International Journal of Research in Social Science and Humanities (IJRSS)

DOI: 10.47505/IJRSS.2024.12.8

E-ISSN : 2582-6220

Vol. 5 (12) December - 2024

Analysis of Influencing Factors: Integrity of Financial Reporting

(Study on Mining Companies Listed on the Indonesia Stock Exchange for the Period 2018-2021)

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ABSTRACT

This study aims to analyze the effect of managerial ownership, institutional ownership, leverage and company size on the integrity of financial statements in mining companies for the 2018-2021 period which are listed on the Indonesia Stock Exchange (IDX). The sample selection in this study used purposive sampling, namely the selection of samples based on certain criteria. The data used in this study is secondary data which consists of financial reports on 21 mining companies on the Indonesia Stock Exchange (IDX). The data collection technique used in this study is the documentation technique. The analytical tools used in this study were descriptive statistics, classical assumption tests (normality, multicollinearity, autocorrelation and heteroscedasticity), multiple linear regression tests, and hypothesis testing (f test, r2 test and t test). Based on the results of these studies, the conclusions are drawn as follows: 1) Managerial ownership and leverage have no significant effect on the integrity of financial statements. 2) Meanwhile, institutional ownership and company size have a significant effect on the integrity of financial reports for mining companies for the 2018-2021 period which are listed on the Indonesia Stock Exchange (IDX). All independent variables in this study simultaneously affect the integrity of financial statements. Managerial ownership, institutional ownership, leverage, and company size have an influence on the integrity of financial statements by 15.9% while 84.1% are influenced by other factors outside the variables of this study.

Keywords: Company Size, Financial Report Integrity, Institutional Ownership, Leverage, Managerial Ownership.

1. INTRODUCTION

Financial statements are a structured presentation of the financial position and performance of an entity that aims to provide information on the financial position, performance, and changes in the company's financial position in a certain period, (Indonesian Accounting Association, 2007). Various information is used by users of financial statements such as investors, creditors, employees, government and other users in order to make decisions. Every company has the responsibility and obligation to make financial statements made by managers and proven true again by conducting an auditing process.

Indonesian Accountants Association (2012)Financial reports with integrity are financial reports that contain objective data, and are consistent in accordance with the code of ethics stipulated in the Financial Accounting Standards (SAK), by upholding the value of honesty because financial reports with integrity will affect the decision-making process of parties who place their trust in the company. Therefore, financial reports must be presented with high integrity and correctly.

The integrity of financial statements is closely related to one of the characteristics required by the International Financial Reporting Standards (IFRS), namely faithful representation. Financial information is useful in decision making if it is presented honestly and in accordance with applicable accounting standards so that it reflects the actual situation.

The conceptual framework of the International Financial Reporting Standards (IFRS) explains that information that is faithful representation must present all information that is useful for decision making in full so as not to mislead users (completeness). In addition, information that is faithful representation must also contain neutrality substance. Information is said to be neutral if it is free from efforts to prioritize the interests of certain groups or provide benefits to certain parties. Financial information must also be free from material errors (free from error) that can mislead users to meet the quality of faithful representation (Kieso et al., 2011).

The difference between this study and previous studies is the object of study and sampling technique. In this study, the object of study is mining companies listed on the Indonesia Stock Exchange, while in previous studies, the objects studied were Islamic Commercial Banks, manufacturing companies and real estate property companies. And there are also differences in sampling techniques in previous studies and this study, namely in previous studies using convenience sampling while in this study using purposive sampling.

The problem studied in this mining company is that in the presentation of financial reports there are still various cases that show the low integrity of financial reports in several companies listed on the Indonesia Stock Exchange (IDX). Publishing financial reports with low integrity causes injustice to users of financial reports (Tia Astria, 2011). In reality, realizing a financial report that has integrity is not easy to do.

One case of low integrity of financial reports occurred at PT Cakra Mineral Tbk with the stock code CKRA, which has been widely reported with accusations of fraud, manipulation and incorrect disclosure. The CKRA Board of Directors deliberately inflated the value of CKRA's assets by falsely consolidating financial reports and exaggerating the value of paid-in capital. This made many investors unable to make the right decisions and caused losses due to the reprehensible actions of the company's directors. This problem was conveyed through the BEI and OJK platforms on the site (www.newsnews.com)

Another case that occurred at PT Timah which was published on the websitewww.kontan.co.idPT Timah's financial report revised the 2018 and 2019 financial report data, audited by the PWC Indonesia network, namely the Public Accounting Firm (KAP) Tanudiredja, Wibisana, Rintis and Rekan. PT Timah revised the 2018 financial report data for several account items. This shows that PT Timah has low financial report integrity because there are still errors or recording errors in the presentation of financial reports. This error occurred in the net profit account where the recorded net profit increased by 5.76%, however, after being re-examined, it turned out that net profit decreased by 73.67%.

The third case occurred in PT Arutmin Indonesia, PT Kaltim Prima Coal, and the parent company, PT Bumi Resources Tbk. Indonesia Corruption Watch (ICW) reported alleged manipulation of coal sales reports by PT Bumi Resource Tbk and its two subsidiaries to the Directorate General of Taxes. The engineering of the sales reports is suspected to have been carried out from 2003 to 2008, resulting in state losses of up to US$620.49 million. According to ICW's calculations using various primary data including audited reports, Bumi's sales reports from 2003 to 2008 were US$1.06 billion lower than the actual figures. This resulted in state losses from the shortfall in Coal Production Funds (royalties) estimated at US$143.18 million

Based on the example above, it appears that there are still several mining companies in Indonesia that have financial reports with low integrity, this is caused by manipulation or engineering of financial reporting. Managerial ownership is defined as the level of management share ownership that is actively involved in decision making. The results of a study conducted by Hifnelda and Sasongko (2021) concluded that managerial ownership has a positive effect on the integrity of financial statements. This is evidenced by the fact that companies that have a percentage of managerial ownership tend to have responsibility when carrying out their duties. On the other hand, a study conducted by Wahyudi et al. (2021) found that managerial ownership has no effect on the integrity of financial statements.

Institutional Ownership is the ownership of company shares that are mostly owned by institutions or agencies (insurance companies, banks, investment companies, asset management and other institutional ownership). Based on Aryani's research (2019), it has been proven that institutional ownership does not affect the integrity of financial statements. This is proven by the existence of institutional investors who can optimize the supervisory function of management performance so as to minimize opportunistic actions of management that act by prioritizing their own interests.

Leverage is the level of a company's ability to use assets or capital that have fixed costs (debt and shares). According to research conducted by Destika and Salim (2021), leverage has a negative effect on the integrity of financial statements. This is proven by companies that have high debt, the company tends to commit fraud so that the resulting financial statements can show low debt.

Company size is the size of a company that can be measured by total assets or the size of the company's assets using the calculation of the logarithm of total assets. According to research conducted by Ramadhan Iskandar (2021), which shows that company size affects the integrity of financial reports. This is because the larger the company, the more information investors need to make decisions. In addition, large companies always get attention from the public so that companies will be more careful in presenting financial reports.

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2. LITERATURE REVIEW

2.1. Financial statements

According to Harahap (2013) financial reports describe the financial condition and results of a company's business at a certain time or a certain period of time. The types of financial reports that are commonly known are balance sheets, income statements, or business results, cash flow statements and statements of changes in financial position. Financial reports are information that describes the condition of a company (Irham Fahmi, 2017). In general, financial reports consist of balance sheets and profit and loss calculations and statements of changes in equity (Munawir, 2010). The balance sheet shows the amount of assets, liabilities, and equity of a company on a certain date. The statement of changes in equity shows the sources and uses or reasons that cause changes in the company's equity. The statement of income and expenses shows the amount of income and expenses in the company during a certain period of time.

2.2. Integrity of Financial Reporting

Mulyadi (2002) integrity is a moral principle that is impartial and honest, a person with high integrity views facts as they are. Financial reports should provide useful information. Accounting information must meet three qualitative characteristics of accounting information, namely relevance, objectivity, and reliability.

a) Information is said to be relevant if it can influence the decisions of users of financial reports by strengthening or changing the expectations of users of financial reports.
b) Information is said to be objective if the information is free from the influence of other things that can affect the independence of the information.
c) Information is said to be reliable if it can be trusted and causes users of financial reports to rely on the information.

Saad and Abdillah (2017) define that the integrity of financial reports can be interpreted as a measure of the truth and honesty of a company in presenting all the information needed by interested parties through financial reports. Financial reports aim to provide information on financial position, performance, and also changes in financial position that are useful for users in making economic decisions (Harahap, 2012).

Based on the definition above, the author concludes that the integrity of financial statements is a financial statement that is presented honestly, according to the facts and can be trusted by users of information that the financial statements are in good condition. The measurement used to measure the integrity of financial statements is measured by the accrual measure explained by Givoly and Hayn (2000). The accrual measure itself is interpreted as an accounting basis where economic transactions or accounting events are recognized, recorded and presented in the financial statements at the time the transaction occurs.

2.3. Managerial Ownership

Managerial ownership is the number of shares owned by management from the total share capital in the company (Sartono, 2010). Sugiarto (2011) managerial ownership is a condition where the manager takes part in the company's capital structure or in other words the manager plays a dual role as a manager and a shareholder in the company. Tarigan (2016) managerial ownership is a condition where the manager owns the company's shares in other words the manager is also a shareholder of the company. The purpose of managerial ownership is to align the interests of management and shareholders on the grounds that management will have share ownership in the company.

Based on the definition above, the author concludes that managerial ownership is the percentage of the number of shares owned by management from the total share capital in the company and is useful in decision making.

The influence of managerial ownership on the integrity of financial statements is that managerial ownership encourages management to make the best possible decisions and prepare financial statements correctly so as not to harm shareholders including themselves. Managers know more about the company's financial information than the principal and participate in managing the company, so managerial ownership is able to provide a balance between managers and principals, so that the company can obtain company value through the presentation of financial statements with high integrity. The measurement used to measure the managerial ownership variable is measured using the indicator of the percentage of share ownership owned by management from the total amount of outstanding share capital (Sukirni, 2012).

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2.4. Institutional Ownership

Sugiarto (2011) institutional ownership is the proportion of company shares owned by institutions or agencies such as banks, insurance companies, investment companies or other institutions.. Institutional ownership acts as a monitoring agent that performs optimal supervision of management behavior in carrying out its role in managing the company. This monitoring will certainly guarantee prosperity for shareholders, the influence of institutional ownership as a supervisory agent is suppressed through their large investments in the capital market.

Institutional ownership is the percentage of company shares owned by institutions or agencies such as insurance companies, pension funds, or other companies (Sartono, 2010). The function of institutional ownership is to provide supervision for management. This monitoring serves to ensure the welfare and prosperity of shareholders, institutional ownership becomes a supervisory agent because of the large amount of investment in the capital market.

Edison (2017)Institutional ownership is the ownership of shares owned by institutions. Based on the understanding or definition of institutional ownership above, the author can conclude that, basically institutional ownership is the proportion of the number of company shares owned by investors in the form of bodies or institutions. The greater the institutional ownership of a company, the greater the external control that requires company management to run the company as well as possible.

The influence of institutional ownership on the integrity of financial statements is that institutional shareholders can apply their knowledge and professionalism to monitor management performance and assess financial statements. Institutions that have a high percentage of shares will encourage management to act according to the rules because institutional shareholders have professionalism in assessing, analyzing, and testing the reliability of financial statements.

The measurement used for the institutional ownership variable is measured using an indicator of the percentage of share ownership held by institutions from the total amount of share capital in circulation (Sukarni, 2012).

2.5. Leverage

The solvency ratio or leverage ratio is a ratio used to measure the extent to which a company's assets are financed by debt. This means how much debt burden the company bears compared to its assets. Kasmir (2014) defines Leverage as a ratio that is useful for measuring how much of a company's assets come from debt. In other words, how much the company finances its assets with debt. Harahap (2015), Leverage is a ratio that describes the relationship between a company's debt and capital, this ratio can see how far the company is financed by debt or external parties with the company's ability described by capital. Leverage is used to describe the company's ability to use assets or funds that have fixed costs (fixed cost assets or founds) to increase the level of income (return) for the company's owners (Syamsuddin, 2011). The higher the level of leverage, the higher the risk faced by the company, but the level of return or expected income will also be greater (Syamsuddin, 2011). The leverage ratio shows the level of the company's ability to finance the company's operating obligations and the company's development through debt.

Based on the definition above, the author concludes that leverage is the use of debt by a company to carry out the company's operational activities or in carrying out investment activities in order to provide an overview of the company's condition to shareholders.

The influence of Leverage on the integrity of financial statements is that high leverage makes management need more time to disclose information about the company's performance. In addition, the additional time required increases the potential for fraud in financial reporting by managers which can cause the integrity of financial statements to worsen.

In the explanation of Kasmir's book (2014), it is explained that leverage is measured by the Debt Ratio or this debt ratio is calculated by dividing the total debt obligations and the total assets owned.

2.6. Company Size

Brigham and Houston (2011) company size is the size of a company indicated or assessed by assets, total sales, amount of profit, tax burden and others. The greater the total assets, sales and market capitalization of a company, the greater the size of the company. A large company size will make it easier for companies to compete in business, because large companies are better known to the public and can easily enter the market. Company size is the size of a company based on the value of its equity, sales or assets (Riyanto, 2008). Meanwhile, according to Brigham and Houston (2012) defines company size as the average net sales generated by the company over several years.

DOI: 10.47505/IJRSS.2024.12.8

Based on the definition and understanding above, the author concludes that basically the size of the company is a grouping of companies into several groups, including large, medium and small companies. The higher the total assets that indicate the assets owned by the company indicates that the company is classified as a large company. Conversely, the lower the total assets owned by the company, the company is classified as a small company. The greater the total assets that indicate the greater the assets owned by the company so that investors will be safer in investing in the company.

The effect of company size on the integrity of financial reports is that the larger the size of a company, the higher the level of integrity of the company's financial reports. Large companies are also considered to have employees who are more expert in understanding the integrity of financial reports.

According to Werner R. Murhadi (2013) Firm Size is measured by changing the total assets owned by the company into the form of natural logarithm. Company size is symbolized using the Natural Log of Total Assets in order to reduce excessive data fluctuations. By using natural log, the amount of assets with a value of hundreds of billions or even trillions will be simplified, without changing the proportion of the actual amount of assets.

2.7. Hypothesis Development

1) The influence of managerial ownership on the integrity of financial reports

   Managerial ownership is the percentage of the number of shares owned by management from the total share capital in the company and is useful in decision making. Managerial ownership encourages management to make the best possible decisions and prepare financial reports correctly so as not to harm shareholders including themselves (Arista, et al., 2018). Managers know more about the company's financial information than principals and participate in managing the company, so managerial ownership is able to provide a balance between managers and principals, so that the company can obtain company value through the presentation of financial reports with high integrity (Dewi and Putra, 2016). The results of research by Hifnelda and Sasongko (2021) and Wahyudi et al. (2021) prove that managerial ownership has a positive effect on the integrity of financial reports, so the first hypothesis formulated in this study is:

   H1: Managerial ownership affects the integrity of financial reports.

2) The effect of institutional ownership on the integrity of financial reports

   Institutional ownership is the percentage of a company's shares owned by institutions or institutions such as insurance companies, pension funds or other companies. Institutional shareholders have a voice that is recognized in the General Meeting of Shareholders (GMS) which encourages managers to be vigilant in making decisions and implementing their policies (Arista, et al., 2018). Through institutional ownership, institutional shareholders can apply their knowledge and professionalism to oversee management performance and assess financial reports. Institutions that have a high percentage of shares will encourage management to act according to the rules because institutional shareholders have professionalism in assessing, analyzing, and testing the reliability of financial reports (Amrulloh et al. 2016). Wahyudi et al. (2021) have proven that managerial ownership affects the integrity of financial reports. The second hypothesis is:

   H2: Institutional ownership affects the integrity of financial reports.

3) The effect of leverage on the integrity of financial reports

   Leverage is a ratio that is useful for measuring how much of a company's assets come from debt or in other words how much the company finances its assets with debt.Too high leverage puts the company in a risky condition, namely extreme leverage (extreme debt) or the company experiences obstacles in paying off its debts because it is at a level of debt that is too high (Fahmi, 2014). Verya (2017) said that high leverage makes management need more time to disclose information about the company's performance. In addition, the additional time required increases the potential for fraud in financial reporting by managers which can worsen the integrity of financial statements. Destika and Salim (2021) prove that Leverage has a negative effect on the integrity of financial statements. The third hypothesis of this study is:

   H3: Leverage affects the integrity of financial reports.

4) The effect of company size on the integrity of financial reports

   Company size is a measure of the size of a company as indicated or assessed by assets, total sales, amount of profit, tax burden, etc. According toThe Gift of the Lord(2013) large companies tend to disclose more items in their financial reports because they have a lot of information to disclose. Large companies are also thought to have

DOI: 10.47505/IJRSS.2024.12.8

qualified expert employees who understand more about the integrity of financial reports.Supporting factors owned by small companies to produce goods are limited. However, in reality, small companies are better able to survive the economic crisis. Small companies may not have the resources to collect and display extensive information in their financial statements because many activities also cost a lot. Thus, companies with a larger size will disclose more financial statements than companies with a smaller size. Iskandar (2021) proves that company size affects the integrity of financial statements. The fourth hypothesis of this study is:

H4: Company size affects the integrity of financial reports.

5) The influence of managerial ownership, institutional ownership, leverage, and company size on the integrity of financial reports

Based on the description of the four variables above, the fifth hypothesis used in this study is:

H5: Managerial ownership, institutional ownership, leverage, and company size affect the integrity of financial reports.

3. RESEARCH METHODS

3.1. Operational Definition of Variables

1) The independent variables in this study are:
   a) Managerial Ownership

   Managerial ownership is the proportion of shares owned by management who actively participate in company decision-making, including directors and commissioners. Managerial ownership is calculated using the following formula:

$$\text{MNJMN} = \frac{\text{Management} - \text{owned shares}}{\text{Outstanding shares}}$$

   b) Institutional Ownership

   Institutional ownership is the number of shares owned by external parties, such as banks, insurance companies, or other institutions. Institutional ownership is calculated using the following formula:

$$\text{INST} = \frac{\text{Institution} - \text{owned shares}}{\text{Outstanding shares}}$$

   c) Leverage

   Leverage is a measure of the amount of assets spent from debt. The calculation of a company's leverage uses the ratio of total debt to total assets (debt to total asset ratio):

$$\text{LVRG}_{it} = \frac{D_{it}}{A_{it}}$$

   Information:
   LVRGit : Leverage of company i in year t
   Given: Total debt of company i in year t
   Ait : Total assets of company i in year t

   d) Company Size

   Company size is the size of a company calculated using the natural logarithm of the total assets owned by the company as follows:

   UKRPRSH = LN Total Assets

2) Dependent Variable

The dependent variable of this study is the integrity of financial statements. In this study, the integrity of financial statements is measured using the accrual measure explained by Givoly and Hayn (2000).

Conservatives produce net income that is smaller than operating cash flow, which is called negative accruals. The presence of negative accruals indicates the use of conservatism. The greater the negative accrual, the more conservative the accounting used. All of this is based on the conservative theory of accounting that delays recognition before it occurs and accelerates the use of costs that will occur.

The following is the formula for financial report integrity:

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$$\text{CONACC} = \frac{(\text{NI} + \text{CF})}{\text{TA}} \text{ X } (-1)$$

Information:
CONACC : Financial Reporting Integrity
NI: Net Income before extraordinary items
CF : Cash Flow
TA: Total Assets

3.2. Population and Sampling Techniques

1) Population
   The population in this study is all mining companies listed on the IDX, totaling 63 companies. The reason researchers chose mining companies is because in the presentation of financial reports there are still various cases that indicate low integrity of financial reports in several companies listed on the Indonesia Stock Exchange (IDX). This is the attraction for researchers to examine what factors affect the integrity of financial reports in mining companies listed on the IDX.
2) Sampling techniques
   The sampling technique used in this research is the purposive sampling method, namely selecting samples based on the following criteria:

Table 1. Sampling Techniques

No	Criteria	Amount
1.	The company is classified as a mining industry listed on the Indonesia Stock Exchange for the 2018-2021 period.	63
2.	Companies that did not publish financial reports consecutively and completely during the 2018-2021 period	(6)
3.	Companies that did not publish financial reports in Rupiah currency during the 2018-2021 period	(32)
4.	Companies that do not have positive equity value during the 2018-2021 period	(4)
	Number of samples used	21
	Observed period 2018-2021	4
	Number of data analyzed (n)	84

Source: Dolah Secondary Data 2023

3.3. Data Analysis Techniques

The data analysis techniques used in this study are:

1) Descriptive Statistics
   In this study, descriptive analysis is used to determine the level of integrity of financial reports, managerial ownership, institutional ownership, leverage, and company size. The measurements used are minimum value, maximum value, average value and standard deviation.
2) Classical Assumption Test
   Classic assumption tests need to be carried out to prove whether the hypothesis using the linear regression model has met several classical assumptions required so that the regression results obtained are accurate estimates consisting of normality tests, autocorrelation tests, multicollinearity tests, and heteroscedasticity tests.
3) Multiple Linear Regression Analysis
   Multiple linear regression analysis aims to explain the magnitude of the influence of managerial ownership, institutional ownership, leverage, and company size on the integrity of financial statements. The general linear regression analysis equation to test the hypotheses in this study is as follows:
   $Y = \alpha + \beta1x1 + \beta2x2 + \beta3x3 + \beta4x4 + e$
   Information:

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Y : Integrity of financial reports
α : Constant
β1- β4 : variable regression coefficient
X1 : Managerial ownership
X2 : Institutional ownership
X3 : Leverage
X4 : Company size
e : error

4) Hypothesis Testing

a) F test, (model fit test)

The F test is conducted to test whether the regression model used is fit. The basis for decision making is:

1) If F-count < F-table, then the regression model does not fit (hypothesis is rejected)
2) If F-count > F-table, then the regression model fits (hypothesis is accepted)

The F test can also be done by looking at the F significance value on the regression output using SPSS with a significance level of 0.5 (α = 5%). If the significance value is greater than α then the hypothesis is rejected, which means the regression model is not fit. If the significance value is less than α then the hypothesis is accepted, which means the regression model is fit.

b) Coefficient of Determination Test

The determination coefficient (R2) aims to test the level of closeness or attachment between the dependent variable and the independent variable which can be seen from the value of the determination coefficient (adjusted R-square). A small R-square value means that the ability of the independent variable to explain the dependent variable is very limited. A value close to one means that the independent variable provides almost all the information needed to predict the dependent variable (Ghozali, 2011). Therefore, many researchers propose to use the adjusted R2 value when evaluating which is the best regression model. According to Gujarati (2003) and Ghozali (2011) if the empirical test obtains a negative adjusted R2 value, then the adjusted R2 value is considered to be zero. Systematically if the R2 value = 1, then the adjusted R2 = 1 while if the R2 value = 0, then the adjusted R2 = (1-k) (nk). If k> 1, then the adjusted R2 will be negative.

c) T-Test (Partial Testing)

The T statistical test tests how far the influence of one independent variable individually in explaining the dependent variable (Ghozali, 2011). On a five percent probability scale (α = 5%), if the probability (significant) is greater than α (0.05), then the independent variable does not affect the financial report integrity variable, if it is less than 0.05 then the independent variable affects the financial report integrity variable.

4. RESULTS AND DISCUSSION

4.1. Analysis of Research Results

a) Descriptive statistical analysis

Descriptive statistics provide a description or descriptive data seen from the minimum value, maximum value, average value and standard deviation. The results of descriptive research in this study can be seen in the following table:

Table 2. Results of Descriptive Statistical Analysis

Descriptive Statistics

Variable Name	N	Min	Max	Mean	Std. Deviation
Managerial Ownership	84	.00	100.0	1.4223	10.88909
Institutional Ownership	84	.02	1.00	.5340	.30458
Leverage	84	.01	1.15	.4792	.24578
Company Size	84	7.56	29.09	24.5166	4.70544
Integrity of Financial Reporting	84	-.16	.22	-.0202	.06616
Valid N (listwise)	84				

Source: data processed by SPSS 26

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Based on table 1 it can be explained as follows:

1) Integrity of financial reporting
   Based on table 1.3, it can be seen that the minimum value is -0.16 and the maximum value is 0.22. This shows that the integrity of the financial statements that are the samples of this study ranges from -0.16 to 0.22 with an average of -0.0202 at a standard deviation of 0.06616.
2) Managerial Ownership
   Based on table 1.3 data, it is known that the minimum value of managerial ownership is 0.00 and the maximum value is 100.00. This shows that the size of managerial ownership that is the sample of this study ranges from 0.00 to 100.00 with an average value of 1.4223 at a standard deviation of10.88909.
3) Institutional Ownership
   Based on table 1.3, it can be seen that the minimum value of institutional ownership is 0.02 and the maximum value is 1.00. This shows that the size of institutional ownership that is the sample of this study ranges from 0.02 to 1.00 with an average of 0.5340 at a standard deviation of 0.30458.
4) Leverage
   Based on table 1.3, it can be seen that the minimum leverage value is 0.01 and the maximum value is 1.15. This shows that the amount of leverage that is the sample of this study ranges from 0.01 to 1.15 with an average of 0.4792 at a standard deviation of 0.24578.
5) Company size
   Based on table 1.3, it can be seen that the minimum value of company size is 7.56 and the maximum value is 29.09. This shows that the size of the companies that are the samples of this study ranges from 7.56 to 29.09 with an average of 24.5166 at a standard deviation of 4.70544.

b) Classical Assumption Test Results

Before conducting multiple linear analysis, a classical assumption test is first performed. The classical assumption test is the main requirement in the regression equation whether the data is normally distributed, there is no multicollinearity, no autocorrelation, no heteroscedasticity.

1) Normality test
   The normality test was conducted with the intention of finding out whether the regression model meets the normality assumption. The normality test in this study used the Statistical Program For Social Science (SPSS) Kolmogrof-Smirnov. Whether the data is normally distributed or not can be seen in the Asymp. Sig (2-Tailed) row. The research data is said to be normal or meets the normality test if the Asymp. Sig (2-Tailed) value of the residual variable is above 0.05 or 5%. Conversely, if the Asymp. Sig (2-Tailed) of the residual variable is below 0.05 or 5% then it is declared abnormal. The results of the normality test in this study are as follows:

Table 3. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		84
Normal Parametersa,b	Mean	.0000000
	Std. Deviation	.14837125
Most Extreme Differences	Absolute	.089
	Positive	.085
	Negative	-.089
Test Statistics		.089
Asymp. Sig. (2-tailed)		.094c

Source: data processed by SPSS 26.

Based on the results of the normality test, the research variables show that the data is normally distributed. This is evidenced by the Asymp. Sig (2-Tailed) value of 0.094 which means it is higher than the significance value of 0.05 so it can be concluded that the data is normally distributed.

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2) Multicollinearity Test

Multicollinearity test is conducted to determine whether there is a correlation between independent variables. In this study, multicollinearity test is conducted by looking at the Tolerance and Variance Inflation Factor (VIF) values. Multiple regression analysis can be continued if the tolerance value is more than 0.10 and the Variance Inflation Factor (VIF) value is less than 10. The results of the multicollinearity test are as follows:

Table 4. Multicollinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Managerial Ownership	.972	1,029
	Institutional Ownership	.916	1,092
	Leverage	.969	1,032
	Company Size	.919	1,089

a. Dependent Variable: Integrity of Financial Reports

Source: data processed by SPSS 26

Table 4 shows that all independent variables have a tolerance value above 0.10 and a Variance Inflation Factor (VIF) value below 10, so it can be concluded that the regression model in this study does not experience multicollinearity.

3) Autocorrelation Test

The autocorrelation test aims to test whether the linear regression model has a correlation between the disturbance errors in period t and the previous t-1. In this study, the Durbin Watson method (Durbin Watson Test) was used. The following are the results of the autocorrelation test

Table 5 Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.399a	.159	.116	.15208	1,756

Source: data processed by SPSS 26

Based on the results of the calculation table above, it can be seen that the value of the Durbin Watson test is 1.756, meaning that it can be concluded that there is no autocorrelation because the number above dU = 1.7462.

4) Heteroscedasticity Test

The heteroscedasticity test aims to test the regression model whether there is inequality in the variance of variables from the residuals of one observation to another. The results of the heteroscedasticity test obtained are:

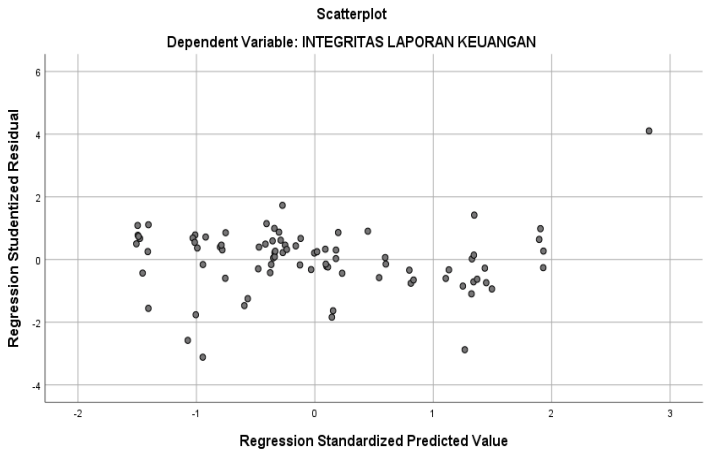

Figure 1. Heteroscedasticity Test Results

Source: data processed by SPSS 26

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Based on the results of the image above, it can be seen that the points are spread randomly, do not form a clear pattern, and the points are spread above and below the number 0 on the Y axis, so there is no heteroscedasticity.

c) Multiple Linear Regression Analysis Test Results

Multiple Linear Regression Analysis was conducted to determine the effect of managerial ownership, institutional ownership, leverage and company size variables on the integrity of financial statements. The results of multiple linear regression testing can be seen as follows:

Table 6. Results of Multiple Linear Regression Analysis

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.170	.104		1,638	.105
	Managerial Ownership	.000	.002	-.029	-.276	.784
	Institutional Ownership	.117	.057	.220	2,038	.045
	Leverage	-.054	.069	-.082	-.783	.436
	Company Size	-.009	.004	-.268	-2.491	.015

Source: data processed by SPSS 26

Based on table 1.8, the multiple linear regression equation model is obtained as follows:

Y = α + β1x1 + β2x2 + β3x3 + β4x4 + e

Y= 0.170 + 0.000X1 + 0.117X2 - 0.054X3 - 0.009X4 + e

From the model above it can be concluded that:

1) The constant value is 0.170, meaning that if managerial ownership, institutional ownership, leverage, and company size are 0, then the constant value will increase by 0.170.
2) The regression coefficient of the managerial ownership variable is 0.000, meaning that if other variables remain constant and managerial ownership increases by 1%, then the integrity of the financial statements increases by 0.000. A positive coefficient means that there is a positive relationship between managerial ownership and the integrity of the financial statements.
3) The regression coefficient of institutional ownership variable is 0.117, meaning that if other variables remain constant and managerial ownership increases by 1%, then the integrity of financial statements increases by 0.117. A positive coefficient means that there is a positive relationship between institutional ownership and the integrity of financial statements.
4) The regression coefficient of the leverage variable is -0.054, meaning that if other variables remain constant and managerial ownership increases by 1%, the integrity of the financial statements will decrease by 0.054. A negative coefficient means that there is a negative relationship between managerial ownership and the integrity of the financial statements.
5) The regression coefficient of the company size variable is -0.009, meaning that if other variables remain constant and managerial ownership increases by 1%, then the integrity of the financial statements decreases by 0.009. A negative coefficient means that there is a negative relationship between managerial ownership and the integrity of the financial statements.

d) Hypothesis Test Results

1) F Test

The F test is conducted to measure the accuracy of the model. The results of the F test calculation in this study can be seen in the following table:

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Table 7. Simultaneous Test Results (F Test)

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.345	4	.086	3,730	.008b
	Residual	1,827	79	.023		
	Total	2.172	83			

Source: data processed by SPSS 26

Based on table 7, the F test results obtained an Fcount value of 3.730 with a significance level of 0.008. Based on a significance value smaller than 0.05, it can be concluded that the model can be used to predict the effect of managerial ownership, institutional ownership, leverage, and company size on the integrity of financial statements in mining companies listed on the IDX for the 2018-2021 period.

2) Coefficient of Determination (Adjusted R2 Test)

The coefficient of determination is used to measure the percentage of the influence of the independent variable on the dependent variable. The results of the determination coefficient test can be seen in the following table:

Table 8. Adjusted R2 Test Results

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.399a	.159	.116	.15208	1,756

Source: data processed by SPSS 26

The results of the Adjusted R2 test in this study obtained a value of 0.159. This shows that the integrity of financial statements is influenced by managerial ownership, institutional ownership, leverage and company size by 15.9% while the remaining 84.1% is influenced by other factors not examined in this study.

3) Partial Test (T-Test)

The hypothesis in this study was tested using a partial test (T-test). This method aims to determine whether individually (partially) the independent variables affect the dependent variable. The T-test was conducted at a confidence level of 5% or α = 0.05. The following table shows the results of the T-test calculation:

Table 9. T-Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.170	.104		1,638	.105
	Managerial Ownership	.000	.002	-.029	-.276	.784
	Institutional Ownership	.117	.057	.220	2,038	.045
	Leverage	-.054	.069	-.082	-.783	.436
	Company Size	-.009	.004	-.268	-2.491	.015

Source: data processed by SPSS 26.

a) Managerial Ownership

The statistical results of the T-test for the managerial ownership variable obtained a significance value of 0.784, which is greater than the error value of α = 0.05 and the regression coefficient has a negative value of-0.276. This shows that managerial ownership does not affect the integrity of financial reports in mining companies listed on the IDX for the 2018-2021 period.

b) OwnershipInstitutional

The statistical results of the T-test for the institutional ownership variable obtained a significance value of 0.045, which is smaller than the error value of α = 0.05 and the regression coefficient has a positive value of

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2.038.. This shows that institutional ownership has a significant influence on the integrity of financial reports in mining companies listed on the IDX for the 2018-2021 period.

c) Leverage

The statistical results of the T-test for the leverage variable obtained a significance value of 0.436, which is greater than the error value of α = 0.05 and the regression coefficient has a negative value of -0.783. This shows that leverage does not affect the integrity of financial reports in mining companies listed on the IDX for the 2018-2021 period.

d) Company Size

The statistical results of the T-test for the company size variable obtained a significance value of 0.015, which is smaller than the error value of α = 0.05 and the regression coefficient has a negative value of -2.491.. This shows that company size has a negative and significant influence on the integrity of financial reports in mining companies listed on the IDX for the 2018-2021 period.

4.2. Discussion of Research Results

1) The Influence of Managerial Ownership on the Integrity of Financial Reports

Based on the results of the T-test, a significance of 0.784> 0.05 was obtained, so it can be concluded that managerial ownership does not affect the integrity of financial statements in mining companies listed on the IDX for the 2018-2021 period. Managerial ownership does not affect the integrity of financial statements because share ownership owned by management does not guarantee that the financial statements have integrity, but will improve the performance of management in disclosing financial statements. The results of this study are in line with previous research conducted by Ramadhan Iskandar (2021) which explains that managerial ownership does not affect the integrity of financial statements.

2) The effect of institutional ownership on the integrity of financial reports

The results of the T-test for the institutional ownership variable obtained a significance level of 0.045 < 0.05 andthe regression coefficient has a positive value of 2.038,it can be concluded that institutional ownership has a positive and significant effect on the integrity of financial reports in mining companies listed on the IDX for the 2018-2021 period. This is because the existence of institutional investors is considered to be an effective monitoring mechanism in every decision taken by managers. The existence of institutional investors who can analyze well so that they are not easily fooled by management manipulation in issuing financial reports. Thus, it can be concluded that high institutional ownership will limit managers from committing fraud and can increase the integrity of financial reports. The results of this study are in accordance with previous research conducted byWahyudi et al. (2021)explains that institutional ownership has an influence and is significant for the integrity of financial reports.

3) The effect of leverage on the integrity of financial reports

Based on the test results, the regression coefficient is positive at 0.436. The T-test result for the leverage variable is -0.783 with a significant level greater than the specified significance level (0.436> 0.05). The results of the data analysis can be concluded that leverage does not affect the integrity of financial statements in mining companies listed on the IDX for the 2018-2021 period. The reason leverage does not affect the integrity of financial statements is because the high or low leverage value in a company does not guarantee the level of integrity of the company's financial statements.The high debt ratio does not cause managers to manipulate to display healthy financial reports, but it also does not make them act carefully in presenting financial reports, so that high or low leverage does not affect the integrity of financial reports. The results that appear in this study do not support the assumption that companies with high leverage ratios will work more expansively and comprehensively in presenting financial data in order to attract investors to invest and managers will make the best accounting decisions and provide financial information with high integrity.This research is in accordance with previous research conducted byWahyudi et al. (2021) which explains that leverage does not affect the integrity of financial reports.

4) The effect of company size on the integrity of financial reports

Based on the test results, the regression coefficient is obtained with a positive value of 0.015. The T-test result for the company size variable is obtained at -2.491 with a significance level smaller than the specified significance level (0.015 <0.05). From the results of the analysis above, it can be concluded that company size has a negative

DOI: 10.47505/IJRSS.2024.12.8

effect on the integrity of financial reports in mining companies listed on the IDX for the 2018-2021 period.This is because large companies have a wider stakeholder base, so that various policies of large companies will have an impact on the public interest. Large companies also tend to implement the principle of prudence in preparing financial statements because this can increase the integrity of the company's financial statements.This research is in accordance with previous research conducted byRamadhan Iskandar (2021) whichexplains that company size has an influence and is significant to the integrity of the financial report.

5) The influence of managerial ownership, institutional ownership, leverage and company size on the integrity of financial reports.

The findings of this research analysis indicate that managerial ownership, institutional ownership, leverage, and company size simultaneously affect the integrity of financial statements. This shows that managerial ownership encourages management to make the best possible decisions and prepare financial statements correctly. Institutional ownership monitors and assesses the reliability of financial statements. High leverage makes management need a lot of time to disclose information about company performance. The larger the company size, the higher the integrity of the financial statements presented.

5. CONCLUSION AND SUGGESTIONS

5.1. Conclusion

Based on the results of data analysis and previous discussions, it can be concluded that:

1) Managerial Ownership does not affect the integrity of financial statements. This illustrates that users of financial statement information (Investors) do not consider managerial ownership as a consideration for decision making.
2) Institutional Ownership has a positive effect on the integrity of financial statements. This shows that financial statements presented by institutional ownership will always be a consideration for investors in decision making.
3) Leverage does not affect the integrity of financial statements. The size of leverage in a company does not guarantee the integrity of its financial statements.
4) Company size affects the integrity of financial reports. This shows that the larger the size of a company, the higher the level of integrity of the financial reports presented by the company.
5) Managerial ownership, institutional ownership, leverage and company size simultaneously have an influence on the integrity of financial statements. This shows that the existence of managerial ownership is presented honestly in the preparation of financial statements, good institutional ownership in assessing performance, high leverage, and large company size will increase the integrity of financial statements.

5.2. Suggestion

1) For further researchers, they can use other independent variables such as auditor quality, size of the board of commissioners, proportion of independent commissioners and auditor industry specialization as factors that influence the integrity of financial reports.
2) For Investors

   It is hoped that investors will pay attention to the integrity of the financial report before investing their capital in a company so that they do not experience losses.
3) For Companies

   It is expected that the company will further improve the quality of human resources so as not to make mistakes or manipulation in preparing financial reports so that the integrity of the financial reports in the company is presented properly and honestly.

5.3. Research Limitations

The limitation in this study is that it has an adjusted R Square of 0.159, meaning that the independent variables used to explain the dependent variable are very low, only 15.9%, and the remaining 84.1% is influenced by other factors not used in this study.

DOI: 10.47505/IJRSS.2024.12.8

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DOI: 10.47505/IJRSS.2024.12.8

DOI: 10.47505/IJRSS.2024.12.8