on the implications of accounting conservatism.

**THEORITICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT**

In this research, there are two theories implied, which are agency theory and positive accounting theory. Panda & Leepsa (2017) stated that the agency problem is a time of life concern that has existed since the establishment of public shareholding companies. It cannot be underestimated because every firm may have experienced this issue in various forms. With the passage of time, the agency problem has taken on different forms, as the issues are indicated by the research. The necessary for a discussion of agency theory literature is essential in order to fully understand the agency problem, its different forms and aspects, and the diverse of associated costs with it and in order to reduce the problem.

According to Collin et al. (2009), because there is most likely an agency problem occurs, positive accounting theory appears to be an adequate theory to apply in understanding municipal

companies' accounting decisions. Positive accounting theory explains a process that uses accounting understanding and knowledge, as well as the use of the most appropriate accounting policies to deal with certain situations. In its concept, a positive accounting theory implies that its objective is to describe and interpret in order to anticipate accounting practices. The intention of this theory's interpretation could be to provide a justification. For example, based on the problems that might occurred in this research, positive accounting theory can explain why company uses the principle of accounting conservatism in their practice.

## Conditional Conservatism and Cash Holdings

The role of agency theory on the relationship between conditional conservatism and cash holdings is to control and resolve the agency problem, so there's no performance based on the self-interest of the individual. According to Daryaei et al. (2020), bad corporate governance mechanisms will enforce a greater implication of conservative accounting. As a result, firms that employ accounting conservatism standards are less likely to engage in overinvestment, and their cash value will improve in the future. In Daryaei et al. (2020), their findings show that accounting conservatism associated with simplified monitoring and better management enhances the manager's confidence in financial performance.

Based on previous research using conditional conservatism as an independent variable on cash holdings, it was stated that the value of cash holdings are elevated by a greater level of accounting conservatism (Lin et al., 2018). This is because companies that apply a strong level of accounting conservatism are less likely to overinvest, especially for conditional conservatism, which depends on good and bad news. This attitude aims to create good financial report quality and greater value of cash holdings.

**H1: Conditional accounting conservatism has a positive effect on cash holdings.**

## Unconditional Conservatism and Cash Holdings

The difference between conditional conservatism and unconditional conservatism lies in the dependence on news. Unconditional conservatism does not rely on news. Since there is no dependency on news, unconditional conservatism is based on the condition of the financial statements. Therefore, according to Ruch & Taylor (2015), the impact of implementing accounting principles associated with unconditional conservatism on the income statement is expected to be somewhat constant. Paek et al. (2007) also argued that conditionally conservative earnings are a fewer less persistent than unconditionally conservative earnings. It is argued that the application of accounting conservatism has an effect on creating greater value of cash holdings.

**H2: Stock price crash risk positively influence the firm's profitability**

## The Role of Controlling Shareholders on the Relationship Between Conditional Conservatism and Cash Holdings

The application of the principle of conditional conservatism depends on the news. The dependency of conditional conservatism on news refers to recording based on information on the possibility of gain or loss. Controlling shareholders have a role to control the activities that take place in a company in order to ensure that the company can create good and stable financial conditions. Based on previous research, according to Lin et al. (2018), there is an influence from the role of controlling shareholders on the relationship between conditional accounting conservatism and cash holdings.

**H3: The role of controlling shareholders weakens the relationship between conditional conservatism dan cash holdings.**

## The Role of Controlling Shareholders on the Relationship Between Unconditional Conservatism and Cash Holdings

The application of unconditional conservatism refers to accounting records, or it can be concluded that unconditional conservatism is related to financial reports and does not depend on good or bad news. In this case, the monitoring role of controlling shareholders is assumed to have an influence on the relationship between unconditional conservatism and cash holdings.

According to previous studies, Lin et al. (2018), when controlling shareholders obtain greater cash flow rights than control rights, their monitoring role will become more significant.

According to the majority of studies, the higher the rights of controlling shareholders to control the financial activities, might weakens the positive effect of accounting conservatism on cash holdings. It is due to gain their self-interest. According to previous studies, Lin et al. (2018), because of their ownership, controlling shareholders have a controlling effect on cash value, which decreases the positive impact of accounting conservatism on cash value. When the interests of controlling shareholders and minority shareholders are combined, however, there may be an incentive impact.

**H4: The role of controlling shareholders weakens the relationship between unconditional conservatism dan cash holdings.**

The hypothesis developments can be showed into this research's framework as follows:

**Figure 1**

**Research Model**
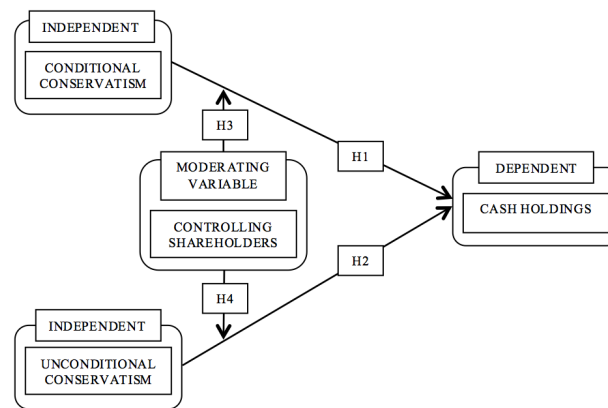


## RESEARCH METHODOLOGY

**Research Variable**

This research has three types of variables. These variables contain of dependent variable, the independent variable, and moderating variable.

**Dependent Variable**

In this study, cash holding is used as the dependent variable. It is the available cash balances in the company that can be used for investment purposes in the form of physical assets or either distributed to investors. Cash holding is one of the main factors in a company's financial structure, because cash holding is used to manage the operational activities of a company. Referring to previous studies, based on Lin et al. (2018), cash holdings measurement is formulated as follows:

$$Cash\ Holdings = \frac{Cash + Cash\ Equivalent}{Total\ Assets}$$

**Independent Variable**

The independent variable affects the changes in the dependent variable. In this study, accounting conservatism becomes an independent variable and employed both of the two types of accounting conservatism, namely conditional conservatism and unconditional conservatism.

**Conditional Conservatism**

According to Ball & Shivakumar (2006), conditional conservatism is an important property of accrual accounting, since its timeliness of recognition is affecting the accrual. Therefore, the

measurement of conditional conservatism on this study will use the accrual-based measure developed by Givoly & Hayn (2000). The measurement of conditional conservatism is formulated as follows:

$$\frac{(NI - DEP - CFO)}{Total\ Asset} \times (-1)$$

Here, $NI$ is the net income of firm $i$ in year $t$, $DEP$ is the depreciation expense of firm $i$ in year $t$, and $CFO$ is the operating cash flows of firm $i$ in year $t$.

**Unconditional Conservatism**

To make the same with the conditional conservatism measurement above, therefore, the measurement for the unconditional conservatism measurement in this study will also use an accrual-based measure. According to Penman & Zhang (2002), the measurement of unconditional conservatism can be measured using the C-score as the estimated reserve level made by conservatism. The index used to measure the C-score is obtained from the financial information contained in the balance sheet. The higher the C-score, the higher the unconditional conservatism is. This measurement is used based on the unconditional conservatism indicators described above, because according to Penman & Zhang (2002), the accounting for these objects is either required by accounting regulations or, in the case of LIFO, is a managerial policy that is generally does not changed from period to period. The measurement of unconditional conservatism using accrual-based measure of firm $i$ in year $t$ is formulated as follows:

$$C_{it} = (INV_{it}^{res} + RD_{it}^{res} + ADV_{it}^{res})/NOA_{it}$$

Where as:
- $NOA_{it}$: Net operating assets of firm $i$ during year $t$
- $RD_{it}^{res}$: Research and development reserve of firm $i$ during year $t$
- $ADV_{it}^{res}$: Advertising expenditure of firm $i$ during year $t$
- $INV_{it}^{res}$: Inventory reserve of firm $i$ in year $t$ or equals the LIFO reserve

**Moderating Variable**

Controlling shareholders usually have a share of ownership more than 50% of the available shares of a company. In this study, the role of controlling shareholders that is uses as a measurement is obtained from their cash flow right. Based on Lin et al. (2018), the measurement of controlling shareholders used based on the following indicators:
- Controlling shareholders' cash flow rights.
- The cash flow right is the addition of the multiplication of the percentage of share ownerships for every chain of share ownership.

**Population and Sampling Determination**

The population used in this research is all companies on banking sector listed in Indonesia Stock Exchange (IDX) on 2018-2020. The sampling method of this research used purposive sampling that focus on specific criteria to determine the sample. The required criteria used for determining the sample are:
1. The samples are obtained from banking sector companies listed in Indonesia Stock Exchange (IDX).
2. Sharia banks are excluded.
3. Data is completely available from January 1, 2018 to December 31, 2020.
4. The sample has a complete financial report published for the year 2018-2020, and must contained all of the information required by the researcher.

**Data Analysis Technique**

Multiple linear regression analysis is employed as the analytical methodology for this study. The objective of this regression analysis is to obtain an overall understanding of the relationship between the independent variable and the dependent variable for each company's performance, both partially and simultaneously. The software used for all the data analysis testing is SPSS 23.

## RESULTS AND DISCUSSIONS
### Research Objects Description

The following table below shows the summary of the purposive sampling procedure, which are the sample used in this study obtained from banking companies listed in Indonesia Stock Exchange (IDX) in 2018-2020. The detailed results of the research sample obtained is as shown in Table 1.

**Table 1**
**Research Sample Data**

| NO | CRITERIA | NUMBER OF SAMPLES |
|---|---|---|
| 1 | Banking companies featured in Indonesia Stock Exchange (IDX) on period 2018-2020 | 46 |
| 2 | Islamic banks | (4) |
| 3 | The company did not issue financial reporting during the period of the research, or the required data is not available | (12) |
| 4 | Total samples that have qualified criteria | 30 |
| 5 | Research period 2018-2020 | 3 |
| 6 | Total number of samples | 90 |
| 7 | Outlier data | (9) |
| 8 | Total number of samples after outliers | 81 |

*Source: Secondary data processed in 2021*

### Descriptive Statistical Analysis

According to Ghozali (2013), this test is used to describe data from the mean, standard deviation, minimum and maximum values. This study uses this test to understand the distribution of data such as the mean, standard deviation, maximum and minimum values of firm's profitability, financial constraints, and stock price crash risk. The descriptive statistics result for this research is as shown in Table 2.

**Table 2**
**Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| (Y) CASH | 81 | -2.26308 | 3.69997 | .1364362 | .97506157 |
| (X1) COND | 81 | -2.54815 | 3.18517 | -.0063330 | .99434235 |
| (X2) UNCOND | 81 | -2.06992 | 2.70087 | .0268973 | 1.03363061 |
| (Z) CS | 81 | -1.72555 | 1.97837 | .1122145 | .96850204 |

*Source: SPSS output*

Based on the table of descriptive statistics above, it shows that the number of samples this study used have 81 total variety of samples. Each of the data can be interpreted as follows:

1.     Cash Holdings (CASH)

Cash holdings, or the dependent variable of this study, have a minimum value of -2.26308 from Bank Harda Internationak Tbk (BBHI) in year of 2020, and a maximum value of 3.69997 from Bank Capital Indonesia Tbk (BACA) in year of 2018. While the mean value of this variable from 81 total numbers of samples is 0.1364362 or 13.7%, and the standard deviation obtained is 0.97506157 or 97.5%.

2.        Conditional Conservatism (COND)

The first independent variable in this study is conditional conservatism. Based on the descriptive statistics table above, can be made a conclusion that conditional conservatism has a minimum value of -2.54815 from Bank Maybank Indonesia (BNII) in year of 2020, and a maximum value of 3.18517 from Bank Pembangunan Daerah Banten (BEKS) in year of 2020. The mean value of this variable is -0.0063330 or -0.6%, and the standard deviation obtained is 0.99434235 or 99.4%.

3.        Unconditional Conservatism (UNCOND)

The second independent variable in this study is unconditional conservatism. From the interpreted data of descriptive statistics table above, it can be concluded that unconditional conservatism has a minimum value of -2.06992 from Bank of India Indonesia (BSWD) in year 2019, and a maximum value of 2.70087 from Bank Tabungan Negara (BBTN) in year of 2018. The mean value obtained from the descriptive statistics results of this variable is 0.268973 or 26.9%, and the standard deviation is 1.003363061 or 100.3%.

4.        Controlling Shareholders (CS)

Controlling shareholders in this study is used as the moderating variable. According to the descriptive statistics results on the interpreted table that is shown above, it can be interpreted that the variable of controlling shareholders has a minimum value of -1.72555 from Bank MNC Internasional (BABP) in year of 2020, and has a maximum value of 1.97837 from Bank Danamon Indonesia (2019) in year of 2019. The mean value obtain from the descriptive statistics results about of this moderating variable is 0.1122145 or 11.2%, and the standard deviation obtained is 0.96850204 or 96.8%.

**Results Interpretation and Discussion**

This research has four hypotheses, which tested using multiple linear regression. According to Ghozali (2016), the hypothesis can be approved if the significance value is less than 0.005 or 5%. Based on hypothesis test using multiple linear regression analysis obtained results is as shown in Table 5.

**Table 5**
**Hypothesis Test Results**

| | Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| Coefficients | | | | | | |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .136 | .103 | | 1.325 | .189 |
| | (X1) COND | -.378 | .106 | -.386 | -3.568 | .001 |
| | (X1*Z) CS_COND | .145 | .107 | .147 | 1.359 | .178 |
| | (X2) UNCOND | -.043 | .102 | -.046 | -.424 | .673 |
| | (X2*Z) CS_UNCOND | .015 | .121 | .013 | .122 | .904 |

*Source: Secondary data year 2021*

According to the partial test or T-test results table, it show that the significance value that the hypothesis will be accepted is only occur in the conditional conservatism variable, since it is the only result that shows the significance value of less than 0.05. Each results of all the variables will be explained and interpreted as follows:

1.        Conditional Conservatism (COND)

The T-test results value of this variable obtained a T-count of -3.383 and its significance value of 0.001. Based on the significance value, it can be made a conclusion that the null hypothesis (Ho) is rejected, and the alternative hypothesis (Ha) is accepted. Therefore, the alternative hypothesis, or the hypothesis one (H1) stating that the conditional conservatism has a positive influence on cash holdings is accepted.

2.       Unconditional Conservatism (UNCOND)

For the second independent variable, which is unconditional conservatism, the T-test results value obtained a T-count of -0.395 and the significance value of 0.694. Based on the comparison of T-count and T-table, it shows that the T-count value is smaller than the value of T-table. The significance value obtained from the results of this variable is 0.694, which can be interpret that the significance value is smaller than the limit of the required significance value for the hypothesis to be accepted. Therefore, based on this result, it can be concluded that the second hypothesis (H2) stating that the unconditional conservatism has a positive influence on cash holdings is rejected.

3.       Moderating Variable (CS_COND & CS_UNCOND)

The T-count value from both interactions of the moderating variable with conditional and unconditional conservatism shows the value of 0.178 and 0.904, which does not show a significant value. However, from the beta coefficient, it can be conclude that there is a changes among the value of this moderated regression model and the previous regression model consisting the independent variables only. It might be made a conclusion that there is a possible effect from the interaction variable of the moderator and independent, but the value is still not significant enough. Therefore, based on the analysis, Ho is approved or accepted and Ha is refused or rejected.

In other words, the third hypothesis (H3) stating that the role of the controlling shareholders weakens the relationship between conditional conservatism and cash holdings, and the fourth hypothesis (H4) stating that the role of the controlling shareholders weakens the relationship between unconditional conservatism and cash holdings, both are rejected.

**The Effect of Conditional Conservatism on Cash Holdings**

Based on the analysis results explained, the conditional conservatism has a significant value that indicates its effect to the cash holdings. The results of the T-count obtained for this variable is -3.383 with the significance value of 0.001. Therefore, the first hypothesis of the relationship between conditional conservatism is supported, because it came to a conclusion that the conditional conservatism has a positive effect on cash holdings.

This findings support the first hypothesis from the prior research, which is the H1 of Lin et al. (2018). According to Lin et al. (2018), it is argued that the cause of conditional accounting conservatism can affect the increasing amount of the cash holdings value is due to the timely recognition of loss of conditional conservatism might restrict the amount of discretionary cash available to managers, which make the cash holdings amount increased. Therefore, the timeliness recognition of conditional conservatism is affecting the value cash holdings.

**The Effect of Unconditional Conservatism on Cash Holdings**

The interpreted findings results above indicate that there is no positive effect of unconditional conservatism on cash holdings. The conclusion obtained from the significance value of the unconditional conservatism from the T-test results, which amounts to 0.694, and the T-count obtained is less than the T-table, which amounts to -0.395 and 1.99045. Therefore, for the relationship between unconditional conservatism on cash holdings, it is possible to conclude that the unconditional conservatism does not have a positive effect on cash holdings.

According to the explanation above, the unconditional conservatism more focuses on, or works as the bias on the accounting reports by recognizing a lower book value on the equity accounts. The emergence of unconditional conservatism also discussed on (Watts, 2003), that the unconditional conservatism does not relate on the loss recognizing in the form of timely manner. Also, according to Paek et al. (2007), the conditional applies only when adverse circumstances exist, while unconditional conservatism applies too universally. The findings of Ismail & Elbolok (2012) also shows the non-affecting effect of unconditional conservatism.

So, according to several previous studies, the author argue that this findings does not show the influence of unconditional conservatism towards cash holdings relating to its different disposition of the loss recognizing than the conditional conservatism, and also a different factors of measurement indicators which already described and explained in the previous chapter.

**The Role of Controlling Shareholders on the Relationship between Conditional Conservatism and Cash Holdings**

The analysis results for this moderating variable indicated that there is no weakens effect of controlling shareholders on the relationship between conditional conservatism and cash holdings. Although there is a changes on the beta coefficient of the conditional conservatism, the significance value obtained from the T-test results is still less than 0.05, which less than the required value of significance for the hypothesis to be accepted or the effect on the dependent variable to be detected. So, the conclusion is that the alternative hypothesis still rejected.

According to the prior research, Lin et al. (2018), the supported findings of the hypothesis about the effect of the role of controlling shareholders towards the relationship between both unconditional and conditional accounting conservatism on cash holdings is depend on the proportion of control-affiliated directors. Furthermore, the prior research also included the agency problem and the financial crisis. So, the author argue that although the emergence of controlling shareholders may change the beta coefficient of the conditional conservatism, which usually might be interpreted as affecting the related variable, the factors that might be affecting the significant value to be amounting to less than 0.05 is the proportion of the controlling shareholders itself, and the non-existence of the other supported variables that had concluded and explained by the prior research, Lin et al. (2018).

**The Role of Controlling Shareholders on the Relationship between Unconditional Conservatism and Cash Holdings**

As well as the result of the controlling shareholders on the relationship between conditional and cash holdings, the analysis results also indicate that there is no weakens effect of controlling shareholders on the relationship between unconditional conservatism and cash holdings.

This conclusion obtained from the results of the significance value from the T-test analysis, which is amounting to 0.904, while the required value of significance for the variables on the T-test to be concluded as an affecting variable to the dependent variable is 0.05. There is also an increasing change on the beta coefficient of the unconditional conservatism, but the significance value is not enough. Therefore, the conclusion is that there is no weakens effect of the controlling shareholders on the relationship between unconditional conservatism and cash holdings, since there is no influence effect found on the relationship between unconditional conservatism and cash holdings itself from the previous hypothesis findings.

**CONCLUSIONS AND LIMITATION**

This study examines the effect of accounting conservatism on cash holdings. The accounting conservatism used in this study is both conditional conservatism and unconditional conservatism. In addition, controlling shareholders is used as a moderating variable, which aims to examine whether it has weakens effect on the relationship between both unconditional conservatism and conditional conservatism on cash holdings. This study uses a sample from banking companies listed in Indonesian Stock Exchange (IDX) within the period on 2018 until 2020. The author took the related period in order to have the latest or most recent complete of data.

Furthermore, the results of the research can be concluded that the conditional conservatism positively affects cash holdings. The conclusion is based on the findings of the data analysis from the regression model. However, the results of the H1 support with the findings of the previous studies of this study, Lin et al. (2018), that indicates that conditional conservatism enhance the cash holdings of a company. Meanwhile, the unconditional conservatism does not have a positive effect on cash holdings. The indicators of unconditional conservatism are different than the conditional conservatism. However, the results of the data analysis from the regression model does not support the H2 determined. The role of controlling shareholders does not weaken the relationship between conditional conservatism and cash holdings. Evidently, the rights of controlling shareholders based on the calculation of their ownership do not weaken the relationship between cash holdings and conditional conservatism. Also, the role of controlling shareholders does not weaken the relationship between cash holdings and unconditional conservatism. This conclusion is consistent with the results of the role of controlling shareholders on the relationship between cash holdings and conditional conservatism. However, according to Lin et al. (2018), ignoring the essential

importance of controlling shareholders might lead to misunderstandings regarding their affect towards the affecting role of accounting conservatism on cash holdings.

However, while conducting this study, the author realizes that this study also has several weaknesses and limitations. There are several companies that have not issued the complete financial reporting in Indonesia Stock Exchange (IDX) within the required research period of 2018-2020. Moreover, this research is far from perfect. Therefore, it still needs further improvements. Based on the limitations identified, the suggestion can be given for the further research with the related topic, which the further research is expected to include additional variable other than controlling shareholders to identify other factors influencing the relationship between cash holdings and accounting conservatism. The further research is also suggested to contribute other company sectors used, so the results obtained can be more relevant, and to increase the number of samples by expanding the research period.

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