

**THE INFLUENCE OF FOREIGN OWNERSHIP, INSTITUTIONAL OWNERSHIP,
INDEPENDENT COMMISSIONERS, AND FINANCIAL DISTRESS TO
STOCK PRICE WITH ACCOUNTING CONSERVATISM
AS A MODERATION VARIABLE**

**Andi Firmansyah¹
Syarifuddin²
Darmawati³**

^{1,2,3}Hasanuddin University

Jl. Perintis Kemerdekaan, Tamalanrea Indah 90245, Makassar, South Sulawesi.

¹andipirmang@gmail.com

²syarif1963@yahoo.com

³darma.ak@unhas.ac.id

Abstract: *This study aims to analyze the influence of Foreign Ownership, Institutional Ownership, Independent Commissioners, and Financial Distress using the disclosure of Accounting Conservatism as a moderating variable. Data collection was obtained from the annual financial reports of Pharmacies listed on IDX 2017 – 2021 period, totaling 30 companies. The sampling technique used purposive sampling because the sample selection was based on the assessment of some of the characteristics of the sample members, which adjusted to the researcher's intentions. Using secondary data on the official IDX website (www.idx.co.id) and the official website of each company. The data analysis method used a special application of multiple linear regression analysis using Moderated Regression Analysis (MRA) with a quantitative approach. The study results show that foreign ownership and independent commissioners do not affect stock prices. Institutional ownership and financial distress have a significant effect on stock prices. Foreign ownership and independent commissioners influence share prices moderated by accounting conservatism. Institutional ownership and financial distress do not affect stock prices of pharmaceutical companies moderated by accounting conservatism. From the results of this study, it is hoped that pharmaceutical sub-sector companies will consider financial reports in carrying out their operating activities. In addition, investors can be used as a tool that provides additional information.*

Keywords: *Foreign Ownership, Institutional Ownership, Independent Commissioners, Financial Distress, Accounting Conservatism*

Abstrak: *Penelitian ini bertujuan untuk menganalisis pengaruh Kepemilikan Asing, Kepemilikan Institusional, Komisaris Independen, Financial Distress dengan menggunakan pengungkapan Konservatisme Akuntansi sebagai variabel moderasi. Pengumpulan data diperoleh dari laporan keuangan tahunan Farmasi yang terdaftar di BEI periode 2017 – 2021 berjumlah 30 perusahaan. Teknik pengambilan sampel menggunakan teknik pengambilan sampel purposive sampling karena pemilihan sampel berdasarkan penilaian terhadap beberapa karakteristik anggota sampel yang disesuaikan dengan maksud peneliti. Menggunakan data sekunder pada situs resmi BEI (www.idx.co.id) dan situs resmi masing-masing perusahaan. Metode analisis data menggunakan aplikasi khusus analisis regresi linier berganda dengan menggunakan metode Moderated Regression Analysis (MRA)*

dengan pendekatan kuantitatif. Hasil penelitian menunjukkan kepemilikan asing dan komisaris independen tidak memberi pengaruh terhadap harga saham. Kepemilikan institusional dan financial distress berpengaruh signifikan terhadap harga saham. Kepemilikan asing dan komisaris independen berpengaruh terhadap harga saham dengan dimoderasi oleh konservatisme akuntansi. kepemilikan institusional dan financial distress tidak memberi pengaruh terhadap harga saham perusahaan farmasi dengan dimoderasi oleh konservatisme akuntansi. Konservatisme akuntansi diyakini mampu menyajikan informasi yang lebih dapat dipercaya dan relevan dalam pengambilan keputusan. Konservatisme akuntansi merupakan sebuah konsep perlakuan akuntansi untuk lebih dulu mengakui kerugian dan menunda pengakuan pendapatan. Hal tersebut juga dapat menimbulkan respon positif kepada investor dikarenakan rasa aman yang dirasakan oleh investor jika perusahaan hanya menyajikan laba yang terealisasi. Dengan begitu Investor akan melakukan transaksi terhadap saham perusahaan tersebut yang akan mempengaruhi jumlah permintaan dan penawaran yang berdampak pada harga saham.

Kata Kunci: Kepemilikan Asing, Kepemilikan Institusional, Komisaris Independen, *Financial Distress* dan Konservatisme Akuntansi

INTRODUCTION

One of the characteristics of the modern economy is that there is a capital market which is part of the economic system that grows the economy and business. The economic journey of developed countries is usually marked by the rapid development of the capital market industry economy in that country. Indonesia Stock Exchange (IDX) or *Indonesia Stock Exchange (IDX)* is a capital market in Indonesia. Law Number 8 of 1995, concerning the Capital Market, is the legal protection for establishing and implementing the capital market in Indonesia. Stock Exchange is a party that organizes and provides systems and/or facilities to bring together offers and requests in the form of Securities as referred to in Law Number 8 of 1995 concerning Capital Markets.

In capital market activities, stock prices are a very important aspect, which must be observed by investors in making investments because the stock price shows the company's achievements and the movement of stock prices is in line with the company's performance. The Covid-19 pandemic event, which began on December 1, 2019, in Wuhan City, China, and has spread throughout the world, has not only posed a health threat but also to economic growth in the country. In Indonesia, the Central Bureau of Statistics data recorded that the Gross Domestic Product was minus 5.32% in the second quarter of 2020 (economy.okezone.com). The Large-Scale Social Restrictions (PSBB) policy implemented in several regions is the government's step to suppress the spread of the Covid-19 pandemic. However, the implementation of the PSBB also impacted several sectors that were affected by the policy, bearing in mind that many issuers were also operating in sectors that were affected by the PSBB. This effect was experienced by not only non-public companies but also public companies on the Indonesia Stock Exchange.

There is good news for investors in this uncertainty who still want to invest. Quoting from *Republika.co.id*, amid a contraction of economy in the second quarter of 2020, a manufacturing industry sector still recorded a positive performance, namely the pharmaceutical industry, which grew by 8.65%. This achievement

increased compared to the first quarter of 2020, which grew 5.59%, where the accelerated growth of the pharmaceutical industry sector was due to increased demand for supplements or medicines to deal with the co-19 pandemic.

The above data exposure is good news for investors amid uncertainty about investing amid a pandemic. Therefore, companies engaged in the pharmaceutical sector can be an option for investors to invest their wealth. However, in investing in the pharmaceutical sector, it is necessary to analyze the company's finances and their effect on the company's stock price to be considered by investors in determining which company is the right one to own.

Making financial reports is known as a concept called accounting conservatism. In general, accounting conservatism is a principle that recognizes costs or expenses before revenue. Accounting conservatism is also considered pessimistic because revenue is recognized later than expenses. The principle of accounting conservatism is still considered a controversial principle among researchers. On the one hand, accounting conservatism is considered an obstacle that will affect the quality of financial reports because it is biased due to not reflecting the actual condition of the company. On the other hand, accounting conservatism is useful for reducing excessive optimism in managers and company owners, and profits prepared with conservatism reflect the minimum profit owned by the company (Alhayati, 2013).

Previous research conducted by Ulum (2017) and Wijaya *et al.* (2020) examined the effect of independent commissioners on stock prices and found that independent commissioners had a positive and significant effect on stock prices. However, unlike the research conducted by Lestari (2020) and Devitasari (2019) found that independent commissioners do not affect stock prices. In addition, previous research on the influence of *financial distress* on stock prices carried out by Oktaviani (2020) found that *financial distress* positively affects stock prices. In contrast, research conducted by Musyafak (2017) found that different *financial distress* does not significantly affect stock prices.

The inconsistency in the studies above motivated the study to re-examine these four variables, namely the respective effects of Foreign Ownership, Institutional Ownership, Independent Commissioners, and *Financial Distress*, and adding the accounting conservatism variable as a moderating variable. Accounting conservatism is believed to be able to present more reliable and relevant information in decision-making. Accounting conservatism is a concept of accounting treatment to recognize losses first and delay the recognition of income. This can also cause a positive response from investors because of the sense of security felt by investors if the company only presents realized profits. That way, investors will make transactions on the company's shares, affecting the number of requests and offers that impact share prices.

This research is motivated by various stock price phenomena described above. Besides that, there are differences in the results of previous studies regarding stock prices which later became the basic concept of this research. This research was also conducted so that researchers can find out how much influence the variables associated with stock prices have.

THEORETICAL REVIEW

Agency Theory

In the modern economy, the management and management of many companies are separated in terms of company ownership. Corporate governance is based on the agency theory proposed by Jensen & Meckling (1976), which aligns the different interests between management, shareholders, and *stakeholders*. *Agency theory* Foreign ownership is one of the efforts to reduce agency problems because foreign owners have adequate knowledge of monitoring managers. In line with this, institutional ownership can also monitor management because the greater the institutional ownership, the more efficient use of assets will also be. The existence of independent commissioners is also able to overcome agency problems because, with good supervision carried out by independent commissioners, it will minimize the potential for management fraud in financial reporting. The principle of accounting conservatism is also proven to reduce information asymmetry, namely by limiting the presentation of profits and ensuring the amount of losses is contained in the financial statements.

Signaling Theory

Signaling theory Akerlof (1970) states that companies that have quality will give a signal to investors and potential investors regarding the quality of the company. In addition, investors are expected to be able to distinguish between good and bad. These conditions gave birth to a situation called "*separating equilibrium*" or separation balance. That is, the company should be able to separate itself from the business environment, which considers the company to be included in a group of companies that are not good.

Signaling theory suggests how a company should provide signals to users of financial statements. The signal, for example, is in the form of promotions or information that explains that a company is better than other companies. *Signaling theory* Also is an act of company management in giving instructions to investors about management's view of seeing the company's prospects in the future, Rafikanigsihet *al.* (2020)

Foreign ownership affects Stock Prices.

This research is related to *agency theory* which explains the relationship between *the principal* as the owner and the manager as *the agent*. Foreign ownership is one of the ways to reduce agency problems because foreign ownership, with all its experience, has adequate knowledge of monitoring managers. Foreign ownership is considered capable of assisting companies in formulating new strategies, perspectives, and ideas from abroad, especially from developed countries, to increase the value of the company. Supervision carried out by foreign parties in the company is considered to be able to pressure the company to work better so that it encourages growth and company value in a better direction (Bremholm, 2015).

This is also following research conducted by Zulkarnain (2021), which says that foreign investors can contribute to formulating company decisions, from strategy to company development, to increase company value. Based on the description above, the hypothesis proposed in this study is:

H₁: Foreign ownership has a positive effect on stock prices.

Institutional ownership affects Stock Prices.

Institutional ownership can monitor the performance of managers in order to maximize shareholder prosperity so that conflicts of interest between shareholders and managers can be minimized so that company performance increases, which ultimately impacts stock prices.

Jensen & Mecling's (1976) *agency theory* explains that there is a separation in managing the company between *the principal* as owner and *the agent* as a manager. This will raise an agency problem where each party wants to maximize its utility function. In line with this explanation, institutional ownership can monitor the performance of managers to maximize the prosperity of shareholders so that conflicts of interest between shareholders and managers can be minimized so that the company's performance increases which ultimately has an impact on share prices.

The results of research conducted by Pongkorung (2018) state that institutional ownership can effectively monitor company strategic decisions so as to prevent waste and attempted profit manipulation by management. So it can be concluded that institutional ownership indirectly influences stock prices through the company's oversight mechanism. Based on the description above, the hypothesis proposed in this study is:

H₂: Institutional ownership has a positive effect on stock prices.

Independent Commissioners affect share prices.

This research relates to *Agency theory*, which is understood as shareholder relations (*principal*) in delegating decision-making authority to managers (*agents*). In this relationship, the potentially experience-*agency problem* is when there is a difference of interests between *the principal and an agent*. Independent commissioners, in this case, as an external company party not affiliated with internal company parties, can balance the decisions made by the board of commissioners. (Bremholm, 2015).

This aligns with previous research conducted by Wijaya (2020), which found that independent commissioners will not take sides with anyone and avoid conflicts of interest to create good corporate governance. Based on the description above, the hypothesis proposed in this study is:

H₃: Independent commissioners have a positive effect on stock prices.

Financial Distress Effect on stock prices

According to Musyafak (2017) states that the cause of company bankruptcy is due to the company's lack of readiness to predict financial conditions. *Financial distress*. At first *financial distress* or financial difficulties occur when a company's cash flow cannot meet its obligations. For companies that experience *financial distress* will bring a bad reputation in the eyes of investors because it is considered incompetent company.

Signaling theory Akerlof (1970) argued that this theory is used to explain that financial reports are used to give positive signals(*good news*) or negative signals (*bad*

news) to the wearer. One of the benefits of predicting financial distress is that it makes it easier for investors to have an idea of whether a company's performance is good or not. When investors receive a positive signal related to company performance, investors will be interested in investing their funds, and vice versa. When investors receive a negative signal, it will reduce investor interest in investing their funds it has an impact on stock prices (Fitri, 2020)

Research conducted by Hendrawan (2021) states that company performance largely determines stock prices. Therefore, poor company financial performance will cause this condition of *financial distress*. Based on the description above, the hypothesis proposed in this study is:

H₄: Financial distress has a positive effect on stock prices.

Accounting conservatism can moderate the relationship between Foreign Ownership and Share Prices.

Jensen & Meckling (1976:308) explains *an agency relationship as a contract under which one or more person (the principals) engage another person (the agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent*. This research is related to *Agency theory* in this study explains that business management is not always managed by the owner but is handed over to the manager (*agent*). Foreign ownership is very good at making strategy and the company's crucial steps. The existence of foreign ownership can influence management decisions in making decisions, where management is more careful in carrying out financial reporting. A precautionary attitude or accounting conservatism is a concept of accounting treatment to recognize losses first and delay income recognition.

When a company uses the conservatism method or tends to be careful in recognizing profits, this is a positive signal for investors because the company presents information that is more reliable and relevant in making investment decisions. Companies that only disclose realized profits make investors feel safer (Vioeletta, 2015). That way, investors will make transactions on the company's shares which will affect the number of requests and offers that have an impact on share prices. The company's stock price will increase if investors have a positive response to the actions taken by the company. Based on the description above, the hypothesis proposed in this study is:

H₅: Conservatism moderates the positive relationship of foreign ownership to stock prices.

Accounting conservatism can moderate the relationship between institutional ownership and stock prices.

Jensen & Mecling's (1976) *agency theory* explains a separation in company management between *the principal* as owner and *the agent* as a manager. This will raise an agency problem where each party wants to maximize its utility function. In line with this explanation, institutional ownership can monitor the performance of managers to maximize the prosperity of shareholders so that conflicts of interest

between shareholders and managers can be minimized so that the company's performance increases which ultimately has an impact on share prices.

It can also cause a positive response from investors because of the sense of security felt by investors if the company only presents realized profits. That way, investors will make transactions on the company's shares, affecting the number of requests and offers that impact share prices. Therefore, the company's stock price will increase if investors have a positive response to the actions taken by the company. Therefore, based on the description above, the hypothesis proposed in this study is:

H₆: Conservatism moderates the positive relationship between institutional ownership and stock prices.

Accounting conservatism can moderate the Independent Commissioner's relationship with Share Prices.

Agency theory is the relationship between the owner *and principal*) when assigning and authorizing managers (*agents*) in a company's management. Independent Commissioners are understood as members of the board who have no relationship with shareholders, controllers, board of directors, other board of commissioners, and the company itself in business or family relationships. According to Wijaya (2020), independent commissioners effectively carry out supervision and can increase credibility in the eyes of investors.

Applying conservatism to companies makes information more reliable and relevant in decision-making. Accounting conservatism is a concept of accounting treatment to recognize losses first and delay the recognition of income. This can also cause a positive response from investors because of the sense of security felt by investors if the company only presents realized profits. That way, investors will make transactions on the company's shares which will affect the number of requests and offers that have an impact on share prices. Therefore, the company's stock price will increase if investors have a positive response to the actions taken by the company. Based on the description above, the hypothesis proposed in this study is:

H₇: Conservatism moderates the positive relationship between independent commissioners and stock prices.

Accounting conservatism can moderate relationships *Financial distress* to the Share Price.

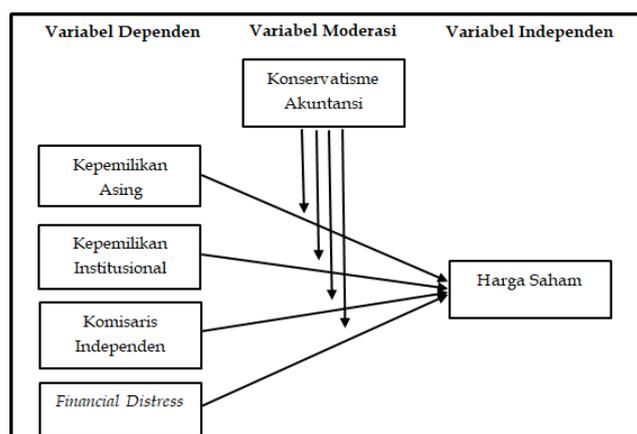
Signaling theory Akerlof (1970) states that companies that have quality will give a signal to investors and potential investors regarding the quality of the company. That is, the company should be able to separate itself from the business environment, which considers the company to be included in a group of companies that are not good signal theory, it is argued that this theory is used to explain that financial reports are used to give positive signals (*good news*) or negative signal (*bad news*) to the wearer. One of the benefits of predicting financial distress is that it makes it easier for investors to know whether a company's performance is good or not. When investors receive a positive signal related to company performance, investors will be interested in investing their funds, and vice versa. Conversely,

when investors receive a negative signal, it will reduce investor interest in investing their funds and impact stock prices (Fitri, 2020).

Conservatism makes financial reports better reflect the actual condition of the company, which is reflected in the stock price, which will then be considered by investors in making investment decisions. Therefore, based on the description above, the hypothesis proposed in this study is:

H₈: Conservatism moderates the negative relationship between financial distress the stock price.

Figure 1. Research Model



Source: Author, 2023

RESEARCH METHODS

This research was conducted at pharmaceutical sector companies listed on the Indonesia Stock Exchange. Pharmaceutical companies are companies with a research platform. Therefore, pharmaceutical companies in Indonesia must compete in various ways, such as creating a good sales system and maximum product quality because Indonesia has a population of more than 270 million people, which has a large market share opportunity for pharmaceutical needs. Apart from that, the pharmaceutical industry is very important for Indonesia because it produces products for humanity's benefit, which are drugs that society needs all the time.

This study uses annual financial reports with a population of 6 pharmaceutical companies from 2017-2021. Data were obtained from the official website, www.idx.co.id, and company websites. The sampling technique used is *purposive sampling*, which researchers carry out by setting certain criteria. Based on predetermined criteria, there were 6 samples that met the criteria and need for analysis in this study. This study used the SPSS 26.0 application to analyze the testing of research instruments and hypotheses (Ghozali, 2013). The data analysis method uses a special application of multiple linear regression analysis, namely, *Moderated Regression Analysis* (MRA) with a quantitative approach.

The operational definition of a variable is a definition for each research variable to describe the characteristics of the object being observed so that the concept can be

operationalized and measured in research (Sugiyono, 2014). The operational definition and measurement of variables in this study are as follows:

Table 1. Operational definitions

No	Variable	Operational Definition	Measurement
1	Foreign Ownership	Foreign ownership is the number of shares owned by foreigners or foreign parties in the company's shares. (Princess, 2019)	$Kep_{As} = \frac{\Sigma \text{Foreign Stock}}{\Sigma \text{the number of shares outstanding}} \times 100\%$
2	Institutional Ownership	Institutional ownership is the shares owned by institutions such as banks, insurance companies, investment companies, and pension funds. (Mehrani et al., 2017)	$Kep_{Ins} = \frac{\Sigma \text{Institutional Stock}}{\Sigma \text{the number of shares outstanding}} \times 100\%$
3	Independent Commissioner	Independent Commissioners are commissioners who come from outside the company and have no affiliation with the company. (Syafaatul, 2014)	$Kom_{Ind} = \frac{\Sigma \text{Independent Board of Commissioners}}{\Sigma \text{board commissioners}} \times 100\%$
4	Financial Distress	<i>Financial distress</i> is the condition of the company that shows the company's financial condition is experiencing problems and indicates bankruptcy. (Nirvana, 2020)	<p>Model Altmant (1968):</p> <p>Q1 = Working Capital / Total Assets Q2 = retained earning / Total Activa Q3 = Profit Before Tax Interest / Total Assets Q4 = Market Value of Equity / Total Debt Q5 = Sales / Total Assets</p> <p>$WITH \geq 2.99$ = The company can be said to be healthy $1,81 < WITH < 2.99$ = Potential difficulties (prone) $WITH \leq 1.81$ = Experiencing financial difficulties</p>
5	Stock Price	The share price is the price of a share in the capital	<i>The closing price per 30 December.</i>

No	Variable	Operational Definition	Measurement
6	Accounting Conservatism	market, which is determined by the demand and supply from market participants. (Wahyuni & Wahyuati, 2017) Accounting conservatism is the reaction of the company's prudence not to rush to recognize profits and assets and immediately recognize debts and losses. (Watts, 2005).	(Watts, 2005): <i>Net asset measures</i> $\text{Market to book ratio} = \frac{\text{market value}}{\text{book value}}$

RESULTS AND DISCUSSION

This study uses annual financial reports with a population of 6 pharmaceutical companies from 2017-2021. Based on predetermined criteria, six samples met the criteria and need for analysis in this study. Descriptive statistics can show the highest (maximum) and lowest (minimum) values, the average value (mean), and the value of the spread as measured by the distribution in the data (standard deviation) for each research variable. The results of the descriptive statistical analysis are stated in Table 3

Table 2 Descriptive Statistical Results

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Foreign ownership	30	.10252	98.20890	36.2248059	38.75366518
Institutional ownership	30	.25372	99.87553	46.4656252	35.73759142
Independent commissioner	30	33.33	80.00	45.7619	11.40073
Financial distress	30	1.15	31.74	9.6727	9.05222
Stock Price	30	95.00	6500.00	2071.8333	1900.03947
Accounting Conservatism	30	.50	40.60	7.5467	12.59583

Source: Secondary data processed, 2023

Based on the calculation results from the table above, it is known that foreign ownership as an independent variable has a minimum value of 0.10252 for the pharmaceutical company INAF in 2019 and a maximum value of 98.20890 for the pharmaceutical company DVLA in 2021.

Institutional ownership as an independent variable has a minimum value of 0.25372 found in the pharmaceutical company DVLA in 2021 and a maximum value of 99.9 found in the pharmaceutical company KAEF in 2020.

Independent commissioners in this study are measured by the number of independent commissioners divided by the total number of commissioners in the company. The table above shows that independent commissioners have a minimum value of 33.33 and a maximum of 80.00, which means that the smallest proportion of independent commissioners is 33% and the largest proportion of independent commissioners is 80%.

Financial distress in this study showed data with a minimum value of 1.15 and a maximum value of 31.74. The average value (mean) is 9.6727, and the standard deviation value is 9.052.

The share price in this study, which is the dependent variable, shows that the stock price of pharmaceutical companies has a minimum value of 95.00 for SDPC companies in 2018 and 2019, while the maximum value is 6500.00 for INAF companies in 2019 and 2020.

Accounting conservatism in this study has a minimum value of 0.50 and a maximum value of 40.6, with an average value of 7.5467 and a standard deviation value of 12.5958.

Model Feasibility Test (Coefficient of Determination)

Table 3 Test results for the coefficient of determination (R2)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.610 ^a	.372	.271	1622.33707
Coefficient of determination (R2) Moderation				
1	.970 ^a	.942	.916	551.68060

Source: Secondary data processed, 2023

Based on Table 7 there is an R number of 0.610 which indicates that the relationship between stock prices with all four variables is independent and strong because it is a very strong definition. The number is 0.60 – 0.799. While value *R square* by 0.372 or 37.2%, the share price variable can be explained by foreign ownership, institutional ownership, independent commissioners, and financial distress variables. 37.2%, while the remaining 63.8% can be explained by other variables not present in this study.

Subsequent tests to test the coefficient of determination (R2) Moderate the R number of 0.970, which indicates the relationship between stock prices with all four independent variables and one very strong moderating variable because it is in the definition of a very strong number 0.80 – 1.00. While value *R square* by 0.942 or 94.2%,

the share price variable can be explained by variables of foreign ownership, institutional ownership, independent commissioners, *financial distress*, and accounting conservatism as a moderator. 94.2%, while the remaining 5.8% can be explained by other variables not present in this study

Regression Equation Test and t-Test

Table 4 Test results of the Regression Equation Model and t-test

Model	Coefficients ^a		Standardized Coefficients	t	Sig.
	Unstandardized Coefficients	Std. Error			
	B		Beta		
1 (Constant)	598.351	1054.670		.567	.577
Foreign ownership	1955.747	1124.462	.398	1.739	.097
Institutional ownership	2884.606	1332.465	.542	2.165	.043
Independent commissioner	-1932.740	1602.557	-.117	-1.206	.242
Financial distress	-94.397	31.298	-.450	-3.016	.007
Accounting Conservatism	605.328	164.564	4.013	3.678	.001
Foreign ownership*Accounting Conservatism	992.299	388.847	.402	2.552	.019
Institutional Ownership*Accounting Conservatism	474.628	281.799	1.762	1.684	.108
Independent commissioner*Accounting Conservatism	-1367.088	608.449	-4.109	-2.247	.036
financial distress*Accounting Conservatism	-.242	3.790	-.034	-.064	.950

Source: Secondary data processed, 2023

Based on table 9, the regression equation formed in this regression test is:

$$Y = 4644,995 - 2806,718X_1 - 2084,818X_2 - 2533,444X_3 + 59,040X_4$$

The model can be interpreted as follows: the constant value is 4644.995. This indicates that if the independent variable (foreign ownership, institutional ownership, independent commissioners, and financial distress constant value, then the value of the dependent variable (Share Price) is 4644.995 units.

The foreign ownership regression coefficient (b_1) shows that variable foreign ownership significant level of 0.119, greater than 0.05. *Markcoefficient* b_1 , which has a value of -2806.718, indicates a negative influence on the dependent variable. This means H_1 was rejected and H_0 accepted, so it can be said that foreign ownership has a negative and insignificant effect on stock prices.

The institutional ownership regression coefficient (b_2) indicates that variable institutional ownership has a significant level of 0.047 which is less than

0.05. Mark coefficient b_2 , which has a value of -2084.414, indicates a negative influence on the dependent variable. This means H_2 accepted and H_0 rejected, so to speak, institutional ownership negatively and significantly affects stock prices.

Independent commissioner regression coefficient b_3 shows that the independent variable commissioner has a significant level of 0.387, greater than 0.05. Mark coefficient b_3 , worth +2534.444, indicates a positive influence on the dependent variable. This means H_3 rejected and H_0 accepted, so to speak, independent commissioner negative and insignificant effect on stock prices.

Regression coefficient *financial distress* b_4 indicates that variable *financial distress* has a significant level of 0.045 which is less than 0.05. Mark coefficient b_4 , which is worth +59.040, indicates a positive influence on the dependent variable. This means H_4 is accepted and H_0 rejected. Therefore, *financial distress* has a positive and significant effect on stock prices.

The next test is to examine the influence of the moderating variable, namely accounting conservatism, whether it strengthens or weakens the influence between foreign ownership, institutional ownership, independent commissioners, and *financial distress* on the stock price using *Moderated Regression Analysis* (MRA). Data analysis techniques *Moderated Regression Analysis* (MRA) is used for sample integrity and provides a basis for controlling the influence of moderator variables (Ghozali, 2018)

$$Y = 598,351 + 992,299X_1\text{WITH} + 474,628X_2\text{WITH} - 1368.088X_3Z - 0.242X_4\text{WITH}$$

The constant value is 598.351. It shows that if the independent variable foreign ownership, institutional ownership, independent commissioners, and financial distress moderated by accounting conservatism constant value, then the value of the dependent variable Stock Price is 598.351 units.

The foreign ownership regression coefficient (b_5) shows that variable Accounting conservatism moderates foreign ownership's significant level of 0.019, which is less than 0.05. Mark coefficient b_5 , which is worth 992.299, indicates a positive influence on the dependent variable. It means H_5 accepted and H_0 rejected, so it can be said that accounting conservatism moderates the positive and significant relationship between foreign ownership to stock prices.

Institutional ownership regression coefficient (b_6) indicates that variable Accounting conservatism moderates institutional ownership has a significant level of 0.108 which is greater than 0.05. Mark coefficient b_6 , which is worth 474.628, indicates a positive influence on the dependent variable. It means H_6 rejected and H_0 accepted until it can be said that accounting conservatism moderates the positive and insignificant relationship to the Share Price.

Independent commissioner regression coefficient (b_7) indicates that variable Accounting conservatism moderates independent commissioners has a significant level of 0.036 which is less than 0.05. Mark coefficient b_3 , which has a value of -1367,088, indicates the negative effect on the dependent variable. It means H_7

accepted and H_0 accepted, so to speak Accounting conservatism moderates the negative and significant independent commissioner relationship to the stock price.

Regression coefficient *financial distress* (b_8) indicates that variable Accounting conservatism moderates *financial distress* has a significant level of 0.950 which is greater than 0.05. Mark coefficient b_4 , which has a value of -0.242, indicates a positive influence on the dependent variable. This means H_8 rejected, and H_0 accepted, so to speak Accounting conservatism moderates *financial distress* with negative and insignificant effects on stock prices.

Discussion

Effect of Foreign Ownership on Share Prices

The hypothesis test results showed that the variable foreign ownership does not affect the stock price of pharmaceutical companies. It means that higher or lower foreign ownership does not affect stock price increases or decreases. Undeniably, the presence of foreign investment in Indonesian stock exchange companies is an important factor in the development of a country. The existence of foreign investment in the company is considered one of the things that benefit the company. However, until now, foreign investors in Indonesia have only taken advantage and have not significantly impacted the economy and company stock prices. In fact, several companies with foreign investors cause a decline in share prices.

Effect of Institutional Ownership on Stock Prices

The hypothesis test results show that institutional ownership has a negative and significant effect on the stock price of pharmaceutical companies. This indicates that greater institutional ownership by the company can affect the decline in stock prices. In addition, a high level of institutional ownership will lead to greater monitoring efforts by institutional investors so that it can hinder the behavior of managers who are concerned with their own interests, which will ultimately harm company owners. It causes investors to respond negatively, meaning that by increasing institutional ownership, stock prices will be low, and investment risk will be high.

The Influence of Independent Commissioners on Share Prices

The hypothesis test results showed that the independent commissioner variable has no effect on the stock price of pharmaceutical companies. It means that the higher or lower the independent commissioner does not affect the increase or decrease in stock prices. It shows that the large proportion of independent commissioners does not increase investor confidence in the data provided by the company. Therefore, the performance of the independent board of commissioners in a pharmaceutical company has not been able to provide a positive injection of investor confidence or confidence, which assumes that the decisions of the independent board of commissioners do not have much effect on this company. Thus, the existing board of commissioners is only to comply with applicable regulations because the independent board of commissioners is only a decoration of the company.

Influence *Financial Distress* effect on stock prices

The hypothesis test results showed that the variable *financial distress* has positively and significantly influences pharmaceutical companies' stock prices. It means getting higher *financial distress* then affects the increase in stock prices of pharmaceutical companies. Therefore, the results of this study mean that the higher the Z-Score, the level of *financial distress* the company is getting lower, and the stock price increases. This also follows the existing theory, which states that theoretically, the Z-Score, which can be regarded as a company's fundamental information, affects stock prices.

The influence of accounting conservatism can moderate the relationship between foreign ownership and stock prices

The hypothesis test results show that the variable is the foreign ownership effect on stock prices moderated by conservatism accounting. The positive relationship between foreign ownership and stock prices moderated by conservatism accounting. This shows that the higher the foreign ownership moderated by conservatism accounting, the higher the stock price. Foreign ownership can improve the presentation of conservative financial statements by reducing information asymmetry and avoiding management's opportunistic choices so that foreign ownership can better control management policies. This, of course, can increase transparency in the presentation of financial statements so that the level of profitability of companies that generate profits will attract investors to invest. It will have an impact on rising stock prices. Accounting conservatism responds more quickly to confirmation of losses than to unrealized gains.

The influence of accounting conservatism can moderate the relationship between institutional ownership and stock prices

The hypothesis test results showed that the institutional ownership variable does not affect the stock price of pharmaceutical companies moderated by conservatism accountancy. It means that the higher or lower the independent commissioner does not affect increasing or decreasing stock prices moderated by conservatism accountancy. It is because institutional investors in pharmaceutical companies are passive investors who do not care about their share ownership. Because institutional investors are temporary owners (*transfer owners*), so only focus on profit now (*current earnings*). Institutional ownership carries out its functions properly and gets what it wants, namely *capital gain* and a sizeable dividend. Principals (shareholders) want dividends and capital gains from their shares.

The influence of accounting conservatism can moderate the relationship between independent commissioners and stock prices

The hypothesis test results showed that the independent commissioner variable effect on stock prices is moderated by conservatism accountancy. The

relationship between independent commissioners with stock prices moderated by conservatism accounting is negative. It shows that the lower the independent commissioner moderated by conservatism accounting, the higher the stock price. Independent commissioners will need accurate and quality information in carrying out their functions. Conservatism is a very useful tool for independent commissioners in carrying out their functions as decision-makers and those who monitor management. That way, investors will make transactions on the company's shares which will affect the number of requests and offers that have an impact on stock prices. The company's stock price will increase if investors have a positive response to the actions taken by the company.

The Effects of Accounting Conservatism can moderate relationships *Financial distress* to the Share Price.

The hypothesis test results showed that the variable *financial distress* does not affect the stock price of pharmaceutical companies moderated by conservatism accountancy. It means higher or lower *financial distress*, which does not affect the increase or decrease in stock prices moderated by conservatism accountancy. The company that experienced *financial distress* will apply the principle of conservatism because the company is experiencing *financial distress*, experiencing increasing pressure from investors and creditors. These investors and creditors will increase their supervision of the company. To reduce conflicts with investors and creditors, in addition to being more careful in facing an uncertain business environment, companies will apply conservatism.

CLOSING

This study tested 8 hypotheses with the conclusion that 4 hypotheses were accepted and 4 hypotheses was rejected, namely: (1) Foreign ownership does not affect the stock price of pharmaceutical companies (2) Institutional ownership has a negative and significant effect on the stock prices of pharmaceutical companies (3) independent commissioners do not influence the stock price of pharmaceutical companies (4)*financial distress* give a positive and significant influence on the stock price of pharmaceutical companies (5) foreign ownership effect on stock prices moderated by conservatism accounting (6) institutional ownership does not influence the stock price of pharmaceutical companies moderated by conservatism accounting (7) independent commissioner effect on stock prices moderated by conservatism accounting (8)*Financial distress* does not affect the stock price of pharmaceutical companies moderated by conservatism accountancy.

Foreign ownership, institutional ownership, independent commissioners, *financial distress*, and accounting conservatism as a moderator is expected to provide benefits in increasing stock prices. From the results of this study, it is expected that the pharmaceutical sub-sector companies will consider financial reports in carrying out their operational activities. In addition, investors can use it as a tool to provide additional information.

BIBLIOGRAPHY

- Alhayati, F. (2013). Effect of Debt Level (*Leverage*) and the Financial Level of Corporate Finance Against Accounting Conservatism (Empirical Study of Companies Registered on PT IDX). Thesis Department of Accounting, Faculty of Economics, Padang State University.
- Bisnis.com. (2020). <https://www.bisnis.com/>. Retrieved October 3, 2022.
- Bremholm, A. (2015). Foreign Ownership and Foreign Directors The Effect on Firm Performance in Japan.
- Ghozali, I. (2014). Multivariate Analysis Application with IBM SPSS 23 program. (Semarang: Diponegoro University Publishing Agency).
- Ghozali, I. (2018). "Multivariate Analysis Application with IBM SPSS program." Edition nine. Semarang: Diponegoro University Publishing Agency.
- Hendrawan, Y. T. (2021). Actecenden and Consequences *Financial Distress* (Empirical Study of Manufacturing Companies Listed on the IDX). Thesis. Semarang: Sultan Agung Islamic University.
- Indriantoro, N. Supomo, M. (2009). Business Research Methodology for Accounting and Management, First Edition. Yogyakarta.
- Irfani, R. Anhar, M. (2019). The Effects of Profitability, Leverage, Managerial Ownership, and Institutional Ownership on Stock Prices (Empirical Study: Manufacturing Companies on the Indonesia Stock Exchange 2015-2017). *STEI Journal of Economics*, 28(1): 143-152.
- Jensen, M. C. Meckling, W. H. (1976). Theory of The Firm: Managerial Behavior, Agency Costs, and Ownership Structure. University of Rochester, NY 14627, U.S.A. *Journal of Financial Economics* 3 (1976): 305-306.
- Jogiyanto. (2008). *portfolio theory and investment analysis (5th ed.)*. BPFE
- Julianti, R. (2019). Influence *Good Corporate Governance* on Share Prices of Pharmaceutical Companies listed on the Indonesia Stock Exchange for the 2014-2018 Period. Thesis. Medan: Muhammadiyah University of North Sumatra.
- Kholmi, M. (2020). Accountability in the Perspective of Agency Theory. *Journal of Business Economics*, 2(2): 357-369.
- Lestari, D. (2020). Factors Influencing Share Prices in Food and Beverage Companies Listed on the Indonesia Stock Exchange in 2015-2018. Thesis. Pancasakti Tegal University.
- Lestari, I. S. D. (2019). The Effect of CR, DER, ROA and PER on Stock Prices in Pharmaceutical Companies on the IDX. Bali: Udayana University. *Unud Management E-Journal*, 8(3): 1844-1871.
- Mehrani, S. Moradi, M. Eskandar, H. (2016). *Institutional Ownership Type and Earnings Quality: Evidence from Iran. Emerging Markets Finance & Trade*: 1-20.
- Musyafak, M. F. (2017). The Effect of Financial Distress on Stock Prices Moderated by Capital Structure. Indonesian College of Economics (STIESIA) Surabaya. *Journal of Accounting Science and Research*, 6(11):1-16.
- Okezone.com. (2020). <https://economy.okezone.com/>. Retrieved October 3, 2022.

- Oktaviani, N. Purwanto. (2020). Analysis *Financial Distress* and Its Effect on Stock Prices. *Journal of Information Systems, Finance, Auditing and Taxation*, 5(1): 46-60.
- Putri, M. (2019). Analysis of the Influence of Foreign Ownership, Domestic Ownership, and Public Ownership on the Value of Companies Listed on the Indonesia Stock Exchange for the 2016-2017 Period. Muhammadiyah Surakarta university.
- Pongkorung, A. Tommy, P. Tulung, J. E. (2018). The Influence of Profitability and Ownership Structure on Share Prices of the Non-Bank Financial Industry Listed on the IDX in 2012-2016. Sam Ratulangi University, Manado. *EMBA Journal*, 6(4): 3084-3057.
- Rafikaningsih, P. S. A. Putra, I. G. C. Sunarwijaya, I. K. (2020). Timing of Submission of Issuers' Financial Statements on the Indonesia Stock Exchange and Influencing Factors. *Charisma Journal*, 2(2): 116-136.
- Republika.co.id (2020). <https://www.republika.co.id/>. Retrieved October 3, 2022.
- Sugiyono (2011). *Quantitative Research Methods, Qualitative and R&D*. Bandung: Alfabet.
- Sugiyono (2014). *Quantitative Research Methods, Qualitative and R&D*. Bandung: Alfabet.
- Sukars, N.K. (2015). Decision Making in Stock Investment with a Fundamental Approach to Financial Statements in the Indonesian Capital Market. Bali State Polytechnic Accounting Department. *Journal of Business and Entrepreneurship*, 11(2): 175-184.
- Syafaatul L, K. (2014). Influence *Good Corporate Governance* Against Stock Prices (Studies on Manufacturing Companies Listed on the Indonesian Stock Exchange). Faculty of Economics and Business, University of Brawijaya. *FEB Student Scientific Journal*. 2(2).
- Ulum, B. (2017). Effect of Implementation *Good Corporate Governance* and Financial Performance on Stock Prices of Manufacturing Companies listed on the Indonesia Stock Exchange in 2012-2014. *Journal of Echo of Economics*, 6(2): 125-137.
- Law of the Republic of Indonesia No. 8 of 1995 concerning the Capital Market.
- Law of the Republic of Indonesia No. 25 of 2007 concerning Investment.
- Wahyuni, R. E. Wahyuati, A. (2017). The Effect of Capital Structure and Company Growth on Stock Prices. *Journal Management Science and Research*, 6(4): 1-18.
- Watts, R. L. (2003). *Consevatism in Accountung Part I: Explanations and Implications*. University of Rochester.
- Wijaya, N. K. S. Fatimah, A. Setiawan, M. A. (2020). Do GCG Mechanisms and Company Size Impact Stock Prices? Malang State Polytechnic. *Indonesian Accounting Journal*, 16(1): 14-23.
- Zulkarnain, Z. Mariyam, S. (2021). Effect of Foreign Institutional Ownership and Financial Performance on Stock Prices. Wiyata Indonesia Management Institute. *Cakrawala Journal, IMWI Repository*, 4(2): 197-206.