



New Applied Studies in Management, Economics & Accounting

Journal homepage: www.nasme-journal.ir
ISSN (Online): 2783-3119



Original Research

The factors that influence the integrity of financial statement: Indonesia case

Sekar Mayangsari^{a,*}, Melisa Fitryana Santoso^b

^aAssociate Professor of Accounting, Trisakti University, Jakarta, Indonesia

^bTrisakti University, Jakarta, Indonesia

ARTICLE INFO

Article History:

Received 29 August 2024

Revised 14 September 2024

Accepted 20 October 2024

Available online

30 October 2024

Keywords:

Independent commissioner

Audit quality

Leverage

Profitability


Financial statement integrity

ABSTRACT

This study examines the effect of independent commissioners, audit quality, leverage, profitability, and firm size on the integrity of financial statements. The agency and signaling theory are a basis for developing hypotheses. This study uses a quantitative method. The data comes from audited financial reports from 2018-2022. The sample in this study is the non-cyclical consumer listed firms. The sampling technique used was purposive sampling. This study uses multiple linear regression analysis using the SPSS 25.0 program in data processing. There are one hundred and fifty-five firms. The results of this study indicate that the Independent Commissioner and profitability positively affect the integrity of financial reports, and leverage and firm size negatively impact integrated financial reports. Unfortunately, audit quality has no significant influence on the integrity of financial reports. To test the integrity of financial statements, this study is the first to document evidence suggesting that the stock market perceives value in the information presented in integrated reports, beyond what is furnished in financial reports.

* Corresponding author.

E-mail address: sekar_mayangsari@trisakti.ac.id

 <https://doi.org/10.22034/NASMEA.2025.208785>

2783-3119/ ©2025 The Author(s).

This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

1. Introduction

1.1. Background

According to [Statement of Financial Accounting Standards \(PSAK\) No.1 \(2021\)](#) Financial statements are structured presentations of the financial position and financial performance of an entity. Financial reports can provide important information for certain parties because the information generated can assist in decision making. The integrity of financial statements is a measure of the extent to which a financial report presents true and honest information. The integrity of financial statements provides accurate information and is independent of deliberate actions by management to manipulate financial statements. Financial statements with integrity mean that the financial statements are correct, accurate and avoid manipulation of financial data during the preparation process. The occurrence of financial statement scandals has led to a decline in public trust, especially in financial matters, one of which is characterized by a drastic decline in the share price of the company affected by the case.

In Indonesia, financial statement manipulation represents a significant ethical concern, ranking among the most prevalent issues in the country's business landscape. The probability of fraudulent activity is elevated in organizations or companies that employ individuals who demonstrate a lack of responsibility and competence. Such manipulation frequently entails the alteration of financial statements, including the reduction or addition of data, or even the exclusion of data that could have a substantial impact on the company in question. This is also the case with PT Wannaartha Life (2023), which offers products with fixed returns that are not compensated by the potential for the business to generate profits through its investment management. PT Wannaartha Life created these conditions not to align with the financial statements submitted to the Financial Service Authority or those published. In 2023, PT Wannaartha Life was involved in a significant case of financial statement manipulation, indicating that the company's financial statements are lacking in integrity and transparency with respect to the company's financial reporting.

There was a flow of funds of Rp1.78 trillion through several schemes such as seeking funds from several banks through time deposits, bank transfers, and others. This was not adequately disclosed by the company, thus violating aspects of capital market supervision. The manipulation of financial statements by Joko and Budhi did cause losses to Tiga Pilar shareholders and violated the protection of capital market investors. The case of manipulation of financial data that occurred in the company FKS Food Sejahtera Tbk can prove that the lack of integrity of financial statements in the presentation of information for users of financial statements. So, the presentation of profits in the financial statements does not show the actual economic condition of the company. Whereas the honesty and correctness of the data presented in the financial statements should be very important, because it is very influential in decision making for users of financial statements.

The existence of cases of manipulation of financial statements has decreased public trust in the company as well as decreased the level of integrity of these financial statements, which has raised question marks in the community regarding corporate governance or better known as corporate governance. The public considers that not many companies implement the corporate governance system properly. In terms of achieving good corporate governance (GCG), the existence of independent commissioners is expected to balance the decision-making process, especially in the integrity of information in the financial statements. [Hernawati \(2021\)](#) show that audit quality moderate the influence of corporate governance on financial report. In the meantime, the leverage, size and profitability positively influence on integrity financial statements ([Alpriyatna and Muhyasyah, 2023](#)).

2. Literature review and hypothesis

2.1. Agency theory

Agency theory is a contract that underlies the relationship between the principal and the agent where the principal commands the agent to perform services and authorizes the agent to make the best decisions for the principal (Jensen and Meckling, 1976). The existence of an imbalance in the control of information can trigger the emergence of a condition referred to as information asymmetry. The emergence of agency problems caused by conflicts of interest and information asymmetry can make companies bear agency costs. Information asymmetry will certainly make the principal doubt the information in the financial statements that have been made by the management (agent), thus making the integrity of the financial statements decrease in the eyes of investors.

2.2. Signaling theory

According to Brigham and Houston (2019), a signal is an action taken by a company to provide clues to investors about how management views the company's prospects. The relationship between audit quality and financial report integrity can be understood through the lens of signaling theory, which focuses on how information asymmetries between parties (e.g., managers and external stakeholders) can be mitigated through credible signals.

Signaling theory posits that in situations of information asymmetry, where one party (the insider) has more information than the other party (the outsider), the insider can signal the quality or credibility of their information through actions or mechanisms that are costly to imitate or manipulate. The outsiders, such as investors, lenders, or regulators, interpret these signals to assess the quality of the information they are receiving. In this case, the information pertains to the integrity and accuracy of financial reports. High-quality audits serve as a signal of the reliability of a company's financial statements. Audits conducted by reputable, competent, and independent auditors suggest that the financial reports are free from material misstatements, fraud, or intentional manipulation. Since a high-quality audit involves higher costs (e.g., hiring a well-known audit firm, following rigorous standards), companies that are committed to transparency and accurate reporting are more likely to engage in such audits.

The integrity of financial reports refers to their truthfulness, completeness, and fair representation of a company's financial position. High integrity in financial reporting builds trust and credibility with stakeholders like investors, creditors, and regulators. Financial report integrity is the outcome that external stakeholders seek to evaluate when reviewing company disclosures. A high-quality audit enhances the perception of integrity by signaling that the financial statements have been scrutinized by an independent, qualified party. In the context of signaling theory, the firm (the insider) knows the true financial health of the company, but external stakeholders (the outsiders) do not. This creates information asymmetry. A high-quality audit reduces this asymmetry by providing assurance that the financial reports are reliable, thereby serving as a credible signal of the integrity of the company's financial disclosures. Firms with stronger financial health are incentivized to provide high-quality signals (through quality audits) to differentiate themselves from firms with weaker financial health.

2.3. Conceptual framework

The framework of this study looks like the following:

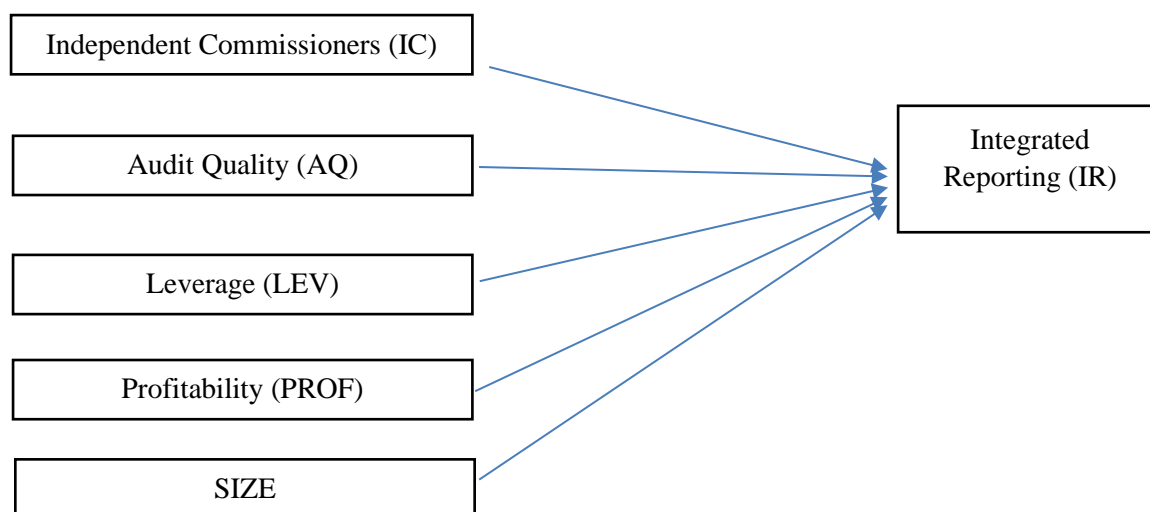


Figure 1. Research framework

2.4. Hypotheses development

The effect of independent commissioners on financial statement integrity

Agency theory states that conflicts of interest and information asymmetry that arise can be reduced by an appropriate supervisory mechanism to align the interests of various parties in the company. The supervisory mechanism referred to in agency theory is independent commissioners. Independent commissioners are members of the board of commissioners who come from outside the issuer or public company who meet the requirements as independent commissioners who function to assess the company's performance broadly and independent commissioners aim to balance decision making, especially in the context of protecting minority shareholders and other related parties. The existence of independent commissioners in a company can affect the integrity of the financial statements produced by management. If the company has independent commissioners, the financial statements presented by management tend to have more integrity, because within the company there is a body that oversees and protects the rights of parties outside company management. In agency theory, it is explained that the presence of independent commissioners can motivate management to carry out transparent performance because independent commissioners can assist management in carrying out their operational activities with integrity, therefore the presence of independent commissioners in the company can minimize fraudulent actions by management.

[Sucitra et al. \(2021\)](#) proves that independent commissioners have a positive effect on the integrity of financial statements. If the company has more independent commissioners than the regulatory provisions, the company can be assumed to be a company that has effective supervision because management performance can be managed properly, this certainly influences increasing the integrity of the company's financial statements and has the potential to increase public trust in the company. This study also in line with the results of research by [Savero et al. \(2017\)](#) which states that independent commissioners have a positive effect on the integrity of financial statements.

H₁: Independent Commissioners have a positive effect on the integrity of financial statements.

The effect of audit quality on financial statement integrity

According to agency theory, to minimize conflicts between agents and principals, an independent third party is needed as a mediator. The third-party functions to monitor the

behavior of the agent whether it has acted in accordance with the wishes of the principal. Auditors are parties who are considered capable of bridging the interests of the principal and the agent in managing company finances (Himam dan Masitoh, 2020). Audit quality is the auditor's ability to detect errors, irregularities and violations that occur in the company's financial statements (Ayem and Yuliana, 2019). Large KAPs tend to be independent compared to small KAPs. Better audit quality is very important in producing financial reports with integrity (Anggraeni et al., 2020) also show that audit quality has a positive effect on the integrity of financial statements. The higher the audit quality and the larger the size of the KAP, the better the integrity of the resulting financial statements. The larger the size of KAP, the better the integrity of the resulting financial statements. This is because large KAPs have more incentive to avoid things that can damage their reputation.

H₂: Audit quality has a positive effect on the integrity of financial statements.

The effect of leverage on financial statement integrity

Leverage ratio is a ratio used to measure the extent to which the company's assets are financed with debt. According to signal theory, the use of higher debt indicates the possibility of the company having difficulty returning or paying debt and the lower the level of corporate debt will be a good signal from the company to investors. The results of research conducted by Ananda (2020) prove that leverage has a positive effect on the integrity of financial statements. Companies with high leverage will have high financial risk because they experience financial difficulties due to the debt used by the company to finance its assets. High financial risk will increase the time needed by management to inform company performance and can increase fraud attempts to manipulate financial statements. This will reduce the integrity of financial statements, in line with the results of Ramadhani and Sari (2023) which states that leverage has a positive effect on the integrity of financial statements. Leverage is also a factor that affects the integrity of financial statements. Leverage also shows the risk to which the company is exposed. The greater the risk the company faces, the more significant the uncertainty of generating profits in the future. Companies with large debts tend to violate debt covenants compared to companies with smaller ones. Abbas and Siregar (2021) find that leverage affects the integrity of financial statements. The greater the leverage, the higher the integrity value of the financial statements. This is expected to reduce the opportunistic behaviour of company management so that financial reports can be presented showing correct and honest information.

H₃: Leverage has a positive effect on the integrity of financial statements.

The effect of profitability on financial statement integrity

Profitability is the company's ability to process its assets to generate profits in an accounting period. This ratio can provide a measure of the level of effectiveness of a company's management. Companies with high profitability are considered to have good performance, so the company will not cover up information for parties who have an interest in the company's financial statements and will submit financial reports on time (Pradika and Hoesada, 2019). According to signal theory, if ROA shows a high number, it will be a good signal for investors or good news, because with ROA figures that show high numbers, it interprets that the company's financial performance is good, then investors will be interested in investing their funds or planting shares in the company. High profitability will be a good signal or good news for investors to invest their shares in the company so that the value of their investment will increase.

Based on the results of research conducted by Malau and Murwaningsari (2018), it states that profitability has a positive effect on the integrity of financial statements and is supported by Pradika and Hoesada (2019), and Kismanah et al. (2021). The higher the profitability ratio value of a company, the better the company's ability to earn profits and the company's performance will be more productive and can increase investor confidence to invest in the

company so that this can increase the integrity of financial statements.
 H4: Profitability has a positive effect on the integrity of financial statements.

The effect of company size on financial statement integrity

The size of the company determines the amount of information needed by the public, especially investors in investing in a company. The total assets described will show how large the size of the company is. Company assets are not the only consideration for investors to invest their capital. The assets owned by the company have not been maximally used by managers, therefore the level of integrity of the financial statements has not been maximized. Thus, even companies that have a lot of assets need to make the most of them so that the integrity of financial statements can be improved, so investors will be interested and invest. [Nurbaiti and Elisabeth \(2023\)](#), and [Abbas and Siregar \(2021\)](#) show that size increase the integrity of financial statements.

H5: Company size has a positive effect on the integrity of financial statements.

3. Research methods

Population and sample

The population and samples used in this study are non-cyclical Consumer sector companies listed on the Indonesia Stock Exchange in 2018-2022. This study uses purposive sampling technique with the following sample criteria ([Sekaran, 2020](#)):

Table 1. Research sample determination

Description	Total
Population: Non-cyclicals consumer sector companies listed on the IDX.	103
Sampling based on criteria (purposive sampling):	
1. Non-cyclicals consumer sector companies that are not listed on the Indonesia Stock Exchange (IDX) during the 2018-2022 period.	-32
2. Non-cyclical consumer sector companies that do not complete the annual report financial statements during the 2018-2022 period.	-8
3. Non-cyclicals consumer sector companies that do not present Rupiah currency	-2
4. Non-cyclicals consumer sector companies that did not generate profits consistently during the 2018-2022 period.	-30
Research Sample	31
Total Sample (n x research period) (31 x 5 years)	155

Operational definition

1. Integrity financial report (ILK) is a financial report that shows the true condition of a company, without being covered up or hidden. The measurement is:

$$\frac{\text{Stock Price}}{\text{Bok Value}} \dots\dots\dots(1)$$

2. Independent commissioners (DKI) are the number of members of the board of commissioners who have no blood relationship with the company. The number of independent commissioners according to Indonesian government regulations is 30% of the total number of members of the board of commissioners. We measure with:

$$\frac{\text{The number of Independent commissioners}}{\text{Number of board of commissioners}} \dots\dots\dots(2)$$

3. Audit quality (KA) is defined as the auditors being capable of detecting and reporting material misstatements in the sample being investigated during the audit process (Knechel and Vanstraelen, 2007). We use nominal scale to measure it: 1 if audited by Big Four Firm and 0 vice versa.

4. Leverage is the company's ability to fulfil its obligations (Sayekti and Reschiwati, 2024). We use Debt to Equity ratio as measurement of leverage.

$$\frac{\text{Total Debt}}{\text{Total equity}} \dots\dots\dots(3)$$

Profitability (PROF) reflects the level of effectiveness achieved by the company's production activities (Alpriyatna and Muhyarsyah, 2023).

5. This ratio measures how much a company can earn profits according to the level of an asset.

$$\frac{\text{Earnings After Tax}}{\text{Total Assets}} \dots\dots\dots(4)$$

6. Size (SIZE) is Company size represents the size of economic activity in the companies that can be measured by the total sales or assets (Nurbaiti and Elisabeth (2023). We use logarithm natural of total assets to measure it.

Data analysis method

The classical assumption test and also hypothesis testing are used in this study as data analysis and use multiple linear regression as a data analysis method with the following equation:

$$IR = \alpha + \beta_1IC_1 + \beta_2AQ_2 + \beta_3LEV_3 + \beta_4PROF_4 + \beta_5SIZE_5 + \varepsilon$$

Description:

IR= Integrity Reporting

IC = Independent Commissioner AQ = Audit Quality

Lev = Leverage P

Prof= Profitability

Size = Company Size

ε = error

4. Result and discussion

4.1. Result

Table 2. Descriptive statistical

	N	Minimum	Maximum	Mean	Std.Dev
IC	155	0.250	0.830	0.417	0.120
AQ	155	0.000	1.000	0.529	0.500
LEV	155	0.122	3.589	0.996	0.817
PROF	155	0.001	1.093	0.093	0.116
SIZE	155	13.620	30.623	21.922	5.770
IR	155	0.000	1.330	0.145	0.264

Based on the results of the descriptive analysis above, the DKI variable proxied by the Independent Board of Commissioners has a minimum value of 0.25 owned by PT Sawit Sumbermas Sarana Tbk (SSMS) in 2018-2021, a maximum value of 0.83 owned by PT Unilever Indonesia Tbk (UNVR) in 2019-2021, an average value of 0.41729 and a standard deviation of 0.120993. The KA variable proxied by Audit Quality has a minimum value of 0.000 owned by 15 companies, a maximum value of 1 owned by 16 companies, an average

value of 0.52903 and a standard deviation of 0.500774. The LEV variable proxied by Leverage has a minimum value of 0.122 owned by PT Campina Ice Cream Industry Tbk (CAMP) in 2021, a maximum value of 3,589 owned by PT Multi Bintang Indonesia Tbk (MLBI) in 2018, average value of 0.99608 and standard deviation of 0.817574. PROF variable proxied by Profitability, has a minimum value of 0.001 owned by PT Sekar Bumi Tbk (SKBM) 2019 and a maximum value of 1,093 owned by PT Mayora Indah Tbk (MYOR) in 2017. The average value for the PROF variable data distribution is at a value of 0.09339 and a standard deviation of 0.116289. The UP variable proxied by Company Size has a minimum value of 13,620 owned by PT Akasha Wira International Tbk (ADES) in 2019, a maximum value of 30,623 owned by PT Mayora Indah Tbk (MYOR) in 2021, an average value of 21,92206 and a standard deviation of 5,770121. The ILK variable proxied by Financial Statement Integrity has a minimum value of 0.00027 owned by PT Unilever Indonesia Tbk (UNVR) in 2020, a maximum value of 1.330 owned by PT Budi Starch and Sweetener Tbk (BUDI) in 2017, an average value of 0.14515 and a standard deviation of 0.264212.

Table 3. Normality Test Results

Model	Sig	Decision
IR	0.092	Normally Distributed

Table 4. Autocorrelation Test Results

Model	DWstat	Decision
IR	1.727	No autocorrelation

The results of the autocorrelation test above show that the equation under study has a total of 155 observations with a total of 1 dependent variable and 5 independent variables. Therefore, it can be obtained the lower limit value of dL of 0.998 with an upper limit of du of 1.676, a value of 4-dL of 3.002 and 4-dU of 2.324. The Durbin Watson test results obtained of 1.727 are in the area where there is autocorrelation ($dU < DW < 4-dU$) or $1.676 < 1.727 < 2.324$. So it can be concluded that there is no autocorrelation.

Table 5. Heteroscedasticity Test Results

Model		Sig.
1	IC	0.060
	AQ	0.053
	LEV	0.685
	PROF	0.404
	SIZE	0.758

Based on [Table 6](#), is the test result to test whether in the regression model there is an inequality of variance from the residuals of one observation to another. Based on the test results with the Gletsjer method above, it shows that the significance value of each independent variable is greater than 0.05 so it can be concluded that heteroscedasticity does not occur.

Table 6. Determination Coefficient Test Results

Model	Adj R ²
AR	0.266

In Table 7, based on the test results in Table 6, it is known that the adj R² value model is 0.266 or 26.6% which means that the ability of the independent variables to explain the dependent variable is 26.6% ,while the rest is explained by other independent variables that are not included in the model.

Table 7. Simultaneous Test Results (F Test)

Model	Fstat	Sig
IR	15.095	0.000

In Table 8, based on the results of global testing (F test), the sig value of Fstat is smaller than 0.05. It is concluded that in both models there is at least one independent variable that is significant to the independent variable.

Table 8. Partial Test Results (t Test)

Model	Unstandardized Coefficients		T	Sig.	Description	
	Expectations	β				
1	(Constant)	0.874	7.774	0.000		
	IC	+	0.513	2.954	0.004	H ₁ Accepted
	AQ	+	-0.230	-6.046	0.000	H ₂ Rejected
	LEV	+	-0.017	-0.690	0.039	H ₃ Rejected
	PROF	+	0.134	0.817	0.042	H ₄ Accepted
	SIZE	+	0.017	4.893	0.000	H ₅ Accepted

Based on table 8, the explanation is obtained, namely:

The effect of independent commissioners on the integrity of financial statements

Based on the results of the t test on the regression model, the t value is 2.954 with a significance (2-tailed) of $0.004/2 = 0.002 < 0.05$ (5% significance level). These results show a positive direction with an unstandardized coefficient beta of 0.513. So it can be concluded that H₁ is accepted, which means "Independent Commissioners have a positive effect on the Integrity of Financial Statements".

The effect of audit quality on financial statement integrity

Based on the t test results on the regression model, the t value is -6.046 with a significance (2-tailed) of $0.000/2 = 0.000 < 0.05$ (5% significance level). This result shows a negative direction with an unstandardized coefficient beta of -0.230. So it can be concluded that H₂ is rejected, which means audit quality has a negative effect on the integrity of financial statements.

The effect of leverage on financial statement integrity

Based on the results of the t test on the regression model, the t value is -0.690 with a significance (2-tailed) of $0.039 / 2 = 0.0195 < 0.05$ (5% significance level). This result shows a negative direction with an unstandardized coefficient beta of -0.017. So, it can be concluded

that H_3 is rejected, which means "Leverage has a negative effect on the Integrity of Financial Statements".

The effect of profitability on financial statement integrity

Based on the results of the t test on the regression model, the t value is 0.817 with a significance (2-tailed) of $0.042/2 = 0.021 < 0.05$ (5% significance level). This result shows a positive direction with an unstandardized coefficient beta of 0.134. So it can be concluded that H_4 is accepted, which means "Profitability has a positive effect on the Integrity of Financial Statements".

The effect of company size on financial statement integrity

Based on the results of the t test on the regression model, the t value is -4,893 with a significance (2-tailed) of $0.000/2 = 0.000 < 0.05$ (5% significance level). This result shows a negative direction with an unstandardized coefficient beta of -0.017. So it can be concluded that H_5 is accepted, which means "Company size has a negative effect on the integrity of financial statements".

4.2. Discussion

The effect of independent commissioners on the integrity of financial statements

The t test results obtained a t value of 2.954 with a significance (2-tailed) of $0.004/2 = 0.002 < 0.05$ (5% significance level). This result shows a positive direction with an unstandardized coefficient beta of 0.513. So it can be concluded that H_1 is accepted, which means "Independent Commissioners have a positive effect on the Integrity of Financial Statements". Based on the results of the research conducted, it can prove that the Independent Commissioner is one of the factors that can affect the quality of Financial Statement Integrity. This is in line with the results of research by [Savero et al. \(2017\)](#), [Ayem and Yuliana \(2019\)](#) and [Sucitra et al. \(2021\)](#) which state that independent commissioners have a positive effect on the integrity of financial statements.

The existence of independent commissioners in a company can affect the integrity of the financial statements produced by management. If the company has independent commissioners, the financial statements presented by management tend to have more integrity, because within the company there is a body that oversees and protects the rights of parties outside company management. In agency theory, it is explained that the presence of independent commissioners can motivate management to carry out transparent performance because independent commissioners can assist management in carrying out their operational activities with integrity, therefore the presence of independent commissioners in the company can minimize fraudulent actions by management.

The effect of audit quality on financial statement integrity

The t test results obtained a t value of -6.046 with a significance (2-tailed) of $0.000/2 = 0.000 < 0.05$ (5% significance level). This result shows a negative direction with an unstandardized coefficient beta of -0.230. So it can be concluded that H_2 is rejected, which means "Audit Quality has a negative effect on Financial Statement Integrity".

The results of this study prove that audit quality cannot affect the integrity of financial statements because the selection of KAP both big four and non big four as external parties to the company that audit financial statements in the company is good because any KAP has the same standards, namely the Accounting Professional Standards (SPAP) so that any KAP cannot affect the integrity of financial statements ([Santoso and Andarsari, 2021](#)).

The results of this study are in accordance with the research of [Ayem and Yuliana \(2019\)](#) and [Santoso and Andarsari \(2021\)](#) who cannot prove that audit quality affects the integrity of financial statements.

The effect of leverage on financial statement integrity

The t test results obtained t value of -0.690 with a significance $0.0195 < 0.05$ (5% significance level), even though the significance level less than 5% but the direction contrary to hypothesis. It can be concluded that H_3 is rejected, which means Leverage has a negative effect on the Integrity of Financial Statements. High leverage does not guarantee that the integrity of financial statements will be low.

The amount of leverage of a company will cause the company to improve the quality of financial statements with the aim of maintaining good performance in the eyes of investors and auditors, but not all companies are able to carry out this activity because this activity is highly dependent on the credibility of the company [Ramadhani and Sari \(2023\)](#). The results of this study are in line with [Ananda's research \(2020\)](#) which proves that leverage has a positive and significant effect on the integrity of financial statements and is supported by [Ramadhani and Sari \(2023\)](#).

The effect of profitability on financial statement integrity

The t test results obtained a t value of 0.817 with a significance (2-tailed) of $0.042/2 = 0.021 < 0.05$ (5% significance level). This result shows a positive direction with an unstandardized coefficient beta of 0.134. So it can be concluded that H_4 is accepted, which means "Profitability has a positive effect on Financial Statement Integrity". Companies with high profitability are considered to have good performance, so the company will not cover up information for parties who have an interest in the company's financial statements and will submit financial reports on time ([Safitri et al., 2023](#)). The higher the profitability ratio value of a company, the better the company's ability to earn profits and the company's performance will be more productive and can increase investor confidence to invest in the company so that this can increase the integrity of financial statements. The results of this study are in line with [Malau and Murwaningsari \(2018\)](#), who were able to prove that profitability has a positive effect on the integrity of financial statements.

The effect of company size on financial statement integrity

The t test results obtained a t value of 4.893 with a significance p-value = 0.000 (1% significance level). This result shows a positive direction with an unstandardized coefficient beta of 0.017. So it can be concluded that H_5 is accepted, which means size give positive impact on financial statement integrity.

The larger the size of the company proxied through total assets the bigger the company's financial statements integrity. This result in line with [Nurbaiti and Elisabeth \(2023\)](#), and [Abbas and Siregar \(2021\)](#), that show that company size has a positive effect on the integrity of financial statements.

5. Conclusion

1. Independent Commissioners have a positive effect on the Financial Statement Integrity variable.
2. Audit quality has a negative effect on the integrity of financial statements.
3. Leverage has a positive effect on Financial Statement Integrity.
4. Profitability has a positive effect on Financial Statement Integrity.
5. Company size has a negative effect on the integrity of financial statements.

The implications that can be proposed in this study are:

1. Theoretical Implications

In general, it confirms the existence of agency theory relationships in the influence of Independent Commissioners, Audit Quality, Leverage, Profitability and Company Size on Financial Statement Integrity.

2. Practice Implications

This study has implications for companies to improve the integrity of financial statements by paying attention to the professionalism of the independent board of commissioners in carrying out their duties and responsibilities and the level of profitability generated by the company in a certain period.

Based on the studies that have been researched, suggestions that the author hopes can be applied in the future include:

1. Future research can use other sector companies whose annual and financial reports can be accessed.

2. It is hoped that future researchers who also use the purposive method aside from the population, the scope of the sample should be expanded or can be focused on only one sector. This is expected so that the research results will better reflect the actual facts in the field.

References

- Abbas, D., & Siregar, I. G. (2021). Integrity of Financial Statements And The Factors. *Journal of Accountong Science*, 5(1), 17-27.
- Alpriyatna, R., & Muhyarsyah, M. (2023). The Effect Of Leverage And Profitability On The Integrity Of Financial Statements With Moderation Of Audit Quality. *Devotion Journal of Research and Community Service*, 4(3), 831-838.
- Ananda, C. R. (2020). The Effect of Corporate Governance, Company Size, and Leverage on Financial Statement Integrity. *Journal of Business and Economics (JBE) UPI YPTK*, 5(3), 8-14.
- Anggraeni, I. P., Zulpahmi, Z., & Sumardi, S. (2020). The Effect of the Audit Committee, Independent Commissioners, Leverage, and Audit Quality on Financial Statement Integrity. *Financial Statements at Islamic Commercial Banks. Journal of Management Science And Applied Accounting (JIMAT)*, 11(1), 128-138.
- Ayem, S., & Yuliana, D. (2019). The Effect of Auditor Independence, Audit Quality Earnings Management, and Independent Commissioners on the Integrity of Financial Statements (Case Study on Banking Companies Listed in the Financial Statements) *Financial Statements (Case Study of Banking Companies Listed on the IDX period 2014-2017)*. *Akmenika: Journal of Accounting and Management*, 16(1).
- Brigham, E.F., & Houston, J.F. (2019). *Fundamentals of Financial Management* (15 ed.). Cengage Learning.
- Hernawati, E. (2021). Corporate Governance, Earnings Management and Integrity of Financial Statements: The Role of Audit Quality and Evidence from Indonesia. *Review of International Geographical Education Online*, 11(3), 808-822.
- Himam, M. F., & Masitoh, E. (2020). The Effect Of Audit Quality, liquidity, Solvability, And Profitability On Audit Going Concern Opinion. *Jurnal Akuntansi, Audit dan Sistem Informasi Akuntansi*, 4(1), 104-115.
- Institute of Indonesia Chartered Accountants (IAI). (2021). *PSAK No. 1*. Jakarta: Board Financial Accounting Standards, Indonesian Institute of Accountants.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.

- Kismanah, I., Kimsen, K., & Mardiani, R. (2021). The Effect of Ownership Managerial Ownership, Audit Committee, Leverage (Der) And Profitability (ROA) Against Financial Statement Integrity in Property and Real Estate Companies in Indonesia. *Journal of Accounting Science and Technology*, 1(2).
- Knechel, W. R., & Vanstraelen, A. (2007). The Relationship between Auditor Tenure and Audit Quality Implied by Going Concern Opinions. *Auditing: A Journal of Practice & Theory*, 26(1), 113-131.
- Malau, M., & Murwaningsari, E. (2018). The Effect of Accrual Market Pricing accrual, Foreign Ownership, Financial Distress and Leverage on The Integrity of Financial Statements. *Economic Annals*, 63(217), 129-139.
- Nurbaiti, A., & Elisabet, C. (2023). The Integrity Of Financial Statements: Firm Size, Independent Commissioners, And Auditor Industry Specializations. *Jurnal Akuntansi, Universitas Tarumanagara*, 27(1), 1-18.
- Pradika, E., & Hoesada, J. (2019). Integrity of Financial Statement: Big and Independent Are Not Guarantee. *Journal of Accounting, Finance and Auditing Studies*, 5(1), 59-79.
- Ramadhani, J. R., & Sari, S. P. (2023). The Possibility of Financial Distress with the Analysis of Corporate Governance Mechanism, Financial Indicators, Inflation and Interest Rate: Case in Indonesia' Basic and Chemical Industry. *International Journal of Latest Research in Humanities and Social Science*, 6(4), 510-516.
- Safitri, A. Z., Andriani, W., & Herman, L. A. (2023). Financial Statement Integrity: What Are Things That Influence It?. *Jurnal Ilmiah Raflesia Akuntansi*, 9(1), 22-31.
- Santoso, S. D., & Andarsari, P. R. (2022). The Effect of Managerial Ownership, Company Size and Audit Quality on the Integrity of Financial Statements. *Financial Report Integrity. Owner: Accounting Research and Journal*, 6(1), 690-700.
- Savero, D.O., Nasir, A., & Safitri, D. (2017). The influence of independent Commissioners, Audit Committee, Institutional Ownership and Managerial Ownership Against The Integrity of Financial Statements [Doctoral dissertation, Riau University].
- Sayekti, F., & Reschiwati. (2024). The Integrity of Soes Financial Statements: Can Gcg, Der, and Kap Reputation Affect It?. *Revista de Gestao Social E Ambiental*, 1-26.
- Sekaran, U., & Bougie, R. (2020). *Research Methods For Business* (8th ed.). Wiley.
- Sucitra, K., Sari, R., & Widyastuti, S. (2021). The Effect of Earnings Management, Audit Tenure and Independent Commissioner of Financial Statement Integrity. *Financial Report Integrity, National Research Conference on Management Economics and Accounting*, 2(1), 713-727.