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Integrity of Financial Statement Factors: Intellectual Capital, Independent Commissioner, and Company Size

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Abstract

It is critical to keep financial reporting accurate since it impacts company strategy, confidence from investors and stakeholders, ability to make strategic decisions, availability of funds, and management of reputation. Examining property and real estate companies listed on the Indonesia Stock Exchange between 2018 and 2022, this study seeks to ascertain the effects of company size, intellectual capital, and independent commissioners on the accuracy of their financial statements. This study used descriptive statistics and regression panel data to analyze its data. Independent commissioners, intellectual capital, and company size all have a role in how trustworthy financial statements are, according to the research. The credibility of a company's financial accounts is unaffected by its size. The firm's stance is heavily influenced by intellectual capital, whereas independent commissioners significantly hinder it.

Keywords: Intellectual Capital; Independent Commissioner; Company Size; Integrity of Financial Statements.

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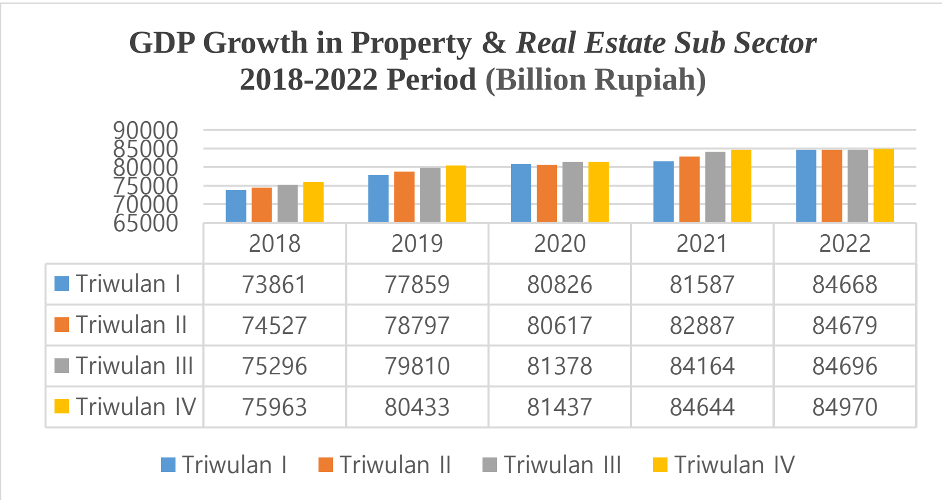
Introduction

There is increasing demand on real estate company management to uphold the integrity of financial reporting in this increasingly complicated and dynamic business environment. The continuity of the business cannot be compromised by the lack of integrity in financial reporting, as it directly impacts corporate strategy, access to financial resources, investor and stakeholder confidence, strategic decision-making, and company reputation. Assessing the accuracy of financial accounts is crucial for lenders, investors, and other stakeholders who wish to make loans, purchase goods or services, or engage in other financial dealings with businesses (Suzan & Bilqolbi, 2023). Financial statements that are considered to have integrity must meet the criteria including understandability, relevance, accuracy, honesty, objectivity, neutrality, consistency, completeness, and balance (Monteiro et al., 2022). Aside from that, poor quality financial reporting can occur because the financial reporting system is less integrated, less efficient, and has not achieved optimal access (Meiryani et al., 2020).

Agency theory has significant implications for the integrity of financial accounts. Understanding how the business deals with its shareholders, including financial sources like institutional and individual investors, is made easier with the use of agency theory (Hoesada & Pradika, 2019). A well-informed management team will make every effort to provide accurate information via high-quality financial statements. This is to guarantee that investors or owners may have faith in the company's ability to continue operating (Sormin, 2021). A business can evaluate the accuracy of a firm's financial statements by using the Beaver and Ryan model, and in particular, the Market to Book Value ratio as calculated by (Meiryani et al., 2023; Ulfa & Challen, 2020). The integrity of financial statements is calculated by dividing the stock market price formula by the stock's book value (Ulfa & Challen, 2020). An effective method for determining the reliability of an accounting financial statement is the Market to Book Value ratio, provided the result is greater than one. The discrepancy between the book and reported values of a corporation is the main cause of this occurrence. Therefore, goodwill and inflation do not affect the reported value of assets since assets bought in a particular year are recorded based on the original purchase price.

According to (Rizky et al., 2018), there is a trend in Indonesia toward increased focus on the property and real estate subsector, which is being pushed by the market's anticipated potential for expansion. This growing interest is driven by the ongoing trend of asset prices rising, which encourages a wide range of stakeholders to participate actively in the real estate and property subsector. Moreover, it is important to highlight that the property and real estate subsector is crucial to supporting the country's economic growth, both directly by contributing to GDP and indirectly by encouraging the development of important infrastructure projects (Rizqi & Anwar, 2021).



	2018	2019	2020	2021	2022
Triwulan I	73861	77859	80826	81587	84668
Triwulan II	74527	78797	80617	82887	84679
Triwulan III	75296	79810	81378	84164	84696
Triwulan IV	75963	80433	81437	84644	84970

Figure 1. GDP Growth in the Property and Real Estate Subsector Listed on the IDX 2018-2022

Source: Central Statistics Agency (2023), Data processed by the author (2023)

Between 2018 and 2022, the GDP growth rate within the property and real estate subsector is projected to sustain an elevated trajectory. This sustained annual growth, coupled with an expanding contribution to the GDP, underscores the attractiveness of investing in this particular subsector. However, heightened attention has been drawn to Indonesia's property and real estate subsector due to a spate of fraud cases. The substantial influx of investors into various projects, including apartment buildings, bridges, and office spaces, has consequently engendered potential vulnerabilities for fraudulent activities in financial reporting (Primawati & Suprantiningrum, 2018). In fact, some companies have published financial information that does not reflect a high level of honesty and objectivity. In fact, in several cases in Indonesia, the financial reports presented do not meet the expected integrity standards. This situation creates uncertainty and doubt for parties who rely on company financial information. The lack of openness and transparency in financial reporting only makes the company's situation worse.

The overall market-to-book value ratio research shows that companies listed in the IDX within the property and real estate subsector have demonstrated a noticeable deterioration in financial reporting integrity between 2018 and 2022. During this time, there was a discernible increase in the quantity of businesses that submitted false financial statements. Stakeholders strongly depend on the accuracy of the financial data these organizations give, as correct financial records have a substantial impact on their confidence. As such, companies that continuously violate the integrity of their financial reporting run the immediate risk of undermining stakeholder confidence, which might have a negative impact on their operations and long-term sustainability.

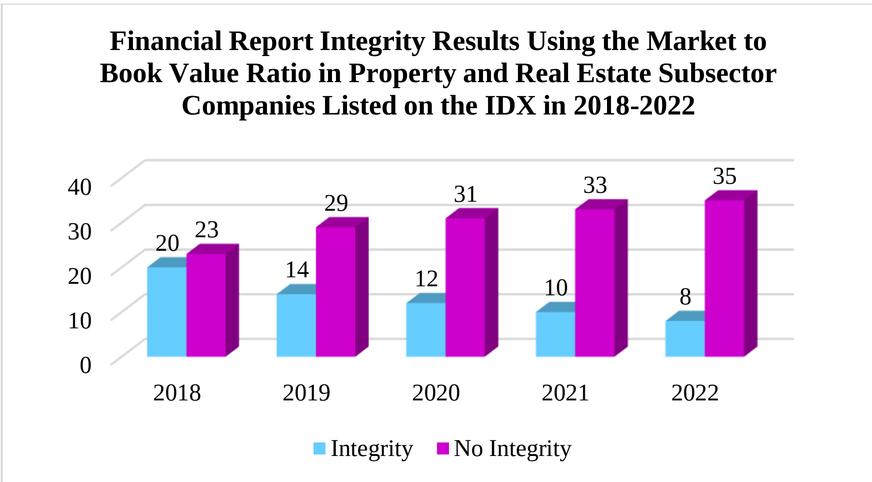


Figure 2. Financial Report Integrity
Source: Data processed by the author (2023)

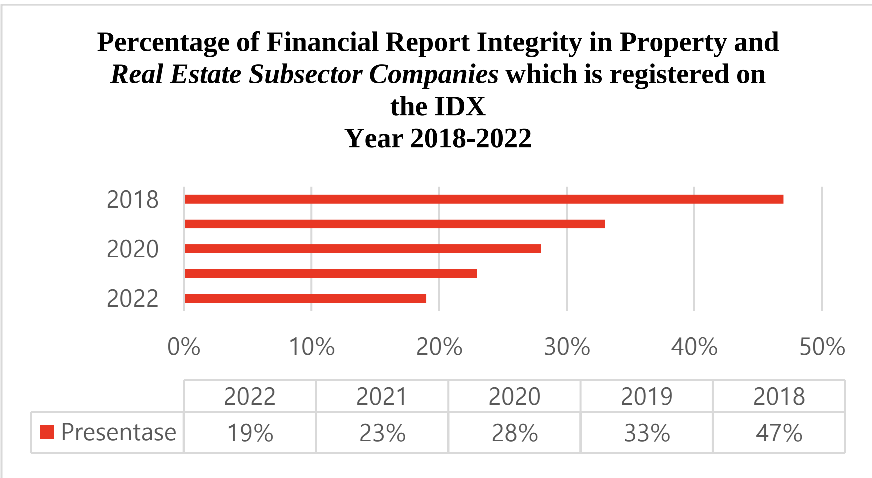


Figure 3. Percentage of Integrity Financial Statement
Source: Data processed by the author (2023)

Based on data in Figure 2 and Figure 3 , from 43 property and real subsector companies estates listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022 based on market book value can ensure the completeness of their financial reporting with integrity, in 2018 there were 20 companies with a financial report integrity presentation of 47per cent, in 2019 there were 14 companies with financial report integrity presentation was 33per cent, in 2020 there were 12 companies with a financial report integrity presentation of 28per cent, 10 companies with a financial report integrity presentation of 23per cent in 2021, and 8 companies with a financial report integrity presentation of 19per cent in 2021. 2022. Overall, integrity in financial reporting appears to have decreased from 2018 to 2022 recorded in this subsector. Meanwhile, the number of companies whose financial reports lack integrity increased from 2018 to 2022. In certain situations, having a sizable intellectual capital is essential. This intellectual capital is very important since it has the potential to significantly improve the business's financial performance and provide it with a significant competitive edge (Teoh et al., 2024). Data about current flows of intellectual capital and corporate initiatives to preserve intellectual capital to create value may be found in the intellectual capital information (Astuti et al., 2021). In light of contemporary worldwide economic patterns, intellectual capital has emerged as the paramount resource for guaranteeing uninterrupted commercial operations within the organization (Hapsari et al., 2021). To guarantee the authenticity of financial accounts, it is essential to take into account the number and experience of independent commissioners since their capacity to reveal financial information has been compromised. An independent commissioner is a person who satisfies the requirements for the position and joins the board of directors without having any affiliation with a publicly traded firm. The independent board of commissioners is in charge of assessing the organization's general performance (Fahlevi et al., 2023). A corporation's size is measured by its total assets, revenue, and market capitalization, which together form its company size (Abbas et al., 2021). The arrangement of the financial statements varies based on the size of the company. Size of the company has a significant effect on financial data manipulation. The goal of this research is to ascertain whether the worth of an organization's intellectual capital, the quantity of independent commissioners, and the accuracy of its financial accounts are correlated.

Literature Review

Agency Theory. Agency theory says that agency issues will occur if there is a division between the management acting as the business's agent and the owner acting as its principle because the two have distinct objectives or interests (Himawan, 2019). In agency theory regarding financial reporting integrity, all stakeholders tend to act in their best interests. In this context, management who understands the company's situation as a whole will strive to provide accurate information through quality financial reports. This is to ensure that owners or investors can be confident in the continuity of company operations (Sormin, 2021).

The quality and integrity of financial reporting is often influenced by the interaction between the business owner (principal) and management (agent). When there is asymmetric information or it is not properly understood by the principal as the user of the information and the agent who provides the information, agency conflict can occur. Management will hold more information about the state of the company compared to business owners. Therefore, management supervision will become more difficult for the principal. However, managers can use this condition for certain purposes according to their own interests, thereby presenting financial reports that do not have integrity. Large companies tend to provide more information than small companies in the context of company size. This may increase the possibility of information asymmetry conflicts between agents and principals. This indicates the relationship between agency theory and company size. By utilizing intellectual capital, the role of independent commissioners, and showing growth in company size, it is hoped that the integrity of the company's financial reports can be well maintained.

Financial Statement Integrity. Financial statement integrity is a structured presentation of relevant financial statements, consistency, values, methods, and principles that are presented honestly in financial reporting to provide benefits to stakeholders related to integrated financial statements (Nurbaiti & Putra, 2022). It is very important to present accounting information honestly, reliably and with high integrity. This action allows users of accounting information to trust the data when making decisions (Atiningsih & Suparwati, 2018). Financial information is largely used as a powerful instrument by decision-makers to facilitate economic decision-making (Mertzanis et al., 2020). Integrated reporting aims to provide a thorough depiction of the Company's process of generating value (Stacchezzini et al., 2019).

H*$_1$*: *Property and real estate companies listed on the IDX will have challenges from 2018 to 2022 related to intellectual capital, the quantity of independent commissioners, and the firm's size, all of which will impact the financial statements' trustworthiness.*

Intellectual Capital. Intellectual Capital (IC) refers to the knowledge and information used in work activities to produce value (Febrilyantri, 2020). Intellectual capital is an intangible asset that might increase a company's profitability and competitiveness. According to (Suharman et al., 2023), human, structural, and relational capital should be included when evaluating intellectual capital. According to (Meramveliotakis and Manioudis, 2021), the value of intellectual capital lies in its ability to increase employee productivity as well as organizational output. The effect may also include the way organizations communicate, facilitating the provision of comprehensive corporate information via financial statements that attract investors. Acknowledged as an indicator of knowledge, intellectual capital has transformed the conventional approach to creating value and is now the primary driver of business growth (Dai et al., 2021). According to earlier studies, financial statements are more credible when they include intellectual capital (Hia & Kusumawardhani, 2023). Intellectual capital refers to the investment made in return for work, and it positively affects the accuracy of financial accounts According to (Meiryani et al., 2023), the price-to-book ratio is a statistic used to assess the value of a firm. The use of intellectual resources, participation of independent commissioners, and presentation of the firm's evolution may all contribute to the effective preservation of the financial statements.

H*$_2$*: *Intellectual capital contributed to a slight improvement in the Integrity of Financial Statements for listed property and real estate enterprises on the IDX between 2018 and 2022.*

Independent Commissioners. Independent Commissioners are people on the board of commissioners who are not affiliated with the internal firm. Their responsibility is to evaluate and disseminate information on management performance overall (Pratika & Primasari, 2020). It's important for commissioners to have a high level of integrity and remain independent, this aims to ensure that Independent Commissioners are not easily influenced by company management and to achieve efficiency and effectiveness in their supervisory duties (Fatin & Suzan, 2022). An organization's structure and fundamental requirements are closely related (Meiryani et al., 2020). A company's financial statements are probably going to be exceptionally honest if it has a competent independent commissioner. A corporation's financial statements integrity may be substantially improved by an independent commissioner (Abbas et al., 2021). Theoretically, a company with a high number of independent commissioners would be subject to more scrutiny, which would reduce the possibility of fraud or data manipulation in day-to-day operations and improve the accuracy and consistency of financial statements (Abbas et al., 2021). According to studies, financial reporting is much more trustworthy when independent commissioners are present (Lesmono & Setiyawati, 2023) and (Marlinda et al., 2022). By efficiently overseeing the financial statement production process, independent commissioners improve the financial statements' accuracy (Annisa & Muslih, 2023).

H₃: *For real estate and property enterprises listed on the IDX, independent commissioners will have a significant and positive impact on the integrity of financial statements from 2018 to 2022.*

Company Size. Company size is an indicator used to classify companies based on the scope of their operations, thus allowing us to separate companies into two main categories, namely large companies and small companies. Companies can be assessed through company size which is obtained from the total assets listed in their financial reports A Company's size is determined by its total assets, revenue, or market capitalization (Priharta & Rahayu, 2019). The company's size must be emphasized in order to disclose trustworthy financial statements and integrity. Compared to smaller companies, larger organizations communicate more information regarding their financial reports (Permatasari et al., 2019). As companies expand, they become more diligent in managing their financial statements due to the presence of multiple stakeholders. According to studies, the larger a firm is, the more reliable its financial statements are (Nurbaiti & Elisabet, 2023). The level of honesty in the company's financial accounts will increase in tandem with its growth (Hoesada & Pradika, 2019). According to the (Hia & Kusumawardhani, 2023), study, a company's size significantly improves the accuracy of its financial accounts. The company's financial records show enhanced integrity in direct correlation with the company's expansion, as evidenced by its total assets.

H₄: *Companies listed on the IDX that operate in the real estate and property subsector will do well to maintain trustworthy financial records from 2018 to 2022.*

Research Design and Method

Population and Sample. From 2018 to 2022, this research examines the Indonesia Stock Exchange-listed realty and property firms. Researchers surveyed 215 people for this study using a planned sample strategy. A total of forty-three companies that met certain requirements were included in the sample from 2018 to 2022. These businesses were selected because of their track record of successfully investigating Indonesia Stock Exchange-listed real estate subsector companies.

Table 1. Operational Variables

No.	Sample Criteria	Amount
1	*real estate* subsector companies listed on the Indonesia Stock Exchange in 2018-2022	58
2	*real estate* subsector companies that are inconsistently listed on the Indonesia Stock Exchange in 2018-2022	(10)
3	*real estate* subsector companies that do not consistently present audited financial reports and annual reports for 2018-2022	(5)
	Number of samples	43
	Number of observation data = number of samples ×5 years	215

Source: Data Which processed writer (2023)

Variables and measures. Dependent Variable. Financial reporting honesty is the dependent variable under investigation. The variable denoted by the symbol Y reflects the fundamental rules that must be adhered to while compiling financial reports. To measure the financial report integrity variable, use the following formula (Meiryani et al., 2023).

$$MBVit = \frac{Stock\ market\ price}{Stock\ book\ value} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Information:
MBVit: market to book value

Independent Variable. This research incorporates three distinct variables: corporate size (CS), independent commissioners (KI), and intellectual capital (IC).

Intellectual Capital. Intellectual capital is measured using the value-added intellectual capital (VAIC) approach, which also takes structural, human, and employee capital value provided into account. To compute the intellectual capital variable, use the formula below (Ulum, 2017).

$$VAIC = VACA + VAHU + STVA \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Information:
VAIC : value - added intellectual coefficient
VACA : value-added capital employed
VAHU : value-added human capital
STVA : structural capital value added

Independent Commissioner. Measuring independent commissioner variables is important to ensure that company decisions are taken in an atmosphere of openness, accountability, and good supervision. The formula used to quantify this variable is as follows (Meiryani et al., 2023).

$$KI = \frac{Number\ of\ independent\ commissioners}{The\ total\ number\ of\ members\ of\ the\ board\ of\ commissioners} \quad (3)$$

Information:
KI: Independent Commissioner

Company Size. The formula used to quantify the variable of firm size is as follows (Tambunan et al., 2023).

$$size = LN\ (Total\ Asset) \quad (4)$$

Information:
size: company size
LN: the natural logarithmic value of the Company's assets

Data Analysis. Panel data regression analysis and descriptive statistical analysis were applied in this work. The process of utilizing information collection, processing, and presentation techniques to describe and summarize data or the population as a whole is known as descriptive statistics (Sugiyono, 2019). This study contains metrics like mean, standard deviation, maximum, and minimum values and uses a ratio scale. The following equation represents the panel data regression analysis model:

$$\mathrm{MBVit} = \alpha + \beta_1 \mathrm{IC}_1 + \beta_2 \mathrm{KI}_2 + \beta_3 \mathrm{CS}_3 + \varepsilon \quad (5)$$

Information:

MBVit	:	Financial Statement Integrity
α	:	Constanta
$\beta_1, \beta_2, \beta_3$	:	The regression coefficient of each independent variable
IC	:	*Intellectual capital*
KI	:	Independent Commissioner
CS	:	Company Size
ε	:	Error

Descriptive Statistical Analysis. Descriptive statistics is a statistical aspect related to the process of describing and summarizing data or a population as a whole through the stages of collecting, processing and presenting information (Sugiyono, 2019). The application of descriptive statistical analysis in this research aims to analyze and describe data related to research variables

Classical Assumption Test. The classical assumption test is also conducted since it is a crucial step in establishing the viability of using the regression model that was used in the investigation. However, since multicollinearity and heteroscedasticity adhere to the BLUE principle (best linear unbiased estimator), these are the only traditional assumption tests that are meaningful in panel data regression analysis (Ghozali, 2021).

Hypothesis Test. The F test, t-test, and Coefficient of Determination Test (R2) may all be used to test hypotheses.

The Coefficient of Determination (R2). The coefficient of determination (R2) illustrates how much variability in the dependent variable can be accounted for by variations in the independent variable (Sugiyono, 2019). A strong correlation between the independent and dependent variables is indicated when the value approaches one. The coefficient of determination ranges between 0 and 1 on a scalar scale.

Simultaneous Test (F Test). Simultaneous hypothesis testing involves assessing the collective impact of multiple independent variables on a dependent variable. When developing hypotheses to evaluate their contemporary effects, the F test uses the following standards: (1) A probability value of less than 0.050 suggests that there is no significant influence of the independent variable on the dependent variable at the same time. (2) A simultaneous and statistically significant relationship between the independent and dependent variables is shown when the probability value is less than 0.050.

Partial Test (T Test). The T-test is used in partial hypothesis testing, which evaluates the impact of particular independent factors on dependent variables without taking other independent variables into account (Sugiyono, 2019). The following standards are used for hypothesis testing: (1) If the probability value is less than 0.050, several partially independent factors may not have a meaningful impact on the dependent variable. (2) If the probability value is less than 0.050, the partially independent variable has a partially significant effect on the dependent variable.

Results and Discussion

Statistical Result

Outliers. From 2018 to 2022, 43 realty and property companies listed on the Indonesia Stock Exchange (BEI) provided 215 observational data points for the study. Unfortunately, only 38 organizations out of 148 were retained in the final sample after outlier correction.

Descriptive Statistical Data Analysis. The process of characterizing and summarizing data or the population as a whole via the steps of information collection, processing, and presentation is known as descriptive statistics (Sugiyono, 2019). Descriptive statistics were used to outline each variable in this study. Utilizing a ratio scale, the primary metrics encompassed average (mean), standard deviation, maximum (value), minimum (value), and observations. By utilizing this ratio scale, the study incorporates factors such as mean, standard deviation, maximum, and minimum values. The results of tests evaluated through descriptive statistics are presented in the table 2:

Table 2. Results of Descriptive Statistical Analysis

	Financial Statement Integrity	Intellectual Capital	Independent Commissioner	Company Size
Mean	0.465	10.408	0.428	29.304
Hours Deviation	0.245	8.432	0.113	1.582
Maximum	1.275	49.571	0.800	31.805
Minimum	0.106	-1.633	0.166	23.192
Observations	148	148	148	148

Source: Data processed by the author (2023)

The mean financial statement integrity (MBVit) score for companies within the real estate and property subsector stands at 0.465, with a standard deviation of 0.245. This indicates that the financial report integrity variable averages 0.465, with a standard deviation of 0.245. Since the mean value of the financial report integrity variable exceeds the standard deviation, there is no clear indication of a trend within the data. Notably, instances of excellent integrity, numbering 64, and poor integrity, numbering 84, are distributed throughout the analysis. The highest recorded value for the financial report integrity variable, 1.275 in 2020, belongs to PP Properti Tbk, while the lowest, 0.106 in 2020, is attributed to PT Star Pacific Tbk. Intellectual capital (IC), the independent variable, has a mean of 10.408. Its standard deviation is 8.432. Of the 148 data points, 91 exhibit low and 57 exhibit high levels of intellectual capital. The maximum value for the intellectual capital variable is 49.571 owned by PT PP Properti Tbk in 2020, which shows that this value has a high level of acquisition of intellectual capital. Meanwhile, the minimum value obtained is -1.633 owned by PT Greenwood Sejahtera Tbk in 2022, which shows that this value has a low level of intellectual capital acquisition. With an average score of 0.428 and a standard deviation of 0.113, KI, the unbiased commissioner, comes in second. There are a minimum of 87 independent commissioners in 61 datasets and a large number in 61 datasets. The maximum value of independent commissioners obtained by PT PP Properti Tbk was 0.800 in 2019, this shows that the value of independent commissioners in this company is high, while the minimum value obtained by PT Intiland Development Tbk was 0.166 in 2018 and 2019, this shows that the value of commissioners independence in the company is low.

The company size (CS) has a mean of 29.304 and a standard deviation of 1.582, respectively. Following an examination, it was discovered that 92 records were connected to large corporations, while 56 records were related to small businesses. Data consistency over time is shown by the independent commissioners, business size, intellectual capital, financial statement integrity, and standard deviation variables, all of which have average values greater than the standard deviation. Company size values range from 23.192 in 2020 to 31.805 in 2022 for PT Bumi Serpong Damai Tbk, indicating a low value for company size, to 31.805 for PT Plaza Indonesia Realty Tbk, indicating a high value for company size.

Classical Assumption Test. The multicollinearity and heteroscedasticity tests are used to assess the usual assumptions in panel data regression analysis. The multicollinearity test findings reveal that there is no discernible association among the independent variables or any signs of multicollinearity.

Multicollinearity Test. Multicollinearity testing seeks to ascertain if the independent variables comprising the regression model are associated with one another or not (Ghozali, 2018). The correlation value for the examination of the variables intellectual capital (IC), independent commissioner (KI), and firm size (CS) is lower than 0.800.

Table 3. Multicollinearity Test Results

	IC	KI	SIZE
IC	1.000	0.109	0.271
KI	0.109450	1.000	0.098
SIZE	0.271647	0.098	1.000

Source: Eviews 12 output, data processed by author (2023)

Heteroscedasticity Test. As a part of assessing classical assumptions, the heteroscedasticity test looks for evidence of non-uniform variance in the regression model's residuals across data (Ghozali, 2018). The absence of heteroscedasticity is shown by a chi-square probability value higher than 0.050. Heteroscedasticity is still going to be there even if the chi-square probability is less than 0.050.

Table 4. Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
Null hypothesis: Homoskedasticity			
F-statistic	2.252	Prob. F(3.144)	0.084
Obs*R-squared	6.632	Prob. Chi-Square (3)	0.084
Scaled explained SS	5.879	Prob. Chi-Square (3)	0.117

Source: Eviews 12 output, data processed by author (2023)

A heteroscedasticity test was conducted and found that the research data did not exhibit any evidence of heteroscedasticity. A Chi-Square probability of 0.084 is more than the significance level of 0.050.

Selection of Panel Data Regression Models. Models for panel data regression were selected using the Chow and Hausman tests. Table 4 displays the outcomes of the Chow Test. The Chow test is used to determine whether to employ a fixed effect model or a common effect model.

Table 5. Chow Test Results

Redundant Fixed Effects Te sts			
Equation: FIX			
Cross-section fixed effects test			
Effect Test	**Statistics**	**df**	**Prob.**
Cross-section F	8.901	(37,107)	0.000
Chi-square cross-section	208.028	37	0.000

Source: Eviews 12 output, data processed by author (2023)

The cross-section F probability value in Table 4, which is 0.000 and less than 0.050, suggests that the model may be a fixed effect model. The Hausman test is used to determine which model is best.

This study used the Hausman test to estimate panel data regression by looking at two models, one with a random effect and the other with a fixed effect.

Table 6. Hausman Test Result

Correlated Random Effects – Hausman Test Equation: REM Cross-section random effects test			
Test Summary	**Chi-Sq. Statistics**	**Chi-Sq. df**	**Prob.**
Random cross-section	13.359	3	0.003

Source: Eviews 12 output, data processed by author (2023)

Statistically, cross-section F is not zero (p=0.003), according to the Hausman Test, which was conducted at the 0.050 level of significance. The results show that this inquiry is best served by using the fixed effects model.

Panel Data Regression Equation. Based on data from the Indonesia Stock Exchange (IDX), Table 6 shows the impacts of company size, intellectual capital, and independent commissioners on the reliability of financial statements for real estate and property companies from 2018 to 2022.

Table 7. Fixed Effect Model Test Results

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.555	0.425	1.303	0.195
IC	0.005	0.002	2.043	0.043
KI	-0.366	0.153	-2.379	0.019
SIZE	0.000	0.0144	0.0249	0.980

Source: Eviews 12 output, data processed by author (2023)

The following is a panel data regression equation using a fixed effects model.

$$(\text{MBVit}) = 0.555 + 0.005\,(IC) - 0.366\,(KI) + 0.000\,(CS) + \varepsilon \ldots\ldots\ldots\ldots(6)$$

The panel data regression equation is concluded as follows:

The fixed figure of 0.555 indicates that if the independent variables, such as intellectual capital , independent commissioners, and company size, are set to zero or constant, then the value of the dependent variable, namely financial report integrity, will be 0.555.

The regression coefficient associated with intellectual capital stands at approximately 0.005. This suggests that a single unit rise in the intellectual capital variable, while holding other variables constant, will lead to a 0.005 increase in the integrity of financial statements.

With all other factors held constant, a one-unit rise in the independent commissioner variable would result in a -0.366-point drop in the integrity of financial statements, according to the regression coefficient for independent commissioners.

With a regression coefficient for business size hovering around 0.000, it may be inferred that there will be a 0.000 rise in financial report integrity for every one unit increase in company size, all other factors being held constant.

A direct proportionality exists between IC and the correctness of financial statements, as per the panel data regression equation. There have to be independent commissioners to ensure that financial statements are reliable. Furthermore, when a company grows in size, the financial data becomes more accurate.

Coefficient of Determination Test (R2). This research examines the relationship between business size, number of independent board members, and intellectual capital as it relates to the reliability of financial statements. The use of coefficient of determination analysis confirmed this. After doing the coefficient of determination analysis, we got these findings.

Table 8. Coefficient of Determination Test Results

R-squared	0.840	Mean dependent var	0.465
Adjusted R-squared	0.781	SD dependent var	0.245
SE of regression	0.114	Akaike info criterion	-1.259
Sum squared resid	1.413	Schwarz criterion	-0.428
Log-likelihood	134.175	Hannan-Quinn Criter.	-0.921
F-statistic	14.108	Durbin-Watson stat	1.751
Prob(F-statistic)	0.000		

Source: Eviews 12 output, data processed by author (2023)

According to the coefficient of determination test, the independent variable explains 78 per cent of the variation in the dependent variable. The remaining 22 per cent of the variance could potentially stem from several other factors that were not examined in this study.

Simultaneous Test (F Test). Table 8 illustrates the use of the F test to determine the independent variable's significance regarding the dependent variable.

Table 9. Simultaneous Test Results (F)

R-squared	0.840	Mean dependent var	0.465
Adjusted R-squared	0.781	SD dependent var	0.245
SE of regression	0.114	Akaike info criterion	-1.259
Sum squared resid	1.413	Schwarz criterion	-0.428
Log-likelihood	134.175	Hannan-Quinn Criter.	-0.921
F-statistic	14.108	Durbin-Watson stat	1.751
Prob(F-statistic)	0.000		

Source: Eviews 12 output, data processed by author (2023)

Less than 0.050, or 0.000, is the probability value indicated by the simultaneous test results. Consequently, all of the research's independent factors impact the honesty of financial statements at the same time.

Partial Test (t). By excluding additional independent variables from the partial test, we may learn how each one affects the dependent variable. Finally, the following might be a presentation of the test findings.

Table 10. Partial Test Result (t)

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.555	0.425	1.303	0.195
IC	0.005	0.002	2.043	0.043
KI	-0.366	0.153	-2.379	0.019
SIZE	0.000	0.014	0.024	0.980

Source: Eviews 12 output, data processed by author (2023)

The results of the previously described partial test allow us to derive the following conclusions. There is a possibility that the intellectual capital variable (IC) will attain a value of 0.043. This graphic illustrates that 0.043 is less than 0.050. Intellectual capital greatly improves the integrity of financial records. At 0.019, the independent commissioner variable (KI) probability is reached. As shown by this figure, 0.043 is less than 0.050. Financial statement integrity is significantly impacted by independent commissioners. The firm size variable (CS) has the potential to attain a value of 0.980. This value indicates that 0.043 is greater than 0.050. Consequently, there appears to be no association between the corporation's size and the reliability of its financial statements.

Discussion

The Influence of Intellectual Capital, Independent Commissioners, and Company Size on the Integrity of Financial Statements. From 2018 through 2022, the IDX will assess the size, intellectual capital, number of independent commissioners, and other metrics to determine if real estate and property companies' financial statements are credible. The F-test findings show that when thinking about the overall integrity of financial accounts, relevant factors include independent commissioners, firm size, and intellectual capital. The impact could be deemed statistically significant since the p-value is 0.000 at the 0.050 level of significance. This leads us to believe that hypothesis 1 is the best bet.

The Influence of Intellectual Capital on the Integrity of Financial Statements. The second hypothesis was tested from 2018 to 2022, yielding results consistent with expectations. Real estate and property companies listed on the IDX exhibit diverse levels of intellectual capital affecting their financial records. The significant and positive impact of intellectual capital on financial accounting integrity is evidenced by the analytical coefficient of 0.005. The probability of this variable is 0.043, which is below the threshold of 0.050. This suggests that there is a possibility that it might compromise the accuracy of the financial statement. The results derived by (Hia & Kusumawardhani, 2023) from their previous work correspond to the outcomes of this investigation. This exemplifies how the use of expert knowledge, competency, and talent management enhances the efficiency of human resources. Precise financial documentation serves as an indication of a corporation's robust intellectual assets. Thriving firms exhibit exceptional levels of performance. Higher Value-Added Intellectual Coefficient (VAIC) indicates a shift towards more economical expenditure habits. When calculating VAIC (Castro et al., 2021), three criteria are taken into account: capital use, efficiency in human capital, and efficiency in structural capital. Companies that have good intellectual capital tend to achieve superior business performance, which is reflected in the integrity of financial statements.

The Influence of Independent Commissioners on the Integrity of Financial Statements. The independent commissioners refuted the third assumption, providing evidence that the financial statements of real estate and property businesses listed on the IDX exhibited much greater accuracy from 2018 to 2022. The inclusion of an autonomous commissioner variable significantly weakens the integrity of financial reporting. This influence has a statistically significant probability of 0.019, which is less than the commonly accepted standard of 0.050. The user did not provide any text. The coefficient associated with this variable is 0.366. Instead of supporting the researchers' premise, the study's results validate the findings of (Meiryani et al., 2023). This implies that having a majority of independent commissioners might result in inadequate supervision, heighten the probability of conflicts of interest, ignore internal hazards, and have a detrimental effect on the accuracy of financial statements. There is a possibility that the ability of the board of commissioners to carry out supervision over corporate governance could be weakened by problems in communication, coordination and decision making. The presence of a very dominant independent commissioner can lead to excessive dependence on external entities. Independent commissioners can be influenced by management to manipulate financial reports which makes them no longer independent, the potential for conflicts of interest increases, and there is a lack of in-depth understanding of internal risks, which can harm the integrity of financial statements.

The Effect of Company Size on the Integrity of Financial Statements. Therefore, the fourth hypothesis is refuted. An analysis of data from the Indonesia Stock Exchange (IDX) between 2018 and 2022 reveals an interesting correlation between the quantity of firms in the real estate and property subsector and the caliber of their financial reports. This link, while modest, is statistically significant. A coefficient of 0.000 and a probability of 0.980 greater than 0.050 suggest that variations in the company's size do not significantly impact the precision of its financial records. The study's results support the examination conducted by Abbas et al., rather than the first idea proposed by the researchers in 2021. This illustrates that the validity of a company's financial reporting is unaffected by its size, irrespective of its magnitude. The size of a corporation has little influence on the accuracy of its financial records, regardless of any assertions suggested otherwise. While not all big firms have extensive experience in preparing financial statements, small enterprises often have more proficiency in ensuring the accuracy of their financial records (Kashani & Mousavi Shiri, 2022). Therefore, financial statement integrity is not guaranteed by a tiny company's size, as shown by a modest market capitalization, book value, and earnings. However, financial reports may not be reflective of real financial situations, and a bigger corporation does not always mean a better degree of honesty when generating financial reports. Thus, it is safe to say that the reliability of financial statements is unaffected by the size of a firm.

Conclusions

The study identified various factors impacting the precision of financial statements among real estate and property firms listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. These factors comprise company size, attributes of intellectual capital, and the presence of independent commissioners. Incorporating the intellectual capital variable into financial audits of IDX-listed real estate and property companies can augment the comprehensiveness of the evaluation. However, introducing an independent commissioner variable may pose potential hazards to the accuracy of financial records for these firms, while firm size does not seem to influence the credibility of financial accounts.

Hence, it is advisable for enterprises in the property and real estate sector to consider these findings when addressing potential challenges to the reliability of their financial statements. Recognizing the significance of intellectual capital is crucial, as independent commissioners wield considerable influence over financial accuracy. Investors and stakeholders relying on financial data should incorporate this research into their decision-making process. They should carefully evaluate variables such as intellectual capital and the presence of unbiased commissioners when making investment decisions.

Moreover, educational resources and research on the effects of independent commissioners, intellectual capital, and firm size on financial statement accuracy should incorporate the study's insights. Expanding the scope of research to encompass other sectors and examining additional factors that may affect financial statement precision based on the study's findings is recommended. Employing alternative measurement methods can further enrich one's comprehension of these issues.

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