

The Effect Of Corporate Governance On The Integrity Of Financial Reports In Transportation And Logistic Companies

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Abstract

This study aims to analyze the influence of corporate governance, including institutional ownership, managerial ownership, and independent commissioners, on the integrity of financial statements in transportation and logistics companies. The integrity of financial statements is an important aspect in maintaining stakeholder trust because it reflects the reliability and honesty of financial information presented by the company. This study uses a quantitative method with secondary data obtained from the annual financial statements of transportation and logistics companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2020 period. The results show that managerial ownership and independent commissioners have a positive effect on the integrity of financial statements, while institutional ownership has no effect on the integrity of financial statements. These findings indicate that corporate governance mechanisms, particularly oversight by managerial investors and the role of independent commissioners, can improve the quality and integrity of a company's financial statements. This research is expected to contribute to the development of accounting literature and become a consideration for management and investors in decision-making.

Keywords: *Institutional Ownership, Managerial Ownership, Independent Commissioners, Financial Report Integrity.*

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh corporate governance yang meliputi kepemilikan institusional, kepemilikan manajerial, dan komisaris independen terhadap integritas laporan keuangan pada perusahaan sektor transportasi dan logistik. Integritas laporan keuangan merupakan aspek penting dalam menjaga kepercayaan pemangku kepentingan karena mencerminkan keandalan dan kejujuran informasi keuangan yang disajikan oleh perusahaan. Penelitian ini menggunakan metode kuantitatif dengan data sekunder yang diperoleh dari laporan keuangan tahunan perusahaan transportasi dan logistik yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2018-2020. Hasil penelitian menunjukkan bahwa kepemilikan manajerial dan komisaris independen berpengaruh positif terhadap integritas laporan keuangan, sedangkan kepemilikan institusional tidak berpengaruh terhadap integritas laporan keuangan. Temuan ini mengindikasikan bahwa mekanisme tata kelola perusahaan, khususnya pengawasan dari investor manajerial dan peran komisaris independen, mampu meningkatkan kualitas dan integritas laporan keuangan perusahaan. Penelitian ini diharapkan dapat memberikan kontribusi bagi pengembangan literatur akuntansi serta menjadi bahan pertimbangan bagi manajemen dan investor dalam pengambilan keputusan.

Kata Kunci: *Kepemilikan Institusional, Kepemilikan Manajerial, Komisaris Independen, Integritas Laporan keuangan.*

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INTRODUCTION

Financial statements are the primary means for companies to convey financial information to stakeholders, such as investors, creditors, and regulators. The information presented in financial statements must have a high level of integrity to be used as a basis for reliable economic decision-making. The integrity of financial statements reflects the extent to which financial statements are prepared honestly, objectively, and free from manipulative practices that could mislead users. The integrity of financial statements means that information is presented accurately and is free from detrimental actions or manipulation of accounting figures, and the information presented in financial statements meets the needs of users of financial statements (Prena et al., 2020). In practice, conflicts of interest between management and company owners are often unavoidable. This situation aligns with agency theory, which states that managers, as agents, have a tendency to act in their own self-interest, potentially compromising the quality and integrity of financial reports. Therefore, effective corporate governance mechanisms are needed to minimize these conflicts of interest and improve oversight of management performance.

Several corporate governance mechanisms considered capable of influencing the integrity of financial reports include institutional ownership, managerial ownership, and the presence of independent commissioners. Institutional ownership is one form of corporate governance considered to enhance the integrity of financial reports. Financial institutions such as pension funds, insurance companies, and mutual funds typically have the resources to effectively monitor business performance and financial reporting practices. Consequently, share ownership by these institutions can enhance oversight of management decisions. Previous studies have shown that the credibility of financial reports in some academic journal industries is highly dependent on institutional ownership (Krisnawati et al., 2024). Institutional ownership is believed to increase oversight of management because institutional investors have resources, expertise, and long-term interests in the company.

Managerial ownership is also considered a mechanism that can align the interests of management and shareholders. Managerial ownership is the shares held by management, which has a crucial role in the company's operations, such as in the planning, organizing, and decision-making stages (Herada et al., 2022). With management share ownership, it is hoped that managers will be more careful in presenting financial information because they also feel the impact of the decisions taken. Another important component is the existence of independent commissioners who have a role to oversee management and provide strategic recommendations to ensure that the information presented in the financial statements is transparent and fair. Ideally, independent commissioners do not have any financial relationships or involvement in management that could affect their objectivity in carrying out their supervisory (Azzah et al., 2021). However, the effectiveness of independent commissioners in improving the integrity of financial reports remains a topic of debate in the literature, with some studies finding a significant positive impact. The presence of independent commissioners also plays an important role in increasing the effectiveness of management oversight.

The transportation and logistics sector plays a strategic role in supporting economic growth and the smooth distribution of goods and services. The operational complexity and substantial funding requirements of this sector increase the risk of financial statement manipulation. Therefore, research into the factors influencing the integrity of financial statements in transportation and logistics companies is crucial. Research on the impact of institutional ownership, managerial ownership, and the presence of independent

commissioners on the reliability of financial statements has been conducted across various industries. However, attention to the transportation and logistics sector remains limited, despite its distinct operational characteristics and capital structure compared to other manufacturing or service sectors (Berlian & Meihendri, n.d.). Furthermore, cases of financial report manipulation in this sector, such as changes to financial reports in several public companies, demonstrate the need for more in-depth research into the contribution of Good Corporate Governance (GCG) mechanisms to improving the reliability of financial reports.

LITERATUR REVIEW

Agency Theory

Agency theory explains the relationship between company owners (*principal*) and management (*agent*) who have different interests. Company owners delegate management authority to management, but differences in interests can give rise to agency conflicts. These conflicts have the potential to encourage management to take opportunistic actions, including manipulating financial reports, thereby reducing the integrity of financial reports. Therefore, an effective oversight mechanism is needed to reduce agency conflicts and improve the quality of financial reporting. Agency problems arise because the principal's expectations and the manager's actions are at odds, with the hope of achieving maximum returns on investment (Arista & Wahyudi, 2018). The existence of agency problems hinders companies from providing useful value to all parties.

Financial Reporty Integrity

The integrity of financial reports is a reflection of the reliability and honesty of the financial information presented by the company, to show the extent to which the report is presented honestly, clearly, and in accordance with generally accepted accounting (Azzah et al., 2021). Financial reports that have high integrity must not contain bias or manipulation that could deceive users. The integrity of financial statements is crucial because it serves as the primary basis for investors, creditors, and other stakeholders in making economic decisions. One commonly used proxy for financial statement integrity is accounting conservatism, which reflects the principle of prudence in revenue and expense recognition

Institusional Ownership

Institutional ownership refers to the ownership of company shares by institutions such as banks, insurance companies, pension funds, and other investment institutions. Institutional investors generally have better analytical capabilities and resources to oversee management performance. Higher institutional ownership is expected to enhance the monitoring function, thereby encouraging management to present more transparent and integrated financial reports. The presence of institutional ownership in a company leads to increased oversight of operational performance (Parinduri et al., n.d.). Institutional ownership can act as a means to control company management activities to be more efficient in reducing costs.

Manajerial Ownership

Managerial ownership is the proportion of shares held by company management, including directors and commissioners. Managerial ownership is considered capable of aligning management interests with shareholders because management shares the risks and benefits of decisions made. Managerial ownership has a positive effect on the integrity of financial statements because management will be more careful in preparing financial statements to maintain share value and the company's reputation (Azzah L at al, 2021). Because they are directly responsible for the value of the shares they own, management who own shares in the company are expected to prepare financial statements with greater integrity.

Independent Commisioner

Independent commissioners are members of the board of commissioners who have no financial, managerial, or family ties to management or controlling shareholders. The presence of independent commissioners is expected to increase the effectiveness of oversight of management performance, including in the financial reporting process. Furthermore, they

monitor management behavior to prevent data manipulation and present information in accordance with the integrity of the financial statements (Wulandari et al., 2021). Independent commissioners play a crucial role in ensuring the implementation of the principles of transparency, accountability, and independence in corporate governance. Independent commissioners are expected to act objectively and independently in overseeing the financial reporting process, thereby preventing financial statement manipulation.

RESEARCH METHODS

Tyoes of research

This research is a quantitative study using a causal approach, namely research that aims to determine the influence of independent variables on dependent variables. The quantitative approach was chosen because this study uses numerical data analyzed statistically to test the relationship between research variables.

Population and Sample

The population of this study comprises all companies in the Transportation and Logistics Sector listed on the Indonesia Stock Exchange for the 2018-2022 period. This study uses the purposive sampling in sample selection, with predetermined criteria, such as transportation and logistics sector companies listed on the Indonesia Stock Exchange consecutively for the period 2018-2022, transportation and logistics companies that publish financial reports in rupiah currency, companies with financial report data (annual report) which will be completed in 2018-2022.

Operational Definition and Measurement of Variables

1. Financial Report Integrity

The integrity of financial statements is measured using the level of accounting conservatism, which reflects the company's prudence in recognizing revenue and expenses. The use of the financial statement conservatism index presented in a systematic manner *understate* considered to have more integrity because it has a smaller risk compared to the *oneoverstate*. The conservatism index uses the Beaver model to calculate the integrity of financial statements, and uses the market-to-book.

$$LKit = \frac{\text{Stock market price}}{\text{Book value of shares}}$$

2. Institutional Ownership

Institutional ownership refers to the number of shares held by authorities such as national and international governments, banks, and other institutions. Institutional ownership is the percentage of voting rights held by an institution, which can influence the preparation of financial statements, and is measured by the percentage of shares held by the institution to the total number of shares outstanding.

$$\text{Institutional Ownership} = \frac{\text{Number of institutional shares}}{\text{Number of shares outstanding}} \times 100\%$$

3. Managerial Ownership

Managerial ownership is measured by the percentage of the number of shares owned by management (directors and commissioners) to the total shares in circulation.

$$\text{Managerial Ownership} = \frac{\text{Number of managerial shares}}{\text{Number of shares outstanding}} \times 100\%$$

4. Independent Commissioner

Independent commissioners are measured by the proportion of the number of independent commissioners to the total number of board of commissioners.

$$\text{Independent Commisioner} = \frac{\text{Number of Independent Commisioner}}{\text{Number of members of the company'sboard of commisioner}} \times 100\%$$

DATA ANALYSIS TECHNIQUES

Multiple Regression Analysis

Multiple regression analysis is a linear regression model involving more than one independent variable to predict the extent of influence on the dependent variable. The objective is to examine how institutional ownership, managerial ownership, and independent commissioners affect the integrity of financial statements. The analysis was conducted using statistical software. The regression model used in this study is as follows:

$$FIRST = a + \beta_1TO + \beta_2KM + \beta_3KOMIND + e$$

Information:

ILK = Financial Report Integrity

KI = Institutional Ownership

KM = Managerial Ownership

KOMIND = Independent Commissioner

α = Constant

β = Regression coefficient

ϵ = Error

Classical Assumption Test

Prior to hypothesis testing, the data was examined using classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation to ensure the regression model met the criteria. The classical assumption test is a regression model used to determine whether the regression model is appropriate or whether there are classical assumption issues.

Hypothesis Testing

Hypothesis testing is carried out by testing the coefficient of determination (R^2) is used to determine the percentage of the influence of the independent variable on the dependent variable, the partial test (T test) to determine the influence of each independent variable on the dependent variable, and the simultaneous test (F test) to determine the influence of the independent variables together on the dependent variable. The significance level used in this study is 5% ($\alpha = 0.05$).

RESULT AND DISCUSSION

Multiple Linear Regression Analysis

This analysis is used to test the influence of independent variables, namely institutional ownership (KI), managerial ownership (KM), and independent commissioners (KOMIND), on the dependent variable, namely financial statement integrity (ILK). The following are the results of the multiple linear regression analysis:

Tabel 1. Multiple Linear Regression Analysis

Variabel Independen	Coefficient ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
Constant	0.493	1.359		0.363	0.717

Institutional Ownership	-0.017	0.114	-0.001	-0.127	0.882
Managerial Ownership	0.012	0.004	0.25	2.646	0.009
Independent Commissioner	0.581	0.196	0.288	2.929	0.003

Based on the regression estimation results listed in the table above, the regression equation to measure the integrity of financial reports can be written as follows:

$$Y = 0,493 + -0,014KI + 0,012KM + 0,575KOMIND + \varepsilon$$

The following is the meaning of the regression coefficient of each variable in the study, the following conclusions can be drawn:

α = constant value

The constant value of 0.493 indicates that if institutional ownership, managerial ownership, and independent commissioners are considered to have a value of zero or constant, then the integrity value of the financial report is 0.493.

b_1 = Regression coefficient X_{TO}

The institutional ownership regression coefficient of -0.017 indicates that every 1-unit increase in institutional ownership, assuming other variables remain constant, will decrease financial statement integrity by 0.017 units. This negative correlation indicates that increases in institutional ownership tend to be followed by a decrease in financial statement integrity.

b_2 = Regression coefficient X_{KM}

The managerial ownership regression coefficient of 0.012 indicates that every 1-unit increase in managerial ownership, assuming other variables remain constant, will increase financial statement integrity by 0.012 units. This indicates a unidirectional relationship between managerial ownership and financial statement integrity.

b_3 = Regression coefficient X_{KOMIND}

The independent commissioner regression coefficient of 0.581 indicates that every 1-unit increase in the proportion of independent commissioners, assuming other variables remain constant, will increase financial statement integrity by 0.581 units. This coefficient is the largest among the other independent variables, thus numerically indicating the greatest impact of changes on financial statement integrity.

Hypothesis Testing

T-Statistic Test

1. The Influence of Institutional Ownership on the Integrity of Financial Reports
Testing the institutional ownership variable on financial statement integrity showed a significance value (sig) of $0.882 > 0.05$. The significance value of institutional ownership is greater than 0.05, meaning that institutional ownership has no significant effect on financial statement integrity. Therefore, it can be concluded that institutional ownership has no significant effect on financial statement integrity, which is rejected.
2. The Influence of Managerial Ownership on the Integrity of Financial Reports
Managerial ownership shows a positive value, indicating a positive relationship between managerial ownership and the integrity of financial statements. Testing the managerial ownership variable on the integrity of financial statements shows a significance value (sig) of $0.009 > 0.05$, which means that this result indicates that the hypothesis stating that managerial ownership has a partial significant effect on the integrity of financial statements is accepted.
3. The Influence of Independent Commissioners on the Integrity of Financial Reports
Independent commissioners have a positive effect on the integrity of financial statements. The regression coefficient of independent commissioners on the integrity

of financial statements is 0.581 with a significance value of 0.003. The significance value of institutional ownership is less than 0.05, indicating that independent commissioners have a significant effect on the integrity of accepted financial statements.

CONCLUSION & SUGGESTION

This study aims to analyze the influence of institutional ownership, managerial ownership, and independent commissioners on the integrity of financial reports in transportation and logistics companies listed on the Indonesia Stock Exchange. Based on the data analysis and discussion, the following conclusions can be drawn:

1. The data analysis results show that institutional ownership has no effect on the integrity of financial statements. This indicates that a large proportion of institutional share ownership does not necessarily improve the integrity of a company's financial statements. The greater the institutional ownership, the lower the conservatism and the higher the integrity of the financial statements. Institutions that own shares in a company play a more significant role outside of company management, complicating the oversight process and thus preventing the integrity of the financial statements from being affected.
2. Managerial ownership influences the integrity of financial reporting. Management share ownership aligns the interests of managers and shareholders, thus encouraging management to present financial reports with greater integrity. Managerial ownership is able to encourage management to act more responsibly in preparing financial reports because of the alignment of interests between management and shareholders.
3. Independent commissioners have also been shown to have an impact on the integrity of financial reports, indicating that the role of independent commissioners in carrying out objective and independent supervision is able to improve the quality and integrity of the company's financial reports. The existence of independent commissioners plays an important role in improving the supervisory function of management so as to minimize manipulation practices and increase the integrity of financial reports.

Based on the research results above, there are several suggestions, including:

1. For companies in the transportation and logistics industry, management is expected to increase share ownership in an effort to balance the interests of shareholders and management. With adequate managerial ownership, management can be more responsible in preparing financial reports, improving the integrity of financial reporting. To improve oversight of the financial reporting process, companies are also advised to strengthen the role and proportion of independent commissioners within the board of commissioners.
2. Investors should consider aspects of company management, particularly managerial ownership and independent commissioners, when making investment decisions. To assess the quality and integrity of a company's financial statements, effective governance mechanisms can help reduce the likelihood of fraud.
3. For Regulators: Regulators are expected to continue improving policies and oversight related to the implementation of corporate governance, particularly regarding independent commissioners. Enhancing the independence and capabilities of independent commissioners, as well as their oversight function, must be considered to ensure that these mechanisms are truly effective in enhancing the integrity of corporate financial reporting.
4. Suggestions for future research include the inclusion of additional factors that may influence financial statement integrity, such as audit quality, firm size, leverage, and profitability. Future research could also use different proxies for financial statement integrity or expand the research subject to other areas to make the findings more generalizable.

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