The Impact of Short-Term Debt Maturity and Institutional Ownership on Accounting Conservatism

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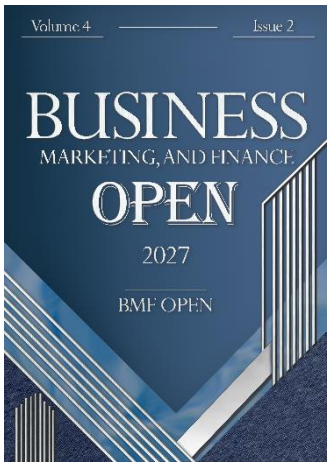

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Abstract: The present study investigates the impact of short-term debt maturity and institutional ownership on accounting conservatism. To achieve this objective, data from 100 companies listed on the Tehran Stock Exchange were collected for a ten-year period, from the beginning of 2010 to the end of 2019. The research variables were calculated, and the required statistical analyses were performed. The study employs a descriptive-correlational research design and an empirical, ex post facto approach. To test the research hypotheses, multiple linear regression based on pooled data was utilized, and the hypotheses were examined through statistical and econometric methods. The findings indicate that short-term debt maturity has a positive and significant effect on accounting conservatism. However, short-term debt maturity does not have a significant effect on accounting conservatism in financially distressed firms. The results further reveal that institutional ownership has a positive and significant effect on accounting conservatism, while institutional ownership has a negative and significant effect on short-term debt maturity.

Keywords: Short-Term Debt Maturity, Institutional Ownership, Accounting Conservatism.

1. Introduction

Accounting conservatism has long been regarded as one of the central qualitative orientations of financial reporting because it shapes how uncertainty, risk, losses, and gains are recognized in corporate financial statements. In a broad sense, conservatism reflects a cautious reporting attitude under which expected losses are recognized more quickly than expected gains, thereby limiting managerial discretion in overstating assets, income, or firm value. This reporting orientation becomes especially important in capital markets where investors, creditors, regulators, and other stakeholders rely on accounting numbers to evaluate firm performance, assess risk, and make contracting decisions. The relevance of conservatism has increased in recent years because firms operate under more complex financing structures, volatile market conditions, innovation pressures, and intensified demands for transparency. Prior studies have shown that accounting conservatism is closely connected with earnings quality, risk perception, market discipline, and the credibility of financial information [1-3].

From the perspective of financial reporting quality, conservatism is not merely an accounting convention but also a governance and contracting mechanism. By requiring more verifiable evidence for the recognition of good news than bad news, conservative accounting can reduce information asymmetry between managers and external

stakeholders. This feature is particularly important when managers possess superior private information and may have incentives to delay the recognition of unfavorable outcomes. In such settings, conservative reporting can discipline managerial behavior, reduce opportunistic earnings management, and increase the reliability of accounting numbers. Recent research has emphasized that accounting conservatism is associated with earnings quality and that the degree of conservatism may vary depending on managerial characteristics, governance structures, and ownership arrangements [4-6].

Accounting conservatism also has significant implications for corporate performance and firm value. On one hand, conservative reporting may protect stakeholders by preventing overvaluation and reducing the likelihood of misleading financial statements. On the other hand, excessive conservatism may understate current performance and constrain managerial flexibility, especially in firms pursuing long-term investment and innovation. This dual role explains why the consequences of conservatism remain a major issue in accounting and finance research. Studies have linked conservatism to firm performance, stock market reactions, investment efficiency, and the probability of stock price crashes, suggesting that conservative reporting influences both internal decision-making and external valuation processes [3, 7-9]. In emerging and developing markets, where corporate governance mechanisms may be less mature and investor protection may vary across firms, the informational role of conservatism becomes even more salient.

One important stream of research examines the relationship between conservatism and corporate debt. Debt contracts create a natural demand for conservative reporting because creditors are more concerned with downside risk than with upside potential. When firms use debt financing, especially in environments characterized by agency conflicts between shareholders and creditors, conservative accounting can protect lenders by facilitating earlier recognition of losses and by triggering timely renegotiation or monitoring. Debt covenants, leverage, credit risk, and liquidity constraints may therefore influence the extent to which firms adopt conservative accounting practices. Empirical studies have shown that debt covenants, leverage, litigation risk, and credit risk management are associated with variations in accounting conservatism and financial performance [10-13].

Debt maturity is an especially important dimension of corporate financing because it determines the timing of repayment obligations, the frequency of creditor monitoring, and the degree of refinancing pressure faced by firms. Short-term debt maturity can increase creditor discipline by forcing firms to return frequently to the capital market or banking system for renewal and refinancing. This can reduce managerial discretion and encourage more timely disclosure of unfavorable information. At the same time, short-term debt may expose firms to liquidity risk and refinancing uncertainty, especially when market conditions deteriorate or when firms experience financial distress. Therefore, the relationship between short-term debt maturity and accounting conservatism is theoretically meaningful but empirically complex. Prior research on debt maturity, ownership concentration, and investment efficiency suggests that debt structure can influence corporate reporting incentives and managerial investment behavior [9, 14, 15].

The link between debt maturity and conservatism is also shaped by broader capital market and regulatory conditions. Bond market liberalization, leverage regulation, and capital structure determinants can alter firms' financing choices and their incentives to provide credible information to creditors and investors. When capital markets become more competitive or when regulatory constraints affect leverage, firms may respond by adjusting both financing policies and reporting practices. Evidence from recent studies indicates that financial regulation, bond market development, and leverage-related policies influence innovation, conservatism, and corporate

financing behavior [16-18]. These findings imply that debt maturity should not be viewed simply as a balance-sheet classification; rather, it is part of a broader financial contracting system that can shape accounting choices.

Institutional ownership is another key factor that may affect accounting conservatism. Institutional investors usually hold larger ownership stakes, possess greater analytical capacity, and have stronger incentives to monitor managerial behavior compared with dispersed individual shareholders. Their presence can improve corporate governance by reducing agency conflicts, increasing demand for transparent reporting, and pressuring managers to adopt higher-quality accounting practices. Several studies have directly examined the effects of institutional ownership, managerial ownership, board characteristics, and ownership structure on accounting conservatism, showing that ownership arrangements are important determinants of reporting behavior [8, 13, 19, 20]. In this respect, institutional ownership can operate as an external governance mechanism that either strengthens conservative reporting or substitutes for it, depending on the monitoring environment.

The effect of ownership on conservatism, however, is not uniform across contexts. In some firms, concentrated or institutional ownership may increase monitoring quality and demand for timely loss recognition. In other firms, powerful owners may exert private control benefits and influence reporting choices in ways that reduce transparency. Studies on controlling shareholders, share pledging, family ownership, foreign ownership, and ownership concentration indicate that ownership identity and incentives matter for financial reporting outcomes [9, 21-23]. For example, foreign ownership may increase demand for high-quality reporting under uncertainty, whereas controlling shareholders may influence reporting conservatism depending on their risk exposure and governance incentives. Therefore, examining institutional ownership in relation to accounting conservatism is necessary for understanding whether institutional investors function as effective monitors in a given capital market.

Financial distress introduces another important layer to the analysis. Firms facing financial distress are exposed to heightened liquidity constraints, covenant pressures, operational instability, and potential conflict among shareholders, managers, and creditors. Under distress conditions, managers may have stronger incentives to manipulate earnings, defer loss recognition, or present a more favorable financial position to avoid covenant violations or preserve access to financing. Conversely, creditors and investors may demand more conservative reporting precisely because distress increases the risk of default and asset impairment. Prior research has identified financial distress, leverage, profitability, political cost, and debt covenants as important determinants of accounting conservatism, particularly in sectors where financial risk is high [24-27]. Thus, the role of short-term debt maturity in shaping conservatism may differ between financially distressed and non-distressed firms.

Corporate governance mechanisms also interact with market-based risks. Recent literature has connected accounting conservatism with stock price crash risk, corporate misconduct, and stock price breakdown, indicating that conservative reporting may help mitigate the delayed accumulation of bad news. When managers withhold negative information, stock prices may become inflated and later experience sharp declines when hidden risks are revealed. Conservative accounting can reduce such risks by encouraging earlier loss recognition and more cautious performance measurement. This is especially relevant in markets where governance mechanisms are developing and where investors rely heavily on financial statements for risk assessment [3, 28, 29]. Accordingly, accounting conservatism may be viewed as both a reporting principle and a risk-control mechanism.

The relationship between conservatism and investment or innovation is also relevant to the present study. Conservative accounting can affect investment efficiency by limiting overinvestment in negative net present value projects and by improving the credibility of information used in capital allocation. However, it may also influence innovation-related decisions because conservative recognition rules can affect reported earnings, managerial risk-

taking, and external financing conditions. Recent evidence suggests that conservatism plays a meaningful role in corporate innovation and investment efficiency, while environmental and low-carbon transitions may further intensify the importance of reliable reporting in capital-intensive industries [9, 30, 31]. Therefore, debt maturity and ownership structure may influence conservatism not only through monitoring channels but also through their effects on investment and financing discipline.

In addition, accounting conservatism should be understood within the broader context of corporate governance, capital structure, and financial performance. Firms' governance quality, capital structure decisions, and reporting policies are often interdependent rather than isolated decisions. Good corporate governance can reduce agency conflicts, capital structure can shape monitoring intensity, and conservative accounting can improve the credibility of financial reports used by creditors and investors. Studies on corporate governance, capital structure, accounting conservatism, and financial performance indicate that these variables jointly contribute to firm outcomes and stakeholder confidence [5, 32, 33]. This interdependence provides a strong rationale for examining short-term debt maturity and institutional ownership simultaneously rather than treating them as separate determinants of conservatism.

Despite the growing body of international evidence, further research is needed in emerging capital markets where financing constraints, ownership concentration, institutional investor behavior, and disclosure practices may differ from those in developed economies. Firms listed on the Tehran Stock Exchange operate in a context where debt financing, ownership structure, inflationary pressures, regulatory conditions, and information asymmetry can shape financial reporting incentives in distinctive ways. Prior international studies have examined conservatism in relation to debt covenants, ownership, distress, governance, market uncertainty, and financial performance, but the combined effect of short-term debt maturity and institutional ownership on accounting conservatism remains an important empirical issue, particularly when financial distress is considered as a condition that may alter reporting incentives [10, 19, 23, 25].

Accordingly, the conceptual logic of the present study is based on the view that short-term debt maturity can increase creditor monitoring and demand for timely loss recognition, while institutional ownership can strengthen governance oversight and influence managerial reporting behavior. At the same time, financial distress may weaken or alter these relationships because distressed firms face stronger incentives to manage reported performance and avoid adverse contractual consequences. The study therefore contributes to the literature by integrating debt maturity, institutional monitoring, and financial distress into a single empirical framework for explaining accounting conservatism. This integration is consistent with recent research emphasizing that accounting conservatism is shaped by ownership characteristics, debt structure, governance mechanisms, uncertainty, and firm-level financial conditions [4, 13, 16, 21].

The aim of this study is to examine the effect of short-term debt maturity and institutional ownership on accounting conservatism in companies listed on the Tehran Stock Exchange, while also assessing the role of financial distress in the relationship between short-term debt maturity and accounting conservatism.

2. Methodology

Based on their nature and method, scientific studies can be divided into five categories: historical, descriptive, correlational or associative, causal or ex post facto, and experimental studies. The research method is described from three different perspectives as follows:

Since this study seeks to identify significant relationships among the research variables and also examines the extent of changes in the dependent variable in relation to changes in the independent variables, it falls within the category of descriptive-correlational research. Therefore, in terms of nature and content, the research method is correlational, and the effect of the independent variables on the dependent variables is examined using an ex post facto approach.

In terms of the type of research activity and objective, the present study is applied research, using real data and various statistical methods to reject or fail to reject the hypotheses. It is also classified within the scope of descriptive-correlational research.

This study is conducted within the framework of ex post facto research. This means that the theoretical foundations and research background are examined through library studies, articles, and websites using a deductive approach, while the collection of information to confirm or reject the hypotheses follows an inductive approach.

In any study, obtaining real data in accordance with the research objectives is of fundamental importance. In this study, the library method was used to examine the theoretical foundations and review the research background, drawing on specialized Persian and Latin books and articles, as well as theses and dissertations. Since the information related to the variables of this study includes many accounting items reported in the audited financial statements of banks, the required data were manually extracted from financial statements available on the websites of the Research, Development, and Islamic Studies Management affiliated with the Securities and Exchange Organization at www.rdis.ir, the CODAL network and the Comprehensive Publishers' Information System at www.codal.ir, the Iran Financial Information Processing Center at www.fipiran.com, and compact discs of the Securities and Exchange Organization. These sources appear to have greater validity than other available sources. In addition, other required information related to banks' financial statements was collected from the Tehran Stock Exchange database and Rahavard Novin software in PDF and Excel formats.

Subsequently, descriptive statistical methods such as mean, variance, and quartiles were used to describe the general distribution status of the research data. Finally, the formulated hypotheses were tested using multivariate linear regression, the Durbin–Watson test, the Limer F-test, the Hausman test, Fisher's F-test, the coefficient of determination, and the adjusted coefficient of determination. The main data analysis methods are as follows.

1. Descriptive statistics were performed to examine the general status and overall representation of the variables based on dispersion indices.
2. The Jarque–Bera test was used to examine the normality of the error terms of the hypothesis-testing models.
3. The absence of multicollinearity was tested by examining the lack of multicollinearity among the independent and control variables based on tolerance and variance inflation factor indices.
4. The absence of heteroscedasticity was tested using the White test to examine the homogeneity of variances.
5. The Chow test was used to select panel data versus pooled data.
6. The Hausman test was used to select the fixed-effects method versus the random-effects method.
7. Multivariate regression was performed.

The statistical population, or spatial scope, includes companies active on the Tehran Stock Exchange from the beginning of 2010 to the end of 2019 for a period of five years. To achieve reliable results, companies that were listed on the stock exchange after 2010 or were delisted during the research period were not included in the statistical population. In addition, systematic elimination was used to obtain the desired statistical sample, and finally, 100 companies were selected as the sample.

The mathematical models of the formulated hypotheses were defined based on the model used in the study by Khurana and Wang (2018), as follows.

First hypothesis model

$$H1: NI = \beta_0 + \beta_1 NEG + \beta_2 MB + \beta_3 LEV + \beta_4 SIZE + \varepsilon$$

Second hypothesis model

$$H2: NI = \beta_0 + \beta_1 NEG + \beta_2 ST + \beta_3 NEG * ST + \beta_4 MB + \beta_5 LEV + \beta_6 SIZE + \varepsilon$$

Third hypothesis model

$$H3: NI = \beta_0 + \beta_1 INST + \beta_2 MB + \beta_3 LEV + \beta_4 SIZE + \varepsilon$$

$$\mathrm{RET_t} \times \mathrm{NEG_t} + \in$$

Fourth hypothesis model

$$H4: NEG = \beta_0 + \beta_1 INST + \beta_2 MB + \beta_3 LEV + \beta_4 SIZE + \varepsilon$$

In the mathematical relationships related to testing the research hypotheses, the variables used are operationally defined as follows.

Dependent Variable

Accounting Conservatism (NI)

In this study, accounting conservatism was calculated using the modified Basu (1997) model, which is computed as follows:

$$NI_{i,t} = \beta_1 + \beta_2 NEG_{i,t} + \beta_3 RET_{i,t} + \beta_4 NEG * RET_{i,t} + \varepsilon_{i,t}$$

Independent Variables

Short-Term Debt Maturity (NEG)

In this study, short-term debt maturity is equal to the ratio of short-term debt to total debt.

Institutional Ownership (INST)

In this study, institutional ownership is equal to the percentage of shares held by institutional investors.

Financial Distress (ST)

In this study, financial distress was measured using the Altman (1998) model, which is as follows:

$$\mathrm{z} = \alpha + 0.012\ \mathrm{WCTA} + 0.14\ \mathrm{ROA} + 0.033\ \mathrm{EBTA} + 0.006\ \mathrm{MVTD} + 0.999\mathrm{STA}$$

In this relationship:

$$WCTA = \frac{\text{Working capital}}{\text{Total assets}}$$

$$ROA = \frac{\text{Earnings}}{\text{Total assets}}$$

$$EBTA = \frac{\text{Earnings before interest and taxes}}{\text{Total assets}}$$

$$MVTD = \frac{\text{Market value of equity}}{\text{Book value of total debt}}$$

$$STA = \frac{\text{Sales revenue}}{\text{Total assets}}$$

Control Variables

Market-to-Book Ratio of Equity (MB)

This ratio can be calculated using the following formula:

$$MB = \frac{\text{Number of shares} \times \text{Market value in each year}}{\text{Common shareholders' equity}}$$

Financial Leverage (LEV)

Financial leverage is the book value of total debt divided by the book value of total assets.

Firm Size (SIZE)

Firm size is equal to the natural logarithm of the market value of equity.

Stock Return (RET)

Stock return is calculated using the following relationship:

RET = Effects of cash dividends and the difference between stock prices at the beginning and end of the year

3. Findings and Results

The descriptive statistics of the research variables are shown in Table 1. This table presents a summary of the central tendency indices of the variables, including mean and median, as well as dispersion indices, including standard deviation, maximum, and minimum, separately for each variable.

Table 1. Descriptive Statistics of the Research Variables During the Study Period

Variable	Symbol	Mean	Median	Maximum	Minimum	Standard Deviation	Observations
Institutional shareholders	INST	0.130	0.115	0.501	0.065	0.054	1000
Market-to-book ratio	MB	2.545	2.727	4.909	1.091	0.123	1000
Short-term debt maturity	NEG	0.151	0.145	0.338	0.075	0.029	1000
Financial leverage	LEV	0.630	0.662	0.888	0.291	0.235	1000
Financial distress	ST	2.027	2.960	5.758	1.124	2.914	1000
Firm size	SIZE	13.339	13.234	20.369	7.754	2.001	1000
Accounting conservatism	NI	0.202	0.181	3.553	0.058	0.116	1000

As a prerequisite for statistical tests to produce valid results, it is necessary to ensure the normality of the statistical distribution of the dependent variables. For this purpose, the Jarque–Bera test was used in the EViews software environment to examine the normality of the statistical distribution of the dependent variables. The statistical distribution of this test is as follows:

H_0:The statistical distribution of the dependent variables is normal.

H_1:The statistical distribution of the dependent variables is not normal.

The results of this test are presented in Table 2.

Table 2. Results of the Normality Test of the Statistical Distribution of the Dependent Variables

Variable Name	Symbol	Jarque–Bera Statistic	Probability of Jarque–Bera Statistic
Short-term debt maturity	NEG	943.800	0.091
Accounting conservatism	NI	541.499	0.072

Since the probability of the Jarque–Bera statistic for the statistical distribution of the dependent variables is greater than the 5% error level, $H_0$is confirmed, indicating that the statistical distribution of these variables is normal.

Stationarity means that the mean and variance of the variables over time, as well as their covariance across different years, remain constant. For this purpose, the Levin, Lin, and Chu test was used, and the results are shown in Table 3. The statistical distribution of this test is as follows:

H_0:The variable data are not stationary.

H_1:The variable data are stationary.

Table 3. Stationarity Test of the Research Variables

Variable Name	Symbol	Levin, Lin, and Chu Statistic	Probability of Levin, Lin, and Chu Statistic
Accounting conservatism	NI	-38.062	0.0000
Short-term debt maturity	NEG	-18.862	0.0000
Financial distress	ST	-18.866	0.0000
Interaction between short-term debt maturity and financial distress	NEGST	-12.714	0.0000
Institutional shareholders	INST	-18.867	0.0000
Market-to-book ratio	MB	-23.997	0.0000
Financial leverage	LEV	-30.334	0.0000
Firm size	SIZE	-28.352	0.0000

Based on the obtained results, it was concluded that the research variables were stationary during the study period, because the probability of the Levin, Lin, and Chu test statistic for all variables was less than the 5% error level.

The results of examining the absence of multicollinearity among the research variables are shown in Table 4. If tolerance is smaller than 0.2 or the variance inflation factor does not fall within the range of 1 to 5, it can be concluded that multicollinearity is likely.

Table 4. Results of the Examination of Multicollinearity Among the Research Variables

Independent and Control Variables	Symbol	Tolerance	Variance Inflation Factor
Financial distress	ST	0.495	2.185
Interaction between short-term debt maturity and financial distress	NEGST	0.448	2.513
Institutional shareholders	INST	0.481	2.020
Market-to-book ratio	MB	0.513	2.096
Financial leverage	LEV	0.461	2.041
Firm size	SIZE	0.467	2.034

Since the tolerance value for all variables is greater than 0.2 and the variance inflation factor is less than five, it can be concluded that there is no multicollinearity among the research variables.

In multivariate linear regression analysis, this problem arises when the classical assumption of equal variance of the error terms does not correspond to reality. The existence of a relationship between the variance of the error terms and one of the independent variables is only one of the factors that violates the assumption of equal variance of the error terms. In the present study, the White test was used to detect heteroscedasticity, and the results are presented in Table 5. The statistical distribution of this test is as follows:

H_0:Homoscedasticity

H_1:Heteroscedasticity

Table 5. Examination of Heteroscedasticity of the Research Variables

Test Name	Hypothesis	Test Statistic	Degrees of Freedom	Probability of Test Statistic
White	First	2.361	(4,422)	0.0903
White	Second	2.907	(4,412)	0.0633
White	Third	3.110	(4,711)	0.0815
White	Fourth	3.649	(4,625)	0.0713

The obtained results indicate that the probability value of this test is greater than the 0.05 error level. Therefore, the results indicate homoscedasticity, and it was observed that there is no heteroscedasticity problem.

Before testing the research hypotheses, the appropriate regression model was selected. In the first stage, the Limer F-test was used to select pooled data versus panel data.

The hypotheses related to this test are specified as follows:

H_0:Acceptance of pooled data

H_1:Acceptance of panel data

The result of this test is shown in Table 6.

Table 6. Results of the Limer F-Test

Test Name	Hypothesis	Test Statistic	Degrees of Freedom	Probability of Test Statistic
Limer F-test	First	14.832	(77,696)	0.0000
Limer F-test	Second	14.219	(77,517)	0.0000
Limer F-test	Third	10.694	(89,601)	0.0000
Limer F-test	Fourth	20.422	(89,652)	0.0000

According to the data in the above table, the probability value of the Limer F-test statistic is less than the 5% error level. Therefore, the appropriate model for the research hypotheses is the panel data method. Since the panel data model was selected over the pooled data model, the Hausman test was used to select the fixed-effects model versus the random-effects model for conducting panel data regression.

The hypotheses related to this test are specified as follows:

H_0:Use of the random-effects method

H_1:Use of the fixed-effects method

The result of this test is shown in Table 7.

Table 7. Results of the Hausman Test

Test Name	Hypothesis	Test Statistic	Degrees of Freedom	Probability of Test Statistic
Hausman	First	14.578	6	0.0000
Hausman	Second	16.630	6	0.0000
Hausman	Third	13.105	6	0.0000
Hausman	Fourth	13.783	6	0.0000

As shown, the probability value of the Hausman test statistic is less than the 5% error level. Therefore, the use of the fixed-effects model over the random-effects model is confirmed for the research hypotheses.

The fixed-effects regression model for this hypothesis is shown in Table 8.

Table 8. Fixed-Effects Regression Model for the First Hypothesis

Variables	Symbol	Regression Coefficients	t-Statistic	Probability of t-Statistic
Constant	C	-0.009	-1.200	0.2303
Short-term debt maturity	NEG	0.351	3.586	0.0004
Institutional shareholders	INST	-0.0008	-0.358	0.7198
Market-to-book ratio	MB	0.005	0.280	0.7788
Financial leverage	LEV	0.292	5.195	0.0000
Firm size	SIZE	5.605	6.189	0.0000

Coefficient of Determination	Adjusted Coefficient of Determination	Durbin–Watson	F-Statistic	Probability of F-Statistic

0.503	0.415	1.988	5.382	0.0000

The results obtained from the above table indicate that short-term debt maturity has a positive and significant effect on accounting conservatism. First, the sign of the regression coefficient of the relevant variable (0.351) is positive, and second, the probability value of its t-statistic (0.0004) is less than the 5% error level. Therefore, the first research hypothesis is confirmed at the 95% confidence level. Based on the adjusted coefficient of determination of the model, approximately 42% of the changes in the dependent variable, considering the effects of the control variables, can be explained by the changes in the explanatory variables predicted in the model. The Durbin–Watson test was used to examine autocorrelation among the research variables. Since its value falls within the optimal range of 1.5 to 2.5, this indicates that the correlation among the variances of the error terms does not have a serious effect, the error terms are independent, and the assumption of autocorrelation among the variables is rejected. Finally, the F-test was used to examine the significance of the model. Since the probability of this test statistic (0.0000) is less than the 5% error level, the significance of the fitted regression is confirmed. In other words, the overall linear regression is reliable.

The fixed-effects regression model for this hypothesis is shown in Table 9.

Table 9. Fixed-Effects Regression Model for the Second Hypothesis

Variables	Symbol	Regression Coefficients	t-Statistic	Probability of t-Statistic
Constant	C	-0.009	-1.200	0.2302
Long-term debt maturity	NEG	-0.291	-5.171	0.0000
Financial distress	ST	-0.0008	-0.358	0.7200
Interaction between short-term debt maturity and financial distress	NEGST	-0.005	-0.281	0.7787
Market-to-book ratio	MB	0.350	3.574	0.0004
Financial leverage	LEV	0.291	5.171	0.0000
Firm size	SIZE	0.003	0.033	0.9736

Coefficient of Determination	Adjusted Coefficient of Determination	Durbin–Watson	F-Statistic	Probability of F-Statistic
0.203	0.155	1.998	7.382	0.0000

The results obtained from the above table indicate that short-term debt maturity does not have a significant effect on accounting conservatism in financially distressed firms. First, the sign of the regression coefficient of the relevant variable (-0.0008) is negative, and second, the probability value of its t-statistic (0.7200) is greater than the 5% error level. Therefore, the second research hypothesis is rejected at the 95% confidence level. Based on the adjusted coefficient of determination of the model, approximately 16% of the changes in the dependent variable, considering the effects of the control variables, can be explained by the changes in the explanatory variables predicted in the model. The Durbin–Watson test was used to examine autocorrelation among the research variables. Since its value falls within the optimal range of 1.5 to 2.5, this indicates that the correlation among the variances of the error terms does not have a serious effect, the error terms are independent, and the assumption of autocorrelation among the variables is rejected. Finally, the F-test was used to examine the significance of the model. Since the probability of this test statistic (0.0000) is less than the 5% error level, the significance of the fitted regression is confirmed. In other words, the overall linear regression is reliable.

The fixed-effects regression model for this hypothesis is shown in Table 10.

Table 10. Fixed-Effects Regression Model for the Third Hypothesis

Variables	Symbol	Regression Coefficients	t-Statistic	Probability of t-Statistic

Constant	C	0.0006	0.321	0.7481
Institutional shareholders	INST	-0.355	-3.586	0.0005
Market-to-book ratio	MB	-0.0008	-0.358	0.7200
Financial leverage	LEV	0.292	5.195	0.0000
Firm size	SIZE	0.032	0.854	0.3933

Coefficient of Determination	Adjusted Coefficient of Determination	Durbin–Watson	F-Statistic	Probability of F-Statistic
0.603	0.535	1.921	9.382	0.0000

The results obtained from the above table indicate that institutional ownership has a negative and significant effect on accounting conservatism. First, the sign of the regression coefficient of the relevant variable (-0.355) is positive, and second, the probability value of its t-statistic (0.0004) is less than the 5% error level. Therefore, the third research hypothesis is confirmed at the 95% confidence level. Based on the adjusted coefficient of determination of the model, approximately 54% of the changes in the dependent variable, considering the effects of the control variables, can be explained by the changes in the explanatory variables predicted in the model. The Durbin–Watson test was used to examine autocorrelation among the research variables. Since its value falls within the optimal range of 1.5 to 2.5, this indicates that the correlation among the variances of the error terms does not have a serious effect, the error terms are independent, and the assumption of autocorrelation among the variables is rejected. Finally, the F-test was used to examine the significance of the model. Since the probability of this test statistic (0.0000) is less than the 5% error level, the significance of the fitted regression is confirmed. In other words, the overall linear regression is reliable.

The fixed-effects regression model for this hypothesis is shown in Table 10.

Table 10. Fixed-Effects Regression Model for the Fourth Hypothesis

Variables	Symbol	Regression Coefficients	t-Statistic	Probability of t-Statistic
Constant	C	0.0007	0.338	0.7350
Institutional shareholders	INST	-0.676	-12.071	0.0000
Market-to-book ratio	MB	0.613	6.284	0.0000
Financial leverage	LEV	-0.005	-0.271	0.7861
Firm size	SIZE	-7.001	-7.065	0.0000

Coefficient of Determination	Adjusted Coefficient of Determination	Durbin–Watson	F-Statistic	Probability of F-Statistic
0.433	0.405	1.991	8.346	0.0000

The results obtained from the above table indicate that institutional ownership has a negative and significant effect on short-term debt maturity. First, the sign of the regression coefficient of the relevant variable (-0.676) is positive, and second, the probability value of its t-statistic (0.0000) is less than the 5% error level. Therefore, the fourth research hypothesis is confirmed at the 95% confidence level. Based on the adjusted coefficient of determination of the model, approximately 41% of the changes in the dependent variable, considering the effects of the control variables, can be explained by the changes in the explanatory variables predicted in the model. The Durbin–Watson test was used to examine autocorrelation among the research variables. Since its value falls within the optimal range of 1.5 to 2.5, this indicates that the correlation among the variances of the error terms does not have a serious effect, the error terms are independent, and the assumption of autocorrelation among the variables is rejected. Finally, the F-test was used to examine the significance of the model. Since the probability of this test statistic (0.0000) is less than the 5% error level, the significance of the fitted regression is confirmed. In other words, the overall linear regression is reliable.

4. Discussion and Conclusion

The findings of the present study provide important evidence regarding the determinants of accounting conservatism and the role of financing and ownership structures in shaping financial reporting behavior. The first hypothesis examined the effect of short-term debt maturity on accounting conservatism. The results indicated that short-term debt maturity has a positive and significant effect on accounting conservatism. This finding suggests that firms relying more heavily on short-term debt tend to adopt more conservative accounting practices. One explanation for this relationship is that short-term debt increases the frequency of interactions between firms and creditors. Because firms must refinance or renegotiate debt obligations more frequently, managers face greater monitoring by lenders and are encouraged to provide timely and credible financial information. Accounting conservatism serves as a mechanism to reduce information asymmetry and reassure creditors regarding the firm's financial condition. Conservative reporting facilitates earlier recognition of potential losses and reduces the risk of overstatement of assets and earnings, thereby protecting creditors from opportunistic managerial behavior. The finding is consistent with the debt-contracting perspective, which argues that conservative accounting reduces agency conflicts between creditors and shareholders by improving the quality and reliability of accounting information. This result is aligned with prior studies emphasizing the role of debt-related mechanisms in promoting conservative financial reporting, including those of Abbas et al. [10], Qorynilova [11], Tamur [20], and Rosalina et al. [9]. Furthermore, evidence concerning debt regulation and financing discipline reported by Xu et al. [17], Fu et al. [16], and Na [14] provides additional support for the proposition that debt structures significantly influence corporate reporting incentives.

The second hypothesis investigated whether short-term debt maturity influences accounting conservatism in financially distressed firms. The results demonstrated that the interaction between short-term debt maturity and financial distress was not statistically significant. This finding suggests that the monitoring advantages associated with short-term debt are weakened or neutralized when firms experience financial distress. In distressed conditions, managers often face substantial pressure to maintain investor confidence, avoid covenant violations, secure refinancing opportunities, and preserve organizational legitimacy. Under such circumstances, the incentives to present favorable financial outcomes may offset the disciplinary effects of debt maturity. Consequently, short-term debt alone may not be sufficient to induce more conservative reporting among financially distressed firms. Another possible explanation is that distressed firms are subject to multiple competing pressures from creditors, shareholders, regulators, and management, resulting in reporting behaviors that are less predictable than those observed in financially healthy firms. This finding is broadly consistent with studies emphasizing the complex relationship between financial distress and conservatism, including Putri et al. [24], Purnamasari and Tashya [25], Setyanto et al. [13], and Yanadewi and Laela [26]. Research by Hussain and Rasheed [12] also suggests that financial risk factors may alter the effectiveness of governance and monitoring mechanisms. The absence of a significant relationship indicates that financial distress introduces a layer of complexity that weakens the direct influence of debt maturity on accounting choices.

The third hypothesis assessed the relationship between institutional ownership and accounting conservatism. The results revealed a significant association between institutional ownership and accounting conservatism. Institutional investors are generally characterized by greater expertise, access to information, and monitoring capabilities than individual shareholders. Their substantial investments create incentives to oversee managerial actions and demand higher-quality financial reporting. Through active monitoring and governance engagement,

institutional investors can reduce managerial opportunism and encourage transparent reporting practices. Consequently, firms with greater institutional ownership may exhibit stronger tendencies toward conservative accounting because such reporting reduces information asymmetry and enhances the credibility of financial statements. The present finding supports the argument that ownership structure constitutes a critical governance mechanism influencing accounting behavior. Similar conclusions have been reported by Rustiarini et al. [19], Tamur [20], Widati et al. [8], and Setyanto et al. [13]. Additional evidence from studies examining ownership characteristics and governance mechanisms further reinforces this interpretation. For example, Kim and An [23] demonstrated the significance of ownership structures in shaping accounting conservatism under uncertain environments, while Liew and Cao [5] emphasized the role of governance quality in promoting conservative reporting. Likewise, Salehi et al. [6] highlighted the importance of governance mechanisms in constraining managerial discretion and improving reporting quality.

The fourth hypothesis examined the effect of institutional ownership on short-term debt maturity. The findings indicated that institutional ownership has a significant negative effect on short-term debt maturity. This result suggests that firms with greater institutional ownership tend to rely less on short-term debt financing. A plausible explanation is that institutional investors serve as effective monitoring agents, reducing the need for creditors to rely on debt maturity as a disciplinary mechanism. When governance quality is strengthened through institutional ownership, lenders may perceive lower agency risks and may be more willing to provide long-term financing. Consequently, firms with strong institutional monitoring can access financing structures characterized by longer maturities. Another explanation relates to the strategic preferences of institutional investors, who often emphasize long-term value creation, sustainable growth, and financial stability. Such investors may discourage excessive dependence on short-term debt because it increases refinancing risk and financial vulnerability. This finding is consistent with governance-based explanations of capital structure and financing decisions reported by Ahmadi et al. [18], Wibowo et al. [32], Nurhayati et al. [33], and Rosalina et al. [9]. Furthermore, studies examining ownership concentration and shareholder influence, including those by Avabruth et al. [21], Sari et al. [22], and Kim and An [23], support the notion that ownership characteristics significantly influence financing policies and risk-management strategies.

Beyond the individual hypotheses, the findings collectively highlight the interconnected nature of accounting conservatism, ownership structure, and financing decisions. Accounting conservatism appears to function as an important governance mechanism that responds to both creditor monitoring and shareholder oversight. The positive association between short-term debt maturity and conservatism indicates that debt contracts create incentives for timely recognition of losses and more prudent reporting. Simultaneously, the significance of institutional ownership demonstrates that external governance mechanisms can shape reporting behavior by influencing managerial incentives and monitoring intensity. These findings are consistent with the broader literature emphasizing conservatism as a response to agency conflicts and information asymmetry [1, 4, 27]. The results also support the argument that conservatism contributes to higher reporting quality and stronger stakeholder confidence by improving the credibility of financial information.

The findings additionally contribute to the growing literature on the economic consequences of accounting conservatism. Previous studies have demonstrated that conservatism influences corporate innovation, investment efficiency, earnings quality, market valuation, and stock market outcomes [3, 4, 30]. Conservative reporting reduces uncertainty surrounding firm performance and enables investors and creditors to make more informed decisions. Research by Hamad [7] suggests that conservatism can improve corporate performance, while Rudiawarni et al. [2]

and Talawa and Badwan [29] show that conservatism may influence market reactions and stock-related risks. Furthermore, Yang and Liu [28] demonstrated that conservatism serves as a corrective mechanism in environments characterized by corporate misconduct. Therefore, the present findings extend existing knowledge by demonstrating that debt maturity and institutional ownership are important antecedents of conservative reporting in an emerging market context.

The results also have implications for understanding how conservatism operates within broader regulatory and institutional environments. Research has shown that accounting conservatism is affected by policy uncertainty, market liberalization, environmental pressures, ownership characteristics, and financial reporting standards [15, 16, 23, 31]. These external influences shape managerial incentives and stakeholder expectations regarding financial reporting. The present study suggests that internal governance mechanisms and financing arrangements remain critical determinants of conservatism even within such complex institutional environments. In particular, the findings indicate that both creditors and institutional investors play important roles in promoting prudent financial reporting practices.

Overall, the findings support agency theory, debt-contracting theory, and governance-based explanations of accounting conservatism. Agency theory predicts that conflicts among managers, shareholders, and creditors create demands for monitoring mechanisms capable of reducing information asymmetry. Debt-contracting theory argues that conservatism protects creditors by facilitating timely recognition of losses, while governance theory emphasizes the monitoring role of institutional investors. The empirical results largely support these theoretical perspectives by demonstrating that both debt maturity and institutional ownership influence conservative reporting behavior, although financial distress weakens the disciplinary effect of short-term debt. Collectively, the findings provide a more comprehensive understanding of the factors shaping accounting conservatism and contribute to the growing international literature on financial reporting quality, corporate governance, and capital structure decisions [3, 5, 19, 28].

One limitation of this study is that it focuses exclusively on companies listed on the Tehran Stock Exchange, which may limit the generalizability of the findings to other institutional and regulatory environments. In addition, the study relies on archival financial statement data and quantitative measures of conservatism, debt maturity, and ownership structure, which may not fully capture managerial motivations or governance dynamics. Another limitation concerns the possibility that macroeconomic conditions, industry-specific factors, and regulatory changes during the study period may have influenced the observed relationships.

Future research could extend the analysis by comparing financial and non-financial industries, examining cross-country samples, or incorporating additional governance variables such as board independence, audit quality, managerial compensation, and ownership concentration. Researchers may also investigate nonlinear relationships between debt maturity and conservatism or explore whether economic crises, inflation, and policy uncertainty moderate these relationships. Qualitative approaches and mixed-method designs may provide deeper insights into the mechanisms through which institutional investors influence reporting behavior.

From a practical perspective, the findings suggest that managers should recognize the governance benefits of conservative financial reporting and adopt reporting policies that enhance transparency and credibility. Regulators and policymakers can encourage stronger institutional monitoring and improve disclosure requirements to reduce information asymmetry. Creditors may also consider accounting conservatism and ownership structure when evaluating credit risk and designing lending contracts. Strengthening governance mechanisms and promoting

prudent reporting practices can contribute to more efficient capital allocation, greater investor confidence, and improved financial market stability.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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