

Integrity of Financial Statements: An Empirical Study in Indonesia

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Received: December, 28, 2023

Revised: January, 31, 2024

Accepted: March, 31, 2024

Abstract

The integrity of financial reporting depends on the accuracy and objectivity of the data given. Another technique to assess a company's reliability in providing financial data is by looking at their reporting integrity. The purpose of this study is to investigate the relationship between intellectual capital, leverage, and the credibility of financial statements from an institutional ownership perspective. The following transportation and logistics businesses were chosen using a purposive sample technique: all companies listed on the Indonesia Stock Exchange from 2018 to 2022. The research methodology for this study is panel data regression, and Eviews 12 will be used for data analysis. The study's findings indicate that all three independent factors have an impact on financial report integrity concurrently; Intellectual capital has no effect, Leverage has a negative impact, and institutional ownership positive effect.

Keywords: Financial Statement Integrity; Intellectual Capital; Leverage; Institutional Ownership.

DOI : <https://doi.org/10.57178/atestasi.v7i1.824>

p-ISSN : 2621-1963

e-ISSN : 2621-1505

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Introduction

The transportation and logistics sector really helps daily life; transportation and logistics are used as infrastructure tools to support activities, and the logistics sector helps in the process of sending goods, such as consumption or non-consumer goods. During COVID-19, there was disruption in mobility, resulting in the temporary closure of business activities. The logistics and transportation industry, on the other hand, weathered the COVID-19 economic storm. Profits went up because more people needed transportation in the days preceding up to and during Eid, and logistics went up because more people bought goods from Indonesia. One of the key areas that has the potential to significantly impact Indonesia's economic development and GDP is the transportation and logistics industry. This can be seen in growth data from the Central Statistics Agency from 2018-2022 as follows:

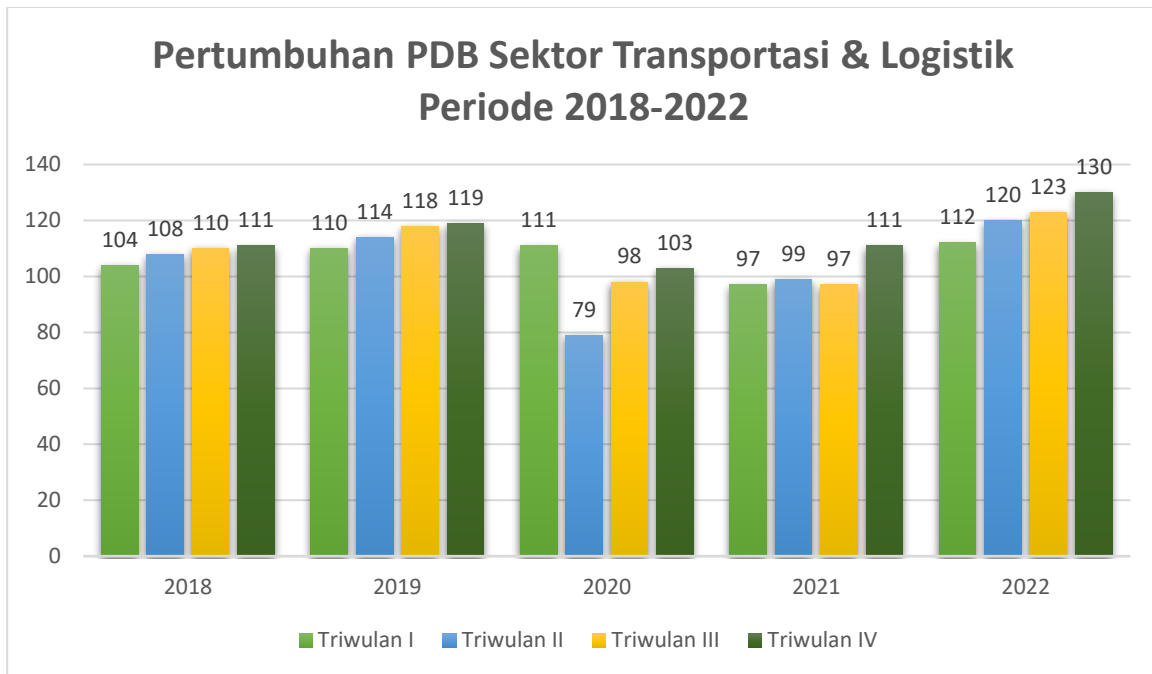


Figure 1. P DB Growth in the Transportation and Logistics Sector

Source: Data Processed by the Author (2023)

Figure 1 shows that in 2022, GDP reached its highest value in the fourth quarter of 130 in growth rate contribution to Gross Domestic Product (GDP). Therefore, the transportation and logistics sector managed to recover and develop after experiencing a decline in 2020. It can be seen from the data above that the transportation and logistics sector has high value for investors. Investors, however, want details on the state of the business they choose in order to make judgments. Consequently, investors place a high value on accurate financial reporting when making investment selections.

According to the Indonesian Accountants Association's Statement (Financial Accounting Standards, PSAK No.1) on the issue, a financial report is a way in which a company's financial condition and performance are arranged and reported (2018). Financial reports have to be prepared with honesty and groundedness so that others who will be using them may also make financial reports in an ethical manner. Statement of Financial Position Presenting financial reports truthfully, accurately, and without any hint of partiality toward third parties is the definition of integrity. Relevance and dependability are the two key components of financial reports that are considered to have integrity (Qonitin Alfi Rosyida, 2018). Financial reporting integrity is defined as the information included in financial reporting that is presented in a fair, accurate, honest, and unbiased manner in accordance with Statement of Financial Accounting Concept (SFAC) No. 2. A company's capacity to provide honest and accurate financial reports is also gauged by its financial reporting integrity.

Agency theory refers to the contractual arrangement between the principal (management) and agent (principal). According to this view, the principle appoints an agent to do tasks and grants the agent decision-making authority. Managers and lenders (loan holders) and shareholders have two different kinds of agency interactions (Bani Saad, 2017). According to agency theory, managers get a lot of information from the principal since they are the company's managers, which leads to agency conflicts. Managers possess more

knowledge than the principal regarding the current and future status of the company's operations, which leads to this information conflict (Lubis Paulina Intan, Fujianti Lailah, 2018). When combined with specific goals, this might lead to managers acting impulsively. But during the last several years, a lot of companies have been dishonest in how they have presented their financial reports. Communication between a firm and its stakeholders is greatly impacted by the accuracy of its financial reporting. Since financial reports help investors make informed investment decisions by providing an overview of a company's financial status, their honesty and integrity are crucial. A growing number of businesses are now falsifying their financial records, which indicates that correct implementation of sound corporate governance has not taken place (Tambunan et al., 2023).

Accounting scandals involving corporations that produce financial reports that are falsified or lack integrity are a constant threat to the integrity of financial reporting in Indonesia. In contrast to the existing situation, when there are many scandals and frauds involving the entity's financial information, financial reporting must have a high degree of integrity (Srikandhi & Suryandari, 2022). PT Garuda Indonesia Tbk is one of the corporations that falsifies financial data; the company does this to raise its net profit. In 2018, Garuda Indonesia managed to turn a \$809.84 thousand profit. This contrasts with the US\$216.518 million loss shown in the 2017 financial report. GIAA was still on the verge of losing US\$ 144.08 million in the third quarter of 2018, this raises suspicions that the company has manipulated financial reports or presented dishonest financial reports. In this case, management has recognized and recorded cash income in advance for its work. an OJK audit respecting OJK rule Number 29/POJK.04/2016 concerning annual reports of issuers or public corporations, the same in providing wifi services, and an Administrative Sanction was granted in the form of an IDR 100 million fine (Romys, 2022).

The occurrence suggests that accounting data has been manipulated, which compromises the accuracy of financial reporting. Financial report users place faith in individuals based on their expertise in their respective fields. However, careless people misuse this technique to further their own agendas. Agency theory says that people are in the business of making money for themselves and that management and shareholders have different interests. Thus, the purpose of this study is to ascertain how institutional ownership, leverage, and intellectual capital affect the accuracy of financial reporting.

Literature Review

Agency Theory. When company operations are not always controlled directly by the entity owner and are instead delegated to an agent, agency theory comes into play. The owner intends to request that the auditor verify if the financial statements are appropriate (Jan, 2021). To understand the independent variables, this research will use agency theory. The factors that motivate studies like this one or agency theory can be closely related to the exogenous variables that were used in this investigation. Shareholders function as principals and management agents in accordance with agency theory. There is more than only the manager-owner connection in the interaction between agents and principals (Asalam & Pratomo, 2020). When a principle gives an agent decision-making power over money, the agent may not always operate in the principal's best interest. Because of competing priorities, there will inevitably be an administration that isn't looking out for the owner's best interests (Abbas et al.,

2021). Managers, who are agents, are given access to more information about the firm than shareholders, who are principals, due to information asymmetry and conflicts of interest. As a result, the principal will find it more and more difficult to oversee agents. In this situation, the management may be able to use this scenario to their advantage when providing financial reports. In addition, agency conflicts may result in agency costs because of business debt brought on by information asymmetry that forces businesses to take out loans (Darmawan, 2022). This encourages managers to disregard shareholder interests and utilize information opportunistically. As part of this information, interested parties get financial reports. The financial reports provided by the organization must be dependable and truthful in order to prevent information asymmetrical.

Integrity of Financial Reports. Because it may be accounted for, every information included in a financial report must be accurate and reflect the current state of affairs in order to maintain financial reporting integrity. Still, a lot of financial records are altered such that they don't accurately reflect the circumstances (K & Rivandi, 2023). All data shown in the financial report must be accurate and consistent with the real situation in order for the report to be considered honest and reliable. However, there are still many financial reports that are manipulated so that they do not correspond to the actual situation (K & Rivandi, 2023). There are two principles of financial reporting quality, namely decision making and completeness, and the following two principles must be met as follows (Kieso et al., 2022). Enhancing qualities, improving quality means distinguishing more useful information from less useful information that can be compared (comparability), verifiable (verifiability), and timely (timeline). One of the two fundamental attributes utilized as information for decision making is that financial reports must include all transactions and pertinent information (relevance) within a certain time frame. Important financial data has predictive value if it can be used as an input for investors' forecasting; confirmatory value assists users in verifying or correcting; materiality is the most significant relevant factor because its absence or inaccuracy will affect users' ability to make decisions based on the financial statements. An honest description of the company's actual economic state shown in reports is what we mean when we talk about financial reporting integrity, according to the many definitions we looked at.

H1: Intellectual capital, leverage, and institutional ownership simultaneously influence the integrity of financial reports.

Intellectual Capital. (Elvie, 2021) intellectual capital knowledge capital is an intangible asset that helps a firm stay competitive by using its information and knowledge resources. Particularly in the research literature, intangible capital is often used interchangeably with intellectual capital. This is the worth of an organization's workforce that is not shown in its financial statements—knowledge, abilities, concepts, and business training. It is said in today's society that a company's goods and intangible assets are sources of economic value (Nguyen & Doan, 2020). A company's high quality intellectual capital can minimize fraud in financial reporting. Therefore, human resources with quality intellectual capital are needed (Sidik et al., 2023). Intellectual capital refers to expertise and knowledge in the creation of intellectual property that can be used to generate profits for a business. The goal of developing

intellectual capital was to raise human productivity (Purba Jamian, n.d.). Intellectual capital is now a company's most important asset for maintaining business continuity due to the growth of the global economy (Hapsari et al., 2021). Intellectual capital encompasses three types of intangible assets: human, structural, and employee capital. It is possible to add substantial value to the company by making full use of information and expertise (Febrilyantri, 2020). (Suzan & Juliawan, 2021) assert that an organization's most precious possession is its intellectual capital, which enhances the corporation's worth in the present and the future via the use of in-house knowledge and the operating system. Investors will place a greater value on businesses with strong intellectual resources than on those with weak intellectual resources (Febrilyantri, 2020). High dividend payments will encourage earnings managers to report results less conservatively, which is what investors desire from the firms in which they invest. Investors also expect high rates of return on their investments. To begin, one may argue that intellectual capital does not significantly impact the implementation of financial reporting integrity. Intellectual capital positively affects the reliability of financial reporting, according to study from 2023 by (Hapsari & Khairunnisa, 2023). This suggests that having access to intellectual capital may make managers and workers more aware of the need of accurate financial reports. Understanding the value of intellectual capital will encourage managers and staff to generate financial reports that are truthful, accurate, and free of deception. By applying the VAIC indicator, study by (K & Rivandi, 2023) demonstrates that intellectual capital has no impact on the accuracy of financial reporting.

H₂: Intellectual capital has a positive effect on the integrity of financial reports.

Leverage. Leverage is an explanation of how a business uses borrowed money to boost its own or an investment's bottom line. Companies should pay close attention to their leverage ratios as it provides valuable insight into their ability to meet their loan obligations (Malau & Murwaningsari, 2018). The ratio of total assets to total debt is known as leverage. The aim is to reduce stock investors' anxiety about borrowers by fulfilling their rights and presenting accurate financial report information. Organizations with large leverage must produce more detailed financial disclosures than organizations with smaller leverage (Safitri & Bahri, 2021). Leverage is the use of assets and funding sources by a company with fixed expenses in order to increase potential shareholder profits (Febrilyantri, 2020). Leverage can be used to finance the purchase of company equipment and other assets. Leverage is important because it can be used to determine whether a company has the ability to pay its debt (Malau & Murwaningsari, 2018). (Azzah & Triani, 2021) explain that the large debt shows that the company is optimistic that it will be able to pay it off in the future. Debt can increase shareholder returns in good times and reduce profits in bad times so that debt affects the level of leverage (Firmansyah & Bahri, 2023). leverage ratio indicates that the difficulties the company will experience are also increasingly high (Malau & Murwaningsari, 2018). This means that if a company has high leverage, it will be more difficult to pay off its debt. If leverage is high, the company will have difficulty handling company operations, giving rise to manipulation that appears to benefit investors (Azzah & Triani, 2021). Companies with higher leverage tend to disclose more extensive financial reports than companies with lower leverage. In order to ensure that corporate bondholders are satisfied with the company's performance and may

exercise their rights as creditors, this is strongly promoted. Leverage does have a relatively positive effect on financial reporting accuracy, according to study from 2021 by (Novianti & Isyuardhana, 2022). Therefore, it is imperative that all companies master the art of leverage management if they want to enhance the presentation of their financial reports via the implementation of measurable and transparent initiatives. According to research by (Azzah & Triani, 2021), the reliability of financial statements is unaffected by the level of debt.

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

Institutional Ownership. Institutional investors play an important role in a company's governance structure. According to agency theory, institutional ownership is an important component in effective corporate supervision and management because it reduces agency costs and information asymmetry. Managers, as important stakeholders (stakeholder theory), provide additional information to meet the information needs of institutional shareholders. In this context, "institutional ownership" means that a company's shares are held by an institution. By instituting a rigorous system of oversight, institutional ownership may influence management and boost business results (Indrasti, 2020). Basically, regulatory actions taken by institutional investors can motivate managers to further improve company performance and reduce opportunistic behavior (Selvia et al., 2022). Since institutional investors are trustworthy, regulators may rest certain that their control efforts will not lead to fraud and undermine public trust in financial reports. With a high level of institutional ownership, managers can avoid opportunistic behavior (Novianti & Isyuardhana, 2022). Institutional ownership of a company can increase monitoring of managers' actions as agents to minimize the possibility of manipulation. In terms of supervisory function, institutional investors are considered more capable than individual investors in monitoring management behavior. Therefore, institutional ownership is believed to be able to carry out good analysis so that it is less susceptible to management manipulation when issuing financial reports. The reliability of financial statements is positively and substantially impacted by institutional ownership, according to studies conducted by Indrasti in the year 2020. This proves that institutional ownership is an important metric for monitoring management behavior in financial reports. (Ulfa & Challen's, 2020) research found that institutional ownership has no appreciable effect on the reliability of financial reports.

H₄: Institutional ownership has a positive effect on the integrity of financial reports.

Research Design and Method

The objective of this study was to identify the factors that affect the reliability of financial reporting, including intellectual capital, leverage, and institutional ownership.

Population and Sample. This study looks at logistics and transportation firms that were listed on the BEI between 2018 and 2022. The analysis includes transportation and logistics companies whose shares will be traded on the Indonesia Stock Exchange between 2018 and 2020. A intentional sampling approach was used to establish the research sample for this study. This research used purposive sampling, a method for choosing samples based on certain

criteria and considerations, which included the following selection criteria:

Table 1. Sampling Criteria

No.	Criteria	Amount
1	Transportation & logistics sector companies listed on the Indonesia Stock Exchange in the 2018-2022 period	23
2	Transportation & logistics sector companies that are inconsistently listed on the Indonesia Stock Exchange in the 2018-2022 period	(6)
	Number of Samples	17
	Amount of observation data = Amount of sample x 5 Years	85

Source: Data processed by the author (2024)

Variable Operationalization. Dependent Variable. To maintain conservative principles in financial reporting, a formula that was created by Beaver and Ryan is used to compute the Market to Book Value (MBV) ratio. This ratio reflects the market value in proportion to the company's book value. Because financial reporting tends to overstate or boost profits, conservatism is employed to offset excessive optimism with a gloomy outlook, which lowers earnings. Complete and simple to use data is available from conservative sources. The market to book value ratio, calculated using the method of (Tambunan et al., 2023), is as follows:

$$MBV_{it} = \frac{\text{Stock Market Price}}{\text{Book Value of Shares}} \dots \dots \dots (1)$$

Istiantoro and associates, 2017 Describe how a corporation recording a book value greater than the company value which results from assets acquired many years ago being based on purchase projections beginning indicates caution in the preparation of financial reports. This is shown by a market to book value ratio over 1. Goodwill and inflation have no effect on the cost or impact of a company's asset value as shown in its financial statements.

Independent Variable. In this research the independent variables used are intellectual capital, leverage and institutional ownership.

Intellectual Capital. The value-added intellectual capital coefficient (VAIC) is one metric that may be used to assess the influence of wisely managing a company's intellectual capital. According to (Ulum, 2017). Value added capital employed (VACA) is a description of the knowledge and knowledge capacity created both within and outside the firm, as value added (VA) is an indication for evaluating a business's performance in producing value for the company. A company's competitive advantage is largely dependent on its value added human capital (VAHU), or the amount of money that is created from labor expenditures (Pahlevi & Anwar, 2021). whereby employee efforts to provide optimum performance are supported by the capital value added (STVA) structure. The Value-Added Intellectual Capital (VAIC) indicator is used in this study to measure intellectual capital. According to (Ulum's, 2017) analysis, the VAIC is calculated via the following stages:

Calculating Value Added (VA)

$$VA = OUT - IN \dots \dots \dots (2)$$

Calculating Value Added Capital Employee (VACA)

$$VACA = \frac{VA}{CE} \dots\dots\dots (3)$$

Calculating Value Added Human Capital (VAHU)

$$VAHU = \frac{VA}{HC} \dots\dots\dots (4)$$

Calculating Structural Capital Value Added (STVA)

$$STVA = \frac{SC}{VA} \dots\dots\dots (5)$$

Count Value Added Intellectual Capital Coefficient (VAIC)

$$VAIC = VACA + VAHU + STVA \dots\dots\dots (6)$$

Information:

OUT: *Output*, namely the company's total sales and income

IN : *Input*, business expenses except salaries and employee benefits.

VA : *Value Added*

CE : *Capital Employee*, available funds (equity, net profit)

HC : *Human Capital* (employee salary and wages costs)

SC : *Structural Capital (VA-HC)*

Leverage. The Debt Asset Ratio is used as a measure of leverage in this study. The logic behind this is that if the ratio is high, it means that debt is financing a larger share of the company's operations. The greater the ratio, the more of the loan funds were put into assets that may generate profits for the company. The DAR ratio allows company owners to evaluate how well management is managing money and financing the company assets entrusted to it. Leverage can be calculated based on the analysis of (HS & Anlia, 2021), the following is the Debt Assets Ratio formula:

$$\text{Debt to Assets Ratio (DAR)} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \dots\dots\dots (7)$$

Institutional Ownership. The ratio of the number of shares held by the institution to the total number of outstanding shares of the corporation is used to calculate institutional ownership. The rationale for this is that institutional ownership, which holds more than 5per cent of the shares, has the authority to oversee management's decision-making process.

$$\text{Institutional Ownership} = \frac{\text{The amount of shares that the institution owns}}{\text{Total stock in circulation}} \times 100 \text{ Percent} \dots\dots\dots (8)$$

Descriptive Statistical Analysis. Analysis that explains data that has been gathered and examined without trying to draw broad conclusions is known as descriptive statistical analysis. Tables, charts, diagrams, and pictograms that display the mean, mode, median, standard deviation, lowest value, and maximum value are examples of descriptive analytical approaches.

Classic assumption test. A statistical prerequisite for multiple linear regression analysis using the ordinary least squares (OLS) technique is the classical assumption test (Waty et al., 2023). Testing the classical assumptions to make sure the model is reliable is required for the

estimated equation to provide the best linear unbiased estimator (BLUE). When certain classical assumptions are violated, the accuracy of the predicted variables' estimates decreases. Conventional assumption tests include heteroscedasticity and multicollinearity analyses.

Panel Data Regression Analysis. The statistical method known as panel data regression analysis may be used to determine the extent to which a set of independent variables has an effect on a set of dependent variables, either individually or in combination. The research takes the sample size and time into account to provide three different regression models: common effect, fixed effect, and random effect (Priyanto, 2022).

Results and Discussion

Statistical Result

EvIEWS 12's panel data regression analysis was used to collect the study's data. When deciding one of three models to use in a panel data analysis, researchers take each study's unique characteristics into account: the common effect, fixed effect, and random effect models.

Descriptive Statistical Data Analysis. To describe each variable in this research, a ratio scale is used to measure the average (Mean), standard deviation, maximum value, minimum value, and observations.

Table 2. Descriptive Statistical Test Results

Information	Variable			
	Integrity of financial reports	Intellectual Capital	Leverage	Institutional Ownership
Mean	0.7453	21.670	0.6605	0.6459
Std Deviation	1.291	23.636	0.5278	0.2229
Maximum	4.790	157.850	3.1386	0.9825
Minimum	-2.460	23.636	0.1065	0.2435
Observations	73	73	73	73

Source: Data processed by the author (2024)

The reliability of transportation and logistics companies' financial reporting for BEI-listed companies from 2018 to 2022 is the dependent variable in this research. The results are derived from the descriptive statistics shown in Table 2. Among the financial statement integrity variables, 1.291 represents the standard deviation and 0.7453 represents the mean. Since the mean is lower than the standard deviation, we may infer that the data on the variable is either highly variable or very scattered. The 2018 Financial Statement Integrity variable showed that PT Dewata Freightinternational Tbk has a very high level of integrity, with a value of 4.790 being the highest. In 2021, PT Steady Safe Tbk's lowest value attained was -2.460, indicating a poor degree of Financial Statement Integrity for this parameter. The mean value of intellectual capital is 21.670, while the standard deviation is 23.636. The intellectual capital variable's greatest value in 2018 was 157.850, which belonged to PT Jaya Trishindo Tbk and indicates a high degree of acquisition of intellectual capital. Conversely, in 2021, PT Express Transindo Utama Tbk's 23.636 was the lowest value attained, indicating a poor amount of intellectual capital accumulation. The standard deviation of leverage is 0.5278, and its mean value is 0.6605. PT Express Transindo Utama Tbk had the maximum value of

3.1386 for the leverage variable in 2020, indicating a high degree of leverage. In 2021, PT Pelayaran Nelly Dwi Putri Tbk had the minimal value of 0.1065, indicating a low degree of leverage for this number.

The mean value of institutional ownership is 0.6459, while the standard deviation is 0.2229. PT Mineral Sumberdaya Mandiri Tbk has the highest value of 0.9825 for the institutional ownership variable in 2018, indicating a high degree of acquisition of institutional ownership. Conversely, the lowest value found in 2018 is 0.2435, which is held by PT Sidomulto Selaras Tbk. This indicates that there is little institutional ownership acquisition in this value.

Classic assumption test. Multicollinearity Test. We looked at the likelihood of a link between the independent variables of the regression model using the multicollinearity test. Models of regression that do not exhibit signs of multicollinearity have correlation coefficients lower than 0.800. Conversely, multicollinearity symptoms are indicated by a regression model with a correlation coefficient value greater than 0.800. This study's multicollinearity test results are as follows:

Table 3. Multicollinearity Test Results

	VAIC	LVRG	INST
VAIC	1,000	-0.0149	0.3171
LVRG	-0.014	1.000	0.1770
INST	0.3171	0.1770	1.000

Source: Eviews 12 output results (Data processed by the author, 2024)

The results of the multicollinearity test, which are shown in Table 3, show that the variables intellectual capital, leverage, and institutional ownership are positively or negatively correlated with one another. One interpretation is that these rules out any possible relationship between the independent variables and the symptoms of multicollinearity.

Heteroscedasticity Test. Testing for heteroscedasticity in regression entails assuming that the residual variance differs across data (Billy, 2022). When the variance indicates that the residuals are constant (homoscedasticity) and heteroscedasticity is absent, a regression model is said to be excellent. A probability value more than 0.050, as determined by the Breusch Pagan Godfrey approach, indicates that there are no signs of heteroscedasticity in this test. This study's heteroscedasticity test yielded the following results:

Table 4. Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfray			
F-statistic	1.118195	Prob.F (3.69)	0.3478
Obs*R-squared	3.384507	Prob.Chi-square (3)	0.3361
Scaled explained ss	4.524492	Prob.Chi-square (3)	0.2101

Source: Eviews 12 output results (Data processed by the author, 2024)

You can see that the Prob.Chi-Square value is 0.3361 higher than 0.050 in Table 4, which shows the results of the Breusch-Pagan-Godfrey heteroscedasticity test. That there were no indications of heteroscedasticity found throughout the investigation is shown by this.

Panel Data Regression Model Selection. Test Chow. The Chow test was used to assess whether a fixed effect or common effect model should be used in this inquiry. We accept H0 and find the common effect model to be the best fit if the cross-section Chi-Square value is

greater than 0.050. However, if the probability value (Cross-section Chi-Square) is less than 0.050, which signifies that H0 is rejected, then the fixed effect model is the best fit. What follows is an expression of the Chow test results:

Table 5. Chow Test Results

Redundant Fixed Effects Tests			
Equation: FEM			
Cross-section fixed effects test			
Effect Test	Statistics	df	Prob.
Cross-section F	9.13064	(16,53)	0.0000
Chi-square cross-section	96.6113	16	0.0000

Source: Eviews 12 output results (Data processed by the author, 2024)

The Chi-Square cross-section probability value has a value of 0.000, which is less than 0.050, according to table 5's Chow test findings. Given that H0 is rejected and H1 is approved, fixed effect is the best model to choose for this test. The best model will then be identified by doing a Hausman test.

Hausman test. This study's panel data will be analyzed using either a fixed effect or a random effect model; the Hausman test will help determine which one is best. Assuming the probability value (random cross-section) is below 0.050, this investigation is most appropriately handled by the fixed effect model. Assuming that the random cross-section probability value is greater than 0.05, we accept H0 and conclude that the random effect model is the most appropriate one to use. Here is the rationale behind the results of the Hausman test:

Table 6. Hausman Test Results

Correlated Random Effects- Hausman Test			
Equation: REM			
Cross-section random effects test			
Test Summary	Chi-Sq. Statistics	Chi-Sq.df	Prob.
Random cross-section	8.252221	3	0.0411

Source: Eviews 10 output results (Data processed by the author, 2023)

The results of the Hausman test, shown in table 6, indicate that the random cross-section probability is more than 0.050, with a value of 0.0411. Because of this, the random effect model is ideal for this evaluation. Last but not least, a Lagrange multiplier test will be used to choose the best model for this research.

Panel Data Regression Equation. The random effect model is the most suitable model to utilize in this study, according to earlier testing of the regression model. The findings of testing the random effect model using eviews 10 are as follows:

Table 8. Random Effect Model Test Results

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	-1.7047	1.1274	-1.5120	0.1365
VAIC	0.0075	0.0975	0.9758	0.3336
LVRG	-1.1142	-3.0169	-3.0169	0.0039
INST	4.6797	3.1009	3.1009	0.0031

Source: Eviews 12 output results (Data processed by the author, 2024)

Based on table 8, the results of random effect model testing, a panel data regression equation is obtained to explain the influence of variables in the research formulated, as follows:

$$MBV = -1.7047 + 0.0075(VAIC) - 1.1142(LVRG) + 4.6797(INST) + \varepsilon$$

Information:

MBV : Integrity of Financial Reports

VAIC : Intellectual Capital

LVRG : Leverage

INST : Institutional Ownership

Hypothesis testing. The research hypothesis was tested using the following tests: partial test (T test), simultaneous test (F test), and coefficient of determination (R²) (T test).

Coefficient of Determination Test (R²). The coefficient of determination (R²) may be used to determine the extent to which the independent variables described by the model account for the observed variation in the dependent variable. The reliability of financial statements is the dependent variable, and the coefficient of determination indicates how much influence intellectual capital, leverage, and institutional ownership have on it.

Table 9. Coefficient of Determination Test Results (R²)

R-squared	0.782459	Mean dependent v	0.745354
		ar	
Adjusted R-square	0.704473	SD dependent var	1.291796
d			
SE of regression	0.702251	Sum squared resid	26.13730
F-statistic	10.03329	Durbin-Watson stat	1.877801
Prob(F-statistic)	0.000000		

Source: Eviews 12 output results (Data processed by the author, 2024)

Based on the data in Table 9, we can see that the adjusted R-squared value is 0.704473, which is equal to 8per cent, and that the F-statistic is 0.00000, which is less than 0.050 percent. According to these results, institutional ownership, intellectual capital, and leverage all have an 70 per cent impact on the Financial Statement Integrity variable, while other factors, not included in the research, account for the other 20 per cent.

Simultaneous Test (F Test). The goal of doing many tests simultaneously is to determine whether the independent variables impact the dependent variable. According to the results of the F test in this study: If the probability value is greater than 0.05, then H₀ is accepted and H₁ is rejected. That the independent and dependent variables are not interacting simultaneously may be inferred from this. H₁ is accepted and H₀ is rejected when the probability value is less than 0.05. One interpretation is that all of the independent variables have an equal and simultaneous effect on the dependent variable.

The hypotheses in this test are as follows:

- H₀₁: Intellectual capital, leverage, and institutional ownership simultaneously have no effect on the integrity of financial reports.
- H_{a1}: Intellectual capital, leverage, and institutional ownership simultaneously influence the integrity of financial reports.

Table 10. Simultaneous Test Results (F Test)

R-squared	0.782459	Mean dependent var	0.745354
Adjusted R-squared	0.704473	SD dependent var	1.291796
SE of regression	0.702251	Sum squared resid	26.13730
F-statistic	10.03329	Durbin-Watson stat	1.877801
Prob(F-statistic)	0.000000		

Source: EvIEWS 12 output results (Data processed by the author, 2024)

The outcomes of the concurrent test are shown in Table 10. The significance threshold is 0.050, while the probability result (F-Statistic) is 0.000000, which is below it. Based on the results, H_a is correct and H_0 is false. From 2018 through 2022, transportation and logistics firms listed on the Indonesia Stock Exchange (BEI) are heavily impacted by factors such as institutional ownership, debt, and intellectual capital, which in turn affect the reliability of their financial reporting.

Partial Test (t Test). One way to find out whether the independent variables have a significant impact on the dependent variable is to use the partial test, which is also called the t test. The independent variable has no effect on the dependent variable if the profitability significance value is greater than 0.050. This takes place when the p-value for the significance of the independent variable's effect on the dependent variable is less than 0.050. Here are the results of the investigation's preliminary test:

Table 11. Partial Test Results (t Test)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	-1.7047	1.1274	-1.5120	0.1365
VAIC	0.0075	0.0975	0.9758	0.3336
LVRG	-1.1142	-3.0169	-3.0169	0.0039
INST	4.6797	3.1009	3.1009	0.0031

Source: EvIEWS 12 output results (Data processed by the author, 2024)

Based on table 11, the probability value (Prob) for intellectual capital (VAIC) is 0.3336. This number indicates that, with an VAIC coefficient value of 0.0075, 0.3336 is more than 0.050. Indicates acceptance of H_0 and rejection of H_1 . Thus, there is no significant effect of the intellectual capital variable (VAIC) on the integrity of financial statements. The probability value (Prob.) of leverage (LVRG) is 0.0039. This figure indicates that, with a coefficient value of -1.1142, 0.0039 is less than 0.050. H_0 is therefore denied, but H_1 is approved. As a result, the integrity of financial reporting is significantly harmed to some extent by the leverage variable (LVRG). Probability value (Prob.) for Institutional Ownership (INST) is 0.0031. With a coefficient value of 4.6797, this result indicates that 0.0031 is more than 0.050. H_0 is therefore denied, but H_1 is approved. Therefore, the trustworthiness of financial reporting is somewhat positively influenced by the institutional ownership variable (INST).

Discussion

The Influence of Intellectual Capital on the Integrity of Financial Reports. The results of the t test which is a partial hypothesis test show that intellectual capital has no effect on the integrity of financial statements ($r=0.0075$). The t-statistic value of 0.9758 indicates a high level of confidence in intellectual capital. With a value of 0.3336, the result is higher than the significance threshold of 0.050. The data shows that the intellectual capital variable has no effect on the timeliness of financial statements. The theories of previous researchers are supported by the results of this study. In addition to supporting the results of this study, previous studies by (Suzan & Viola 2023) found that intellectual capital has no effect on the reliability of financial reporting. Intellectual capital plays an important role in improving the quality of information and disclosures in financial statements, although its impact on the integrity of financial statements tends to be indirect. Therefore, intellectual capital can have an indirect effect on the integrity of financial statements through increasing the company's ability to produce accurate, relevant and reliable financial information.

The Effect of Leverage on the Integrity of Financial Reports. Partial hypothesis testing (t test) shows that the leverage variable has an adverse influence on financial reporting integrity (coefficient value: -1.1142). The value of accurate financial statements declines with rising levels of debt. With a t-statistic of 0.0039, leverage has a probability value. The significance criterion is set at 0.050, and this result falls below it at 0.0039. Given the approval of Ha2 and the rejection of H02, one may argue that the leverage variable undermines the reliability of financial reporting. The author's hypothesis is challenged by these results. Previous research by (Suzan & Bilqolbi, 2023) also supports the current study's conclusions that leverage undermines the credibility of financial reports. Businesses with a high ratio will often be more risky and less conservative, which might result in more losses for the business (Novianti & Isyuardhana, 2022). The manager (an agent) is given permission by the owner (the principal) to run the business, but the manager's goal is to maximize profits, while the principle's is to earn larger rewards. This is how agency theory works.

The Influence of Institutional Ownership on the Integrity of Financial Reports. The results of the t-test, which is a partial hypothesis test, show that institutional ownership has a positive effect on the integrity of financial statements ($r = 4.6797$). The t-statistic value of 0.0031 indicates a high level of confidence in institutional ownership. With a value of 0.0031, the result is lower than the significance threshold of 0.050. The data shows that the institutional ownership variable has a positive effect on the timeliness of financial reports, because Ha3 is accepted while H01 is rejected. The theories of previous researchers are supported by the results of this study. In addition to supporting the results of this study, previous research by (Fitriyana & Nazar, 2022) found that institutional ownership has a positive effect on the reliability of financial reporting. Companies that have concentrated ownership such as financial institutions will prepare financial reports carefully because errors in the presentation of these reports can reduce investor confidence in the company.

Conclusions

Using data from the Indonesia Stock Exchange covering the years 2018-2022, this study will observe logistics and transportation companies to see how factors such as institutional ownership, leverage, and intellectual capital affect the trustworthiness of their financial reporting. During this year, 17 separate companies submitted 85 sample units for processing. However, after collecting observation data, some data were found to have extreme values, so the researcher conducted outliers in Eviews 12 software and obtained final data of 17 companies with a total of 73 observation data. Research and discussion resulted in several conclusions, such as:

Financial reporting consistency in the transportation and logistics industry for businesses listed on the Indonesia Stock Exchange is affected by intellectual capital, leverage, and institutional ownership from 2018 to 2022, according to the results of simultaneous testing. The intellectual capital variable has no effect on the accuracy of financial reporting in the transportation and logistics sector in companies listed on the Indonesia Stock Exchange from 2018 to 2022. The leverage variable has a detrimental effect on the transportation and logistics sector's financial reporting accuracy for companies listed on the Indonesia Stock Exchange from 2018 to 2022. Logistics and transportation companies listed on the Indonesia Stock Exchange have financial reports that are influenced by institutional ownership variables from 2018 to 2022.

Researchers in the future should reevaluate independent variables that don't influence the dependent variable or utilise other variables like corporate governance or audit duration that significantly affect financial report accuracy but weren't considered in this study. Company management can monitor and maintain the level of integrity of financial statements by using this research to identify potential issues that may affect the integrity of the reports. Due to their influence on the reliability of financial statements, companies should also consider leverage and institutional ownership. It is recommended to investors and users of financial statement information to use this research as additional knowledge and understanding to pay attention to what things need to be known from the financial statements of companies with integrity before making a decision to invest. By paying attention to aspects such as leverage and institutional ownership that affect the integrity of the company's financial statements.

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