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The Mediating Role of Cash Conversion Cycle on the Relationship between Conservatism Policy and Investment Decision Evidence from Non-Financial Firms Listed on the Egyptian Stock Exchange

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Abstract

This research aims to examine the mediating role of the cash conversion cycle (CCC) in shaping the influence of conservatism policy on investment decisions. This applied study was conducted on Non-Financial Firms Listed on the Egypt Stock Exchange, EGX 100 during the period from 2003 to 2022. The study depended on secondary data published in the financial statements and reports of these companies. In addition, it also relied on the data method that combines time series data with cross-sectional series data (Data Panel) to conduct the study, and the data were analyzed statistically by relying on statistical software packages STATA 14. The study results showed a significant negative impact of conservatism policy that is represented by accounting conservatism (AC), on investment decisions. Accounting conservatism also has a negative impact on the cash conversion cycle, while there is a positive impact of the cash conversion cycle on investment decisions. The mediated effect of the cash conversion cycle is about 0.3 times as large as the direct effect of accounting conservatism on investment decision.

Keywords: conservatism policy; accounting conservatism (AC); cash conversion cycle; investment decisions, Egypt; Non-financial Companies; EGX 100.

المستخلص:

يهدف هذا البحث إلى دراسة الدور الوسيط لدورة التحويل النقدي (CCC) في تشكيل تأثير السياسة المحافظة على القرارات الاستثمارية. أجريت هذه الدراسة التطبيقية على الشركات غير المالية المدرجة في بورصة مصر EGX100 خلال الفترة من 2003 إلى 2022. اعتمدت الدراسة على البيانات الثانوية المنشورة في القوائم والتقارير المالية لهذه الشركات، كما اعتمدت على طريقة البيانات التي تجمع بين بيانات السلاسل الزمنية وبيانات السلاسل المقطعية (Data Panel) لإجراء الدراسة، وتم تحليل البيانات إحصائياً بالاعتماد على حزم البرمجيات الإحصائية STATA. أظهرت نتائج الدراسة تأثيراً سلبياً معنوياً للسياسة المحافظة التي تمثلها المحافظة المحاسبية (AC) على قرارات الاستثمار. كما أن للمحافظة المحاسبية تأثيراً سلبياً على دورة التحويل النقدي، في حين أن هناك تأثيراً إيجابياً لدورة

التحويل النقدي على قرارات الاستثمار. يبلغ الأثر الوسيط لدورة التحويل النقدي حوالي 0.3 مرة أكبر من التأثير المباشر للمحافظة المحاسبية على قرار الاستثمار.

الكلمات المفتاحية: سياسة المحافظة، التحفظ المحاسبي؛ دورة التحويل النقدي؛ قرارات الاستثمار، مصر؛ الشركات غير المالية، EGX 100.

1. Introduction

Conservatism can be employed to resolve the moral hazard issue, which is predominantly caused by the information asymmetry between a firm's stakeholders (Watts 2003). There is a possibility that conservatism is positively correlated with investment efficiency, as it is likely to reduce information asymmetry. Garcia and his colleagues (2013) empirically demonstrate that firms in the United States that exhibit the maximum degree of conservatism are less likely to over-invest or under-invest, thereby making it a significant factor in making investment decisions. According to Watts (2003), conservatism mitigates information asymmetry by furnishing stakeholders with timely, dependable information regarding potential losses. This information can mitigate investment risks by informing stakeholders about financial health in a prudent fashion.

Accounting conservatism (AC) is the practice of delaying the recognition of revenue until it is realized and recognizing prospective losses or liabilities earlier. A more conservative estimation of asset values and profits is the result of this method, which establishes a cautious financial reporting framework. The total accruals can be used to quantify it. Higher total accruals suggest that there are more earnings adjustments, which may indicate an aggressive conservative approach, whereas lower total accruals suggest a more conservative approach.

According to Handojo (2012), conservatism has a significant influence on investment decisions by influencing resource allocation decisions. He presented a number of arguments for and against conservatism. In addition, the Cash Conversion Cycle (CCC) of a company can be optimized to increase investment growth and profitability (Ban̄os-Caballero et al., 2012; Lazaridis & Tryfonidis, 2006). A shorter CCC is the result of a lower inventory, extended supplier credit terms, and a shorter accounts receivable period. A working capital policy that includes a shorter CCC may enhance investment growth and profitability (Ebben & Johnson, 2011; Wang, 2019).

This research examines the mediating role of cash conversion cycle on the relationship between conservatism policy and investment decision on non-financial firms listed on the Egyptian stock exchange. The study uses both deductive and inductive approaches. First, it applies the deductive approach, examining the literature that is currently available on the definition of conservatism policy, how to measure it, and how it relates to investment decisions. Next, using a practical application to test the research hypotheses on a sample of companies listed on the Egyptian Stock Exchange, the inductive approach is used to try and determine the relationship between

conservatism policy and its reflection on investment decisions and how the cash conversion cycle affects this relationship.

The following sections of this research are organized in the following manner: sections 2 and 3 contain the research problem and research objectives. Section 4 contains the literature review and formulation of hypotheses. The research methodology, which contains data description, hypotheses, empirical models, descriptive analysis and outcomes is provided in Section 5. The conclusion and the suggestions for future research are illustrated in Section 6.

2. Research Problem

Many studies investigate the relationship between conservatism policy and investment decision and other studies explain the relationship between cash conversion cycle and investment decision. Nevertheless, the previous studies didn't study these three relationships together, especially in Egypt. So, this research focused on studying the relationship between accounting conservatism and investment decision in the existence of cash conversion cycle as a mediator in non-financial Egyptian companies. It considers the research problem which revolves around answering in the following question:

What is the impact of accounting conservatism on investment decision through the cash conversion cycle in Egypt?

3. Research Objectives

The essential objective of this research is to identify the effect of the cash conversion cycle on the relationship between conservatism policy and investment decisions in Egypt. The study adds value to business leaders and managers by learning and better understanding the relationship between conservatism policy and investment decision in non-financial companies in Egypt and the mediating role of cash conversion cycle in this relationship, which allows them to make more informed investment decisions

4. Literature Review and Hypotheses Development

This section was divided into six parts. The first three parts are the conceptual framework of the study which includes the Conservatism policy, Cash Conversion Cycle, and Investment Decision. The fourth part is the association between Conservatism policy and Investment Decision. The fifth part is the association between Cash Conversion Cycle and Investment Decision. The sixth part is the association between Conservatism policy and Cash Conversion Cycle.

4.1 Conservatism policy

Conservatism is a prudent response to uncertainty and risk in an existing business environment, as defined by Savitri (2016). It can be inferred that conservatism is a response to the meticulous process of recognizing future income or profits and promptly recognizing future expenses or losses by accountants (Hadi, 2020). Investment contracts between a firm, creditors, and stockholders are effectively determined and monitored through the application of the conservatism concept.

Previous research has identified both advantages and disadvantages in the implementation of conservatism methods. For instance, research conducted by Handojo (2012) asserted numerous arguments in favor of and against conservatism. In general, managers are motivated to manipulate results when accounting data is utilized in contracts, particularly those that pertain to compensation and debt. Initially, it is apparent that managers have greater incentives to be optimistic, which is to disclose "good news" that can have a positive impact on their salary or their evaluation, rather than "bad news" such as investment in negative net present value (NPV) projects.

The accounting numbers are likely to be substantially biased, and it becomes challenging for capital providers to effectively monitor managers if no restrictions are imposed on this potentially opportunistic managerial behavior. Thus, conservatism policy provided enhanced oversight of managers, theoretically alleviating the capital rationing issue and, as a result, reducing underinvestment. This is further supported by the fact that some authors have demonstrated that conservatism enables the raising of the capital of debt (Göx et al., 2009; Watts 2003) and also the cost of debt is reduced (Ahmed et al. 2013; André, 2014; Zhang 2008; Wittenberg-Moerman 2008).

Conservatism policy compensates for managerial biases, facilitates management monitoring, and enhances contract efficiency by mandating the recognition of losses as soon as information indicates a likelihood of such losses and counteracting the asymmetric incentives of managers with respect to the disclosure of information. Timely acknowledgment of losses is intrinsic to conservatism. This timeliness is crucial because it captures the impact of management's actions on the firm's value during the period in which they are implemented. The dysfunctional consequences that are frequently linked to the limited tenure of administrators at the company, can be avoided through timely recognition. Managers are less inclined to invest in projects with negative NPV when they are aware that losses will be recognized during their tenure (Latif et al., 2020).

Accounting conservatism is predicated on the selection of methods that result in diminishing cumulative profits. These methods include the immediate recognition of expenses and losses, the postponement of the recognition of revenues and gains, and the valuation of assets with the lowest values and liabilities with the highest values. It prevents management from exercising excessive optimism when confronted with uncertainties, which is consistent with the most significant motivations and theories that elucidate the reservation, namely agency theory (Khairy, 2022; Lalbar et al., 2012; Lawal & Shehu, 2016; Lawal & Hassan, 2021).

According to agency theory, an enterprise is a collection of contractual relationships. These relationships may be between the company and its management, as in management bonus contracts, or between the company and the owners of debt, as in debt contracts. Most bonus plans in management incentive contracts are contingent upon net income. Consequently,

company managers frequently opt for methods that demonstrate substantial accounting profits in order to obtain the most lucrative rewards. The impact of debt agreements on the preparation of financial statements is a phenomenon that is characterized by the greater likelihood of selecting the accounting alternative that generates substantial profits in order to reassure lenders or creditors about the entity's capacity to fulfill its obligations, as the ratio of debt to equity increases (Watts, 2003).

Therefore, the agency theory is one of the most significant theories that elucidates accounting conservatism. In this theory, management's opportunistic behavior is restricted by imposing restrictions on the exaggeration of profits to demonstrate superior performance in order to increase management rewards (Hastuti & Rasyid, 2021).

4.2 Cash Conversion Cycle

The Cash Conversion Cycle (CCC) is fundamental to the management of working capital (Deloof, 2003; Gitman & Zutter, 2019; Yazdanfar & Öhman, 2014). Inventory, accounts receivable, and accounts payable are the three components that must be managed in order to achieve equilibrium (Charitou et al., 2010). Efficient CCC management offers managers greater control over a firm's short-term investments, which may subsequently impact risk, profitability, and firm value (Ebben & Johnson, 2011; Karim et al., 2024; Peel et al., 2000).

The cash conversion cycle is delineated by Al-Mohareb (2019) into three stages, including an inventory stage that follows the production process. In this stage, interested companies typically incur inventory costs in order to reduce the number of days of inventory for a variety of reasons, including cost and potential operational harm to certain products. In order to ensure that companies are able to operate on a daily basis, the second stage involves the collection of accounts receivable from customers. This stage necessitates a policy that is both long-term and balanced in terms of the speed of collection, as well as the covering of any obligations and the reinvestment of cash received.

The repayment of account payables to creditors is the third stage. This stage involves the company examining the days in which it maintains cash and reinvests in opportunities. Other and non-payment on the due date for creditors may have additional costs for companies in addition to the benefits of the delay. This could result in a rise in the price of a product or service, as well as a loss of the company's reputation in the market due to non-payment at the maturity date. Also, the delay in payment of payables may affect the early discount that companies lose. The determinants of the cash conversion cycle are intended to ascertain the correlation between the liquidity that companies are expected to maintain and the extent to which they engage with suppliers and consumers, which may lead to an increase in profitability.

Richards and Laughlin's CCC theory denotes the ultimate recovery of cash receipts from product sales and the net time interval between a firm's cash expenditures for purchases (Oseifuah, 2016). Days sales outstanding (DSO) and days sales of inventory (DSI) are combined to calculate the

average CCC, which is then subtracted from days payable outstanding (DPO). Because CCC quantifies the rate of the conversion of current assets into cash, therefore it serves as an indicator of the effectiveness of working capital management. In the management of working capital, the cash conversion cycle is a critical metric that quantifies the cash gap, which is defined as the time between the actual production expenses and the actual cash received from a special sale of goods or services (Eljelly, 2004; Lazaridis & Tryfonidis, 2006; Padachi, 2006; Oseifuah, 2016).

Investment decisions, particularly those that involve capital expenditures such as the acquisition of property, plant, and equipment, can be substantially influenced by the CCC, which quantifies the duration of time during which a company's cash is invested in operations. A shorter CCC, which is achieved through efficient inventory management, rapid receivables collection, and optimized payables timing, improves liquidity and cash flow. By decreasing the necessity for external financing, this increase in cash availability enables companies to fund capital investments internally at potentially lower costs, and vice versa (Ghabban, 2024). Thus, it is imperative to manage these cycles in order to facilitate strategic investment decisions. This is because companies that have efficient CCCs are more adaptable and resilient, which simplifies the management of investments in property, plant, and equipment without compromising operational cash flow.

The company may be at risk of losing customers if the inventory period is too short, as it must retain a certain percentage to cover any liabilities resulting from an emergency in goods and services or to capitalize on better opportunities to market goods at a better time than it currently is. Additionally, a short collection period could result in the company losing customers, as many customers prefer a longer repayment period for long-term receivables. Finally, if the company increases the repayment period, it may result in the loss of early discounts and other incentives, so the company must maintain a balance between these policies (Gitman & Zutter, 2019).

A shorter CCC policy has the advantage of incurring little or no interest on operations that are financed inexpensively as current liabilities. This policy, however, is fraught with risk, as the combination of low inventory levels and a short-term trade credit may result in increased operation risk and diminished sales (Ebben and Johnson, 2011; Wang, 2019).

4.3 Investment decision

Investment refers to the acquisition of productive assets or capital. The objective of such expenditures is to facilitate the production of products or services that will generate future cash flow and profits for the Business. The short-term cash flow position of a firm will be adversely affected by these capital purchases, as they indicate cash outflows (Mabunda, 2021).

Arguably, the most critical issue in corporate finance is the interaction between investment and financing decisions. It has been widely recognized that a company's investment decisions may be influenced by its financing decisions. This is due to the fact that taxes, issuance costs, agency

conflicts, and information issues associated with debt and equity will impact the firm's cost of capital, create a disparity between the cost of internal and external funds, and alter managers' incentives to pursue various types of projects.

Particular attention has been given to the sensitivity of investment to internally generated financial flow. Theoretically, a company may invest more when cash flow is high for three reasons: i) internal funds may be less expensive than external funds, ii) managers may overspend internally available funds, and iii) cash flow may be simply correlated with investment opportunities. Investment–cash flow sensitivities have "completely disappeared in recent years," as found by Chen and Chen (2012), in contrast to the other estimated by Almeida and their colleagues (2010) and Erickson and Whited (2012). In conclusion, while there is ongoing debate regarding the underlying reasons for the correlation between investment and cash flow, the majority of recent literature indicates that cash flow has, at most, a negligible effect on investment.

Measurement of investment decisions can be achieved through capital outflows for the acquisition of property, plant, and equipment (PPE) (Aivazian et al., 2005; Chen & Chen, 2012; Titman et al., 2004). Critical indicators of a company's long-term growth and strategic direction are these outflows, which are frequently referred to as "capital expenditures" (CapEx). This investment by a company typically indicates a dedication to the modernization of assets, the enhancement of operational efficiency, or the expansion of operational capacity. A company's resource allocation toward future development and sustainability can be evaluated through these capital investments (Berk & DeMarzo 2020).

4.4 The Impact of Conservatism Policy on Investment Decision

A more risk-averse perspective on a company's financial status is offered by conservatism policy. This cautious representation frequently influences managerial decisions regarding capital investments in PP&E, as conservative reporting can affect the perceived risks and the availability of funds associated with these long-term investments. On the other hand, accounting conservative practices offer more dependable financial information, which in turn affects the decision-making processes of managers and investors, particularly in the context of cash allocations for investments.

Regarding the application of conservatism methodologies, there are still advantages and disadvantages in prior research. Handojo provided numerous arguments in favor of and against conservatism. The concept of conservatism is substantiated by the following arguments. Firstly, an inclination to be pessimistic is considered necessary to counteract the potentially excessive optimism of managers and owners, thereby reducing the likelihood of exaggeration in relative reporting (Handojo, 2012).

Secondly, in the absence of effective control, Jensen (1986) posits that managers would have a greater opportunity to invest the cash flows generated by the company in initiatives that would to prioritize their own interests over those of shareholders. Later, Hart and Moore (1995) exposed and confirmed this assent. Managers' private profits are directly proportional to the firm's investment expenditures, they disclose. According to Jensen's research on the fundamental principle of free cash flow theory, managers who prioritize "empire building" would commit all available funds to investment initiatives that are both profitable and unprofitable (Hart, 2017).

Diaw (2012) demonstrates that firms with high growth opportunities and excess liquidity opt to rely on internal resources in the presence of unreliable control mechanisms. Indeed, they demonstrate that the cash flow of firms with robust information asymmetries has an average positive impact on investment expenditures that is three times greater than that of firms with a managerial discretion issue.

Managers may exploit available liquidity to prioritize their own interests over those of shareholders. In addition, managers are less inclined to invest in negative NPV projects when conservative financial reporting is implemented, as the recognition of timely loss will tarnish their reputation (Latif et al., 2020; Osma et al., 2015).

Conservatively reported financials are more likely to appeal to investors who prioritize stability, which could potentially reduce the firm's cost of capital. Companies frequently enhance their credibility with lenders by employing conservative accounting practices. It is possible that banks and creditors may be more inclined to provide financing for PP&E purchases for a prudently reporting firm, as they perceive the firm's future cash flows and financial management as more reliable (LaFond & Watts, 2008; Chi^a & Wang^b, 2010).

Agency costs may also be mitigated through conservative accounting. When earnings are disclosed conservatively, managers are subjected to more intense scrutiny when making capital expenditure decisions. This oversight can mitigate the potential for excessive or empire-building investments in PP&E that may not be in the best interest of shareholders. By reporting earnings and accruals in a conservative manner, firms provide more dependable information, which assists shareholders and stakeholders in assessing the advisability of substantial cash outflows for PP&E. Management is also discouraged from overcommitting to programs that lack clear, demonstrable returns. Latif and his colleagues (2020) clarified that accounting conservatism reduces agency costs by aligning management's investment decisions with a realistic representation of earnings and financial flows. Investment in PP&E is only encouraged when it is advantageous to shareholders, as defined by this alignment.

Evidence that financial reporting influences investment is presented by prior research (Biddle and Hilary 2006; Biddle et al. 2009; Badertscher et al. 2013; Francis and Martin 2010; Goodman

et al. 2014). By analyzing the availability of external finance, this study investigates a particular prediction regarding the relationship between financial reporting and investment. Consequently, it illuminates a specific mechanism by which investment and financial reporting are interconnected. In particular, this investigation implies that accounting conservatism influences the investment decisions of organizations by influencing their susceptibility to variations in the external finance supply.

In contrast, numerous studies have identified the potential dysfunctional consequences of accounting conservatism, which may lead to underinvestment by encouraging excessively cautious investment behavior (Leuz 2001; Guay & Verrecchia 2006; Lambert 2010; Bushman et al. 2011). Managers may choose to skip long-term investment projects that accrue costs immediately but don't produce benefits until significantly in the future due to their restricted horizons (Leuz 2001; Guay & Verrecchia 2006; Lambert 2010). Furthermore, managers who are risk-averse may refrain from pursuing risky projects, even if they have positive NPV. Where firms are experiencing financing difficulties due to information frictions, we contend that accounting conservatism can actually mitigate underinvestment.

The criticisms or arguments against conservatism include: 1) Conservatism may result in the intentional understatement of assets and income, which can distort the true financial position and performance of an entity. As a result, the reliability and relevance of financial information for decision-making are compromised. 2) Financial statement consumers may misinterpret conservative financial data, mistaking it for a complete representation of an entity's economic situation when it is not. Due to this, investors, creditors, or other stakeholders may make suboptimal decisions. 3) Conservatism may influence resource allocation decisions by consistently underestimating profits or assets. Because of incomplete or excessively cautious representations of the financial situation, investors or managers may make less favorable decisions. 4) The implementation of conservatism may result in inconsistencies in financial reporting practices among entities, which could undermine comparability across industry and company boundaries. 5) Conservatism has a propensity to postpone the acknowledgment of gains or positive changes in financial performance until they are realized, which may obfuscate timely signals of growth or recovery (Handojo, 2012).

Conservative financial reporting can limit the availability of internal financing and encourage more stringent capital allocation, thereby reducing the risk of excessive cash outflows for long-term investments. Kim et al. (2013), Francis et al. (2004), Kim and Zhang (2013), Francis and Martin (2010), LaFond and Watts (2008), and Chi^a and Wang^b (2010) have also observed that the approach increases investor confidence and access to external financing, thereby facilitating more prudent investments in PP&E.

As a result of conservative accounting practices, reported profits are typically lower, which can decrease the amount of available cash for hazardous investments. In general, managers who

report conservatively tend to allocate cash with caution, prioritizing investments that offer more predictable returns and lower risk. The currency outflows can be influenced by the more cautious investment decisions that can result from conservative reporting, which restricts high-risk investments. Conservatism can potentially reduce superfluous cash outflows by prompting management to reassess investment plans if financial conditions change unfavorably in response to the timely recognition of losses. According to Kim et al. (2013), accounting conservatism leads to more aligned investment decisions by decreasing the information asymmetry between manager and investor. Conservatism assists investors in evaluating the genuine cash flow position of a company and making well-informed investment decisions by limiting the extent of excessively optimistic reporting.

Francis et al. (2004) examine the potential of conservatism in accounting to ensure that firms do not overestimate their cash availability. This, in turn, can support disciplined cash outflows in investment decisions. LaFond and Watts (2008) and Chi and Wang (2010) examine the role of conservatism in reducing the cost of equity by limiting information asymmetry and providing accurate representations of financial health. This process, in turn, influences capital allocation and investment outflows.

The extensive literature indicates that conservatism is essential in the mitigation of agency issues. (Lambert, Leuz, & Verrecchia, 2007). Therefore, if conservatism mitigates agency issues through the quality of information which is disclosure, it can enhance the efficiency of investment by enhancing the capacity of shareholders to supervise managers, thereby reducing financing costs and improving project selection (Le et al., 2024).

In addition, managers are frequently incentivized to maintain loss-making initiatives because discontinuing them could have a detrimental effect on their current earnings or their personal benefits, such as the prestige of managing a larger organization (Ball 2001; Watts 2003a; Francis and Martin 2010). Asymmetrically opportune loss recognition leads to the rapid identification of economic losses from projects that are not performing well, which in turn undermines managers' incentives to continue operating them. Therefore, conservatism enhances investment efficiency by requiring the premature termination of projects that result in losses. In 2011, Bushman et al. discovered that investment responses to declining investment opportunities increase with timely loss recognition. However, they did not find any evidence that the sensitivity of investment to increasing investment opportunities is influenced by such recognition. Balakrishnan (2016) and Mak et al. (2011) also employ conventional models of accounting conservatism and adaptation value to the corporate refocusing activities of UK-listed companies. In the year of the refocusing announcement and the subsequent year, they have identified evidence of increased conservatism (as a result of substantial realized losses).

Kim and Zhang (2013) discover that conservatism in financial reporting reduces information asymmetry between managers and investors, which can influence management's decision to pursue large cash outflows in capital investments such as PP&E. Their argument is that this circumspect reporting more closely aligns management's investment decisions with actual cash flow capacity. This generally involves a more thorough evaluation before making high-cash-outflow investments, such as PP&E, as conservative accounting frequently indicates a restricted capacity for large, riskier expenditures. Retained earnings, which are frequently utilized as a source of funding for PP&E investments, can be restricted by conservative reporting, which, in turn, reduces reported profits. This reduction in available cash or internal financing may result in reduced or postponed expenditure on capital assets in order to preserve liquidity.

In 2016, Balakrishnan et al. discovered that the function of financial reporting in constraining managers to act efficiently in investment monitoring and decision-making resulted in a lesser decline in investment activity for firms with more conservative financial reporting. Francis and Martin (2010) postulate that accounting conservatism allows organizations to more effectively allocate capital by establishing realistic cash flow expectations, thereby reducing the likelihood of overinvestment in high-cash-outflow, long-term assets such as PP&E.

Various empirical studies have been conducted in numerous countries, utilizing a variety of time frames, to examine conservatism policy and investment decisions. The results of the studies are inconsistent and some of them are equivocal. There is a need for additional research on the subject. Corporate investment decisions are affected by conservative policies in a manner that is contingent upon the circumstances in which the firms are operating (Haixin & Jeong, 2022). Accordingly, the researcher developed the following hypotheses which can be formulated as follows.

- H1: There is no significant impact of accounting conservatism on investment decision.

4.5 The Impact of Cash Conversion Cycle on Investment Decision

The CCC is a critical factor in determining a company's ability to make investment decisions. In addition to reducing financial risk, effective CCC management also generates opportunities for strategic and profitable investments, thereby enhancing liquidity. However, a company's capacity to allocate resources efficiently may be impaired by an inadequately managed CCC.

As a result of the rapid conversion of working capital to cash, liquidity is enhanced by a shorter CCC. Capital expenditures, research and development, or acquisitions are among the growth opportunities that companies can invest in as a result of this improved liquidity. Studies indicate that organizations that implement effective CCC management are less susceptible to liquidity constraints, which enables them to make more aggressive investment decisions (Deloof, 2003).

A longer CCC restricts the availability of capital for other investments by requiring funds to be held in inventory and receivables. Profitable investment opportunities may be forfeited by companies as a result of restricted cash flow. The research emphasizes the potential trade-off between financing long-term investments and maintaining high working capital levels (Sharma & Kumar, 2011).

The financial risk of firms with extended CCCs may increase as a result of increased leverage or interest costs, necessitating the use of external financing for investment decisions. Alternatively, a shortened CCC encourages self-financing of investments and reduces dependence on debt. García and Martínez (2007) have demonstrated that effective CCC management reduces financial risks, thereby enabling organizations to invest in more ambitious initiatives.

The profitability of firms with optimized CCCs is generally higher, which allows for the reinvestment in new projects. CCC management that is efficient fosters a virtuous cycle of reinvestment and profit generation. A positive correlation between profitability, reinvestment rates, and efficient working capital management has been demonstrated in empirical studies (Lazaridis & Tryfonidis, 2006). In response to strategic opportunities, such as market expansion or technology enhancements, companies with shorter CCCs have a greater degree of flexibility due to the availability of liquidity. Firms that have efficient cash flow cycles are more likely to capitalize on time-sensitive investment opportunities (Hill, et al., 2010; Yilmaz, 2023).

CCC management is more likely to concentrate on the financial constraints that firms encounter in regions with less economic development (Belghitar & Khan, 2013; Zeidan & Shapir, 2017). In these circumstances, the limited quantity of financing forces additional investments in fixed capital and working capital to compete with one another.

In Moshirian study, the final sample comprises 3,311 data points from non-financial enterprises situated in six Latin American countries: Argentina, Brazil, Chile, Colombia, Mexico, and Peru. This analysis spans the years 2000 to 2018. The CCC and operating cash flow (OCF) were found to be inversely related in the dynamic panel data regressions and the System Generalized Method of Moments (SGMM) estimates. Evidence suggests that the OCF decreases as revenues increase as a result of increases in the CCC. The CCC's revenue development mechanism is highly questionable in light of the fact that firms in LA, which are experiencing financial constraints, rely heavily on internal resources to make new investments (Moshirian et al., 2017; Larkin et al., 2018). In addition, the results obtained indicate that the CCC increases tend to decrease investments in fixed capital, which in turn reduces growth rates and future economic performance.

In the Saudi market, certain cement companies have effectively implemented inventory management strategies, as noted by Qadri, Altas, and Aman (2021). This proactive approach has led to a reduction in the duration of currency conversion cycles, which has also increased

financial liquidity. Consequently, the cash outflow for capital expenditure has been reduced. With the consistency of the most previous studies, the researcher developed the following hypothesis which can be formulated as follows.

- H2: There is a significant negative impact of Cash conversion cycle on investment decision.

4.6 The Impact of Conservatism Policy on Cash Conversion Cycle

In general, conservative accounting practices prioritize the immediate recognition of expenses and delay revenue recognition, which may result in an extension of the CCC. This is because such practices frequently result in increased inventory levels and a delayed turnover of receivables, while also promoting a conservative approach to liability payments. This extends the period between the cash outflows for production and the cash inflows from sales (Le et al., 2024; Zhang, 2008).

Businesses that adhere to conservative policies may maintain elevated inventory levels in order to mitigate supply chain disruptions, satisfy customers promptly, or prevent stockouts. Increasing inventory levels can result in extended inventory holding periods, which can elevate the CCC. Based on research, businesses that prioritize safety assets frequently encounter elevated carrying costs and prolonged CCC accounts. (Deloof, 2003; Singh & Kumar, 2014; Lazaridis & Tryfonidis, 2006; Van Horne & Wachowicz, 2008).

A conservative policy frequently entails stringent credit policies, such as requiring consumers to pay promptly or offering minimal credit terms. Shorter collection periods decrease the CCC, thereby enhancing liquidity. Nevertheless, the expansion of sales may be restricted by excessively conservative credit terms. Deloof (2003), Lazaridis and Tryfonidis (2006), and Hill et al. (2010) have all demonstrated that firms that implement stringent credit controls experience enhanced cash flow, albeit at the expense of potentially reduced sales.

It may be the objective of companies to secure discounts for early payments or to maintain positive relationships with suppliers. The CCC increases as the accounts payable period is reduced by faster payment. Decreased bargaining power with suppliers may result from this, however. Van Horne and Wachowicz (2008) and Deloof (2003) have noted that organizations with shortened payable periods frequently forgo cash reserves in favor of more robust supplier relationships.

The focus on the preservation of larger cash reserves or liquidity buffers may result in a preference for the reduction of receivable periods and inventory cycles. Despite the fact that it mitigates the risk of cash flow shortages, it can restrict investments in growth opportunities, such as inventory expansion or extended credit to consumers (Lazaridis & Tryfonidis, 2006; Van Horne & Wachowicz, 2008; Hill, et al., 2010).

LaFond and Watts (2008) and Chi and Wang (2010) and Le and his colleagues (2024) asserted that a concentration on debt reduction can demonstrate fiscal responsibility, which may result in reduced interest rates and increased investor confidence. Lower borrowing costs could potentially abbreviate the CCC by reducing its financing component (Karim et al., 2024). On the other hand, the positive effect of restrictive fiscal policies that are intended to reduce debt may be counteracted by the potential for economic development to slow. With the consistency of previous studies, the researcher developed the following hypothesis which can be formulated as follows.

- H3: There is a significant negative impact of accounting conservatism on cash conversion cycle.

Nevertheless, the previous studies didn't study these three relationships together. So, this research focused on studying the relationship between accounting conservatism and investment decision in the existence of cash conversion cycle as a mediator. It considers the research problem which the following hypothesis (H4) reflected,

- H4: There is a significant negative impact of accounting conservatism on investment decision through cash conversion cycle.

5. Research Methodology

This section consists of 6 parts that included Research Sample, Variables and their Measurements, Research Hypotheses, Hypotheses Testing, Descriptive Analysis, and Research Results.

5.1 Research Population and Sample

The research population is the non-financial companies listed on the Egyptian Stock Exchange index EGX 100. After eliminating banks and financial companies due to their unique financial reporting requirements, the sample of the applied study is based on all non-financial companies listed on the EGX 100, which comes to a total of 67 companies for which complete financial data were available during the study period, which ran from 2003 to 2022.

5.2 Variables and their Measurements

The study investigates the conservatism policy of non-financial companies listed in the Egyptian stock market, using Total accruals as the independent variable. To achieve the goal of the current study, one of the measures of conservatism practice that depends on the information contained in the financial statements will be used, which is the measure presented by Givoly & Hayn (2000), which some call the accruals-based measure. This measure is used by many researches such as Hansen and his colleagues (2018). This measure is based on the assumption that conservatism practice leads to the continuous generation of accruals due to accelerating recognition of expected losses and postponing the recognition of profits. Therefore higher conservatism is anticipated to lead to higher measures of conservative accumulations. Therefore, the company's

cumulative accruals rate will become more negative over time. Therefore, the scale is multiplied by (-1) to convert the negative sign to a positive sign in the event of a high level of conservatism practice in the financial reports, and the result becomes negative in the event of a low or non-existent level of conservatism in the financial reports. It is also preferable to use Average values of the model over a number of periods to ensure that the impact of any practices to manipulate profits is reduced. According to this measure, the level of conservatism practice is equal to net income before extraordinary items, plus depreciation expense, minus cash flows from operating activities, divided by total assets, then the result is multiplied by (-1). If the result is positive, this means a high level of conservatism practice in financial reports. For the company, while if the result is negative, this means a low level of conservatism in the company. Examine the influence of managerial ability on the effectiveness of investment choices and the accessibility of investment prospects.

Investment Decision (INV) is the dependent variable. In this research, INV is measured by Cash outflow for the purchase of property, plant, and equipment (Titman, et al., 2004; Balakrishnan et al., 2016; Mabunda, 2021; Yilmaz, 2023).

The mediator variable in this research is the Cash Conversion Cycle (CCC). CCC is measured as follows: number of days of accounts receivable plus number of days of inventory minus number of days of accounts payable. In other words, CCC is a proxy for the net time interval between a firm's cash expenditures for purchases and its final recovery of cash receipts in terms of days (Lazaridis and Tryfonidis, 2006; Yilmaz, 2023).

Variables	Measurements	
Accounting Conservatism (ACC)	Total accruals = [(net income + depreciation – net cash flow from operation) ÷ total assets] multiplied by -1	Hansen et al., 2018
Cash Conversion Cycle (CCC)	Inventory holding period plus Receivables collection period minus Payables deferral period	Yilmaz, 2023
Investment Decision (INV)	Cash outflow for the purchase of property, plant, and equipment	Titman, et al., 2004; Balakrishnan et al., 2016; Mabunda, 2021; Yilmaz, 2023
Capital Stock (CAPs)	Book value of tangible long-term assets	Yilmaz, 2023
Revenue (REV)	Total sales revenue in the income statement	Yilmaz, 2023
Cash Flow (CF)	Net cash flow from operating activities in the cash flow statement	Yilmaz, 2023
Debit (DEBT)	Book value of total debt in the balance sheet.	Yilmaz, 2023
Size of Company (SIZE)	log total assets	Arifaj et al., 2023
Financial Leverage (LEV)	Total liabilities divided by total assets	Arifaj et al., 2023

Variables were standardized by calculating the natural logarithm of the study variables to address the normal distribution.

5.3 Research Hypotheses

According to the discussion in the literature review, three hypotheses are developed:

- H1: There is no significant impact of accounting conservatism on investment decision.
- H2: There is a significant negative impact of cash conversion cycle on investment decision.
- H3: There is a significant negative impact of accounting conservatism on cash conversion cycle.
- H4: There is a significant negative impact of accounting conservatism on investment decision through cash conversion cycle.

5.4 Hypothesis Testing

The hypothesis can be converted into the following mathematical formula,

$$Inv_{it} = \beta_0 + \beta_1 Acc_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 Caps_{it} + \beta_5 Rev_{it} + \beta_6 Cf_{it} + \beta_6 Debt_{it} + e... (1)$$

$$Inv_{it} = \beta_0 + \beta_1 Ccc_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 Caps_{it} + \beta_5 Rev_{it} + \beta_6 Cf_{it} + \beta_6 Debt_{it} + e... (2)$$

$$Ccc_{it} = \beta_0 + \beta_1 Acc_{it} + \beta_2 Size_{it} + \beta_3 Lev_{it} + \beta_4 Caps_{it} + \beta_5 Rev_{it} + \beta_6 Cf_{it} + \beta_6 Debt_{it} + e... (3)$$

Where,

Inv: investment decision

Acc: Accounting conservatism

Size: Size of the company

Lev: Financial Leverage

Caps: Capital stock

Rev: Revenue (sales)

Cf: Cash Flow

Debt: Size of the company's debt

Ccc: Cash conversion cycle

5.5 Descriptive Analysis

Descriptive analysis is a statistical method used to summarize or provide an overview of sample or population data. This involves examining the characteristics and distribution of the data using various tools and techniques. These tools include presenting data in tables, frequency distributions, graphs, diagrams, and pictograms. Descriptive analysis also includes calculating measures such as means, and standard deviations to understand the central tendency and variability of the data (Anggraeni et al., 2021). In Panel A of Table 1, the summary statistics offer vital insights into the investment decision, accounting conservatism (ACC), and cash

conversion cycle (CCC). By employing descriptive analysis, researchers can gain insights into the fundamental features and patterns within the data under investigation.

In Panel B of Table 1, the concurrent bivariate correlations among the analyzed variables are presented. Initially, all correlations between each variable and the others are below 0.70, suggesting no significant multicollinearity (Gujarati, 2003). These correlations display varied signs, possibly aligning or deviating from anticipated directions based on existing theories and literature. However, it's essential to remember that correlation indicates a linear relationship and does not imply causation (Ratner, 2009). Thus, the researcher focuses on the regression coefficients within the Panel Data Structural Equation Model (PDSEM) to accurately determine directional effects.

Table 1: Describing Research Variables

Panel A: Descriptive Statistics

	INV	ACC	CCC	Size	LEV	CAPs	REV	CF	Debt
Observation	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Mean	231.07	231.07	231.07	231.07	231.07	231.07	231.07	231.07	231.07
Standard Deviation	494.3854	494.3854	494.3854	494.3854	494.3854	494.3854	494.3854	494.385	494.3854
Minimum	0	-11.6301	0	4.1956	0.02736	0	0	-93706	3912
Maximum	1,113	2,987,969	8105278	3912	8427920	1,113	2987969	8105278	3912

Panel B: Correlations Matrix

	INV	ACC	CCC	Size	LEV	CAPs	REV	CF	Debt
INV	1								
ACC	-0.1686	1							
CCC	0.2773	-0.1382	1						
Size	0.4302	-0.1127	0.7407	1					
LEV	0.1283	-0.0884	0.1479	0.0821	1				
CAPs	0.5657	-0.1625	0.4117	0.5082	0.0921	1			
REV	0.3086	-0.0687	0.7243	0.6006	-0.1653	0.5208	1		
CF	-0.0362	0.1365	0.2390	0.1934	-0.1161	-0.2509	0.1345	1	
Debt	0.4944	-0.1473	0.6420	0.6151	0.2577	0.7112	0.6348	-0.0082	1

Source: Microsoft Excel 2019 Output

5.6 Research Results

To determine the direct effect of the independent variables and control variables on the dependent variable of the study, the multiple regression analysis method was used, and the data were analyzed using the statistical analysis program Stata v14. The results from Table 2 concluded that Accounting Conservatism negatively affects Investment decision with a value of -22.9, which is statistically significant at a significance level of less than 0.05. This is due to conservatism may affect resource allocation decisions by systematically understating profits or assets. Investors or managers might make less favorable choices due to incomplete or overly cautious representations of the financial situation (Handojo, 2012).

The variables also affect the size of the company, the company's financial leverage, capital stock, and cash flow, in addition to the size of the company's debts, positively impacting the investment decisions of the companies under study. These variables are significantly significant at a level of less than 0.05, and the reason for their positive effect on the investment decision is that these factors collectively enhance a firm's financial stability, access to capital, and ability to capitalize on growth opportunities, thereby supporting sustained investment in property, plant, and equipment. Effective management of these variables enables companies to make informed and strategic investment choices that drive long-term success and profitability (Almustafa et al., 2023; Arifaj et al., 2023; Farooq et al., 2022).

There is a negative effect of revenue on the investment decision with a value of (-0.080), which is statistically significant at a level of less than 0.05. Companies that are heavily focused on immediate revenue generation might prioritize short-term gains rather than long-term capital investments. In addition, high revenue may be used primarily to service existing debt rather than fund new investments (Arifaj et al., 2023). The following regression equation can be derived:

$$Inv_{it} = -731 - 22 Acc_{it} + 121 Size_{it} + 162 Lev_{it} + 0.11 Caps_{it} - 0.08 Rev_{it} + 0.09 Cf_{it} + 0.38 Debt_{it}$$

The results of the T-test for the estimated coefficient regression equation range from -5.28 to 12.34, which are greater than the tabular value of the T-test. Additionally, Accounting Conservatism, Capital Stock, Revenue, Cash Flow, debt size, company financial leverage, and company size explain 67% of the change in the investment decision. The F-test model's significance value was approximately 91, with a significance value of 0.00, indicating the model is statistically significant. It is evident from the analysis of the first hypothesis that the null hypothesis is rejected, and the alternative hypothesis is accepted, which states: "H1: There is a significant negative impact of accounting conservatism on investment decision."

Table 2: Results of Accounting Conservatism Effect on investment decision

INV	Coef.	t-value	p-value
ACC	-22.905	-2.500	0.012
Size	121.430	5.360	0.000
LEV	162.610	2.750	0.006
CAPs	0.113	12.340	0.000
REV	-0.080	-4.690	0.000
CF	0.092	2.910	0.004
debt	0.381	2.790	0.005
Constant	-731.225	-5.280	0.000
R-squared	0.671		
F-test	91.942		
Prob > F	0.000		

Source: from Stata v14 output

The results of the T-test for the estimated coefficient regression equation in table (3) range from -5.930 to 11.12, which are greater than the tabular value of the T-test. This explains the cash conversion cycle, capital stock, revenue, cash flow, debt size, company financial leverage, and company size account for about 62% of the change in the investment decision. The value of the F-test for the model's significance test was approximately 88, with a significance value of 0.00, indicating that the proposed study model is statistically significant, based on that we can accept the hypothesis "H2: There is a significant negative impact of Cash conversion cycle on investment decision.". The following regression equation can be derived:

$$Inv_{it} = -899 - 0.135 Ccc_{it} + 170 Size_{it} + 165 Lev_{it} + 0.18 Caps_{it} - 0.089 Rev_{it} + 0.12 Cf_{it} + 0.23 Debt_{it}$$

The results indicate that the CCC negatively affects the investment decision with a value of -0.135, which is statistically significant at a significance level of less than 0.05. This negative impact occurs because a high CCC implies that a shorter CCC improves liquidity by converting working capital into cash faster. This enhanced liquidity enables companies to invest in growth opportunities, such as capital expenditures, which is consistent with previous studies (Deloof, 2003; Ghabban et al., 2024)

Additionally, variables such as company size, financial leverage, capital stock, cash flow, and company debt size have a positive impact on the investment decision of the study sample. These variables are statistically significant at a significance level of less than 0.05. On the other hand, there is a negative effect of revenue on the investment decision with a value of -0.089, which is statistically significant at a significance level of less than 0.05.

Table 3: Results of cash conversion cycle Effect on investment decision

INV	Coef.	t-value	p-value
CCC	-0.135	-3.940	0.000
Size	170.006	6.500	0.000
LEV	165.745	2.810	0.005
CAPs	0.183	11.120	0.000
REV	-0.089	-2.010	0.044
CF	0.127	3.130	0.002
debt	0.231	3.700	0.000
Constant	-899.337	-5.930	0.000
R-squared	0.618		
F-test	88.774		
Prob > F	0.000		

Source: from Stata v14 output

The results of the T-test for the estimated coefficient regression equation in table (4) range from -15 to 17.83, which are greater than the tabular value of the T-test. This explains the accounting conservatism, capital stock, revenue, cash flow, debt size, company financial leverage, and company size account for about 71% of the change in the investment decision. The value of the F-test for the model's significance test was approximately 361, with a significance value of 0.00, indicating that the proposed study model is statistically significant, based on that we can accept the hypothesis "H3: There is a significant negative impact of accounting conservatism on cash conversion cycle.". The following regression equation can be derived:

$$Ccc_{it} = -18.291 - 32.14 Acc_{it} + 366.7 Size_{it} + 14.9 Lev_{it} - 0.019 Caps_{it} + 0.046 Rev_{it} + 0.060 Cf_{it} + 0.094 Debt_{it} + e... (3)$$

The results indicate that the ACC negatively affects the CCC with a value of -32.14, which is statistically significant at a significance level of less than 0.05. This negative impact occurs because conservative accounting practices result in increased inventory levels and a delayed turnover of receivables, while also promoting a conservative approach to liability payments which may result in an extension of the CCC (Le et al., 2024)

Additionally, variables such as company size, financial leverage, revenue, cash flow, and company debt size have a positive impact on the investment decision of the study sample. These variables are statistically significant at a significance level of less than 0.05. On the other hand, there is a negative effect of capital stock on the investment decision with a value of -0.019, which is statistically significant at a significance level of less than 0.05.

Table 4: Results of accounting conservatism Effect on cash conversion cycle

CCC	Coef.	t-value	p-value
ACC	-32.214	-3.87	0.00
Size	366.57	17.83	0.00
LEV	14.952	0.28	0.78
CAPs	-0.019	-6.5	0.00
REV	0.046	16.5	0.00
CF	0.060	3.75	0.00
debt	0.094	8.75	0.00
Constant	-18.291	-15	0.00
R-squared	0.71		
F-test	361.555		
Prob > F	0.000		

Source: from Stata v14 output

To analyze the fourth hypothesis of the study, the structural equation model was used, and the proposed study model was built, as shown in Figure 1.

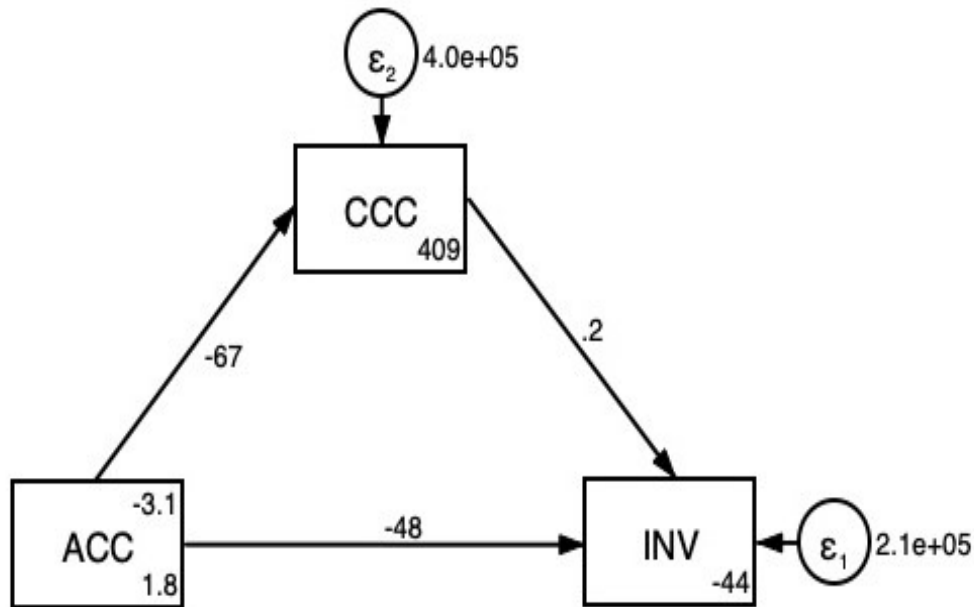


Figure 1: Structural equation model analysis results

Source: from Stata v14 output

The results of the structural equation model analysis indicate that accounting conservatism has a negative impact on the cash conversion cycle with a value of -67. Accounting conservatism also has a negative impact on investment decision with a value of -48, while there is a positive impact of the cash conversion cycle on investment decision with a value of 0.2. These coefficients are statistically significant at a significance level of less than 0.05. The following is Table 5 showing the results of goodness tests.

Table 5: Model goodness tests

Fit statistic	Value	Description
Likelihood ratio chi2_ms(0) p > chi2	0.000 .	model vs. saturated
chi2_bs(3) p > chi2	121.844 0.000	baseline vs. saturated
Population error RMSEA 90% CI, lower bound upper bound pclose	0.000 0.000 0.000 1.000	Root mean squared error of approximation Probability RMSEA <= 0.05
Baseline comparison CFI TLI	1.000 1.000	Comparative fit index Tucker-Lewis index
Size of residuals SRMR CD	0.000 0.037	Standardized root mean squared residual Coefficient of determination

Source: from Stata v14 output

The calculated value of the chi2 test was 122, which is greater than the tabulated value at a significance level of less than 0.05. Under population error, if the RMSEA value is less than 0.05, then we would not reject the hypothesis that the fit is close. The CFI and TLI indicators are included in the baseline comparison, and their values are both 1. Therefore, an indicator value close to 1 indicates a good fit. Also the value of the standardized root mean squared residual (SRMR) test is (0), which indicates A perfect fit. Below is a table of the results of the Significance testing of indirect effect.

Table 6: Significance testing of indirect effect

Estimates	Delta	Sobel	Monte Carlo
Indirect effect	-13.063	-13.063	-12.971
Std. Err.	3.283	3.283	3.280
z-value	-3.978	-3.978	-3.955
p-value	0	0	0
Conf. Interval	-19.498 , -6.627	-19.498 , -6.627	-19.864 , -7.021

Source: from Stata v14 output

Table (7) shows direct impact, indirect impact, and total impact of all variables in this research as the following:

Table 7: SEM Results

Model	Variables	Direct Impact (Coef.)	P> z	Indirect Impact	Total Impact	Decision
INV						
1	ACC	-48.47822	0	-13.06284	-61.54106	Partial Mediation
	CCC	0.1953546	0	-	0.1953546	
	ACC --> CCC	-66.86731	0	-	-66.86731	

- It is clear from the results that the value of the indirect effect reached -13.063, and the p-value for the Delta, Sobel, and Monte Carlo tests reached 0.00, which is less than 0.05, indicating the indirect effect significance, based on that the fourth hypothesis is accepted. "H4: There is a significant negative impact of accounting conservatism on investment decision through cash conversion cycle". Examining the results in Tables 6 & 7 shows the following:
- Indirect effect (13.063) / Total effect (61.541) = 0.212, Meaning that about 21 % of the effect of accounting conservatism on investment decision is mediated by cash conversion cycle.
- The mediated effect to cash conversion cycle is about 0.3 times as large as the direct effect of accounting conservatism on investment decision. [Indirect effect (13.063) / Direct effect (48.478) = 0.269]

6. Conclusion

This research examines the mediating role of cash conversion cycle on the relationship between conservatism policy and investment decision on non-financial firms that listed in Egyptian stock market, EGX100 during the period from 2003 to 2022. It also documents the effects of accounting conservatism on investment and how the cash conversion cycle affects this relationship.

This research found that Accounting Conservatism negatively affects Investment decision. This is due to conservatism may affect resource allocation decisions by systematically understating profits or assets. Investors or managers might make less favorable choices due to incomplete or overly cautious representations of the financial situation (Handojo, 2012)

In addition, the cash conversion cycle also negatively affects the investment decision. This negative impact occurs because a high CCC implies that a shorter CCC improves liquidity by converting working capital into cash faster. This enhanced liquidity enables companies to invest in growth opportunities, such as capital expenditures, which is consistent with previous studies (Deloof, 2003; Ghabban et al., 2024). Also the ACC negatively affects the CCC because conservative accounting practices result in increased inventory levels and a delayed turnover of receivables, while also promoting a conservative approach to liability payments which may result in an extension of the CCC (Le et al., 2024)

When the CCC is used as a mediator, the researcher found that accounting conservatism has a negative impact on the CCC with a value of -67. Accounting conservatism also has a negative impact on investment decision with a value of -48, while there is a positive impact of the cash conversion cycle on investment decision with a value of 0.2.

It is clear from the results that the value of the indirect effect reached -13.063, indicating the indirect effect significance. Examining the results in Table 4 shows the following:

- About 21 % of the effect of accounting conservatism on investment decision is mediated by cash conversion cycle.
- The mediated effect to cash conversion cycle is about 0.3 times as large as the direct effect of accounting conservatism on investment decision.

For future research: it can examine additional factors affecting the investment decision of Egyptian-listed companies in EGX 100. In addition, it may be conducted in different time frames and a wider range of companies. Future research could investigate the impact of conservatism policy on investment decisions using different methodologies. Moreover, it could use many other measures of conservatism policy than it used in this research. It can also conduct a comparative study between different sectors.

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