

What Factors Affect The Integrity of Financial Statements? (Study on Non-Cyclical Consumer Companies Listed on the Indonesia Stock Exchange)

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ABSTRACT

This research aims to analyze the effect of managerial ownership, leverage, and company size on the integrity of financial statements in non-cyclical consumer companies listed on the Indonesia Stock Exchange (IDX) in 2024. The data used is secondary data obtained from the company's annual financial statements published on the official website of the Indonesia Stock Exchange (IDX) in 2024. Data collection techniques were conducted through documentation, and the data were analyzed using multiple linear regression analysis. The results of the study indicate that managerial ownership and leverage have a significant effect on financial statement integrity. Meanwhile, company size does not show a significant effect on the integrity of financial statements. Simultaneously, all independent variables in this research were found to have a significant effect on the integrity of financial statements. Managerial ownership, leverage, and company size account for 40,5% of the influence, while the remaining 59,5% is influenced by factors outside the variables in this study.

Keywords: company size; integrity of financial statements; leverage; managerial ownership.

INTRODUCTION

Companies are required to prepare financial reports prepared by managers and ensure their accuracy. Financial reports must be prepared in accordance with the company's actual financial condition, ensuring that they accurately reflect the company's financial performance and position, in full compliance with the applicable accounting standards such as IFRS or PSAK, and provide transparent disclosures to prevent any potential manipulation or misrepresentation of financial data. The preparation of financial reports is crucial, and the information presented must be accurate and precise. For financial information to be used optimally, it must meet two key characteristics: relevance and faithful representation. Furthermore, other characteristics such as comparability, verifiability, timeliness, and ease of understanding also enhance the usefulness of financial information (IFRS, 2018). Therefore, financial reports must have integrity to provide benefits. Financial reports with integrity serve as a means of communication between managers, who act as agents, and the company's owners or shareholders.

Financial statement integrity can be defined as the extent to which the information presented is relevant and accurate, ensuring sufficient quality to serve as a basis for decision-making (Pradika & Hoesada, 2018). Lack of integrity and expertise can lead to bias, resulting in inaccurate financial

statements. Information generated from financial statements with high integrity can support and influence the decisions of users. Previous research indicates that several factors can influence financial statement integrity, including managerial ownership, leverage, and company size.

Managerial ownership refers to share ownership by parties directly involved in company decision-making, such as directors and commissioners. According to Jensen & Meckling (1976), managerial ownership can help align the interests of investors and managers. This means that the higher the percentage of managerial ownership, the better the company's performance. Individuals in these positions face the risk of being discontinued as managers if they fail to perform their duties effectively. Investors also face the risk of losing their stock investments if they choose the wrong company managers. Managerial ownership can also foster a greater sense of responsibility in managers in carrying out their responsibilities, as managers essentially act as shareholders themselves. Managerial ownership typically includes shares held in subsidiaries related to the parent company (Endi et al., n.d.). Managerial ownership acts as a deterrent against managerial misconduct. Furthermore, managerial ownership is an effective way to ensure the credibility of financial reports, as managers who own shares tend to avoid fraud in financial reporting. Research conducted by Nagur (2024; Akmalia et al., 2022; Izzatamillah & Meidiyustiani, n.d.-a; Rahman & Mardiyah, 2021; Suzan & Wulan, 2022; Wardhani & Samrotun, 2020) suggests that managerial ownership influences the integrity of financial reports. This research indicates that when managers own shares in a company, they have a greater incentive to maintain the quality of financial reporting to preserve the company's reputation and the value of their shares. However, this is different from the research results (Fatin & Suzan, n.d.) and (Haq et al., 2017), which show that managerial ownership does not affect the integrity of financial reports, because the percentage of share ownership by managers is still relatively low so that it does not provide sufficient incentives to carry out maximum supervision of financial reports.

Another factor that can affect the integrity of financial reports is leverage. The leverage ratio indicates how much debt is used to finance a company's assets. Leverage reflects the portion of a company's assets that comes from borrowed funds. Leverage is considered to contribute to high financial report integrity because companies with high leverage typically inflate their financial reports in the eyes of stakeholders, especially creditors (Endi et al., n.d.). On the other hand, high leverage also increases risk for investors, leading them to demand higher investment returns. This situation has the potential to encourage management to engage in window dressing in financial reporting, which can undermine the integrity of the report. Research by Budiharjo et al. (2020) shows that leverage has a positive and significant effect on financial report integrity. Research conducted by Nagur (2024; Akmalia et al., 2022) and Suzan & Wulan (2022) found that leverage significantly impacts the integrity of financial statements. Companies with high levels of leverage face greater pressure to provide transparent financial statements to maintain creditor trust. However, this contrasts with research conducted by Fatin & Suzan, n.d., Izzatamillah & Meidiyustiani, n.d., and Wardhani & Samrotun, 2020a, which found that leverage does not significantly impact the integrity of financial statements. This is because company management is able to manage debt effectively and maintain the quality of financial reporting despite high leverage ratios.

Company size is a measure of a company's size, as measured by sales, total assets, and market capitalization. Company size can influence a company's social performance because larger companies have a broader perspective and are therefore more involved in improving their social performance (Ghozali, 2016). Company size, as indicated by total assets, total sales, and profit, influences the company's social performance and contributes to the achievement of company goals (Feprilyantri, 2020). Research conducted by Verya (2017), Ramadhan (2021), and Telaumbanua (2022) indicates that company size

influences the integrity of financial reports. The larger the company, the more it maintains its reputation with the public and investors. However, this contrasts with research by Hifnelda & Sasongko (2021) and Azzah (2021), which found that company size has no effect on financial report integrity.

The phenomenon of increased investment and performance in the non-cyclical consumer sector listed on the Indonesia Stock Exchange has shown significant growth in recent years. In 2023, the non-cyclical consumer sector, particularly the food and beverage sub-sector, experienced a significant increase in revenue due to increased consumption after the pandemic and the Ramadan and Eid al-Fitr periods. Based on second-quarter 2023 financial reports, several companies, such as PT. Mayora Indah Tbk (MYOR) and PT. Indofood CBP Sukses Makmur Tbk (ICBP), managed to record annual net profit increases of 36% and 15%, respectively (IDX, 2023). However, this improved performance was not always accompanied by increased transparency and accountability in financial reporting. Reports from the Financial Services Authority (OJK) and independent audits of several companies revealed indications of aggressive expense recording and revenue recognition, potentially leading to earnings management practices. This situation was exacerbated by low managerial ownership, as seen at PT. Garudafood Putra Putri Jaya Tbk (GOOD), where management held minimal shareholdings in the companies they managed (GOOD, 2023). On the other hand, companies like PT. Ultrajaya Milk Industri Tbk (ULTJ) has a relatively high leverage ratio, with a Debt to Equity Ratio (DER) reaching 1.5 times in 2023. This ratio is higher than the average for the food and beverage industry, which typically ranges from 0.7 to 1.0. Research by (Suzan & Wulan, 2022) reveals that high leverage can put pressure on management to demonstrate good performance through financial reports, potentially encouraging report manipulation to maintain investor and creditor confidence.

Although much research has been conducted on financial report integrity, especially in terms of managerial ownership, leverage, and firm size, little attention has been given to how these factors specifically impact non-cyclical consumer companies in emerging markets like Indonesia. Previous studies have mostly focused on large multinational corporations or cyclical sectors, leaving a gap in understanding how these dynamics play out in sectors that are less sensitive to economic fluctuations, such as the food and beverage industry. This study seeks to fill this gap by examining the influence of managerial ownership, leverage, and firm size on financial report integrity in non-cyclical consumer companies listed on the Indonesia Stock Exchange. This phenomenon suggests that the combination of low managerial ownership and high leverage can reduce the integrity of financial reports in non-cyclical consumer companies listed on the IDX. Therefore, empirical research is needed to examine the influence of these two variables on the integrity of financial reporting in this sector.

Agency Theory

Agency theory, introduced by Jensen and Meckling (1976), explains the contractual relationship between the owner (principal) and the party authorized to manage the company (agent). This theory assumes that individuals tend to maximize their own interests and can exploit contractual weaknesses for their own benefit (Zogning, 2017). As a result, conflicts of interest often arise between the principal and agent, which can encourage detrimental behavior to the company. Agency theory also states that managerial ownership can mitigate conflicts between agents and principals, and accurate audit reporting can reduce information asymmetry that can be exploited for fraud (Andini Sri et al., 2024). In the context of leverage, high debt levels can increase pressure on managers to manipulate financial statements to avoid the risk of default (Fatin & Suzan, n.d.). Furthermore, if a company experiences financial distress,

managers may be encouraged to manipulate financial statements to maintain the company's image in the eyes of creditors and shareholders, which can ultimately undermine the integrity of the financial statements.

Financial Statement

A financial statement is a report prepared at the end of an accounting period to provide a comprehensive overview of each company's financial information regarding the company's economic resources, assets, liabilities, and funding sources that support those resources. Financial reports serve as the primary means for management to communicate financial statements to stakeholders, such as shareholders, creditors, government agencies, management, and the general public (Fitri et al., n.d.). The definition of a financial report, according to Financial Accounting Standards PSAK No. 1 (IAI, 2004:04), explains, "Financial reports are periodic reports prepared in accordance with generally accepted accounting principles regarding the financial status of individuals and business organizations, consisting of a balance sheet, income statement, statement of changes in equity, statement of cash flows, and notes to the financial statements." According to Munawir (2004:2), "Financial reports are essentially the result of the accounting process that can be used as a means of communication between financial data or activities within a company and interested parties." Financial reports provide detailed financial information and performance of a corporate entity. Financial reports aim to provide information on the company's financial condition, performance, and changes in the presentation of the company's financial condition over a specific period (Febriyanti, n.d.). Based on the definitions above, the author can conclude that financial reports are reports that show the company's current financial condition or over a specific period.

Qualitative Characteristics of Financial Statements

For financial reports to provide value to their users, they must meet several qualitative characteristics established by (Financial Accounting Standards, 2015). These characteristics include: understandability, relevance, reliability, and comparability.

Understandability: the information contained in financial reports must be presented clearly so that it is easily understood by users. Users are currently assumed to have adequate basic knowledge of economic and business activities, as well as a basic understanding of accounting. Furthermore, users are expected to be willing to learn more about the information presented.

Relevance: the data presented must be relevant to assist users in making economic decisions. Information is considered relevant if it can influence users' decisions by helping them assess past, current, and future events, and by confirming or correcting their previous assessments.

Reliability: to provide benefits, information must be reliable. Information is considered reliable if it is free from material errors and is not misleading, and accurately reflects the transactions and events it purports to report.

Comparability: users must be able to compare an entity's financial statements between different periods to identify trends in financial position and performance. Furthermore, financial statements must be comparable across companies so that users can assess their relative financial position and performance. Overall, financial statements must be presented in a format and use appropriate terminology to be easily understood by users in general. The information presented must be timely, complete, and designed to meet the needs of a wide range of parties, not just specific groups. Lack of transparency can lead to

misunderstandings. To achieve comparability, consistency in the application of accounting methodologies is crucial. If there is a change in accounting method, the reasons and impact must be explained in detail in the financial statements.

Financial Statement Integrity

According to Kieso et al. (2008:2), financial statements are a means of communicating primary financial information to external parties, reflecting the company's history and quantified in monetary terms. Financial statements provide a snapshot of a company's financial performance, reflecting the company's true financial condition (Haq et al., 2017). According to Kieso et al. (2016), financial statement integrity is a crucial qualitative attribute of financial statements. Integrity is defined as "a characteristic that ensures that the data disclosed in the financial statements accurately reflect the company's true financial condition, performance, and cash flow." Therefore, integrity in financial statements is crucial to achieving the objectives of financial statements, namely providing information that is relevant, reliable, and easily understood by users of the financial statements.

Relevance: the information presented must be directly relevant to assist users in making economic decisions. Data is considered relevant if it can influence user decisions, either by providing an overview of past events, current conditions, or future prospects, and can confirm or correct existing assessments.

Reliability: to be useful, the information provided must be trustworthy. Information is considered reliable if it contains no significant errors, is not misleading, and accurately represents actual transactions and events.

Easy to understand: information in financial reports must be presented clearly so that it is easily understood by users. Users of financial reports are assumed to have sufficient basic knowledge of economic activities, business, and accounting and are expected to be willing to study the information presented further for a deeper understanding.

(Pongoh, 2018) states that the purpose of financial reports is to convey specific information regarding a company's financial condition, either at a specific point or during an accounting period. Financial reports can be prepared on an ad hoc basis to suit the company's needs or routinely over a specific period. Based on the definitions above, the author can conclude that financial statement integrity is an important quality that ensures that financial information presented accurately, honestly, and reflects the true condition of performance and financial position. This integrity is reflected in three main aspects: relevance, reliability, and understandability, all of which support the objective of financial statements to provide information useful for economic decision-making. Financial statement integrity is defined as reports that are presented honestly and reflect the true condition of the company without any manipulation, enabling users to make informed decisions. The responsibility for maintaining integrity lies with management and public accountants as auditors. One way to measure integrity is conservatism and Market-to-Book Value. Conservatism refers to the prudence in recognizing assets, profits, liabilities, and losses. Conservatism is measured by the Market-to-Book Ratio, where a ratio above 1 indicates that the book value is lower than the market value, indicating prudent reporting. The application of conservatism helps reduce the risk of over-reporting, increases the reliability of reports, and strengthens investor and stakeholder confidence in corporate transparency and accountability. In addition to the concept of conservatism in measuring the integrity of financial reports, another method is Market to Book Value (MBV). Market to Book Value is a ratio used to assess a company by comparing the company's market value with its book value. MBV aims to reflect the extent to which the company's market value is

reflected in its financial statements. According to Brigham & Enhardt (2007), MBV reflects the market's perception of a company's performance, measured by comparing the stock's market price with its book value.

Managerial Ownership

(Suzan & Wulan, 2022) Managerial ownership is share ownership held by internal parties or management, who also act as company administrators. Owning shares empowers management to make informed decisions in preparing accurate and honest financial reports, thus preventing losses to shareholders, including management. (Rahman & Mardiyah, 2021) Managerial ownership is a mechanism used to increase the honesty and reliability of financial reports. With managerial ownership, managers tend to act in the best interests of shareholders, including by avoiding manipulation of the information presented in the financial reports.

The influence of managerial ownership on financial statement integrity is determined by the percentage of shares owned by management, who are directly involved in company decision-making. If management's share ownership is significant, managers will directly experience the impact of every decision they make, whether good or bad. This management ownership encourages them to be more careful in making decisions related to company management, including maintaining the integrity of financial statements. Managerial ownership can be measured using the percentage of shares owned by management compared to total outstanding shares (Maulana & Widyawati, n.d.). Based on the definitions above, the authors can conclude that managerial ownership is share ownership by internal parties, or management, who play a role in company decision-making. This ownership also encourages managers to act honestly and be more careful in preparing financial statements, thereby enhancing the integrity of these statements for the benefit of all shareholders.

Leverage

Leverage is a fund and asset utilized by a company with fixed costs, with the goal of increasing profits for its shareholders (Istutik et al., 2022). Leverage is an important tool for financial managers in planning company profits and selecting the most appropriate funding sources to increase working capital, in line with the company's expected or planned growth for the following year (Suzan & Wulan, 2022). The effect of leverage on financial statement integrity can be seen in the fact that high leverage requires management to spend more time disclosing information about the company's performance. However, this additional time also increases the risk of fraudulent financial reporting by managers, which can reduce the integrity of the financial statements.

Based on the definitions above, the author can conclude that leverage is a ratio that reflects the use of debt to finance a company's assets and plays a crucial role in financial planning to increase company profits. However, high levels of leverage can extend the disclosure time of company performance information and increase the risk of fraud, potentially compromising the integrity of the company's financial statements.

Company Size

Company size can be identified through assets, total sales, profits, tax burden, and other factors. The greater a company's total assets, sales, and market capitalization, the larger its size (Ngadiman & Puspitasari, 2017). The existence of a large company provides a competitive advantage due to its well-

known reputation and its ability to enter the market more easily. Company size can be determined based on the value of equity, sales, or assets. According to (Ramadhan Muh. Syahru, 2021), company size can be defined as the average net sales generated by a company over several years. Based on this definition, the author concludes that company size essentially involves categorizing companies into large, medium, and small categories. Higher total assets indicate the company's asset holdings and indicate a large company. Conversely, lower total assets indicate a small company. Higher total assets indicate the size of the company's assets, providing security for investors interested in investing in that company.

The effect of company size on financial statement integrity is that the larger the company, the higher the level of integrity of its financial statements. Large companies are assumed to have employees skilled in understanding financial statement integrity. According to (Prasetia et al., 2014), company size is measured by transforming total assets into a natural logarithm. Company size is represented by the natural log of total assets to reduce excessive data fluctuations. By using the natural logarithm, assets valued in the hundreds of billions or trillions are simplified without changing the actual asset proportions.

Hypothesis Development

The Effect of Managerial Ownership on Financial Report Integrity

Managerial ownership is the share ownership held by company management, such as directors and commissioners, who directly play a role in the company's strategic decision-making. This ownership serves to align the interests of managers and shareholders, as managers also experience the consequences of the policies they establish (Rahman & Mardiyah, 2021). Management that owns shares in a company is typically more thorough and responsible in preparing financial reports because their interests align with those of shareholders (Suzan & Wulan, 2022). High managerial ownership is believed to increase the integrity of financial reports, due to the motivation to avoid misleading reports to maintain the company's reputation and sustainability (Nagur, 2024; Wardhani & Samrotun, 2020). Therefore, the first hypothesis formulated in this study is:

H₁: Managerial Ownership influences the integrity of financial reports.

The Effect of Leverage on Financial Report Integrity

According to (Wardana, n.d.), high levels of leverage require management to take longer to disclose information related to company performance. Furthermore, this additional time can increase the likelihood of fraudulent financial reporting by managers, which ultimately reduces the integrity of the financial statements. Companies have an obligation to disclose information broadly and accurately, reflecting the actual situation. High leverage also indicates that the company is facing significant financial risks, potentially leading to difficulties in meeting its debt obligations (Rahman & Mardiyah, 2021). According to (Danuta Sukma Krisnhoe & Wijaya Minadi, 2020), to mitigate losses from creditors related to the company's ability to repay its debts, companies need to report financial information with high financial statement integrity. Meanwhile, (Nagur, 2024; Rahmaputri & Sugeng, 2024) state that the higher the leverage ratio, the greater the likelihood of a company experiencing financial distress. High leverage forces companies to disclose company information fully and with integrity to avoid information asymmetry for users. Based on the above description, the second hypothesis in this study is:

H₂: Leverage affects the integrity of financial reports.

The Effect of Company Size on Financial Report Integrity

Company size is a measure of a company's size, as indicated or assessed by assets, total sales, profit, tax expense, and so on. (Verya, 2017) Large companies tend to disclose more information in their financial reports because they have more information to disclose. Large companies are also thought to have qualified, expert employees who better understand financial report integrity. Small companies have supporting factors for producing limited quantities of goods. However, small companies may not have the resources to collect and present extensive information in their financial reports because many activities involve high costs. Thus, larger companies will disclose more financial statements than smaller companies. (Ramadhan Muh. Syahru, 2021), (Telaumbanua, 2022), (Belleza & Suzan, 2022) have shown that company size influences the integrity of financial statements. The third hypothesis of this study is: H₃: Company size influences the integrity of financial statements.

METHOD, DATA, AND ANALYSIS

Operational Definition of Variables

Independent Variable

Managerial Ownership (X1)

Managerial ownership is the percentage of shares owned by company management, such as directors and commissioners, who are actively involved in the decision-making process. This ownership is a measure of the extent to which managers' interests align with those of shareholders (Sari & Wulandari, (2021); Azzah & Triani, (2021). Managerial ownership can be calculated using the following formula:

Managerial Ownership = (Number of Shares Owned by the Management / Total Outstanding Shares) x 100%.

Leverage (X2)

Leverage is a ratio used to assess how much of a company's assets are financed through debt. This ratio is used to measure the extent of the debt burden a company must bear to meet its asset needs (Ulfa et al., 2024). Leverage can be calculated using the following formula:

$$LVRG_{it} = \frac{D_{it}}{A_{it}}$$

Note:

LVRG_{it} : Leverage of company i in year t

D_{it} : Total debt of company i in year t

A_{it} : Total assets of company i in year t

Company Size (X3)

Company size is an assessment of a company's size based on its total assets. In this study, company size is calculated using the natural logarithm (LN) of the company's total assets (Putri Megawati Nawara et al., 2022). The formula is: Company Size = LN (Total Assets).

Dependent Variable

Financial Statement Integrity (Y)

The dependent variable in this study is financial statement integrity. Financial statement integrity means reports that are presented honestly and reflect the company's true condition without any manipulation, so that users can make informed decisions. The responsibility for maintaining integrity lies with management and public accountants as auditors. According to Brigham & Enhardt (2007), Market to Book Value (MBV) describes the market's perception of a company's performance, as measured by the comparison between the stock market price and the stock's book value (Febriani, n.d.). MBV is calculated using the formula proposed by Brigham & Enhardt (2007):

$$\text{MBV} = \text{Market price} / \text{Book value}$$

Population and Sampling Technique

The population in this study consists of all 117 non-cyclical consumer companies listed on the Indonesia Stock Exchange in 2024. The purposive sampling method was used to select the sample based on the following criteria:

1. Non-cyclical consumer companies listed on the Indonesia Stock Exchange in 2024.
2. Non-cyclical consumer companies listed on the Indonesia Stock Exchange that did not report complete financial statements for 2024.
3. Non-cyclical consumer companies that experienced losses in 2024.
4. Non-cyclical consumer companies that did not use the rupiah currency in 2024.

Table 1. Sampling Techniques

No.	Criteria	Total
1.	Non-cyclical consumer companies listed on the Indonesia Stock Exchange for the year 2024	117
2.	Companies whose financial reports for the year 2024 period cannot be completed accessed.	(7)
3.	Non-cyclical consumer companies that experienced losses in 2024.	(45)
4.	Companies that did not use the rupiah currency in 2024	(1)
	Number of samples used	64

Source : www.idx.co.id.

RESULTS AND DISCUSSION

Result

Descriptive Statistical Analysis

The results of the descriptive analysis in this study can be seen in the following table:

Table 2: Results of Descriptive Statistical Analysis

	N	Min	Maxi	Mean	Std. Deviation
Management Ownership	64	12.01	36.06	23.5389	6.34157
Leverage	64	10.01	32.94	24.9255	6.68236
Company Size	64	22.28	32.94	28.5628	2.04858
Financial Statement Integrity	64	8.95	40.56	24.5397	8.24301
Valid N (listwise)	64				

The table shows that non-cyclical consumer companies listed on the IDX in 2024 had a minimum score of 8.95 and a maximum score of 40.56 for Financial Statement Integrity. This indicates that the financial statement integrity of the sample in this study ranged from 8.95 to 40.56, with an average of 24.5397 and a standard deviation of 8.24301.

It shows that non-cyclical consumer companies listed on the IDX in 2024 had a minimum managerial ownership score of 12.01 and a maximum score of 36.06. This indicates that the managerial ownership of the sample in this study ranged from 12.01 to 36.06, with an average of 23.5389 and a standard deviation of 6.34157.

The table shows that non-cyclical consumer companies listed on the IDX in 2024 had a minimum leverage of 10.01 and a maximum leverage of 32.94. This indicates that the leverage used in this study's sample ranged from 10.01 to 32.94, with an average of 24.9255 and a standard deviation of 6.68236.

The table shows that non-cyclical consumer companies listed on the IDX in 2024 had a minimum leverage of 22.28 and a maximum leverage of 32.94. This indicates that the leverage used in this study's sample ranged from 22.28 to 32.94, with an average of 28.5628 and a standard deviation of 2.04858.

Classical Assumption Test Results

Before conducting multiple linear regression analysis, a classical assumption test was first performed. This test is an important prerequisite in a regression model to ensure that the data meets criteria such as normal distribution, independence, and multicollinearity, autocorrelation, and heteroscedasticity.

A normality test was conducted to determine whether the regression model meets the normality assumption. In this study, the normality test used the Statistical Program for Social Science (SPSS) using the Kolmogorov-Smirnov method. Based on the results of the normality test, it can be concluded that the data are normally distributed. This is evident from the Asymp. Sig. (2-Tailed) value of 0.124, which is higher than the significance level of 0.05 or 5%. Therefore, it can be concluded that the data are normally distributed.

The multicollinearity test aims to evaluate the correlation between independent variables. In this study, the multicollinearity test was conducted by observing the Tolerance and Variance Inflation Factor (VIF) values. The result shows that all independent variables have a tolerance value above 0.10 and a Variance Inflation Factor (VIF) value below 10. Therefore, it can be concluded that the regression model in this study does not exhibit multicollinearity.

The autocorrelation test aims to determine whether there is a correlation between the confounding error at time period t and the error in the previous period ($t-1$) in the linear regression model. In this study, the autocorrelation test was conducted using the Durbin-Watson test. Based on the calculation table above, the Durbin-Watson test value is 0.725, indicating that no autocorrelation occurs.

The heteroscedasticity test aims to examine whether the regression model exhibits unequal residual variances between observations. Based on the results of the heteroscedasticity test using the Glejser method, the Sig. values for all variables are greater than 0.05. Managerial ownership Sig. 0.846, leverage 0.020, and company size 0.123. These values indicate that there is no significant influence between the independent variables on the absolute value of the residual. This means that no pattern of variance inequality was found in this regression model. Therefore, the regression model does not exhibit symptoms of heteroscedasticity, thus meeting the homoscedasticity assumption, and the regression model is suitable for analysis.

Multiple Linear Regression Analysis

Multiple linear regression analysis was conducted to determine the effect of managerial ownership and corporate leverage on financial statement integrity. The results of the multiple linear regression analysis in this study are presented as follows:

Table 3. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	26.628	14.702		1.811	.075
Manager Ownership	.326	.155	.251	2.103	.040
Leverage	-.433	.148	-.351	-2.931	.005
Company Size	.036	.478	.009	.076	.940

Dependent Variable: Financial Statement Integrity

Based on table 3, the multiple linear regression equation model is obtained as follows:

$$Y = \alpha + \beta_1MO + \beta_2L + \beta_3CS + e$$

$$Y = 26.628 + 0,326MO - 0,433L + 0,036CS + e$$

Notes:

Y : Financial Statement Integrity

α : constanta

$\beta_1, \beta_2, \beta_3$:Variable Regression Coefisien

MO : Managerial Ownership

L : *Leverage*

CS : Company Size

E : eror

Hypothesis Test Results

F Test

The F test was conducted to measure model accuracy. The results of the F test calculation in this study are as follows:

Table 4. ANOVA F-Test Result

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.188	4	.047		
	Residual	1.772	145	.012	3.840	.005 ^a
	Total	1.960	149			

Predictors: (Constant), Manager Ownership, Leverage, Company Size

Dependent Variable: Financial Statement Integrity

F-test results obtained a calculated F-value of 3.840 with a significance level of 0.005. Based on a significance value less than 0.05, it can be concluded that the model can be used to predict the effect of managerial ownership, leverage, and company size on financial statement integrity in non-cyclical consumer companies listed on the IDX in 2024.

Coefficient of Determination (Adjusted R² Test)

The coefficient of determination is used to measure the percentage influence of the independent variables on the dependent variable. The results of the coefficient of determination test are as follows:
 Table 5: Adjusted R² Test Results

Model Summary				
Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.405 ^a	.164	.122	7.72263

Predictors:(Constant), Manager Ownership, Leverage, Company Size
 Source: Data processes, SPSS 16

The Adjusted R² test in this study yielded a value of 0.122. This indicates that managerial ownership, leverage, and company size influence financial statement integrity by 12.2%, while the remaining 87.8% is influenced by other factors not examined in this study. The small Adjusted R² value is due to the numerous variables that influence financial statement integrity in addition to managerial ownership, leverage, and company size.

t-Test

The hypothesis in this study was tested using a t-test. This method aims to determine whether the independent variables individually influence the dependent variable. The t-test was conducted at a 5% confidence level or $\alpha = 0.05$. The following table shows the t-test calculations:

Table 6: t-Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	26.628	14.702		1.811	.075
Manager Ownership	.326	.155	.251	2.103	.040
Leverage	-.433	.148	-.351	-2.931	.005
Company Size	.036	.478	.009	.076	.940

Dependent Variable: Financial Statement Integrity

Based on the t-test results, the managerial ownership variable has a significance value of 0.040, which is smaller than the error value of $\alpha = 0.05$. This indicates that managerial ownership significantly influences the integrity of financial statements in non-cyclical consumer companies listed on the IDX in 2024. The leverage variable has a significance value of 0.005, which is smaller than the error value of $\alpha = 0.05$. This indicates that leverage significantly influences the integrity of financial statements in non-cyclical consumer companies listed on the IDX in 2024. The company size variable has a significance value of 0.940, which is greater than the error value of $\alpha = 0.05$. This indicates that company size does not significantly influence the integrity of financial statements in non-cyclical consumer companies listed on the IDX in 2024.

Discussion

The Effect of Managerial Ownership on Financial Report Integrity

The significant positive relationship between managerial ownership and financial report integrity can be explained by Agency Theory, which suggests that managers who own shares are more likely to act in the best interest of shareholders. This alignment of interests leads to more transparent financial reporting. This result indicates that when managers have a personal stake in the company, they are less likely to engage in manipulative reporting practices. Therefore, increasing managerial ownership may be a strategy to improve the reliability of financial statements. While the negative effect of leverage on financial statement integrity aligns with the findings of Suzan & Wulan (2022), this result differs from studies such as Fatin & Suzan (2022), where leverage did not show a significant relationship. This discrepancy may be due to differences in the industry studied or the sample size, as previous studies focused on larger, cyclical firms. Further research is needed to examine whether the relationship between leverage and financial report integrity is moderated by the industry or other contextual factors.

Managerial ownership plays a role in creating integrity because shares held by management guarantee direct involvement in reported financial results, thus encouraging them to prepare financial reports honestly and responsibly. Managerial ownership, which represents the percentage of shares held by management to total outstanding shares, provides an incentive for managers to provide transparent and uncomplicated information. With this ownership, managers have a direct stake in the company's financial results and reputation. Therefore, reports are presented that reflect the true financial condition, preventing personal and corporate losses. The results of this study align with previous research by Suzan & Wulan (2022), Fita Arnita (2024), Fatin & Suzan (2022), Akmalia, Mursidah, Usman (2022), and Nagur (2024), which stated that managerial ownership has a positive effect on financial statement integrity.

The Effect of Leverage on Financial Statement Integrity

Based on the test results, the leverage variable shows that leverage has an effect on financial statement integrity, but the effect is negative, for non-cyclical consumer companies listed on the IDX in 2024. This indicates that the higher the leverage ratio, the lower the integrity of financial statements. The large amount of debt a company holds can create pressure on management to present financial statements that appear healthy to creditors or investors, thus opening up opportunities for financial statement manipulation. This finding supports the assumption that companies with high debt ratios tend to engage in window dressing to attract external funding. These results are supported by research conducted by Suzan & Wulan (2022), Fita Arnita (2024), Fatin & Suzan (2022), Kumala, Fathurrahman & Lubis (2024), and Nagur (2024), which states that leverage has a significant effect on financial statement integrity.

The Effect of Company Size on Financial Statement Integrity

The t-test results on the company size variable indicate that company size has no effect on financial statement integrity for non-cyclical consumer companies listed on the IDX in 2024. Large company size does not guarantee quality or honesty in financial statement presentation. Although large companies typically have superior human resources and technology, this does not necessarily translate into a high commitment to integrity in financial reporting. Conversely, large companies can more easily conceal

information or manipulate data due to the high complexity of their operational and financial activities. Non-cyclical consumer companies are less affected by economic conditions because they primarily provide food and beverages. Companies in this sub-sector have proven resilient during the economic downturn during the COVID-19 pandemic. According to (Prasetia et al., 2014), company size is measured by transforming total assets into their natural logarithm.

Company size is represented by the natural logarithm of total assets to reduce excessive data fluctuations. By using the natural logarithm, assets valued in the hundreds of billions or trillions are simplified without changing the actual asset proportions. The results of this study are consistent with findings by Akmalia, Mursidah, Raza & Usman (2022), Wardhani & Samrotun (2020), Kumala, Fathurrahman & Lubis (2024), and Nagur (2024), which state that company size does not significantly impact the integrity of financial statements.

CONCLUSION

Based on the data analysis and the previous discussion, we can conclude: 1). Managerial Ownership influences the integrity of financial statements. Because management provides strong incentives for them to participate in the company's performance, they are encouraged to present honest and accountable financial statements, 2). Leverage influences the integrity of financial statements. The higher the leverage ratio, the lower the integrity of financial statements due to pressure on management to present more favorable reports, potentially leading to manipulation. 3). Company size does not influence the integrity of financial statements. Larger companies typically have better resources and technology, but this does not guarantee a strong commitment to honest financial reporting.

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