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The Effect of Institutional Ownership on Investment Efficiency with Accounting Conservatism as a Mediator in Non-Financial Companies on the Indonesia Stock Exchange

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ABSTRACT

This study investigates how institutional ownership influences investment efficiency, using accounting conservatism as an intermediary factor, the study examines non-financial firms listed on the Indonesia Stock Exchange for the period from 2018 to 2020. The sample comprises 102 firms chosen via stratified random sampling. Annual report data from the companies were assessed through path analysis, revealing that institutional ownership positively influences accounting conservatism, which in turn positively affects investment efficiency. However, institutional ownership alone does not significantly impact investment efficiency. Accounting conservatism has been shown to mediate the connection between institutional ownership and investment efficiency.

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INTRODUCTION

One of the main objectives of a company in doing business is to maximize profits (Modigliani & Miller, 1958). To achieve this goal, optimal use of funds is essential, primarily through investment. Investment entails allocating capital to projects with the expectation of generating future returns. Investment efficiency refers to how effectively a company utilizes its assets in its investment activities (N. Chen et al., 2017). An efficient investment policy is essential because the return on investment affects the growth and sustainability of the company. A well-growing company can increase investor interest in investing in the company, thereby increasing its value.

In an ideal market, companies consistently achieve investment efficiency by selecting initiatives that yield a positive Net Present Value (NPV) (Modigliani & Miller, 1958). In reality, market imperfections like information asymmetry and agency conflicts hinder companies from making efficient investments (Biddle et al., 2009; Gao & Sidhu, 2018; Stein, 2003; Chen et al., 2017; Xie, 2013; Ha & Feng, 2018; Cao et al., 2018). Inefficient investment can appear as overinvestment or underinvestment. Overinvestment happens when managers allocate resources excessively, this can result in investments directed toward an endeavor with a negative NPV (Biddle et al., 2009). Conversely, underinvestment occurs when managers pass on profitable projects, often due to high debt burdens (Myers, 1977).

Overinvestment is a common problem in Indonesia. One of Indonesia's state-owned enterprises in early 2020 exemplified overinvestment, where failed investments in speculative stocks led to significant financial losses (Halim, 2020). Another case involved a financial consulting firm that illegally managed client investments, causing significant losses (Idris, 2020; Sidik, 2020).

Investment efficiency is closely related to management decisions. To optimize investment returns and avoid inefficiencies, managers must carefully consider policies. Effective corporate governance can align managerial actions with shareholder interests, reducing value-destroying activities (Agrawal & Mandelker, 1987). Accounting conservatism, along with institutional ownership, is one aspect of governance that affects investment efficiency.

Accounting conservatism is a concept where losses are reported earlier than gains. It is associated with better governance and reduced managerial opportunism (Ball & Shivakumar, 2005; Watts, 2003). Previous research shows that higher information asymmetry leads to more conservative financial reporting (LaFond & Watts, 2008), and reduces opportunistic behavior (Caskey & Laux, 2017). Studi oleh Chiou & Chang (2020), Cho & Choi (2016), and others support the idea that accounting conservatism improves investment efficiency.

Institutional ownership can influence accounting conservatism. Institutional investors with a significant market presence demand reliable, conservative reporting (Jaggi et al., 2016). The active monitoring hypothesis proposes that institutional investors use their advantages to closely monitor managers, leading to more cautious financial reporting by those managers. This caution boosts investment efficiency by avoiding negative NPV investments. Prior studies have identified a positive connection between institutional

ownership accounting conservatism, and investment efficiency (Alkurdi et al., 2017; Hajawiyah et al., 2020).

This study distinguishes itself from prior research by incorporating accounting conservatism as a mediator in exploring how institutional ownership influences investment efficiency. Unlike earlier studies, which have not specifically investigated the role of accounting conservatism as a mediator between institutional ownership and investment efficiency, this study introduces this novel approach.

This analysis targets non-financial companies listed on the Indonesia Stock Exchange, deliberately excluding financial institutions because of their distinct accounting practices and investment strategies. Consequently, the study aims to examine how institutional ownership impacts investment efficiency, with accounting conservatism acting as a mediator, specifically within non-financial companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Agency Theory

Agency theory stems from the relationship between managers, who act as agents, and company owners or shareholders, who serve as principals, with managers being granted the authority to oversee the company. Coined by Jensen & Meckling (1976), This theory views the company as a framework of agreements between resource owners and the managers responsible for utilizing and overseeing these resources.

Messier et al. (2018) identify two primary issues arising from the agency relationship: (1) asymmetric information, where management possesses more knowledge about the entity's financial status and operations than the owners, and (2) conflicts of interest arising from differing objectives, where management's actions may not always align with the owners' interests.

Scott (2015) explains that agency theory identifies two main types of information asymmetry: adverse selection, leading to underinvestment by overlooking positive NPV opportunities, and moral hazard, resulting in overinvestment in negative NPV projects (Myers, 1984; Myers & Majluf, 1984). Previous research highlights these asymmetries as major factors in poor investment decisions (Healy & Palepu, 2001; Biddle et al., 2009).

Efficiency Augmentation Hypothesis

The efficiency enhancement hypothesis indicates a favorable relationship between institutional investment and firm performance, backed by the superior investor perspective and the active monitoring concept (Sundaramurthy et al., 2005). The superior investor hypothesis asserts that institutional investors with significant holdings possess superior information and actively engage in monitoring. They usually hire professionals to carefully evaluate investments, provide economies of scale regarding investment evaluation and are oriented towards long-term incentives such as dividends.

The active monitoring hypothesis implies that majority ownership provides a broader scale of active monitoring, institutional investors are

motivated and capable of actively monitoring managers, compelling them to prioritize the best interests of shareholders (Sundaramurthy et al., 2005).

Stock indices are a popular investment strategy among institutional investors, creating portfolios that reflect the market. If a company's performance does not reach the standards in the index, institutional investors will actively voice their dissatisfaction. Their large investments provide economies of scale to monitor managers actively, maximizing monitoring benefits and minimizing the "free rider" problem (Jarrell et al., 1988).

Institutional Ownership and Accounting Conservatism

Institutional ownership denotes the ownership held by external institutions, which can influence management by implementing an effective monitoring process to curb managerial actions in earnings management (Widiastuti et al., 2013). Institutional investors possess greater resources than other shareholders to establish a robust supervisory mechanism. Institutional investors help reduce conflicts of interest between managers and shareholders by participating in strategic corporate decision-making (Jensen & Meckling, 1976).

Institutional investors tend to set high standards for compliance, disclosure, and corporate governance. As institutional ownership grows and becomes more concentrated, the demand for greater accounting conservatism also rises (X. Chen et al., 2007). According to Lin et al. (2014), when institutional ownership in a company is lower, there is a stronger incentive for managers to manipulate earnings. El-Haq et al. (2019) propose that a rise in institutional ownership correlates with a higher use of accounting conservatism. Institutional investors help mitigate managers' inclination to inflate profits through their supervisory role in overseeing financial reporting.

This aligns with the active monitoring hypothesis, which posits that institutional investors use their influence to oversee management and promote more prudent financial reporting practices. Research conducted by Hajawiyah et al. (2020), Alkurdi et al. (2017), Black et al. (2018), and Ramalingegowda & Yu (2012) confirms that increased institutional ownership is linked to more conservative financial reporting. From this conceptual framework, the first proposed hypothesis is:

H1: Institutional ownership positively affects accounting conservatism in non-financial companies on the Indonesia Stock Exchange.

Institutional Ownership and Investment Efficiency

Institutional ownership helps resolve conflicts between managers and shareholders by monitoring company operations and actively participating in corporate governance to improve profitability (Maug, 1998). Studies show that 63% of institutional investors engage directly with company management or boards, which helps to curb opportunistic actions and encourages a focus on long-term objectives and strong governance practices (Aggarwal et al., 2011; McCahery et al., 2016; Eaton et al., 2014).

The active monitoring theory proposes that institutional investors prioritize long-term investments and leverage their influence to closely

supervise managerial decisions and actions (An, 2015). These investors implement oversight mechanisms that can deter managers' opportunistic actions, given their substantial ability, resources, and influence to monitor, correct, and affect managerial behavior (Gillan & Starks, 2003). According to Balsam et al. (2003), as institutional investors expand their ownership stakes, they enhance their ability to detect earnings management.

Institutional investors can influence managers' decisions indirectly by selling their shares (Admati & Pfleiderer, 2009; Gillan & Starks, 2003). A decrease in the share price due to this sale can influence the manager's decision. The threat of institutional investors withdrawing their investments can boost their influence over managers, even if managers ignore short-term stock prices (Levit, 2019). Research by Cao et al. (2018) shows that institutional ownership typically enhances corporate investment efficiency, a finding supported by studies from Cella (2020), Obagbuwa et al. (2021), and Ward et al. (2020). Based on this framework, the second proposed hypothesis is:

H2: Institutional ownership positively affects investment efficiency in non-financial companies on the Indonesia Stock Exchange.

Accounting Conservatism and Investment Efficiency

Accounting conservatism allows companies to quickly recognize losses from underperforming projects, so managers avoid activities that harm the company because it will reduce their incentives (Caskey & Laux, 2017). Timely recognition of losses signals stakeholders to investigate the reasons for the losses, reducing managers' incentives to invest in projects with negative NPV.

Zhang (2008) found that firms adhering to accounting conservatism secure lower lending rates, which boosts investment efficiency. Biddle and Hilary (2006) demonstrated that improved accounting information decreases information asymmetry and enhances investment efficiency. Similarly, García et al. (2016) observed that firms practicing accounting conservatism are more prudent in their investment choices, favoring low-risk projects with positive NPVs. Other studies also support that companies with accounting conservatism principles show higher investment efficiency (Chiou & Chang, 2020; Cho & Choi, 2016; Cutillas Gomariz & Sánchez Ballesta, 2014; Ha & Feng, 2018; Juliani & Wardhani, 2018). Building on this conceptual framework, the third proposed hypothesis is:

H3: Accounting conservatism positively affects investment efficiency in non-financial companies on the Indonesia Stock Exchange.

Institutional Ownership, Accounting Conservatism, and Investment Efficiency

Institutional investors frequently set high standards for compliance, disclosure, and corporate governance. The greater and more concentrated the institutional ownership, the stronger the demand for increased accounting conservatism (Gaspar et al., 2005; Chen et al., 2007). According to Lin, Wu, Fang, and Wun (2014), the lower the institutional ownership in a company, the greater the impetus for managers to manipulate earnings. El-Haq, Zulpahmi, and Sumardi (2019) suggest that higher institutional ownership results in more accounting conservatism because institutional investors have a supervisory

function so that they can reduce managers' actions to carry out earnings management by reporting excess profits.

Institutional investors invest in the long term and take advantage of their advantages to actively supervise managers. Institutional investors can monitor manager behavior and demand managers to implement conservative financial reporting because it provides more reliable reporting and reduces information asymmetry. This approach will curtail opportunistic behavior by managers and enhance investment efficiency. According to the conceptual framework outlined, the fourth proposed hypothesis is:

H4: Accounting conservatism mediates the effect of institutional ownership on investment efficiency in non-financial companies on the Indonesia Stock Exchange.

Based on the description provided, the conceptual framework for this study is outlined as shown in Figure 1.

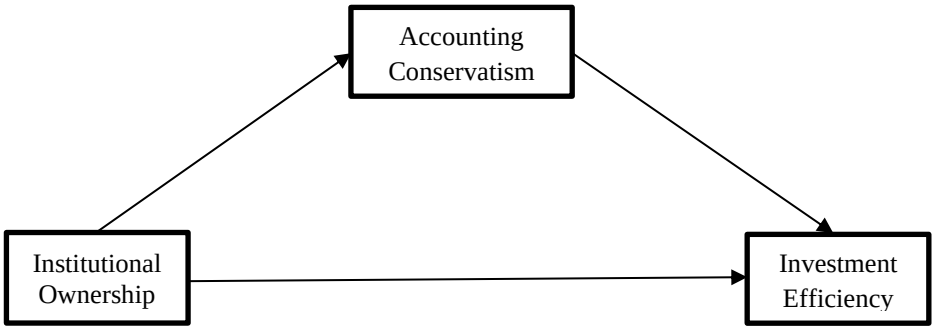

Figure 1. Conceptual Framework

METHODOLOGY

This quantitative study tests hypotheses and collects empirical evidence on how institutional ownership affects investment efficiency, with accounting conservatism as a mediator. It employs a causal approach, and analyzes panel data derived from the financial statements of non-financial companies listed on the Indonesia Stock Exchange.

The research focuses on non-financial companies listed on the Indonesia Stock Exchange during the period from 2018 to 2020, excluding financial institutions due to their distinct accounting practices and investment strategies. The sample is selected from this population (Sugiyono, 2014) and represents the research results on the population. The sample size, determined using the Slovin formula, consists of 102 samples per year, totaling 306 observations over three years. Stratified random sampling is applied by dividing the population into distinct segments and then selecting samples proportionally from each segment (Sekaran & Bougie, 2010).

This research utilizes data from publicly available annual financial reports of companies for the years 2018 to 2020. The data was gathered through documentation by downloading financial statements from the Indonesia Stock Exchange website. Data collection begins with a literature study to examine

books and readings related to research and examine the type, availability, how to obtain, and how to process data.

The variables in this study are assessed as follows: Investment efficiency is determined using the firm-level investment model. It is calculated by summing new investments in fixed assets and research and development expenses, subtracting asset sales, and dividing by total assets. Institutional ownership is quantified as the ratio of shares held by institutions to the total number of outstanding shares. Accounting conservatism is measured using the market-to-book ratio, which is the market value of equity divided by its book value. Table 1 provides a summary of these variables' operational definitions.

Table 1. Operational Definition of Variables

Variabel	Operational Definition	Measurements (Source)
Investment Efficiency (Y)	Investment efficiency refers to a company's practice of choosing only projects with a positive net present value (NPV).	$Investment_{i,t+1} = \beta 0 + \beta 1 SalesGrowth_{i,t} + \varepsilon_{i,t+1}$ (Biddle et al., 2009; Chiou & Chang, 2020; Cutillas Gomariz & Sánchez Ballesta, Saputra & Wardhani, 2017; 2014; García et al., 2016; Islami, 2017; Meitari & Astika, 2021; Nathaniel & Butar Butar, 2019; Park et al., 2016; Simanungkalit, 2017)
Institutional Ownership (X)	The number of shares owned by institutions.	$\frac{Jumlah\ saham\ yang\ dimiliki\ institusi}{Jumlah\ saham\ beredar}$ (Ngadiman & Puspitasari, 2014)
Accounting Conservatism (Z)	The precautionary principle in financial statement preparation dictates that companies should recognize losses sooner than income.	$\frac{Nilai\ pasar\ ekuitas}{Nilai\ buku\ ekuitas}$ (Beaver & Ryan, 2005)

Source: Data Processed (2022)

The impact of the independent variable on the dependent variable will be evaluated through the mediating variable using path analysis, which examines both direct and indirect causal effects (Retherford & Choe, 1993). Path analysis involves two regression equations to illustrate how variables are interconnected, with each equation depicting the relationship between a pair of variables (Mason & Lind, 1996). The equation applied in this research is as follows:

$Y = \rho_{yx}X + \varepsilon_1$…… ….. Substructure I equation

$Z = \rho_{zx}X + \rho_{zy}Y + \varepsilon_2$ …….. Substructure II equation

Where Y is Accounting Conservatism, Z is Investment Efficiency, X is Institutional Ownership, ρ_{yx} is the path coefficient of the influence of variable X on Y, ρ_{zi} (i = X, Y) is the path coefficient of the influence of variable i on Z, and ε is epsilon (*error term*).

To test the hypothesis, the following procedures are followed:

1. To determine whether institutional ownership (X) significantly affects accounting conservatism (Y), assess the significance value (ρ_{yx}) from the substructure I equation. If ρ_{yx} is ≤ 0.05, it indicates a significant influence of institutional ownership on accounting conservatism. If ρ_{yx} is > 0.05, the effect is not considered significant.
2. To evaluate whether institutional ownership (X) significantly impacts investment efficiency (Z), examine the significance value (ρ_{zx}) from the substructure II equation. A significance value of ρ_{zx} ≤ 0.05 indicates a significant effect of institutional ownership on investment efficiency, while a value > 0.05 suggests no significant impact.
3. To determine the effect of accounting conservatism (Y) on investment efficiency (Z), check the significance value (ρ_{zy}) from the substructure II equation. A significance value of ρ_{zy} ≤ 0.05 indicates a significant impact of accounting conservatism on investment efficiency, while a value > 0.05 suggests no significant effect.
4. Assess whether accounting conservatism (Y) mediates the connection between institutional ownership (X) and investment efficiency (Z).

To establish mediation, the following criteria must be fulfilled:

a. The relationship between institutional ownership (X) and accounting conservatism (Y) should be significant. Specifically, the significance value ρ_{yx} in the substructure I equation should be ≤ 0.05.
b. The effect of accounting conservatism (Y) on investment efficiency (Z) must be significant, with the significance value ρzy in the substructure II equation ≤ 0.05.
c. Partial mediation is indicated if institutional ownership (X) significantly influences accounting conservatism (Y) (ρ_{yx} ≤ 0.05), accounting conservatism (Y) significantly affects investment efficiency (Z) (ρ_{zy} ≤ 0.05), and institutional ownership (X) also significantly impacts investment efficiency (Z) (ρ_{zx} ≤ 0.05).
d. Full mediation is confirmed if institutional ownership (X) significantly influences accounting conservatism (Y) (ρ_{yx} ≤ 0.05) and accounting conservatism (Y) significantly affects investment efficiency (Z) (ρ_{zy} ≤ 0.05), but institutional ownership (X) does not significantly affect investment efficiency (Z) (ρ_{zx} > 0.05).

RESEARCH RESULT

Descriptive Statistical Analysis

Descriptive statistical analysis provides a summary of the studied variables, including key metrics like the minimum, maximum, mean, standard deviation, and total number of observations. These statistics for the research variables are displayed in Table 2.

Table 2. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Investment (Z)	306	-.26	.55	.0662	.19984
Sales Growth	306	-.00	1.00	.0528	.32930
Z'	306	-.16	.27	.0662	.7179
EI (Z-Z')	306	.00	.42	.1490	.11182
KA	306	.00	36.44	5.7908	7.62456
KI	306	.16	1.00	.8106	.21346
Valid (listwise)	306				

Source: Data Processed (2022)

Table 2 provides a summary of data from 306 samples: Investment efficiency (EI) ranges from -0.26 to 0.55, with a mean of 0.662 and a standard deviation of 0.199. Accounting conservatism (KA) ranges from 0.00 to 36.44, with an average of 5.790 and a standard deviation of 7.624. Institutional ownership (KI) varies from 0.16 to 1.00, with a mean of 0.810 and a standard deviation of 0.213.

Normality Test

Before conducting hypothesis testing, a classic assumption test is carried out, beginning with an evaluation of normality. This test determines if the variables in the regression model, whether dependent, independent, or both, adhere to a normal distribution. Deviations from normality can affect the reliability of the statistical results (Santoso, 2015). To assess normality, this study utilized the One-Sample Kolmogorov-Smirnov test. Data is considered normally distributed if the significance level exceeds 0.05. The outcomes of the normality test are summarized in Table 3.

Table 3. Normality Test Result

			Unstandardized Residual
N			306
Normal Parameters	a,b	Mean	.0000000
		Std. Deviation	.08854840
Most Extreme Differences		Absolute	.065
		Positive	.065
		Negative	-.048
Kolmogorov-Smirnov Z			1.132
Asymp. Sig. (2-tailed)			.154

a. Test distribution is normal
b. Calculated from data

Source: Data Processed (2022)

The results from the Kolmogorov-Smirnov test, as shown in Table 3, reveal an Asymp. Sig. (2-tailed) value of 0.154, surpassing the 0.05 cutoff. This suggests that the data conforms to a normal distribution, thus confirming that the regression model satisfies the normality requirement.

Multicollinearity Test

The multicollinearity test examines the relationships between independent variables in the regression model by evaluating the Variance Inflation Factor (VIF), and tolerance values. According to Ghozali (2011), multicollinearity is not a concern if the VIF is under ten and the tolerance value is over 0.1. The findings from this evaluation are detailed in Table 4.

Table 4. Multicollinearity Test Result

Model		Collinearity Statistics	
		Tolerance	VIF
1	KI	.951	1.052
	KA	.817	1.224

a. Dependent Variable: EI (Z-Z')

Source: Data Processed (2022)

Table 4 indicates that all variables have a tolerance value exceeding 0.1 and a VIF value below 10, demonstrating that the regression model is free from multicollinearity.

Autocorrelation Test

Residuals from the current period (t) are tested for correlation with those from the preceding period (t-1) in a linear regression model. An ideal model should have no autocorrelation. This study employs the Durbin-Watson (DW) test to detect autocorrelation. Autocorrelation is considered absent if the test statistic falls between dU and 4-dU. The results of the Durbin-Watson test are summarized in Table 5.

Table 5. Durbin-Watson test results

Model	R	Durbin-Watson
1	[a]	2.126

a. Predictors: (Constant), KA, KI
b. Dependent Variable: EI (Z-Z')

Source: Data Processed (2022)

Table 5 indicates that the dw value is 2.126, which is higher than the dU value (1.839) and lower than the 4-dU value (2.160). This indicates that no autocorrelation is present, and the regression model fulfills the necessary criteria.

Path Analysis Regression Hypothesis Testing Results (Substructure I)

Table 6 presents the findings from the regression analysis in substructure I, which evaluates the effect of institutional ownership (X) on accounting conservatism (Y).

Table 6. Substructure I path analysis regression results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.196	1.809		-3.426	.001
	KI	7.027	1.862	.197	3.774	.000

a. Dependent Variable: KA
Source: Data Processed (2022)

Table 6 presents a path coefficient of 0.197 for institutional ownership (X) and a significance level of 0.000, which is below the 0.05 cutoff. This indicates that institutional ownership exerts a significant and positive influence on accounting conservatism.

Path Analysis Regression Hypothesis Testing Results (Substructure II)

The regression equation for substructure II evaluates the influence of institutional ownership (X) and accounting conservatism (Y) on investment efficiency (Z). The results from the path analysis regression for substructure II are presented in Table 7.

Table 7. Substructure II path analysis regression results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.260	.024		-10.953	.000
	KI	.044	.025	.083	1.779	.076
	KA	.008	.001	.524	10.386	.000

a. Dependent Variable: EI (Z-Z')
Source: Data Processed (2022)

The regression analysis results in Table 7 show that the path coefficient for institutional ownership (X) is 0.083, and its significance level is 0.076. Since this significance level is greater than the 0.05 threshold, it suggests that institutional ownership does not significantly influence investment efficiency. This implies that institutional ownership does not significantly impact investment efficiency (Z). Second, the path coefficient for accounting conservatism (Y) is 0.524, with a significance level of 0.000, which is below the 0.05 threshold. This suggests that accounting conservatism has a substantial positive effect on investment efficiency (Z), emphasizing its crucial role in improving a company's capacity to make effective investment choices.

The regression outcomes in Tables 6 and 7 reveal that although institutional ownership influences accounting conservatism, It does not directly affect investment efficiency. Conversely, accounting conservatism does positively impact investment efficiency, suggesting that it may serve as a complete mediator in the connection between institutional ownership and investment efficiency.

DISCUSSION

Effect of Institutional Ownership on Accounting Conservatism

The findings show that institutional ownership positively influences accounting conservatism within non-financial firms traded on the Indonesia Stock Exchange. Higher institutional ownership correlates with increased accounting conservatism, this underscores the crucial oversight role of institutional investors in improving transparency and curbing opportunistic behavior by managers. This supports the active monitoring hypothesis and aligns with findings from Hajawiyah et al. (2020), Alkurdi et al. (2017), Black et al. (2018), Foroghi et al. (2013), and Ramalingegowda & Yu (2012).

Effect of Institutional Ownership on Investment Efficiency

The results of the hypothesis testing reveal that institutional ownership does not have a significant impact on investment efficiency among non-financial firms traded on the Indonesia Stock Exchange. This suggests that institutional ownership does not enhance investment efficiency within these companies, contrary to findings from some earlier research. This study aligns with Simanungkalit (2017), which also concluded that institutional ownership does not affect investment efficiency. Information asymmetry between shareholders and managers can result in managers having undue influence over the company, potentially leading to overinvestment if they have excess capital. This finding contrasts with the active monitoring hypothesis, which posits that institutional investors should effectively supervise managers and improve investment efficiency.

Effect of Accounting Conservatism on Investment Efficiency

The results show that accounting conservatism improves investment efficiency in non-financial firms traded on the Indonesia Stock Exchange, with greater conservatism being associated with improved investment efficiency. Accounting conservatism helps companies detect project losses earlier, reduce managers' incentives to engage in harmful activities, and minimize the risk of bad investments. This finding supports agency theory, which states that managers tend to act in the interests of themselves and their groups and ignore the interests of shareholders. Moreover, it aligns García et al. (2016) research and other studies that demonstrate how accounting conservatism enhances investment efficiency by guiding companies to make safer and more favorable investment choices.

The Effect of Institutional Ownership on Investment Efficiency through Accounting Conservatism

The results of hypothesis testing demonstrate that accounting conservatism acts as a complete mediator in the relationship between institutional ownership and investment efficiency. This finding supports the active monitoring hypothesis, which asserts that institutional investors can oversee managers and promote conservative financial reporting, thereby enhancing corporate investment efficiency.

CONCLUSIONS AND RECOMMENDATIONS

The analysis indicates that institutional ownership increases accounting conservatism but does not directly affect investment efficiency. In contrast, accounting conservatism has a positive influence on investment efficiency. Accounting conservatism completely mediates the connection between institutional ownership and investment efficiency. Therefore, management must pay attention to efficient investment policies, and investors must carefully analyze management actions.

ADVANCED RESEARCH

For future research to achieve more comprehensive and precise results, several factors should be considered. This study is limited to a single independent variable and does not account for all factors that may influence investment efficiency. In addition, the variable measurement method is still simple and limited to one measurement tool. Therefore, future research is recommended to add other relevant variables and use more complex measurement methods.

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