

Research Article

Analysis of Factors Affecting the Integrity of Financial Reports in Banking Sector Companies

I Gede Cahyadi Putra¹, Ida Ayu Ratih Manuari^{2*}, Putu Ayu Diah Widari Putri³, Ni Ketut Emayanti⁴, Ni Kadek Vina Angelica Putri⁵

¹⁻⁵ Faculty of Economy and Business, Dian Nuswantoro University, Indonesia; e-mail:
ratih.manuari@unmas.ac.id

* Corresponding Author: Ida Ayu Ratih Manuari

Abstract: Financial statement integrity refers to financial statements that accurately reflect the true condition of a company, without anything being concealed or hidden. The importance of financial statement integrity has become an increasingly pressing requirement that companies must fulfill in order to avoid misleading financial statement users, which could result in erroneous decision-making. This study aims to analyze the influence of managerial ownership, institutional ownership, company size, financial distress, and leverage on financial statement integrity in banking sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2021-2023. The research population consists of banking sector companies listed on the IDX during the 2021-2023 period. This study involves 20 companies selected as samples using purposive sampling. The analysis technique used to test the hypotheses is multiple linear regression analysis. The results of this study indicate that managerial ownership, institutional ownership, company size, and leverage do not affect financial statement integrity, while financial distress has a negative effect on financial statement integrity. This study is expected to provide general input to managers or strategists at companies listed on the Indonesia Stock Exchange to always align all interests involved in company management.

Keywords: Company Size; Financial Distress; Financial Statement Integrity; Institutional Ownership; Managerial Ownership

1. Introduction

Integrity of financial reports is a crucial concern because it serves as the basis for economic decision-making. Ideally, reports are prepared honestly and transparently. According to Qonitin and Yudowati (2018), financial report integrity is a statement that accurately reflects a company's condition, without concealing or hiding anything. The importance of financial report integrity is increasingly becoming a requirement for companies to ensure they do not mislead users, which could lead to incorrect decision-making. However, achieving financial report integrity is challenging for companies. As evidenced by the revelation of cases of financial report manipulation, the integrity of these reports needs to be questioned.

Lack of integrity in financial reports leads to a decline in public trust. Therefore, the integrity of financial reports requires special attention to increase the trust of financial report users without fear of harm. Public trust in financial reports is assessed based on integrity and objectivity (Sucitra et al., 2021). Financial reports are said to have high integrity if they meet adequate criteria, namely comparability and reliability, and can provide assurance to users in making decisions. A high level of integrity in financial reports can be ensured by accurate data and the avoidance of financial data manipulation during the preparation process (Ayem & Yuliana, 2019).

Currently, numerous cases of accounting manipulation are occurring, often involving legal action. In reality, many companies' financial reports lack integrity, meaning the information presented in the reports does not reflect truth and fairness to many parties,

Received: January 13, 2025

Revised: March 10, 2025

Accepted: May 5, 2025

Published: June 30, 2025

Curr. Ver.: June 30, 2025



Copyright: © 2025 by the authors.

Submitted for possible open

access publication under the

terms and conditions of the

Creative Commons Attribution

(CC BY SA) license

([https://creativecommons.org/li](https://creativecommons.org/licenses/by-sa/4.0/)

censes/by-sa/4.0/)

including users. These accounting manipulation cases involve several large companies worldwide, including Bank Lippo and Bank Century in Indonesia. Several cases that occurred on the Indonesia Stock Exchange (IDX) in the banking sector that committed fraudulent financial reporting, the first was PT Bank BTN which practiced window dressing in 2020. The Bank BTN workers union reported 3 things that Bank BTN management had done to commit fraudulent financial reporting. First, Rp 100 billion in 2014 was used to pay PT BIM (Batam Island Marina) debt to shareholders, even though the funds were supposed to be used for a housing project by the branch manager, second, an additional Rp 200 billion in credit was made in 2015 which, according to credit analysts, this additional credit was not visible because it was not based on careful due diligence. The last report concerned problematic receivables because the collection rights were sold to PT PPA (Asset Management Company), so BTN provided credit to PT PPA to buy its bad debts (Kompas.com, 2024).

The second case of financial reporting fraud occurred in 2022, where this case was carried out by PT Bank Sultra. PT Bank Sultra was suspected of embezzling funds amounting to IDR 1.9 billion by a former Bank Sultra employee. With this case, the Financial Services Authority (OJK) monitored and monitored the case of embezzlement of customer funds until a court ruling was issued (Antara and Harianto "OJK Will Monitor the Case of Embezzlement of Bank Sultra Customer Funds Until Court" (Kompas.com, 2024).

The current phenomenon demonstrates a lack of integrity in financial reporting in presenting information to users. The reports presented do not accurately reflect the company's condition. The exposure of companies' dishonesty in presenting financial reports has resulted in a decline in public trust, particularly in the financial community, as evidenced by a drastic decline in the share prices of companies affected by the scandal and raises the urgency of research into factors that influence the integrity of financial reports, particularly in the banking sector.

The factors that are suspected of influencing the integrity of financial reports are: managerial ownership, institutional ownership, company size, financial distress, and leverage. According to Irawan (2019), the greater the proportion of management ownership in a company, the more it can align the interests of managers and shareholders. Another factor is institutional ownership. The benefit of institutional ownership is that it can encourage more optimal oversight of management. Therefore, the greater the ownership of a company's shares by investors, the higher the integrity of the financial statements. Company size is also considered to influence management in publishing financial statements with integrity. Larger companies tend to disclose more financial statement items because they have more information to disclose. Similarly, if a company experiences financial distress, the company is more likely to commit fraud or manipulate financial statements, which will lead to a decrease in the integrity of the financial statements. In addition to financial distress, debt financing (leverage) can also encourage companies to present financial statements with high integrity.

Previous research has shown that managerial ownership aligns the interests of managers and shareholders (Anastasia et al., 2023; Johana & Djuitaningsih, 2022), although other findings indicate it is insignificant (Dewanti & Karmudiandri, 2023). Institutional ownership is considered to strengthen oversight mechanisms (Putri et al., 2022; Wardhani & Samrotun, 2020), but research by Telaumbanua (2022) found different results. Company size is generally considered a positive effect because larger companies have better resources (Verawaty & Robika, 2023), although not all studies support this (Dewanti & Karmudiandri, 2023). Furthermore, a company's financial condition (financial distress) is a frequently tested variable. Some studies find a negative relationship because difficult conditions encourage manipulation (Wijaya, 2022), while others show a positive effect (Liliani & Arisman, 2021). Leverage also shows inconsistent results: some have a positive effect (Suzan & Wulan, 2022), while others have a negative effect (Verawaty & Robika, 2023).

Based on the literature review, previous research has shown inconsistent results regarding the determinants of financial statement integrity. This creates a research gap that is important to re-examine, particularly in the banking sector, which plays a strategic role in the national economy and is frequently in the public spotlight regarding its governance practices. The novelty of this study is that it focuses more on financial statement integrity specifically in the Indonesian banking sector following a number of accounting scandals (Bukopin, BTN, Bank Sultra) that significantly impacted public trust. While previous research has been largely general across sectors or focused on non-financial companies, this study also examines not only internal company factors (ownership, size, leverage) but also external conditions (financial distress) that have the potential to encourage financial statement manipulation practices.

2. Literature Review

Agency Theory

Agency theory is a working relationship between an agent, namely a manager, and a principal, namely a company owner (Jensen & Meckling, 1976). Agency theory is a theoretical model that explains how the relationship between a principal and an agent has an economic impact (Weetman, 2019). Differences in interests between the two can lead to agency conflicts and information asymmetry. Managers who have more complete information about the company's condition can manipulate information for personal gain. Therefore, control mechanisms such as share ownership structure, institutional oversight, and financial transparency are needed to maintain the integrity of reports. Agency theory in this study will be used by researchers as a basis for explaining the relationship between managerial ownership, institutional ownership, firm size, financial distress, and leverage to the integrity of financial reporting.

Managerial Ownership

Managerial ownership is the portion of a company's shares held by management. Shareholders who hold positions in company management, either as creditors or as members of the board of commissioners, are referred to as managerial owners (Irfana, 2012). Management ownership of shares will provide oversight of the policies taken by company management. With managerial ownership, the company is expected to increase its value, thereby avoiding potential financial difficulties. In companies with managerial ownership, managers who are also shareholders will naturally align their interests with those of shareholders. Meanwhile, in companies without managerial ownership, managers who are not shareholders are likely to prioritize only their own interests.

Institutional Ownership

Institutional ownership refers to share ownership by institutions such as banks, investment companies, or insurance companies. Institutional ownership plays a crucial role in minimizing agency conflicts between managers and shareholders. The presence of institutional investors is considered an effective monitoring mechanism for every decision made by managers. Institutional ownership offers advantages such as professionalism in analyzing information, allowing for the ability to verify its reliability, and a strong motivation to implement stricter oversight of company activities (Astinia, 2013).

Company Size

Company size describes the size of a company's assets, sales, or equity. According to Zakaria (2017), company size can be defined as a scale for classifying the size of a company or organization established by one or more individuals to achieve a goal. High-integrity financial reports can be measured by the company's size. The larger the company, the more public attention it receives, so the financial reports presented by large companies are more likely to demonstrate integrity. Meanwhile, small companies are considered to only reflect the company's good and stable condition (Emayanti & Muliati, 2020).

Financial Distress

Financial distress is a state of financial difficulty experienced by a company before entering bankruptcy. According to Yustika (2015), financial distress is defined as a state in which a company's finances are in an unhealthy or crisis state. Plat and Fahmi (2013) define financial distress as a stage of financial decline that occurs before bankruptcy or liquidation. Companies experiencing financial distress tend to manipulate earnings or reporting to cover up weaknesses, potentially compromising the integrity of their financial statements.

Leverage

Leverage is a ratio used to measure a company's ability to pay all its obligations. According to Kurniasih and Sari (2013), leverage is a ratio that measures the ability of all debt to finance a company's assets. Hery (2017) argues that leverage is an important tool in measuring the effectiveness of a company's debt utilization. High leverage can increase the risk of report manipulation because management wants to present good performance to creditors. However, leverage can also encourage companies to maintain the integrity of their reports to maintain market confidence. Leverage can be measured by comparing total debt to total assets (Emayanti & Muliati, 2020).

Financial Report Integrity

The integrity of financial statements is the extent to which the presented financial statements show true and honest information. The information presented shows the true condition of a company, without anything being covered up or hidden (Mayangsari, 2003). Therefore, if an auditor audits financial statements that lack integrity (do not reflect the true condition of the company), the auditor's chances of being sued will be greater, because if the financial statements that lack integrity turn out to be overstated financial statements, it will be very detrimental to users of the financial statements (Savero, 2017). The integrity of financial

statements is a measure of the extent to which the presented financial statements show true and honest information, so as not to mislead users when making a decision (Fajaryani, 2015).

3. Research Method

This study uses a quantitative approach. The data used are secondary data in the form of company annual financial reports, annual reports, and share ownership data published on the official IDX website and on each company's website. The study population comprised all banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2023 period. From this population, 20 companies were selected using a purposive sampling method based on specific criteria, such as consistent publication of annual financial reports.

Table 1. Research Sample Selection Stage

No.	Criteria	Amount
1	Banking companies listed on the IDX in 2021-2023.	47
2	Banking Companies that are not listed on the IDX consecutively from 2021-2023	(0)
3	Banking companies whose Financial Reports cannot be accessed consecutively for the period 2021-2023	(0)
4	Banking companies that do not publish financial reports using the Indonesian currency, namely the rupiah.	(0)
5	Banking companies that do not have complete financial reports according to the data required in this study, such as:	
	Managerial ownership	(23)
	Institutional ownership	(4)
	Company size	
	Financial distress	
	Leverage.	
	Number of Samples	20
	Number of Research Samples (3 Years) 3 x 20	60

Source: Processed data, (2024)

The analysis technique used in this study is multiple linear regression analysis to test the relationship between independent variables (managerial ownership, institutional ownership, company size, financial distress, leverage) and dependent variables (integrity of financial statements).

4. Results and Discussion

Multiple Linear Regression Analysis

Multiple linear regression analysis techniques are used to determine the effect of more than one independent variable on the dependent variable. The results of the multiple linear regression analysis in this study are presented in Table 2 as follows:

Table 2. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	25,263	14,311		1,765	.083
KM	-21,303	12,688	-.181	-1,679	.099
KI	-4,624	3,056	-.159	-1,513	.136
UP	-.557	.420	-.161	-1,326	.191
FD	-.880	.117	-.690	-7,549	<.001
LV	-3,786	2,622	-.140	-1,444	.154

Source: Secondary Data, Processed 2024

Based on the results of the multiple linear regression analysis in Table 2, the following regression equation results were obtained:

$$ILK = 25,263 - 21,303KM - 4,624KI - 0.557UP - 0.880FD - 3,786LV$$

The multiple linear regression equation above can be explained as follows: The constant value (α) of 25.263 means that if the independent variables consisting of managerial ownership (KM), institutional ownership (KI), company size (UP), financial distress (FD) and leverage (LV) are equal to zero, then the value of financial statement integrity is 25.263. The managerial ownership (KM) variable has a regression coefficient value of -21.303 with a significance level of 0.099 greater than 0.05, which means that managerial ownership does not affect the integrity of financial statements. The institutional ownership (KI) variable has a regression coefficient value of -4.624 with a significance level of 0.136 greater than 0.05, which means that institutional ownership does not affect the integrity of financial statements. The company size (UP) variable has a regression coefficient value of -0.557 with a significance level of 0.191 greater than 0.05, which means that company size does not affect the integrity of financial statements. The financial distress (FD) variable has a regression coefficient value

of -0.880 with a significance level of 0.001, less than 0.05, which means that financial distress has a negative effect on the integrity of financial statements. This means that a one percent increase in financial distress will decrease the value of the financial statement integrity value by 0.880, assuming the other independent variables are constant or equal to zero. The leverage (LV) variable has a regression coefficient value of -3.786 with a significance level of 0.154, greater than 0.05, which means that leverage does not affect the integrity of financial statements.

Classical Assumption Test

Normality Test

The normality test aims to determine whether the confounding variables or residuals in the regression model have a normal distribution (Ghozali, 2016:199). The results of the normality test can be seen in Table 3 as follows:

Table 3. Normality Test Results

		Unstandardized Residual
N		60
Normal Parameters ^{a,b}	Mean	.0000000
	Standard Deviation	3.66035298
Most Extreme Differences	Absolute	.144
	Positive	.144
	Negative	-.116
Test Statistics		.144
Asymp. Sig. (2-tailed) ^c		.192
Monte Carlo Sig. (2-tailed) ^d	Sig.	.195
	99% Confidence Interval	Lower Bound .185
		Upper Bound .205

Source: Secondary Data, Processed 2024

Based on the results of the normality test using the one-sample Kolmogorov-Smirnov test in Table 3, the results of the normality test with a Kolmogorov-Smirnov statistical value of 0.144 with an Asymp. Sig. (2-tailed) of 0.192 > 0.05. Therefore, it can be concluded that the residual data is normally distributed and the regression model in this study is suitable for use.

Multicollinearity Test

The multicollinearity test aims to determine whether the regression model detects correlation between independent variables. The results of the multicollinearity test can be seen in Table 4 below:

Table 4. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
KM	.607	1,646
KI	.639	1,566
UP	.482	2,076
FD	.848	1,179
LV	.757	1,320

Source: Secondary Data, Processed 2024

Based on the results of the multicollinearity test in Table 4, the results show that all variable values have a tolerance value ≥ 0.10 and a VIF value ≤ 10 , so it can be concluded that there is no correlation between the independent variables, so that the regression model in this study does not experience multicollinearity and the regression model is suitable for use.

Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation between the nuisance error in period t and the nuisance error in period t-1 (previously) in the linear regression model (Ghozali, 2016:107). The results of the autocorrelation test can be seen in Table 5 as follows:

Table 5. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.786a	.618	.582	3.82606	1,955

Source: Secondary Data, Processed 2024

Based on the results of the Durbin-Watson (DW) test in Table 5, the Durbin-Watson (DW) value is 1.955. The du value obtained from the Durbin-Watson statistical table with the number of samples (n) of 60 and the number of variables (k) of 5, the du value is 1.7671 and 4-du is 4-1.767 = 2.2329, therefore the Durbin-Watson value is in the range of $du < DW < 4-du$ or $1.7671 < 1.955 < 2.2329$. It can be concluded that in the regression model in this study there is no autocorrelation.

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether there is inequality in the residual variance of one observation to another in the regression model (Ghozali, 2016:134). The results of the heteroscedasticity test can be seen in Table 6 as follows:

Table 6. Heteroscedasticity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	26,936	62,067		.434	.666
KM	-31,964	55,029	-.099	-.581	.564
KI	6,366	13,255	.080	.480	.633
UP	-1,090	1,823	-.114	-.598	.552
FD	.382	.506	.109	.756	.453
LV	10,548	11,369	.141	.928	.358

Source: Secondary Data, Processed 2024

Based on the results of the heteroscedasticity test in Table 6, it can be seen that none of the independent variables are statistically significant in influencing the dependent variable. This can be seen in the significance of the managerial ownership variable, namely 0.564, institutional ownership, namely 0.633, company size, namely 0.552, financial distress, namely 0.453, and leverage, namely 0.358, above the significance level of 0.005. Therefore, it can be concluded that the regression model does not contain heteroscedasticity.

Model Fit Test (F Test)

The F-statistic test aims to show whether all independent variables included in the model have a joint influence on the dependent variable. The results of the F-test can be seen in Table 7 as follows:

Table 7. F Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1277,534	5	255,507	17,454	<.001b
Residual	790,493	54	14,639		
Total	2068,027	59			

Source: Secondary Data, Processed 2024

Based on the F-test results in Table 7, the F-value was 17.454 with a significance value of $0.001 < 0.005$. This indicates that managerial ownership, institutional ownership, company size, financial distress, and leverage simultaneously influence the integrity of financial statements.

Coefficient of Determination Test (R²)

The coefficient of determination (R²) test essentially measures the model's ability to explain dependent variation (Ghozali, 2016:97). This is applied to Table 8 as follows:

Table 8. Results of the Determination Coefficient (R²) Test

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.786a	.618	.582	3.82606	1,955

Source: Secondary Data, Processed 2024

Based on the determination coefficient test (R²) in Table 5.8, the adjusted R value is 0.582 or 58.2%, which means that the variation of the dependent variable, namely the integrity of financial reports, can be explained by 58.2% by the independent variables, namely managerial ownership, institutional ownership, company size, financial distress and leverage, while the remaining 0.418 or 41.8% is influenced by other factors that are not included in the regression model.

T-test

The t-statistical test essentially shows the partial influence of one independent variable in explaining dependent variables. The results of the t-test can be seen in Table 9 as follows:

Table 9. t-Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	25,263	14,311		1,765	.083
KM	-21,303	12,688	-.181	-1,679	.099
KI	-4,624	3,056	-.159	-1,513	.136
UP	-.557	.420	-.161	-1,326	.191
FD	-.880	.117	-.690	-7,549	<.001
LV	-3,786	2,622	-.140	-1,444	.154

Source: Secondary Data, Processed 2024

Based on the results of the t-test in Table 5.9 above, the partial effect of each independent variable on the dependent variable can be explained as follows: Managerial ownership has a t-count of -1.679 and a regression coefficient value of -21.303 with a

significance level of $0.099 > 0.05$. Therefore, it can be concluded that managerial ownership does not affect the integrity of financial statements, so the first hypothesis (H1) is rejected. Institutional ownership has a t-count of -1.513 and a regression coefficient value of -4.624 with a significance level of $0.136 > 0.05$. Therefore, it can be concluded that institutional ownership does not affect the integrity of financial statements, so the second hypothesis (H2) is rejected. Company size has a t-count of -1.326 and a regression coefficient value of -0.557 with a significance level of $0.191 > 0.05$. Therefore, it can be concluded that company size does not affect the integrity of financial statements, so the third hypothesis (H3) is rejected. Financial distress has a t-value of -7.549 and a regression coefficient value of -0.880, with a significance level of $0.001 < 0.05$. Therefore, it can be concluded that financial distress has a negative effect on the integrity of financial statements, so that the fourth hypothesis (H4) is accepted. Leverage has a t-value of -1.444 and a regression coefficient value of -3.786 with a significance level of $0.154 > 0.05$. Therefore, it can be concluded that leverage has no effect on the integrity of financial statements, so that the fifth hypothesis (H5) is rejected.

The Influence of Managerial Ownership on the Integrity of Financial Reports

The first hypothesis (H1) states that managerial ownership has a positive effect on the integrity of financial statements. Based on the results of data processing and testing, the regression coefficient value for the managerial ownership variable is -21.303 with a significance level of 0.099, which is greater than 0.05 ($0.099 > 0.05$), which means that managerial ownership does not affect the integrity of financial statements, so the first hypothesis (H1) is rejected. This means that high or low managerial ownership does not affect the integrity of financial statements. This occurs because management has a dual role in the company, namely as the company owner and as the company manager. This provides greater opportunities for management to carry out things that are less profitable for investors, such as allocating investments and making decisions that tend to prioritize management interests. The results of this study contradict the results of Anastasia's research., et al. (2023) and Tamara and Kartika (2021) stated that managerial ownership has a positive effect on the integrity of financial reports.

The Influence of Institutional Ownership on the Integrity of Financial Reports

The second hypothesis (H2) states that institutional ownership has a positive effect on the integrity of financial statements. Based on the results of data processing and testing, the regression coefficient value for the institutional ownership variable is -4.624 with a significance level of 0.136, which is greater than 0.05 ($0.136 > 0.05$), which means that institutional ownership does not affect the integrity of financial statements. Therefore, the second hypothesis (H2) is rejected. This means that high or low institutional ownership does not affect the integrity of financial statements. Institutional ownership does not affect the integrity of financial statements, indicating that the magnitude of institutional ownership in a company does not necessarily indicate its ability to supervise management. This occurs because institutions that own many shares play a role outside of company management, complicating the monitoring process, which causes the implementation of financial statement integrity to be less influenced by institutional ownership. (Badewin, 2019). The results of this study contradict the results of Anastasia's research., et al. (2023) and Putri, et al. (2022) which states that institutional ownership has a positive effect on the integrity of financial reports.

The Influence of Company Size on the Integrity of Financial Reports

The third hypothesis (H3) states that company size has a positive effect on the integrity of financial statements. Based on the results of data processing and testing, the regression coefficient value for the company size variable is -0.557 with a significance level of 0.191, which is greater than 0.05 ($0.191 > 0.05$), which means that company size does not affect the integrity of financial statements. Therefore, the third hypothesis (H3) is rejected. This means that high or low company size does not affect the integrity of financial statements. Company size does not affect the integrity of financial statements, this is because the more conservative the preparation of financial statements, but there are also companies where the presence of many interested parties, the more management intervention in the preparation of financial statements to make the report look good. This may result in research on company size not affecting the integrity of financial statements. finance (Puteri, 2019). The results of this study contradict the results of Verawaty's research. and Robika (2023) and Saad and Abdillah (2019) which states that company size has a positive effect on the integrity of financial reports.

The Impact of Financial Distress on the Integrity of Financial Reports

The fourth hypothesis (H4) states that financial distress negatively impacts the integrity of financial reports. Based on the results of data processing and testing, the regression coefficient for the financial distress variable is -0.880 with a significance level of 0.001, which is less than 0.05 ($0.001 < 0.05$), meaning that financial distress negatively impacts the integrity of financial reports. Therefore, the fourth hypothesis (H4) is accepted. This means that if financial distress increases, it will encourage management to manipulate financial data to make

their performance appear good, thus reducing the integrity of the financial reports. The results of this study are in line with the results of research conducted by Dewanti and Karmudiandri (2023) and Wijaya (2022) which states that financial distress has a negative effect on the integrity of financial reports.

The Effect of Leverage on the Integrity of Financial Reports

The fifth hypothesis (H5) states that leverage has a positive effect on the integrity of financial statements. Based on the results of data processing and testing, the regression coefficient value for the leverage variable is -3.786 with a significance level of 0.154, which is greater than 0.05 ($0.154 > 0.05$), meaning that leverage does not affect the integrity of financial statements. Therefore, the fifth hypothesis (H5) is rejected. This means that high or low leverage does not affect the integrity of financial statements. High or low leverage in a company will not guarantee disruption to the integrity of financial statements, because every company will improve and develop if the company has debt to cover the company's initial capital turnover (Sulistyawati et al., 2022). The results of this study contradict the results of research by Suzan and Wulan (2022) and Putri et al. (2022) which stated that leverage has a positive effect on the integrity of financial statements.

5. Conclusion

This study aims to analyze the effect of managerial ownership, institutional ownership, company size, financial distress, and leverage on the integrity of financial statements in banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023. A sample of 20 companies that meet the sample criteria was selected and the number of observations was 60. Based on the analysis results, the following conclusions can be drawn: Managerial ownership does not affect the integrity of financial statements in banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2021-2022. Institutional ownership does not affect the integrity of financial statements in banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2021-2022. Company size does not affect the integrity of financial statements in banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2021-2022. Financial distress negatively affects the integrity of financial statements in banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2021-2022. Leverage does not affect the integrity of financial reports in banking sector companies listed on the Indonesia Stock Exchange (IDX) in 2021-2022.

Acknowledgment: Thank you to Mahasaraswati University, Denpasar, for funding participation in this International Conference.

References

- Anastasia, P. N., Rahayu, M., & Nursina, N. (2023). Institutional ownership, managerial ownership, and company size on financial report integrity. *Ikrath-Ekonomika*, 6(3), 135-144.
- Ayem, S., & Yuliana, D. (2019). The effect of auditor independence, audit quality, earnings management, and independent commissioners on the integrity of financial reports (Case study of banking companies listed on the IDX for the 2014-2017 period). *Akmenika: Journal of Accounting and Management*, 16(1). <https://doi.org/10.31316/akmenika.v16i1.168>
- Badewin, B. (2019). The influence of institutional ownership, audit committee, and audit quality on the integrity of financial reports in manufacturing companies listed on the IDX. *Journal of Accounting and Finance*, 8(1), 19-31.
- Danuta, K. S., & Wijaya, M. (2020). The effect of managerial ownership, leverage, and audit quality on financial report integrity. *Scientific Journal of Management and Business*, 17(1), 1-10.
- Dewanti, E. A., & Karmudiandri, A. (2023). Financial report integrity and influencing factors. *TSM Accounting E-Journal*, 3(1), 47-60. <https://doi.org/10.34208/ejatsm.v3i1.1864>
- Dewi, A. S., Rustiarini, N. W., & Dewi, N. P. S. (2022). The influence of institutional ownership, independent commissioners, audit committees, and audit quality on the integrity of financial reports. *Collection of Accounting Student Research Results (KHARISMA)*, 4(1), 353-362.
- Emayanti, K., & Muliati, N. K. (2020). The influence of company size, audit committee, and leverage on the integrity of financial reports [Undergraduate thesis]. Hindu University of Indonesia.
- Fajaryani, A. (2015). Analysis of factors affecting the integrity of financial reports. *Nominal Journal*, 4(1), 67-85. <https://doi.org/10.21831/nominal.v4i1.6888>
- Fathin, L., & Arief, A. (2023). The effect of company size, audit tenure, intellectual capital, financial distress, and audit quality on financial report integrity. *Trisakti Journal of Economics*, 3(2), 3765-3774. <https://doi.org/10.25105/jet.v3i2.18072>
- Ghozali, I. (2016). *Multivariate analysis application with IBM SPSS 23 program* (8th ed.). Semarang: Diponegoro University Publishing Agency.

- Irawan, A. (2019). The effect of institutional ownership, managerial ownership, leverage, and company size on the integrity of financial reports [Undergraduate thesis]. Mercu Buana University.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency cost, and ownership structure. *Journal of Financial Economics*, 3(4), 570-578. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Johana, J., & Djuitaningsih, T. (2022). The influence of corporate governance mechanisms and leverage on the integrity of financial reports. *Accounting Research Media*, 10(1), 55-74.
- Liliany, L., & Arisman, A. (2021). The effect of company size, managerial ownership, and financial distress on the integrity of financial reports (An empirical study of consumer goods industry companies listed on the IDX in 2017-2019). *Accounting Student Research Publication*, 2(2), 121-134.
- Manuari, I. A. R., & Devi, N. L. N. S. (2023). Examining the role of corporate governance and financial performance on financial distress of manufacturing companies listed on the Indonesia Stock Exchange. *Journal of Applied Management and Accounting Science*, 5(1), 24-38.
- Putri, M. N., & Andriani, W. (2022). Factors affecting the integrity of financial reports (Case study of manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2020 period). *Indonesian Journal of Accounting, Business and Economics (IABEI)*, 1(1), 8-14.
- Qonitin, R. A., & Yudowati, S. P. (2018). The influence of corporate governance mechanisms and audit quality on the integrity of financial reports in mining companies on the Indonesia Stock Exchange. *Assets: Journal of Economics, Management and Accounting*, 8(1), 85-100.
- Rizaldi, G. D., Putra, I. G. C., & Manuari, I. A. R. (2022). Corporate governance mechanisms, company size, and the integrity of financial reports of manufacturing companies listed on the Indonesian Stock Exchange. *KARMA (Accounting Student Research Works)*, 2(1), 2464-2472.
- Robika, I. (2023, September). Factors affecting the integrity of financial reports on the IDX. In *Forbiswira Business and Entrepreneurship Forum* (Vol. 13, No. 1, pp. 53-67).
- Saad, B., & Abdillah, A. F. (2019). Analysis of the influence of company size, leverage, audit tenure, and financial distress on the integrity of financial reports. *Oikonomia: Journal of Management*, 15(1). <https://doi.org/10.47313/oikonomia.v15i1.645>
- Savero, D. O., Nasir, A., & Safitri, D. (2017). The influence of independent commissioners, audit committees, institutional ownership, and managerial ownership on financial report integrity (Empirical study of manufacturing companies listed on the Indonesia Stock Exchange in 2012-2014) [Doctoral dissertation, Riau University].
- Sugiyono. (2018). *Quantitative, qualitative, and mixed methods research methods*. Bandung: Alfabeta.
- Tamara, A. N. P., & Kartika, A. (2021). The influence of institutional ownership, managerial ownership, and audit committee on financial report integrity. *JIMAT (Scientific Journal of Accounting Students) Undiksha*, 12(2), 647-656.
- Telaumbanua, F. A. (2022). The effect of institutional ownership, managerial ownership, company size, and leverage on financial report integrity (In property and real estate companies listed on the Indonesia Stock Exchange for the 2017-2020 period). *Proceedings: Economics and Business*, 2(1), 362-372.
- Wardhani, W. K., & Samrotun, Y. C. (2020). The influence of institutional ownership, managerial ownership, company size, and leverage on financial report integrity. *Jurnal Akuntansi*, 20(2), 475-481.
- Wijaya, T. (2022, March). The influence of independent commissioners, audit quality, and financial distress on the integrity of financial reports in mining companies listed on the IDX in 2018-2020. In *Forbiswira Business and Entrepreneurship Forum* (Vol. 11, No. 2, pp. 185-199).
- Wulan, D., & Suzan, L. (2022). The effect of leverage, managerial ownership, and company size on financial report integrity. *Journal of Accounting and Taxation Analysis*, 6(2), 127-139.
- Yustika, Y. (2015). The effect of liquidity, leverage, profitability, operating capacity and managerial agency costs on financial distress (Empirical study on manufacturing companies listed on the Indonesian Stock Exchange 2011-2013). *JOM FEKON*, 2(2), 1-15.