

## Determinants of Financial Statement Integrity: Size, Governance, and Leverage

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### ABSTRACT

*This study examines the effect of company size, independent commissioners, institutional ownership, and leverage on financial statement integrity in infrastructure sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Financial statement integrity is a critical issue due to recurring cases of financial reporting manipulation, particularly in capital intensive sectors such as infrastructure, where large scale projects and complex financing structures increase reporting risks. Financial statement integrity in this study is measured using the Market To Book Ratio as a proxy, reflecting the reliability and credibility of reported financial information. This study employs a quantitative explanatory approach using multiple linear regression analysis. The sample consists of 36 companies, resulting in 180 firm-year observations selected through purposive sampling. The results show that company size has a positive and significant effect on financial statement integrity, while independent commissioners, institutional ownership, and leverage do not have significant effects. However, the model's explanatory power is relatively low, with an adjusted  $R^2$  of 0.033, indicating that most variations in financial statement integrity are explained by factors outside the model. These findings suggest that while firm size plays an important role in enhancing reporting integrity through stronger monitoring and reputational concerns, formal corporate governance mechanisms alone may not be sufficient to ensure high quality financial reporting. Therefore, future research is recommended to incorporate additional variables to better explain financial statement integrity.*

**Keywords:** Financial Statement Integrity, Company Size, Independent Commissioners, Institutional Ownership, Leverage.

### INTRODUCTION

Financial statement integrity reflects the extent to which financial information is presented honestly, transparently, and reliably in describing a company's actual financial condition. In today's increasingly complex economic environment, financial statements play a crucial role as the primary source of information for investors, creditors, regulators, and other stakeholders in making economic decisions. Therefore, maintaining high financial statement integrity is essential to reduce information asymmetry and to strengthen public trust in corporate reporting (Ho et al., 2023).

The infrastructure sector plays a strategic role in supporting national economic development and public service delivery. Compared to other sectors, infrastructure companies are characterized by capital intensive projects, long project cycles, complex financing schemes, and a high reliance on debt. These characteristics increase the complexity of financial reporting and create stronger incentives for earnings management or financial misstatement. Consequently, maintaining financial statement integrity in this

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sector is both more challenging and more critical.

A concrete example can be observed in the case of PT Waskita Karya Tbk in 2023, which was associated with issues related to the misuse of Supply Chain Financing (SCF) funds, including the use of invalid documentation and fund allocations that did not align with their intended purposes. This case highlights how weaknesses in internal control systems and corporate governance mechanisms can lead to distorted financial information, thereby undermining the integrity of financial statements in the infrastructure sector.

Previous studies suggest that financial statement integrity may be influenced by firm characteristics and governance mechanisms, such as company size, independent commissioners, institutional ownership, and leverage. However, several critical gaps remain. First, most prior studies focus on manufacturing or broad sectors, with limited attention to infrastructure companies that possess distinct operational and financial characteristics. Second, prior research tends to examine governance variables in isolation, without considering their combined effects within a high risk sector context. Third, variations in the measurement of financial statement integrity across studies reduce comparability and lead to inconsistent conclusions. As a result, without sector specific and integrated analysis, existing findings may not adequately explain the determinants of financial statement integrity, particularly in infrastructure firms in emerging markets such as Indonesia.

Based on these considerations, this study aims to examine the effect of company size, independent commissioners, institutional ownership, and leverage on financial statement integrity in infrastructure sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. The hypotheses are formulated as follows: (1) company size has a positive effect on financial statement integrity; (2) independent commissioners have a positive effect on financial statement integrity; (3) institutional ownership has a positive effect on financial statement integrity; and (4) leverage has a negative effect on financial statement integrity.

This study offers three main contributions. First, it provides recent empirical evidence using post-pandemic data (2020–2024), a period characterized by increased financial uncertainty and reporting pressure. Second, this study focuses specifically on infrastructure companies, which differ from other sectors due to their capital-intensive

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nature, long project cycles, and complex financing structures. Third, this study integrates corporate governance mechanisms and financial structure variables simultaneously, offering a more comprehensive explanation of financial statement integrity compared to prior studies that tend to examine these factors separately.

## **THEORETICAL BACKGROUND**

### **Agency Theory**

Agency theory, as developed by Jensen & Meckling (1976), extends beyond a simple contractual relationship between principals and agents by emphasizing the economic consequences of the separation between ownership and control, particularly the emergence of agency costs driven by conflicts of interest and information asymmetry. In this setting, management possesses superior access to information compared to shareholders, creating opportunities to pursue actions that may not fully align with the interests of principals.

From a causal perspective, information asymmetry enables managerial opportunism, including earnings management and biased financial reporting aimed at achieving specific targets or personal benefits (Jensen & Meckling, 1976). Consequently, the integrity of financial statements is highly dependent on the effectiveness of governance and monitoring mechanisms in constraining such behavior.

However, alternative perspectives such as stewardship theory argue that managers may act as stewards whose interests are aligned with organizational goals, driven by professionalism and intrinsic motivation rather than opportunism. Under this view, high financial reporting integrity may still be achieved even in the absence of stringent monitoring mechanisms.

In the context of infrastructure companies in Indonesia, agency problems tend to be more pronounced due to the capital-intensive nature of the industry, long-term project horizons, and the involvement of multiple stakeholders, including government entities, institutional investors, and creditors. These characteristics increase information asymmetry and the potential for conflicts of interest, thereby reinforcing the relevance of agency theory in explaining the determinants of financial statement integrity.

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## **Financial Statement Integrity**

Financial statement integrity should not be viewed merely as honesty in reporting, but as an outcome of the interaction between managerial incentives, governance mechanisms, and external pressures faced by firms. Rahma & Nurcahyono (2024) define financial statement integrity as a fundamental attribute that determines the usefulness and reliability of financial information for decision-making.

Causally, high-integrity financial reporting reduces information asymmetry between management and external stakeholders, enabling investors to make more accurate investment decisions and creditors to better assess credit risk (Benkraiem et al., 2022). Conversely, low integrity increases uncertainty and may lead to inefficient allocation of resources.

Nevertheless, competing perspectives suggest that financial reporting integrity is also shaped by institutional environments, including regulatory quality, enforcement mechanisms, and prevailing governance practices. In weak enforcement environments, even firms with relatively strong internal governance may face pressures that compromise transparency.

In Indonesia, particularly within the infrastructure sector, financial statement integrity is critical due to the sector's reliance on external financing and long term investment commitments. Financial reports serve as a primary tool for maintaining investor and creditor confidence, making their integrity essential for sustaining funding access and project continuity.

## **Company Size**

Company size reflects not only the scale of operations but also organizational complexity, public visibility, and the firm's capacity to establish robust internal control systems. Dang et al. (2018) suggest that larger firms generally possess greater resources to enhance the quality of financial reporting.

From a causal standpoint, larger firms face stronger scrutiny from regulators, analysts, and investors, which creates incentives to maintain reputational credibility through high-quality and transparent financial reporting. Additionally, larger firms are more likely to implement structured internal controls that reduce the likelihood of financial misstatements.

However, an alternative view posits that increased organizational complexity in large

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firms may exacerbate information asymmetry and provide more opportunities for managerial discretion in financial reporting. Furthermore, pressures to meet market expectations may encourage income smoothing or other forms of earnings management.

In the Indonesian infrastructure sector, large firms are often involved in strategic national projects and are subject to heightened public and governmental attention. This exposure strengthens incentives to maintain transparency and reporting integrity. Therefore, company size is generally expected to have a positive effect on financial statement integrity, although the relationship may vary depending on internal conditions and governance quality.

Research by Subagya & Setiyanto (2022) consistently found that company size has a positive effect on financial statement integrity. Companies with larger size have tighter supervision, more effective internal control systems, and better financial reporting quality, confirming that company size positively affects financial statement integrity.

### **Independent Commissioners**

Independent commissioners represent a key corporate governance mechanism designed to mitigate agency conflicts through objective oversight of management. Their effectiveness depends not only on their formal independence but also on their ability to actively monitor and influence managerial decisions.

Causally, independent commissioners enhance the quality of financial reporting by overseeing management actions and reducing the likelihood of manipulation or biased disclosures. Their lack of affiliation with management and controlling shareholders enables them to act in the interests of minority shareholders and promote transparency (Gati et al., 2020).

However, alternative perspectives highlight that the presence of independent commissioners does not always guarantee effective oversight. In some cases, their role may be merely symbolic (symbolic governance), particularly when independence is not supported by competence, authority, or active engagement.

In Indonesia, especially in infrastructure companies that may have close ties with government or large business groups, the true independence of commissioners becomes a critical issue. The effectiveness of their role depends heavily on the quality of corporate governance implementation. Empirical evidence by Yulisa & Khairudin (2025) indicates

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that independent commissioners positively influence financial statement integrity when their monitoring function is effectively carried out.

Research by Yulisa & Khairudin (2025) consistently found that independent commissioners have a positive effect on financial statement integrity. Independent commissioner who carry out objective supervisory functions can minimize the potential for financial statement manipulation and increase reporting transparency.

### **Institutional Ownership**

Institutional ownership reflects the participation of professional investors who possess the expertise, resources, and incentives to monitor managerial behavior. Compared to individual investors, institutional investors are more likely to engage in active oversight and influence corporate decision-making (Benlemlih et al., 2023; Ramalingegowda et al., 2020).

From a causal perspective, higher institutional ownership increases monitoring intensity, as institutional investors have the capability to conduct in-depth financial analysis and detect potential misreporting. This external pressure encourages management to produce more transparent and reliable financial statements (Al-Sartawi & Sanad, 2019).

However, competing views suggest that not all institutional investors are active monitors. Some may adopt a passive investment strategy or prioritize short-term returns, thereby limiting their role in improving financial reporting quality.

In the context of Indonesian infrastructure firms, institutional ownership often includes large financial institutions or government-related entities. While this can strengthen monitoring, it may also introduce potential conflicts of interest. Therefore, the impact of institutional ownership on financial statement integrity depends on the nature and activeness of these investors.

Studies by Diati & Hastuti (2024) consistently found that institutional ownership have a positive effect on financial statement integrity. Monitoring conducted by institutional investors is effective in reducing financial statement manipulation practices because they have resources, expertise, and strong incentives to ensure management acts in accordance with shareholder interests.

### **Leverage**

Leverage not only reflects a company's capital structure but also serves as an external

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discipline mechanism that influences management's behavior in preparing financial statements. The use of debt creates contractual obligations that the company must fulfill toward its creditors, thereby increasing pressure on management to demonstrate sound and stable financial performance (DeAngelo et al., 2022; Santos & Veronesi, 2016).

From a causal perspective, high leverage can lead to two distinct behavioral outcomes. On the one hand, the presence of creditors as external parties can enhance monitoring functions, as creditors have a direct stake in the company's ability to meet its obligations. This can strengthen managerial discipline and encourage the preparation of more reliable financial statements. However, on the other hand, the pressure to meet debt covenants can actually create incentives for management to manipulate financial statements to avoid breaching contracts or to maintain the company's reputation in the eyes of creditors (Sembiring et al., 2025).

In the context of infrastructure companies in Indonesia, the role of leverage becomes increasingly significant due to the industry's capital-intensive nature and heavy reliance on external financing, whether from banks or capital markets. Infrastructure projects typically have long durations and cash flows that are not always stable in the early stages, thereby increasing the risk of financial strain. These conditions can amplify management's incentive to present financial statements in a more optimistic manner to maintain investor and creditor confidence.

Furthermore, in the Indonesian context, where the level of oversight and enforcement varies, the effectiveness of leverage as a disciplinary mechanism also depends heavily on the quality of corporate governance and the strength of regulatory institutions. Therefore, leverage in this study is viewed as a factor with the potential to negatively impact the integrity of financial statements, particularly when debt pressure outweighs the role of external oversight.

Studies by Malau & Murwaningsari (2018) found that leverage has a negative effect on financial statement integrity. Therefore, the relationship between leverage and financial statement integrity is complex and can be influenced by other factors such as the level of debt, the type of creditors involved, and the overall financial health of the company. When companies have high debt ratios, they tend to consistently demonstrate that they can meet their obligations to creditors, which often leads management to present

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the financial situation as more favorable than it actually is, eroding the credibility of the financial statements.

### **Previous Research and Research Gap**

Previous research on factors affecting financial statement integrity shows varied and inconsistent results. Research conducted by Abbas et al. (2021) found that company size does not have a significant effect on financial statement integrity, while independent commissioners have a positive effect. However, these findings differ from Sembiring et al. (2025) research which states that independent commissioners and institutional ownership do not have a significant effect on financial statement integrity, while leverage has a positive effect.

These inconsistencies in findings indicate a research gap in the variables of company size, independent commissioners, institutional ownership, and leverage, as previous research does not provide uniform conclusions regarding the direction and significance of their influence. In addition, research specifically examining financial statement integrity in the infrastructure sector is still limited, requiring further research to provide more current and relevant empirical evidence.

This study refers to research conducted by Abbas et al. (2021); Tambunan et al. (2023), both of which examine factors affecting financial statement integrity but show inconsistent results on the variables of company size, independent commissioners, institutional ownership, and leverage. The difference between this research and reference research lies in the research object which specifically examines infrastructure sector companies listed on the Indonesia Stock Exchange, a newer research period of 2020-2024, and the use of variable combinations directly related to the phenomenon of financial statement integrity in the post-pandemic era.

### **METHOD, DATA AND ANALYSIS**

This study employed a quantitative research paradigm with an explanatory research design to examine the causal relationship between company size, independent commissioners, institutional ownership, leverage, and financial statement integrity. A quantitative approach was chosen because this study aims to test hypotheses and measure the relationship between variables using statistical methods.

The population of this study initially consisted of 70 infrastructure sector companies

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listed on the Indonesia Stock Exchange during the 2020–2024 period. The sample was selected using purposive sampling based on several criteria. First, companies that consistently published annual reports during the observation period were selected, reducing the sample to 53 companies. Second, companies that presented financial statements in Indonesian Rupiah were included, resulting in 49 companies. Third, companies that provided complete data for all research variables, including company size, independent commissioners, institutional ownership, leverage, and financial statement integrity, were selected, resulting in a final sample of 36 companies. Therefore, a total of 34 companies were excluded due to incomplete data, unavailable annual reports, or inconsistency in reporting currency. The final sample produced 180 firm-year observations over a five-year period.

It should be noted that the use of purposive sampling may introduce survivorship bias, as only firms with complete and consistent data are included in the analysis, potentially excluding firms experiencing financial difficulties or reporting problems.

Secondary data were used in this study and obtained from audited annual reports published on the official website of the Indonesia Stock Exchange and company websites. Financial statement integrity was measured using an accounting-based proxy, while company size was measured using the natural logarithm of total assets. Independent commissioners were measured by the proportion of independent commissioners on the board of commissioners, institutional ownership was measured by the percentage of shares owned by institutional investors, and leverage was measured using the debt-to-equity ratio.

Data analysis was performed using multiple linear regression analysis to test the effect of independent variables on financial statement integrity. Prior to hypothesis testing, classical assumption tests were conducted, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to ensure the validity of the regression model. Hypothesis testing was carried out using t-tests for partial effects and the coefficient of determination to assess the explanatory power of the model. All statistical analyses were conducted using statistical software.

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## RESULTS

### Descriptive Statistical Analysis

Table 1: Results of Descriptive Statistical Analysis

Variabel	N	Minimum	Maksimum	Mean	Std. Deviation
Company Size	180	22,7002	33,3330	28,686753	2,8054211
Independent Commissioners	180	0,2000	0,6660	0,429794	0,1090633
Institutional Ownership	180	0,0010	0,9990	0,642437	0,3317234
Leverage	180	0,0026	6,6020	0,575550	0,7242955
Financial Statement Integrity	180	0,1609	2,1880	0,833278	0,5275159
Valid N (listwise)	180				

Source: SPSS output results

Based on the results of the descriptive statistical analysis in Table 1 with 180 observations, the following information is obtained:

1. Company Size has a minimum value of 22,7002 and a maximum value of 33,3330, with a mean of 28,686753 and a standard deviation of 2,8054211. A standard deviation that is smaller than the mean indicates that the variation in company size is relatively moderate.
2. Independent Commissioners have a minimum value of 0,2000 and a maximum value of 0,6660, with a mean of 0,429794 and a standard deviation of 0,1090633. This indicates that the distribution of independent commissioners is relatively small and their proportion is fairly stable across companies.
3. Institutional Ownership has a minimum value of 0,0010 and a maximum value of 0,9990, with a mean of 0,642437 and a standard deviation of 0,3317234. The relatively large standard deviation indicates variation in the level of institutional ownership across companies.
4. Leverage has a minimum value of 0,0026 and a maximum value of 6,6020, with a mean of 0,575550 and a standard deviation of 0,7242955. A standard deviation that is greater than the mean indicates a relatively high dispersion of leverage.
5. Financial Statement Integrity has a minimum value of 0,1609 and a maximum value of 2,1880, with a mean of 0,833278 and a standard deviation of 0,5275159. The relatively large dispersion indicates differences in the level of financial statement integrity across companies.

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## Classical Assumption Test

### Normality Test

Table 2: Normality Test Result

One Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			180
Normal Parameters <sup>a,b</sup>	Mean		0,0000000
	Std.Deviation		0,51295168
Most Extreme Differences	Absolute		0,087
	Positive		0,087
	Negative		-0,062
Test Statistic			0,087
Asymp. Sig. (2-tailed) <sup>c</sup>			0,002 <sup>c</sup>
Monte Carlo Sig. (2-tailed) <sup>e</sup>	Sig		0,126 <sup>d</sup>
	99% Confidence Interval	Lower Bound	0,117
		Upper Bound	0,134

Source: SPSS output results

Based on Table 2, the results show that the significance value is  $0,126 > 0,05$  in the normality test using the Kolmogorov–Smirnov Test with the Monte Carlo Sig. (2-tailed) approach. Therefore, it can be concluded that the residual data in this study are normally distributed.

### Multicollinearity Test

Table 3: Multicollinearity Test Result

Variable	Tolerance	VIF
Company Size	0,988	1,012
Independent Commissioner	0,969	1,032
Institutional Ownership	0,978	1,023
Leverage	0,992	1,008

Source: SPSS output results

Based on the results of the multicollinearity test presented in Table 3, all independent variables have tolerance values greater than 0,10 and VIF values less than 10. Therefore, it can be concluded that there is no multicollinearity among the independent variables in the regression model of this study.

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## Heteroscedasticity Test

Table 4: Heteroscedasticity Test Result

Variables	t	Sig
Company Size	1,920	0,056
Independent Commissioner	-1,572	0,118
Institutional Ownership	1,861	0,064
Leverage	-1,582	0,116

Source: SPSS output results

Based on the results of the Glejser test presented in Table 4, all independent variables have significance levels greater than 0,05 suggest that the regression model used in this research does not present problems of heteroscedasticity. This means that the regression model is suitable for further examination.

## Autocorrelation Test

Table 5: Autocorrelation Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,233 <sup>a</sup>	0,054	0,033	0,5187809	1,199

Source: SPSS output results

Based on the results of the Durbin–Watson test presented in Table 5, the Durbin–Watson (DW) value is 1,199. Based on the number of observations and the number of independent variables in this study, the upper bound value ( $du$ ) is 1,8017 and the value of  $4 - du$  is 2,1983. The test results indicate that the DW value falls outside the no-autocorrelation region, as  $1,8017 > 1,199 < 2,1983$ . This indicates that the regression model suffers from autocorrelation. Therefore, corrective measures are required to address the autocorrelation problem in the regression model. To overcome this issue, this study applies data transformation using the lag method by adding the variable LAG\_Y, which represents the value of the dependent variable in the previous period.

Table 6: Autocorrelation Test after LAG\_Y Transformation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,460 <sup>a</sup>	0,211	0,189	0,4763790	2,083

Source: SPSS output results

Based on the results of the Durbin–Watson test after data transformation using the LAG\_Y variable, as presented in Table 6, the Durbin–Watson (DW) value is 2,083. Based on the number of observations and the number of independent variables in this study, the

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upper bound value ( $du$ ) is 1,8017 and the value of  $4 - du$  is 2,1983. The DW value lies between  $du$  and  $4 - du$ , namely  $1,8017 < 2,083 < 2,1983$ , this indicates that the regression model after LAG\_Y transformation does not exhibit autocorrelation. Therefore, the regression model satisfies the classical assumptions and can be used for further regression analysis and hypothesis testing.

### Multiple Linear Regression Analysis

Table 7: Multiple Linear Regression Analysis Result

Model	Unstandardized Coefficients		t	Sig
	B	Std. Error		
1 (Constant)	-0,178	0,427	-0,417	0,677
Company Size	0,037***	0,014	2,683	0,008
Independent Commissioner	-0,323	0,361	-0,895	0,372
Institutional Ownership	0,177	0,118	1,494	0,137
Leverage	-0,058	0,054	-1,082	0,281
LAG_Y	0,410	0,070	5,877	0,000

Source: SPSS output results

Based on Table 7, the multiple linear regression equation can be formulated as follows:

$$\text{Financial Statement Integrity} = -0,178 + 0,037X_1 - 0,323X_2 + 0,177X_3 - 0,058X_4 + 0,410\text{LAG\_Y} + e$$

The interpretation of the regression coefficients is as follows:

1. Constant ( $\alpha$ ) of -0,178 indicates that if company size, independent commissioners, institutional ownership, and leverage considered zero, the value of financial statement integrity is -0,178.
2. Company Size ( $X_1$ ) has a positive effect on financial statement integrity with a regression coefficient of 0,037, which indicates that an increase in company size tends to increase financial statement integrity.
3. Independent Commissioners ( $X_2$ ) have a negative effect on financial statement integrity with a regression coefficient of -0,323, indicating that an increase in the proportion of independent commissioners is associated with a decrease in financial statement integrity.

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4. Institutional Ownership ( $X_3$ ) has a positive effect on financial statement integrity with a regression coefficient of 0,177, meaning that higher institutional ownership leads to higher financial statement integrity.
5. Leverage ( $X_4$ ) has a negative effect on financial statement integrity with a regression coefficient of -0,058, indicating that a higher level of leverage tends to reduce financial statement integrity.
6. LAG\_Y ( $Y_{t-1}$ ) has a positive effect on financial statement integrity with a regression coefficient of 0.410, meaning that financial statement integrity in the previous period contributes to an increase in financial statement integrity in the current period.

### Coefficient of Determination Test

Table 8: Coefficient of Determination Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,233 <sup>a</sup>	0,054	0,033	0,5187809

Source: SPSS output results

Based on Table 8, the Adjusted R<sup>2</sup> value of 0,033 indicates that leverage, institutional ownership, company size, and independent commissioners are able to explain 3,3% of the variation in financial statement integrity. Meanwhile, the remaining 96,7% of the variation is explained by other factors outside the research model. This finding indicates that the ability of the independent variables to explain financial statement integrity is still relatively low.

### F-Test

Table 9: F-Test Result

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2,712	4	0,678	2,520	0,043 <sup>b</sup>
Residual	47,098	175	0,269		
Total	49,811	179			

Source: SPSS output results

According to the results of the F-test shown in Table 9, the calculated F-value is 2,520 at a significance level of  $0,043 \leq 0,05$ . This indicates that company size, independent commissioners, institutional ownership, and leverage simultaneously have a significant effect on financial statement integrity.

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## Partial Hypothesis Test (t-test)

Table 10: t-test Result

Variable	Uji t		
	B	Sig.	Conclusion
Company Size (X <sub>1</sub> )	2,683	0,008	H <sub>1</sub> is accepted
Independent Commissioners (X <sub>2</sub> )	-0,895	0,372	H <sub>2</sub> is rejected
Institutional Ownership (X <sub>3</sub> )	1,494	0,137	H <sub>3</sub> is rejected
Leverage (X <sub>4</sub> )	-1,082	0,281	H <sub>4</sub> is rejected

Source: SPSS output results

Based on Table 10, the results of the t-test significance indicate the following hypothesis testing outcomes:

1. The test result for the company size variable shows the regression coefficient is 2,683 with a significance level of 0,008. Since the significance value is  $\leq 0,05$ , it can be concluded that company size has a positive influence on the integrity of the annual financial statements. Therefore, the first hypothesis (H<sub>1</sub>) is accepted.
2. The test results for the independent commissioners shows the regression coefficient is -0,895 with a significance level of 0,372. Given that the significance value is  $\geq 0,05$ , it can be concluded that independent commissioners do not influence the integrity of financial statements. Therefore, the second hypothesis (H<sub>2</sub>) is rejected.
3. The test result for the institutional ownership variable shows the regression coefficient is 1,494 with a significance level of 0,137. Since the significance value is  $\geq 0,05$ , institutional ownership does not have an effect on financial statement integrity. Thus, the third hypothesis (H<sub>3</sub>) is rejected.
4. The test result for the leverage variable shows the regression coefficient is -1,082 with a significance level of 0,281. Given that the significance value is  $\geq 0,05$ , leverage does not have an effect on financial statement integrity. Therefore, the fourth hypothesis (H<sub>4</sub>) is rejected.

## DISCUSSION

This section discusses the research findings by interpreting the results, linking them to the research objectives, comparing them with prior studies, identifying the research contribution, and explaining the limitations of the study. The discussion is structured according to each hypothesis tested and is intended to provide a comprehensive

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understanding of the factors that influence financial statement integrity.

### **Effect of Company Size on Financial Statement Integrity**

The results of hypothesis testing indicate that company size has a positive effect on financial statement integrity therefore,  $H_1$  is accepted. This finding suggests that larger firms tend to present financial statements with greater integrity. Large firms generally possess more adequate resources, more sophisticated internal control systems, and face stricter external monitoring from regulators, investors, and auditors. These conditions encourage management to disclose financial details in a more transparent and honest manner, which improves the integrity of financial statements.

This finding addresses the research objective of investigating whether a company's characteristics affect financial statement integrity. The favorable relationship between a company's size and financial statement integrity supports the assertion made in the introduction that larger companies face greater public scrutiny and greater reputational risks, which pushes them to maintain higher-quality financial reporting. This finding is in line with previous studies conducted by Subagya & Setiyanto (2022), which also found a positive effect of company size on financial statement integrity.

### **Effect of Independent Commissioners on Financial Statement Integrity**

The hypothesis testing results indicate that independent commissioners do not have a significant effect on financial statement integrity therefore,  $H_2$  is rejected. This finding indicates that the presence of independent commissioners alone is not sufficient to enhance the integrity of financial statements. Although independent commissioners are expected to strengthen corporate governance through effective oversight, their effectiveness may depend more on the quality, competence, and actual implementation of supervisory functions rather than merely fulfilling formal regulatory requirements.

This result suggests that corporate governance mechanisms in the form of board composition may not function optimally if independent commissioners lack authority, expertise, or active involvement in monitoring the financial reporting process. The finding supports previous studies by Rahma & Nurcahyono (2024); Sembiring et al. (2025), which also reported that independent commissioners have no significant effect on financial statement integrity.

### **Effect of Institutional Ownership on Financial Statement Integrity**

The hypothesis testing results indicate that institutional ownership does not have a

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significant effect on financial statement integrity therefore,  $H_3$  is rejected. This finding implies that a high level of institutional ownership is not necessarily accompanied by effective monitoring of management in the preparation of financial statements. Differences in investment objectives, time horizons, and monitoring intensity among institutional investors may reduce their effectiveness in overseeing the financial reporting process.

This finding contributes to the ongoing debate regarding the role of institutional investors in corporate governance. While institutional ownership is often assumed to enhance monitoring, this study suggests that such ownership does not automatically lead to improved financial statement integrity. This result is consistent with the findings of Sembiring et al. (2025), which also found no significant relationship between institutional ownership and financial statement integrity.

### **Effect of Leverage on Financial Statement Integrity**

The hypothesis testing results indicate that leverage does not have a significant effect on financial statement integrity therefore,  $H_4$  is rejected. This finding indicates that the level of debt used in a firm's capital structure does not directly influence the integrity of its financial statements. Although high leverage is often associated with pressure on management to meet debt obligations, such pressure may be mitigated by effective supervision, regulatory compliance, and strong internal control systems.

This result suggests that firms are able to manage the potential risks arising from debt through governance and control mechanisms, thereby preventing leverage from negatively affecting financial statement integrity. The finding is consistent with the study conducted by Diati & Hastuti (2024); Rahma & Nurcahyono (2024), which also reported that leverage has no significant effect on financial statement integrity.

### **Research Contribution and Gap**

This study contributes to the literature on financial statement integrity by providing empirical evidence on the role of company size, independent commissioners, institutional ownership, and leverage in the Indonesian context. The findings highlight that not all corporate governance mechanisms are effective in improving financial statement integrity, particularly when governance practices are implemented only to meet formal requirements. By examining multiple governance and financial variables simultaneously,

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this study helps clarify inconsistent findings in prior research and fills the gap related to mixed empirical evidence on the determinants of financial statement integrity.

### **Limitations of the Study**

Despite its contributions, this study has several limitations. First, another limitation of this study is the relatively limited number of explanatory variables included in the regression model. The model only incorporates four independent variables, namely company size, independent commissioners, institutional ownership, and leverage. Given that financial statement integrity is a complex phenomenon, it may also be influenced by other important factors, such as profitability, audit quality, firm age, board size, audit committee effectiveness, managerial ownership, growth opportunities, and financial distress. The exclusion of these variables may result in model misspecification and likely contributes to the low explanatory power of the model, as indicated by the Adjusted R<sup>2</sup> value of 0.033. Therefore, future research is recommended to include a more comprehensive set of variables. Second, the study relies solely on secondary data, which may not fully capture qualitative aspects of corporate governance practices. Third, the limited research period and sample size may restrict the generalizability of the findings to other industries or contexts. Therefore, it is recommended that future studies include additional variables, extend the observation period, and apply alternative research methods to obtain a broader and more comprehensive understanding of financial statement integrity.

### **CONCLUSIONS**

This study concluded that company size was the only variable that had a significant positive effect on financial statement integrity in infrastructure sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period, while independent commissioners, institutional ownership, and leverage did not show significant effects. These findings implied that larger companies tended to prepare financial statements with greater integrity as a result of stronger oversight mechanisms, better internal controls, and greater public and regulatory scrutiny. The results contributed to the theoretical framework of agency theory by emphasizing that company characteristics played a more dominant role than formal governance structures in enhancing financial reporting integrity within the infrastructure sector. Practically, this study suggested that regulators

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and stakeholders should not rely solely on governance structures but also strengthen enforcement and monitoring effectiveness to improve reporting quality. However, this study was limited by the scope of variables, sector focus, and observation period. Therefore, Future research should consider additional variables, such as audit quality, managerial ownership, or corporate risk, extend the study period, and examine other industrial sectors to provide more comprehensive insights into the determinants of financial statement integrity.

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