Does Capital Structure's Effect and Accounting Conservatism on Business Performance Mediated by Corporate Governance

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ABSTRACT

Financial performance is a crucial sign of a business's health that affects its stability and long-term viability. Good corporate governance is essential for transparent decision-making, preventing abuse, and maintaining investor and stakeholder trust. This study identifies a research gap related to The impact of the capital structure and accounting conservatism on financial performance, in relation to corporate governance acting as a moderator, especially in the transportation and logistics sector. Further research is needed to consider additional variables and more complex analysis methods. Using a quantitative approach and panel data analysis, this study examines how Between 2020 and 2022, the financial performance of Indonesian logistics and transportation enterprises is influenced by corporate governance, capital structure, and accounting conservatism. This investigation showed that Conservatism in accounting has no substantial effect on financial results. However, capital structure had a major adverse effect. (coefficient -0.58, P = 0.26; coefficient 0.03, P = 0.587). Despite the favorable effect of corporate governance (coefficient 0.281, P = 0.29), the results were not significant. This research is limited to the transportation and logistics sector, suggesting further exploration in other sectors and considering external factors that influence financial performance.

Keywords: The Transportation Sector, Corporate Governance, Financial Performance, Conservatism in Accounting, Capital Structure.

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INTRODUCTION

The financial results is a very important aspect because it has a direct impact on the sustainability and stability of the company (Putri & Mulyani, 2024; Suryaningtyas & Rohman, 2019; Wijayanti, 2015). This performance shows how well the business uses its resources to turn a profit, while also being a crucial sign of the business's financial stability. Therefore, understanding the various factors that can affect profitability, operational efficiency, and risk management is crucial (Lubis & Lufriansyah, 2024; Meutia, 2017). Solid financial performance is not only attractive to investors and shareholders, but also demonstrates the company's ability to grow and compete in an increasingly competitive market (Mukhlis et al., 2024; Nur Sahara & Rahadian, 2024).

Corporate governance relates to the various mechanisms, policies and structures implemented by a company to ensure that decision making is carried out in an open, equitable, and responsible way (Andani et al., 2024; Ardita & Marktanner, 2024). Good governance serves as a supervision to prevent abuse of authority by management and ensure that Other stakeholders' and shareholder rights are safeguarded. Because corporate governance anomalies frequently lead to financial crises, a decline in investor confidence, and even bankruptcy, research in this area is crucial. On the other hand, companies that implement good governance tend to have easier access to capital, increase company value, and strengthen investor confidence.

Results Tax Planning: Has no bearing on the company's worth of the business.Deferred Tax Expense: Does not affect the value of the business.Observing Conservatism: influences the business's worth since the implementation of conservative accounting standards gives a positive signal to investors. Simultaneous Impact: Accounting conservatism, deferred tax expenditure, and tax preparation all impact the company's worthat the same time (Fitriyana & Sholihin, 2024). In 2024, Kusuma and Napisah Independence of Commissioners: Independent commissioners have an impact on the bottom line as part of a sound corporate governance system. Accounting conservatism: impacts The business's financial success. Institutional ownership and The company's financial performance is unaffected by the capital of the board of directors. CSR's Impact on Firm Value Corporate social responsibility, or CSR, has a positive and significant impact on a company's value. The Impact of Corporate Governance and Profitability on CSR: CSR was also proven to benefit from profitability and corporate governance (Wahyudi and Tiffany, 2024). CSR's Mediating Role: CSR mediates the connection between corporate governance and firm value profitability. There is no discernible impact of good corporate governance on accounting conservatism. Accounting Conservatism and Sales Growth: Sales growth significantly undermines accounting conservatism. There is no discernible impact of capital intensity on accounting conservatism. Accounting conservatism's Mediating Role: The relationship between capital intensity, sales growth, and sound corporate governance is not mediated by accounting conservatism (Achyani & Armenian, 2024).

Impacted by operating expenses on operating income (BOPO), which means that low operational cost efficiency lowers ROA. Financial performance is not much impacted by The percentage of managerial ownership and independent commissioners, the frequency of audit committee meetings, or non-performing loans. Firm Size: The only control variable that has been shown to improve financial performance is firm size, suggesting that a larger company can boost profitability. How Earnings Quality Affects Firm Value business value is positively and significantly impacted by earnings quality, suggesting that high-quality earnings might raise investor perceptions of business value (Suhartono & Octaviani, 2021).

Accounting Conservatism's Impact on Earnings Quality: The quality of earnings is greatly and favorably impacted by accounting conservatism, meaning that careful financial reporting practices result in higher-quality profits. Accounting Conservatism's Direct Effect on Firm Value Accounting conservatism and firm value are not directly correlated. Accounting conservatism can indirectly increase firm value through earnings quality, according to the Sobel Test and route analysis, which show that earnings quality can serve as a mediator between accounting conservatism and company value. Financial Performance & Corporate Governance: A company's financial performance is positively and significantly impacted by corporate governance, suggesting that good governance enhances it. Corporate Governance on CSR: Good governance practices have a major and favorable impact on CSR and can strengthen an organization's social responsibility pledge. Financial performance is somewhat improved by corporate social responsibility (CSR), suggesting that it has minimal influence over it. The Mediating Role of CSR: Because it has little effect on financial performance, the relationship between corporate governance and financial performance cannot be mediated by CSR (Putri & Mulyani, 2024).

Accounting Conservatism and Financial Distress: Accounting conservatism is greatly and favorably impacted by financial hardship. This suggests that businesses that are in financial trouble typically practice greater accounting conservatism, maybe in an effort to lower unrealistic investor expectations. Conservatism in Accounting and Institutional Ownership: The lack of a discernible impact suggests that institutional ownership has little bearing on whether accounting conservatism is promoted or discouraged in businesses (Setiawan & Mariati, 2024). There is no discernible Capital intensity and accounting conservatism's link, suggesting that the amount of money spent in fixed assets has little bearing on how accounting conservatism is applied. The Effects on Earnings Quality of Intellectual Capital Disclosure and Accounting Conservatism: The results of the studies under review indicate that as they encourage more accurate and long-term financial reporting, implementing accounting conservatism and revealing intellectual capital can both raise the caliber of earnings. Good Corporate Governance's

Moderating Effect:The impact of accounting conservatism and intellectual capital on profits quality may be mitigated by GCG (Juliasnyah, 2021).

Since better oversight can stop profits manipulation, a high GCG tends to amplify the favorable impacts of intellectual capital and accounting conservatism on the quality of results. The Impact of Company Size on Company Value: There is a strong and negative correlation between a company's size and value, indicating that a firm's worth tends to decrease as it gets bigger. This may be due to the complexity of management or the increased risk that occurs in large companies. The Impact of Company Size on Capital Structure: Capital structure is positively and significantly impacted by company size. Larger companies typically possess more debt because they are better able to access capital markets with lower risk. The Impact of Capital Structure on Company Value: Businesses with the best debt-to-equity ratios can raise their market value, since capital structure has a positive and significant impact on company value. Capital C has the ability to mediate the relationship between company size and value, which means that capital structure has an indirect impact on firm size and value. The quality of earnings is positively and significantly impacted by accounting conservatism (Pagesti et al., 2020). Accordingly, businesses that use accounting conservatism typically generate higher-quality earnings. profits quality is positively and significantly impacted by profit growth as well, suggesting that strong profits growth is a prerequisite for high earnings quality. Capital Structure: Has no discernible impact on earnings quality, suggesting that the capital structure of the business has no direct bearing on the caliber of the profits produced.The last 10 years of studies have predominantly used limited variables, such as tax planning, tax avoidance, and profitability, thus excluding other factors that may affect firm value, such as firm size, leverage, and liquidity. In addition, the limited sample size and selection of samples from the LQ45 index may limit the generalizability of the results, which may not be representative of the entire population of companies in Indonesia. The three-year research period is also too short to detect long-term trends that could significantly affect business value, particularly during the COVID-19 pandemic, which has a big effect on firm performance. Furthermore, the multiple linear regression method that is often used also has limitations in capturing non-linear or complex relationships, so it may be less effective in identifying more dynamic interactions between variables in diverse industry contexts. In order to provide a more thorough Future studies might consider the use of more variables, longer observation periods, more representative samples, and methodologies that can capture non-linear and moderation relationships in order to better understand the factors determining firm value (Wijaya & Mu'arif, 2023).

The link between financial performance and corporate governance has been a major focus in many studies, where effective governance can directly improve financial performance. Strong corporate governance helps companies mitigate risks, monitor managerial decisions, and create control mechanisms that support better financial management. The application of accounting conservatism principles and proper capital structure management are becoming increasingly relevant, especially in the rapidly growing transportation and logistics sector in Indonesia. In this context, companies face major challenges in maintaining financial stability, especially related to the high dependence on debt for operational expansion.

Although many previous studies have examined the effects of Research on the effects of capital structure and accounting conservatism on financial performance is still ongoing gap where the results show inconsistencies. Some studies show a significant effect, while others find insignificant results. This indicates the need for a more in-depth empirical study of how accounting conservatism affects business performance. This research is very important, especially considering that companies in the transportation and logistics sector often have a highly leveraged capital structure to fund fixed assets such as vehicles and infrastructure. This high leverage can increase interest expenses and bankruptcy risk, which has the potential to reduce financial performance. In this contextit is anticipated that the adoption of sound corporate governance will lower risk by giving management a stronger framework for monitoring when they make decisions about investments and debt. By investigating the function of corporate governance as a mediator in the interaction between capital structure, financial performance, and accounting conservatism, this study aims to close the current gap.This study's goal is to investigate how capital structure and accounting conservatism affect the financial performance of transportation and logistics subsector companies listed on the Indonesia Stock Exchange between 2020 and 2022. Furthermore, this study will investigate if corporate governance acts as a relationship mediator. It is anticipated that the study's findings will support enhanced financial performance in this significant industry and offer insightful information for the creation of better management plans.This research is useful for companies in the field of logistics and transportation to understand the importance of capital structure in improving financial performance and encouraging the use of sound corporate governance, which has the potential to boost future stakeholder trust and transparency.

LITERATURE REVIEW

The Relationship Between Accounting Conservatism and Financial Performance

According to the study of Dewi and Hidayati, accounting conservatism has a significant and favorable impact on earnings management but no effect on financial performance. In the meantime, capital structure has a significant and negative influence on earnings management and financial success. On the other hand, financial success is positively and significantly impacted by earnings management. However, the impact of earnings management as a mediating variable on financial performance cannot be mitigated by either capital structure or accounting conservatism (Dewi & Hidayati, 2022).

Despite pointing out that more research with more variables and more comprehensive methodological approaches is necessary, contend that this study provides some initial understanding of the connection between capital structure, accounting conservatism, and corporate financial performance (Putri et al., 2022). Profitability has a significant positive impact on earnings management, while business size has no discernable effect. Furthermore, managerial ownership might lessen the effect that profitability and company size have on earnings management (Wardana et al., 2024).

The Board of Commissioners, Independent Commissioners, Audit Committee, and capital structure have no discernible effects on the performance of the company. The Board of Directors, on the other hand, has a beneficial effect, suggesting that their managerial function raises Return on Assets (ROA). Furthermore, the size of a company has an impact on its performance, indicating that larger companies are more likely to attain superior performance results (Diyani & Chairunisa's, 2018).

The Connection Between Financial Performance and Capital Structure

Financial difficulty is significantly impacted negatively by managerial ownership and the size of the board of directors (Manan & Hasnawati 2022). Financial difficulty is significantly impacted negatively by managerial ownership and the size of the board of directors, suggesting that greater managerial involvement and a larger board composition are associated with a reduced likelihood of financial difficulties. Similarly, institutional ownership also demonstrates a significant negative relationship with financial distress, implying its role in mitigating financial vulnerability. In contrast, There is no statistically significant effect found in the size of the board of commissioners, audit committee, or overall firm size, suggesting that these parameters have no direct bearing on the likelihood of financial difficulty in the enterprises under study (Manan & Hasnawati 2022).

The findings of Sari and Suwarno, reveal that business strategy significantly affects company performance, meaning that firms implementing appropriate strategic approaches are more likely to achieve superior performance outcomes. Meanwhile, accounting conservatism does not significantly impact company performance, indicating that conservative accounting practices may not always translate into enhanced financial results (Sari & Suwarno, 2020).

In the study by Herdianti et al., industry-level financial performance is found to have a positive and significant effect on firm value, implying that companies operating in financially strong industries tend to achieve higher market valuations. However, its effect on financial risk is negative but not statistically significant. Moreover, business size has a significant negative influence on firm value, suggesting that larger firms may be perceived as less valuable. Regarding financial risk, firm size exhibits a positive but insignificant effect, while Financial risk and firm value are not significantly impacted by corporate social responsibility (CSR) (Herdianti et al., 2024).

Accounting Conservatism's Impact on Corporate Governance

Suryaningtyas and Rohman assert that corporate governance positively affects business value, indicating that companies that follow sound governance practices typically fetch higher valuations. Furthermore, financial performance, as determined by ROE, or return on equity, has a favorable impact on company valuation as well, suggesting that the market values more profitable businesses more highly. Crucially, Financial performance acts as a mediator in the relationship between corporate governance and business value, suggesting that good governance raises financial performance, which in turn raises firm value (Suryaningtyas & Rohman, 2019).

The first model in a research by Wahyuningsih shows how the audit committee and institutional ownership have a good impact on the company's performance. According to the second model, the audit committee, institutional ownership, independent commissioners, and the board of commissioners all have a big say in how profits are managed. However, as earnings management has no discernible impact on business performance (GCG), the third model suggests that it does not serve as a mediator in the relationship between solid corporate governance and company performance. The survey also found that over 92% of enterprises that manufactured consumer goods employed earnings management techniques, mostly income smoothing techniques between 2010 and 2015 (Wahyuningsih, 2020).

The Impact of Capital Composition on Corporate Governance Mechanisms

Kodriyah et al. claim that environmental performance positively affects firm value, meaning that businesses that exhibit a high level of environmental responsibility are typically valued higher in the marketplace. On the other hand, company value does not seem to be greatly impacted by accounting conservatism, indicating that measurements of conservatism that are based on accruals or earnings do not strongly correspond with market valuation. The study's conclusions have applications for investors, highlighting how crucial it is to take a company's environmental responsibilities into account when assessing its overall worth and investment potential (Kodriyah et al., 2023).

Meanwhile, research by Amah et al. shows that capital structure negatively and significantly affects financial performance, meaning that a higher proportion of debt in a firm’s capital mix tends to reduce its financial outcomes. However, capital structure does not significantly influence earnings management, indicating that leverage levels do not directly drive managerial manipulation of earnings. Likewise, earnings management is found to having no discernible impact on financial results, suggesting that such practices are insufficient to substantially alter the company’s performance metrics. Additionally, earnings management fails to mediate the relationship between capital structure and financial performance, reinforcing the notion that debt-related impacts on performance occur independently of earnings manipulation behaviour (Amah et al., 2023).

Hypothesis

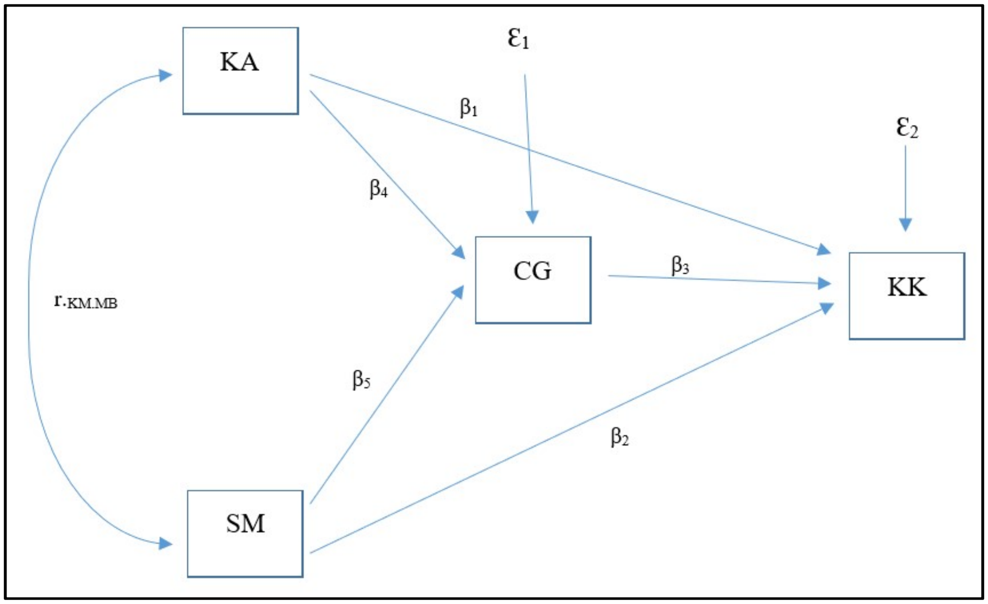

Figure 1. Conceptual Framework

Model 1, is used to test the influence of capital structure and accounting conservatism variables on corporate governance. The following is the equation model 1:

$$CG = \beta 4KA + \beta 5SM + \varepsilon 1$$

Model 2 is used to examine how corporate governance, capital structure, and accounting conservatism affect financial performance. The following is the equation model 2:

$$KK = \beta 1KA + \beta 2SM + \beta 3\ CG + \varepsilon 2$$

Information:

KA = Accounting Conservatism

SM = Capital Structure

CG = Corporate Governance

KK = Financial Performance

β1 = Path Coefficient of InfluenceAccounting Conservatism on Financial Performance

β2 = Path Coefficient of InfluenceCapital Structure on Financial Performance.

β3 = Path Coefficient of InfluenceCorporate Governanceon Financial Performance.

β4 = Path Coefficient of InfluenceAccounting Conservatism towards Corporate Governance.

β5 = Path Coefficient of InfluenceCapital Structure on Corporate Governance.

Ɛ1 = Other influencing factorsCorporate Governance

Ɛ2 = Other influencing factorsFinancial performance

RESEARCH METHODS

Design

This research adopts a quantitative methodology utilizing a panel data analysis model (Gutiérrez-Ponce & Wibowo, 2024; Mandagie et al., 2024; Mushtaq et al., 2024; Sangiumvibool & Chonglerttham, 2017). The study investigates the impact of accounting conservatism and capital structure on firm performance, while also examining the mediating role of corporate governance (Dombi et al., 2024; Istaiteyeh et al., 2024; Lu et al., 2024; Zouine et al., 2024). The quantitative approach enables the statistical evaluation of variable relationships, allowing for objective and data-driven conclusions (Dombi et al., 2024; Istaiteyeh et al., 2024; DM Utami et al., 2024). By employing this method, the research seeks to determine the extent to which accounting conservatism and capital structure contribute to enhancing firm performance, particularly within transportation and logistics sector companies.

Population and Sampling

The target population of this study consists of transportation and logistics sub-sector companies listed on the Indonesia Stock Exchange (IDX) during a continuous three-year period, from 2020 to 2022 (Ahmad et al., 2024; Lu et al., 2024; Matemane et al., 2024; Sholihin & Fitriyana, 2024). This timeframe was selected to ensure the availability of complete and consistent financial data throughout the observation period. The sampling method employed is purposive sampling, based on specific criteria aligned with the research objectives—such as the company's consistency in publishing annual financial reports (Amah et al., 2023; Pangesti et al., 2020; Dewi & Hidayati, 2022; Wardana et al., 2024). From a total of 53 companies in the population, 44 met the inclusion criteria and were selected as the final research sample.

Procedures and Data Collection

The data collection process utilized secondary data gleaned from each company's annual and financial reports that are made available on the Indonesia Stock Exchange (IDX) (Aprilia et al., 2016; Dewi & Hidayati, 2022). The collected data encompasses variables such as accounting conservatism, capital structure, corporate governance, and firm performance. These data were subsequently analyzed using relevant statistical methods to examine the relationships among variables, thereby ensuring the validity and reliability of the research findings.

Operational Variables

The operational variables in this study consist of accounting conservatism, capital structure, corporate governance, and company performance. Each variable has a specific indicator that is measured using a certain scale, as described in the following table:

Table 1. Operational Variables

No.	Variables	Definition	Indicator	Scale
1	Accounting Conservatism	An accounting approach that tends to recognize losses more quickly than gains, in order to avoid overstating the value of assets and profits.	Measuring conservatism using the accrual model	Ratio
2	Capital Structure	The composition of financing sources used by the company, which is generally measured by the proportion of debt to equity.	Debt to Equity Ratio (DER)	Ratio
3	Corporate Governance	A company management and supervision system that involves control mechanisms to ensure transparency, accountability and protection of shareholder rights.	Corporate governance index	Interval
4	Company performance	The effectiveness of a company in using resources to generate profits, often measured by the rate of return on investment.	ROA, or return on assets	Ratio

Source: data processing, 2024

Research Procedures

Panel data analysis, which combines cross-sectional and time-series data, is used in this study, allowing for a more comprehensive examination by accounting for differences across companies as well as changes over time. The analysis is conducted in two stages. In the first stage, the model evaluates the influence of capital structure (SM) and accounting conservatism (KA) on corporate governance (CG). The second stage assesses the impact of KA, SM, and CG on financial performance (KK). The structural equations used are:

$$\mathbf{CG = \beta_4 KA + \beta_5 SM + \varepsilon_1}$$

$$\mathbf{KK = \beta_1 KA + \beta_2 SM + \beta_3 CG + \varepsilon_2}$$

Three panel data approaches—Fixed Effect Model (FEM), Common Effect Model (CEM), and Random Effect Model (REM)—are used for model estimation. To ascertain whether FEM offers a better match than CEM, the Chow test is used (Ali et al., 2023; Pratama & Innayah, 2021; Sustacha et al., 2023). FEM is recommended if The p-value is below the 0.05 threshold. Next, the Hausman test is applied on determine if FEM or REM is better; if the p-value is less than 0.05, FEM is chosen; if not, REM is more appropriate. Panel regression is used to examine the significance of the association between each independent variable and the dependent variable; at the 5% level, a p-value < 0.05 indicates statistical significance.

The final step involves conducting classical assumption tests to validate the regression model. These include the Multicollinearity Test (to confirm no strong correlation among independent variables), Autocorrelation Test (to ensure residuals are not correlated), and Heteroscedasticity Test (to verify that error variances remain constant across observations) (Elzaki, 2024; Gutiérrez-Ponce & Wibowo, 2024;

Kusuma &Nabesar, 2024; Sangiumvibool & Chonglerttham, 2017). These tests help prevent bias and guarantee the regression analysis's dependability and robustness. (Acheampong et al., 2024; Hazzaa et al., 2024; Núñez & Morales-Alonso, 2024; Zouine et al., 2024). By systematically applying these analytical procedures, the study aims to produce credible and reliable insights into the effects of accounting conservatism, capital structure, and corporate governance on a firm's financial performance.

RESULTS

Descriptive Study

During the three-year observation period of 2020–2022, 51 transportation Participants in this study included subsector businesses listed on the Indonesia Stock Exchange (IDX). Seven of these were eliminated because their financial report data was insufficient, leaving 44 enterprises in the final sample. Purposive sampling, which concentrates on specific criteria to ensure that only businesses with complete data are examined, was used to choose the sample.

In the first step, descriptive statistical analysis seeks to characterize each variable's data distribution. Table 1's descriptive results display a number of key indicators. With an average of 3.0802, the Accounting Conservatism variable ranges from a minimum of 0.22 to a maximum of 34.90. The sample companies' degree of accounting conservatism varies quite a bit, as seen by the standard deviation of 5.48996. The majority of businesses have a capital structure ratio that is not excessively high, according to the Capital Structure variable, which has a minimum value of 0.02 and a maximum value of 4.50, an average of 0.9869, and a standard deviation of 1.04893. The value of Corporate Governance ranges from 0.00 to 0.49, with an average of. With an average of 0.1829 and a standard deviation of 0.11694, Corporate Governance displays a minimum value of 0.00 and a maximum value of 0.49, suggesting a higher degree of consistency in the application of corporate governance rules. With a standard deviation of 0.24938 and an average of 0.0557, Company Performance's values range from -0.38 to 2.07, suggesting adequate variability in company performance results during the study period.

Table 2. Descriptive Study

Variables	Minimum	Maximum	Mean	Std. Deviation	Variance
Accounting Conservatism	0.22	34.90	30,802	548,996	30.140
Capital Structure	0.02	4.50	0.9869	104,893	1.100
Corporate Governance	0.00	0.49	0.1829	0.11694	0.014
Company performance	-0.38	2.07	0.0557	.24938	0.062

Source: data processing, 2024

The regression model's validity was checked using traditional assumption testing. With a tolerance value of 1.000 and a variance inflation factor (VIF) of 1.000, the multicollinearity test showed no evidence of multicollinearity among the independent variables—corporate governance, capital structure, and accounting conservatism. In order to provide objective regression estimates, these values verify that the independent variables do not exhibit linear correlation.

The autocorrelation test resulted in a Durbin-Watson value of 2.221, which is close to the ideal reference value of 2, indicating the absence of autocorrelation in the residuals. This suggests that there is no systematic correlation between residuals from different time periods, fulfilling one of the key assumptions for reliable regression analysis.

In this study, Corporate Governance is evaluated as a mediating variable that links the effects of Accounting Conservatism and Capital Structure on Firm Performance. Within this framework, Corporate Governance is expected to enhance the relationship between the two independent variables and firm performance. The findings suggest that effective governance practices can amplify the positive impact of both conservative accounting methods and optimal capital structures, thereby improving the company's financial performance. Consequently, firms with strong governance frameworks are better positioned to utilize conservative financial approaches and strategic capital decisions to achieve superior financial outcomes.

Hypothesis

With an emphasis on the mediating function of corporate governance in these interactions, this study investigates the effects of capital structure, accounting conservatism, and corporate governance on the financial performance of firms. According to the test results, accounting conservatism has a statistically minor impact on financial performance, with a coefficient of 0.03 and a p-value of 0.587. As a result, the results do not support the theory that accounting conservatism and financial performance are directly related. This implies that the use of accounting conservatism in financial decision-making does not directly affect increases or decreases in financial performance within the transportation and logistics sub-sector businesses that were listed between 2020 and 2022 on the Indonesia Stock Exchange (IDX).

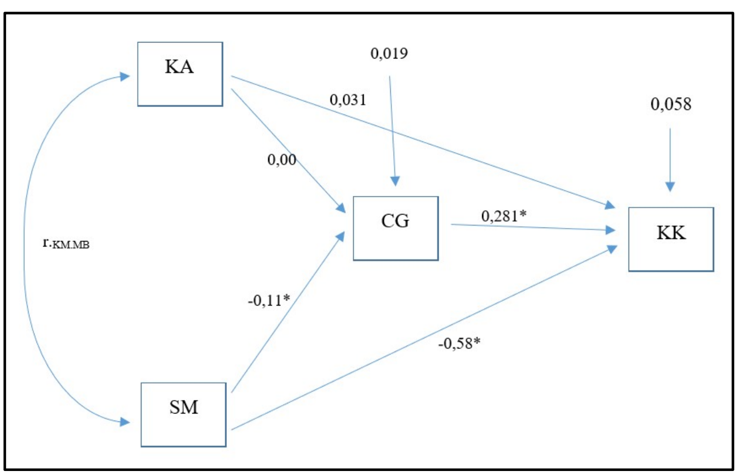

Figure2. Full Model

With a p-value of 0.26 and a negative coefficient of -0.58, the research shows that capital structure has a statistically significant inverse association with financial performance. This implies that a greater dependence on debt financing or a higher proportion of leverage within the capital structure may negatively influence a company's financial outcomes, likely due to increased interest obligations or heightened financial risk.

On the other hand, the findings demonstrate that corporate governance has a considerable beneficial impact on financial performance, as evidenced by its positive coefficient of 0.281 and p-value of 0.29. This discovery reinforces the notion that robust governance structures can enhance company performance by improving managerial efficiency, strengthening internal control, and ensuring adherence to regulatory requirements.

Table 3. Path Testing

Path Direction	Coefficient	P Value	Information
Accounting Conservative >>> Financial performance	0.03	0.587	Rejected
Capital Structure >>> Financial performance	-0.58	0.26	Accepted
Corporate Governance >>> Financial performance	0.281	0.29	Accepted

Source: data processing, 2024

In the mediation analysis, corporate governance does not act as a significant mediator between accounting conservatism and financial performance, as shown by a 0.573 p-value. Similarly, corporate governance also does not act as a mediator between capital structure and financial performance, with a p-value of 0.621. This means that corporate governance does not effectively act as an intermediary channel that strengthens or changes the influence impact impact of capital structure or accounting conservatism on the company's financial results.

Table 4. Mediation Path Direction

Mediation Path Direction	P Value	Information
Accounting Conservative >>> Corporate Governance >>> Financial performance	0.573	Rejected
Capital Structure >>> Corporate Governance >>> Financial performance	0.621	Rejected

Source: data processing, 2024

The relationship between accounting conservatism and capital structure is not mediated by corporate governance; rather, it is an independent variable that directly affects financial performance. This suggests that businesses, regardless of their degree of capital structure or accounting conservatism, should take direct methods to strengthening governance procedures as a way to boost performance. In this situation, corporate governance functions independently of the intermediary effects of other financial policy tools to improve financial results.

DISCUSSION

Accounting conservatism has no discernible impact on financial success, according to research on the subject of corporate financial performance. The results of this study show that, despite the expectation that accounting conservatism will give stakeholders more cautious and protective information, its use does not necessarily correspond with increases or decreases in business financial performance. Conservatism emphasizes the principle of caution in recognizing revenue and recording losses (Kodriyah et al., 2023; Kusuma & Napisah, 2024; Mariati & Setiawan, 2024). However, the impact of conservative accounting decisions is not immediately translated into increased corporate profitability or operational efficiency. Financial performance, as measured by the ROA ratio, is more influenced by business strategy, market conditions, and management's ability to make investment and operational decisions (Amah et al., 2023; Purnamasari, 2020). Accounting conservatism that should provide more careful and transparent information does not have a direct effect on the company's financial performance when going through corporate governance. This shows that the application of the principle of conservatism in recognizing revenue and recording losses is not always reflected in improved performance. Therefore, conservative accounting decisions need to be supported by a strong business strategy and effective management in order to have a positive impact on monetary performance. The fact that this mediation method was rejected demonstrates that the capital structure of the business, particularly the usage of debt (leverage), directly affects financial performance without corporate governance intervention (Kusuma & Nabesar, 2024; Nareswari et al., 2023). This implies that decisions regarding capital structure are more focused on funding strategies that are not fully influenced by existing corporate governance policies. Companies must be able to manage debt and utilize capital efficiently to maximize profitability without relying on governance.

The application of accounting conservatism is often more about risk management than direct value creation (Armiawan & Achyani, 2024; Sari & Suwarno, 2020). In other words, conservatism helps companies mitigate the risk of over-reporting, but it does not serve as an instrument that drives improved financial performance. For example, while conservatism may prevent companies from overly optimistic revenue recognition, it does not necessarily improve productivity or returns on investment.

According to the results of the second hypothesis test, capital structure significantly impairs financial performance. This finding suggests that a company's financial performance decreases with increasing leverage or debt in the capital structure (Utami et al., 2021; Wardana et al., 2024; Theiri et al., 2022). This is because increasing debt increases the company's interest expense and financial risk, which ultimately depresses profitability and operational efficiency. High financial burdens can also reduce the company's ability to make productive investments. Companies with a capital structure dominated by debt often face pressure from creditors to maintain liquidity and meet debt payment obligations. As a result, company management may take more conservative or short-term decisions, such as reducing capital expenditures and innovation, to reduce financial risk. These decisions can hinder growth and lower financial performance indicators.

The results of the third hypothesis test demonstrate that corporate governance significantly improves financial performance. Accordingly, businesses that apply strong governance principles typically see improvements in their financial performance (Manan & Hasnawati, 2022; Kumar & Zattoni, 2016). A stronger monitoring system, increased openness, and strategic decisions made with the interests of all stakeholders in mind are all made possible by effective corporate governance, all of which enhance financial performance. In this study, the number of independent commissioners and board members is compared to the number of board members and commissioners to determine corporate governance (Kartika et al., 2020; Liviana et al., 2024). With strict supervision from an independent board of directors, management is more motivated to make decisions that increase the company's long-term value, such as productive strategic investments and efficient resource allocation. This oversight mechanism can also prevent detrimental practices, such as opportunistic management behavior, which can hinder the company's growth and reduce financial performance.

Good corporate governance also plays a role in strengthening investor confidence. Companies with good governance practices find it easier to attract capital from external investors because they are considered more transparent and accountable. This increased liquidity of capital allows companies to invest more aggressively in profitable projects, thereby improving the company's financial performance. In addition, better risk management in corporate governance can help companies survive better in uncertain market conditions, minimizing the negative impact of external factors.

The fourth hypothesis test revealed that The connection between corporate financial management and accounting conservatism success is not mediated by corporate governance. This finding implies that, despite their significant contributions to financial management and reporting, corporate governance and accounting conservatism do not mediate the relationship between accounting conservatism and financial performance. Though it has minimal bearing on the connection between accounting conservatism and financial performance, corporate governance aims to raise the bar for scrutiny and decision-making. The caliber of financial reporting can be enhanced by accounting conservatism, but this effect is not enhanced by governance measures in the absence of direct governance control.

The relationship between accounting conservatism and corporate financial performance is not mediated by corporate governance. This could be read as indicating that accounting conservatism is more closely linked to the technical accounting practices of the business, like asset recording and revenue recognition, which are not often immediately connected to the corporate governance monitoring and control systems (Kusuma & Napisah, 2024; Armiawan & Achyani, 2024). Although it does not directly interfere with management's cautious financial reporting process, corporate governance—especially that which is centered on managerial monitoring and accountability—serves primarily to safeguard stakeholders' and shareholders' interests.

Additionally, the fifth hypothesis test demonstrates that the relationship between capital structure and corporate financial performance is not mediated by corporate governance. This finding suggests that business financial performance is directly impacted by capital structure, particularly the usage of debt or leverage, without going through corporate governance mechanisms. Although corporate governance is crucial for monitoring and regulating management, it has little effect on the relationship between capital structure and financial performance (Wijaya & Mu'arif, 2023; Pangesti et al., 2020). Overly aggressive capital structure, with high leverage, still has a negative effect on financial performance without corporate governance intervention. Corporate governance does not mediate the connection between capital structure and financial performance because decisions related to capital structure are more strategic and separate from the oversight function of governance. Capital structure, especially in terms of increasing debt, tends to focus on the company's financing management to obtain capital to support operations and expansion (Adegbayibi, 2021; Sadaa et al., 2023). Corporate governance, nonetheless, is more important in making sure that management acts in the best interests of shareholders and maintains transparency, but does not directly influence financial decisions regarding leverage or capital composition.

These findings may encourage further research to explore other factors that influence financial performance, including a deeper analysis of corporate governance elements that may be more relevant and may mediate the relationship, such as shareholder participation, board quality, and transparent financial reporting systems. Companies need to emphasize the importance of prudent debt management and financing strategies, given the direct influence of capital structure on performance. This includes setting clear limits on debt to reduce financial risk and maintain balance in capital management. It is important to review the approach to accounting conservatism to be more integrated with the overall business strategy. This includes improving the understanding and application of accounting practices that focus not only on prudent reporting but also on long-term value creation. Companies need to involve stakeholders in the decision-making process related to accounting and capital structure. Increasing transparency and accountability through good corporate governance practices can help attract more investors and minimize the risk of misunderstandings in the future. Given the existing market uncertainty, companies must develop the ability to adapt to changing economic conditions that may affect decisions related to accounting conservatism and capital structure. In doing so, companies can remain sustainable and maintain positive financial performance in the future.

CONCLUSION

The relationship between capital structure, corporate governance, accounting conservatism, and financial success is demonstrated in this study. The hypothesis is rejected (coefficient of 0.03) and the P value is 0.587 because the test first reveals no significant correlation between accounting conservatism and financial performance. Second, the substantial detrimental effect on financial performance—which has a coefficient of -0.58 and a P value of 0.26—supports the hypothesis on the effects of capital structure. Third, the idea is validated but still requires more research since corporate governance has a favorable impact on financial performance (coefficient of 0.281), albeit not statistically substantially (P value of 0.29).

Businesses, especially those in the logistics and transportation industry, will be greatly impacted by these findings. Given the enormous influence that capital structure has on financial performance, management of the organization should pay special attention to the composition of the capital. Companies must consider the risks associated with debt, especially in volatile markets. Corporate governance should be included in a company's strategy even while it has no appreciable effect because it can increase stakeholder trust and transparency, both of which can lead to future financial success.

For additional research, it is recommended to explore the link between the same variables in other industrial sectors to acquire a broader view. Future studies can also take into account outside variables like market competition, governmental laws, and macroeconomic situations that could have an impact on financial performance. In order to assess the effects of capital structure and accounting conservatism on financial performance, research can also look more closely at the role of corporate governance as a mediator using a more comprehensive approach or by employing a wider range of study techniques. Deeper understanding of the elements influencing corporate financial performance will be possible thanks to this study.

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CREDIT AUTHORSHIP CONTRIBUTION STATEMENT

Edy Suhartonol: Conceptualization, Supervision, Data Curation, Formal Analysis, Project Administration, Writing-original Draft, and Writing-review Editing. **Reza Angga Pratamar**: Conceptualization, Resources, Software, Validation, Visualization, and Writing-review Editing. **Amelia Ivoka Junea**: Funding Acquisition, Investigation, Writing-original Draft, and Writing-review Editing.

DECLARATION OF COMPETING INTEREST

The author declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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No patient-identifying parts in this paper were used or known to the authors. Therefore, no ethical approval was requested.

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