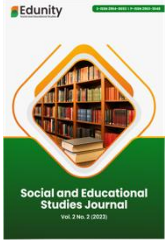
Edunity

Volume 4 Number 6, June 2025

p- ISSN 2963-3648 e-ISSN 2964-8653



Determinants of Financial Report Quality (A Study on Banking Companies Listed on The Indonesia Stock Exchange in 2021–2023)

M. Anggi Pujakusuma*, Afrizal, Muhammad Gowon
Universitas Jambi, Indonesia
Email: anggipujakusuma05@gmail.com*, afrizaldoktor@unja.ac.id, gowon@unja.ac.id

ABSTRACT

Quality financial statements are critical as they form the basis of decision-making for investors, regulators, and other stakeholders. This study seeks to provide empirical evidence on how various factors including "Leverage, Profitability, Institutional Ownership, Managerial Ownership, Independent Board of Commissioners, Audit Committee, Female Executives, and Competence" affect the quality of financial statements in banking companies listed on the IDX. The main focus of the study is to review the collective and individual impact of these variables. The secondary data source of this research is the annual report and performance summary of banking companies for the 2021-2023 period which are accessed through the IDX portal and the company's official website. Of the 47 eligible companies, this study took a sample of 27 banking companies through purposive sampling technique. The research hypothesis was then tested by applying multiple regression analysis. The results of this study reveal that Leverage, Institutional Ownership, Independent Board of Commissioners, and Audit Committee have a significant influence on the quality of financial statements. However, Profitability, Managerial Ownership, Female Executives, and Competence did not show a similar impact. Interestingly, when reviewed together, all these factors collectively affect financial statement quality. These findings underscore the important role of corporate governance in driving financial statement quality, while suggesting that some elements such as female executives and managerial ownership may not have a direct impact. Future research could explore additional variables or different sectors to deepen the understanding of financial reporting quality.

Keywords: Financial Report Quality, Banking Companies, Indonesia Stock Exchange (IDX), Determinants, 2021–2023 Period.

INTRODUCTION

Financial statements are a reflection of the condition of a company's financial performance. One of the main indicators that is often seen by users of financial statements is the company's profit, because profit provides an overview of how effective and efficient the company is in carrying out its operations. Therefore, a good financial report is a report that not only describes current performance, but can also provide signals or projections of potential future performance. A quality report will present information that is relevant, reliable, comparable and understandable, so that the recorded profit is not manipulative or temporary, but truly reflects the fundamental strength of the company. If the profit reported in the current year is able to describe future profits, then the financial statements are considered high quality and useful in making economic decisions. To achieve this, HR competence plays a crucial role. Professionals involved in the process of preparing financial statements must have the knowledge, technical skills, integrity, and understanding of financial reporting standards. Quality financial statements should not be made by just anyone. It requires people who have professional capacity, a strong understanding of accounting principles, and the ability to apply applicable financial reporting standards. Competent human resources in the field of accounting and financial reporting are not only able to prepare accurate and standardized reports, but also to analyze and present information in a transparent and accountable manner. In other words, the quality of financial reports is highly dependent on the quality of the human resources that manage them (Wibawa et al., 2017).

Human resource competence is a key factor in the process of preparing financial statements that are accurate, transparent, and in accordance with applicable accounting standards. This competency includes an understanding of accounting principles, analytical skills, integrity, and skills in using financial reporting tools. When companies have a competent workforce, they are able to prepare financial statements with care, pay attention to detail, and ensure that every figure presented reflects the company's financial reality. They are also better able to identify errors or discrepancies in financial records so that the quality of the report becomes more reliable and trustworthy by stakeholders. Conversely, if the company lacks human resources with adequate knowledge and skills, the resulting financial statements may contain errors, be less informative, or even misleading. This can have a negative impact on business decision-making and reduce the company's credibility in the eyes of investors and regulators (Wibawa et al., 2017).

The topic of human resources is not only about technical competence, but also deals with social dynamics such as gender, which is now a concern in management and leadership studies. In the past, women's roles were often limited by social and cultural norms, but since the rise of the emancipation movement and gender equality, women have gained wider space to develop in the professional world. The perception that only men deserve to occupy strategic positions in companies is now beginning to shift. Recognition of the contribution of women in the business world is also evident from international publications such as Forbes, which in 2015 included three female figures from Indonesia in its Asia Power Women list. The three figures are Anne Patricia Sutanto, who serves as Vice President Director of PT Pan Brothers Tbk, Noni Purnomo as President Director of PT Blue Bird Tbk, and Wendy Sui Cheng Yap as President Director and CEO of PT Nippon Indosari Corpindo Tbk. (Sugiharto & Rudiawarni, 2017).

This study takes the banking sector as the object of study because this sector has unique and crucial characteristics in the national financial system. Banking is the backbone of the economy that manages public funds, so the quality of financial reports is vital to ensure transparency and accountability of bank financial performance. However, in practice, there are still various cases of financial report manipulation that tarnish the integrity of this sector. One notable case in the spotlight is SNP Finance's annual financial statements, which received an “unqualified” opinion from two independent auditors (AP Marlinna and AP Merliyana Syamsul). The opinion should have reflected that the financial statements had been prepared in accordance with applicable accounting principles and were free from material error. However, OJK's findings prove otherwise - that SNP Finance's financial statements actually present information that is far from its actual financial condition. This discrepancy indicates manipulation or negligence in the audit process, which ultimately harms various parties, especially banking institutions that cooperate with or channel financing to SNP Finance (Syafina, 2018).

The Financial Services Authority (OJK), as an institution that oversees the financial services sector, considers that the actions taken by the two accountants have violated POJK Number 13/POJK.03/2017, which specifically regulates the use of public accounting services and public accounting firms by financial institutions. In the regulation, precisely in Article 39 letter b, it is explained that serious violations include actions such as manipulating data, helping other parties to manipulate, or falsifying information related to the professional services provided. This means that any action that leads to dishonesty, falsification, or omission of financial reports that do not match reality, is considered a serious offense that damages the integrity of the profession and the financial reporting system in general (Syafina, 2018).

Another emerging phenomenon is how investment decisions that are not based on proper analysis can bring great risk to financial institutions. Bank Jambi attempted to increase their profits by purchasing medium-term debt securities from PT SNP, a finance company that apparently presented financial statements that had been manipulated so that they did not reflect the actual conditions. The mistake dates back to El Halcon's tenure as Marketing Director of Bank Jambi, where the decision to purchase debt securities was made without conducting due diligence or a thorough risk analysis of the financial products offered. The purchase of debt securities was also made through an intermediary agent, PT MNC Sekuritas, which should have played a role in providing appropriate information and evaluation. As a result of this neglect of analysis, Bank Jambi was exposed to substantial risk as the debt securities purchased were based on invalid data and had been engineered by PT SNP. This situation has the potential to cause significant financial losses for the bank, as well as threaten public confidence and financial stability at the regional level (Ferdi Almunanda, 2023).

Albert highlighted the lack of application of prudential principles and risk management in the Bank's decision to purchase bonds issued by PT SNP. In this case, the Bank made a bond purchase transaction based on an offering document prepared by PT MNC Sekuritas. The document contains information and analysis that should be considered by investors. However, the financial statements used as the basis for making the offering document had been manipulated, thus giving a false picture that PT SNP's financial condition was healthy and its business prospects were good. In fact, PT SNP has been experiencing serious financial problems since 2010. This can be seen from the company's negative cash flow, where expenses are greater than income, indicating difficulties in maintaining liquidity (Ferdi Almunanda, 2023).

Another case is Bank Bukopin which, for more than five years, modified credit card data in large numbers (more than 100,000 cards). These modifications resulted in an unreasonable increase in credit positions as well as income earned from commissions, resulting in the bank's financial statements being less reflective of its true condition. Of major concern is the fact that this practice went on for years undetected by the various parties that should have carried out supervisory and audit functions. Bank Bukopin's internal audit failed to identify the irregularities, as did the independent auditors from the Public Accounting Firm who were tasked with conducting an objective examination of the financial statements. In addition, Bank Indonesia as the regulator overseeing the credit card payment system also failed to detect this data modification practice. Likewise, OJK, which is authorized to oversee all banking activities in Indonesia, has been unable to prevent or discover this practice for years (Scott, 2018).

The 2016 restatement of Bank Bukopin's financial statements showed significant corrections to previously reported financial figures. Findings made by management indicated that the financial data presented initially did not reflect the actual conditions, so it was necessary to revise or restate the financial information to make it more accurate and transparent. The revision led to a drastic decrease in the reported net profit, from Rp 1.08 trillion to only Rp 183.56 billion. One of the main factors causing this decline was the reduction in income from fees and commissions earned from credit card transactions, which dropped significantly from Rp 1.06 trillion to Rp 317.88 billion (Scott, 2018).

Various previous studies have examined many factors that affect the quality of financial statements. The factors analyzed in this study include “leverage, profitability, institutional ownership, managerial ownership, independent board of commissioners, audit committee, female executives, and competence”. Among these factors, the role of gender is one of the interesting topics to research because it can affect the way individuals make decisions. Some studies show that there are differences in patterns between men and women in processing information. Men tend to select only part of the information that they consider relevant, so the resulting decision may be less comprehensive and not consider all necessary aspects. In contrast, women tend to be more thorough and detailed in utilizing available information. They usually use information more completely, conducting evaluation and re-verification to ensure the truth and relevance of the data before making decisions. In addition, women's tendency to not give up easily shows perseverance that can improve the quality of the decision-making process and better work results (Indayani et al., 2015).

Research Sugiharto & Rudiawarni (2017) revealed that gender factors at the executive level of the company, especially financial positions such as CFO, have a significant influence on the quality of financial statements. This difference can be seen in the approach to earnings management, which is the action taken by management to manipulate the numbers in the financial statements to achieve certain goals, such as improving the company's image or meeting financial targets. Female CFOs tend to use a more cautious and conservative reporting approach, which means they prioritize accuracy and transparency over simply embellishing numbers. This approach allows earnings management practices to be minimized, resulting in more trustworthy and high-quality financial statements. In contrast, male CFOs tend to be more flexible or aggressive in the management of financial statements, which risks reducing the reliability of the information presented.

In line with the meaning of employment and education in Indonesia, the concept of competence has an important role in determining the quality of human resources. Law No. 13 of 2003 emphasizes that competence is a combination of technical and non-technical abilities possessed by an individual, namely knowledge possessed, skills mastered, and work attitudes in accordance with standards set by the government or related institutions. These three aspects must be fulfilled so that a person can carry out their job duties and responsibilities effectively and professionally. Furthermore, Law No. 20/2003 on the National Education System emphasizes that the competencies possessed by education graduates are not only related to mastery of academic material, but also include attitudes and skills that must meet agreed national standards. This means that competent graduates are not only smart in theory, but also able to apply this knowledge practically with a good attitude in accordance with the needs of the world of work and society (Kartika & Budiono, 2015).

Human resources are an important foundation in an organization, because individuals who have adequate knowledge, skills and abilities can encourage innovation and efficiency in carrying out business activities. Qualified human resources also play a role in providing consistent and professional services or work results. In the context of financial reporting, HR competence is an important aspect that affects the quality of the reports produced (Nurillah & Muid, 2014). Sholeh (2017) added that competence plays an important role so that the financial statements made have useful information value and can be trusted by report users, such as investors, creditors, and regulators. However, a study conducted by Hidayatullah & Sulhani (2018) shows that gender and competency aspects as measured by the CFO's educational background do not directly affect the quality of financial statements, especially in terms of the timeliness of report presentation. In contrast, other factors such as the length of time the company has been operating (company period) and the type of company have a significant influence on the quality of financial statements.

Pen & Vahamaa (2010) in their research raised the important topic of how the role of female executives can affect the quality of financial statements, especially in the context of earnings management. Their findings suggest that the involvement of female executives tends to improve the quality of financial statements, meaning that their presence can help encourage more transparent and accurate reporting. In addition to the executive gender factor, the study also included several control variables to understand the influence of other factors on financial statement quality. The leverage ratio, negative net income, revenue growth, and firm size were found to have a noticeable effect, while the market to book ratio had no significant impact. This suggests that a company's financial condition and certain characteristics influence how financial statements are prepared and presented.

This study refers to previous research conducted by Nugroho et al. (2023) examined various factors that affect the quality of financial statements and found quite complex results. Leverage and managerial ownership have a positive effect, meaning that companies with a certain debt structure and actively involved ownership tend to produce quality financial statements. However, profitability, independent board and audit committee have a negative effect, which may indicate the complex dynamics of corporate governance and how oversight and financial performance interact with reporting quality.

This research distinguishes itself from studies Nugroho et al. (2023), study focuses on six independent factors only, but this study sees the need to expand the scope of variables to make the analysis more comprehensive. While the Nugroho study focused on six independent factors only, this study sees the need to expand the scope of variables to make the analysis more comprehensive. Human resource competencies are considered crucial because the abilities, knowledge and skills of workers play a direct role in carrying out important company functions, from strategic planning, implementing operational activities, to controlling and evaluating work results. When human resources have adequate competence, they can carry out their duties professionally, efficiently and effectively, which in turn improves the quality of work results, including financial reports (Wati et al., 2014).

Then, the female executive variable is used as a focus because the CFO position run by women has special implications in the context of decision making and financial reporting. Gender itself is not just biological sex, but also social roles that are shaped by various aspects of behavior and responsibilities in society. These gender roles can vary and be dynamic, depending on the culture and times. A CFO, regardless of gender, has a big responsibility and must be able to carry out their duties independently and professionally without any pressure from outside factors. Therefore, paying attention to gender in this position is important to see how it can affect the quality of financial statements (Feriyanto & Kurniasih, 2016).

In addition, another difference with the research Nugroho et al. (2023) is in the time span of data observation. The previous study used data from 2015 to 2020, while this study uses more recent data, namely 2021 to 2023. The use of recent data is expected to provide more relevant and accurate results as economic conditions, regulations and business practices may change over time. Complete and up-to-date data also helps increase the validity and reliability of research findings.

The next difference between this research and the research of Nugroho et al. (2023) lies in the company sector studied. While Nugroho et al. focused on the manufacturing industry, this study chose banking companies as the object of study. This selection is based on unique conditions in the banking sector, namely the high proportion of female CFOs in companies listed on the Indonesia Stock Exchange. This gender factor is considered important to study given the significant role of female executives in the financial reporting process.

This study aims to analyze the various factors that contribute to the quality of financial statements in the banking sector in the period 2021 to 2023. The approach taken is to test the combined (simultaneous) effect of variables such as "leverage, profitability, institutional ownership, managerial ownership, independent board of commissioners, audit committee, female executives, and competence". In addition, the research also wanted to see how each of these factors had an impact separately.

The contribution of this research is very meaningful in the academic realm because it can add to the understanding of the factors that determine the transparency and accountability of financial statements, especially in the banking sector which has a central role in the economy. The resulting information will be very useful for investors in making investment decisions, for regulators in overseeing financial reporting practices, and for other stakeholders who have an interest in the quality of financial information presented by these banks.

This research has broad benefits, both in terms of theory and practice. Theoretically, this research helps clarify how the relationship between corporate governance can affect the quality of financial statements. By understanding this relationship, the academic world can develop a more mature theoretical framework related to financial transparency and accountability. In terms of practice, the results of this study provide guidance for banking companies in structuring and adjusting their governance structures. With good governance, companies can produce more accurate and trustworthy financial reports, thus strengthening their credibility in the eyes of stakeholders. In addition, policymakers and financial sector regulators can also use the results of this study to formulate more effective regulations or policies to enhance transparency and sound governance practices. This is crucial for creating a conducive business environment, fostering investor confidence, and supporting economic stability and growth in a sustainable manner.

RESEARCH METHOD

Research Approach

This research uses a correlational approach, which is a type of research that aims to determine whether there is a relationship between two or more variables. According to Arikunto (2008) the correlational approach aims to identify the relationship between the variables under study and how strong and important that relationship is in the research. In correlational research, the main focus is on the correlation or degree of association between variables. In addition, correlational research helps to measure several variables at once and examine how they interact with each other simultaneously. Thus, this approach helps to provide a more comprehensive picture of the relationship between factors that affect the quality of financial statements in this study.

Data Types and Sources

This study uses data collection through secondary data, which means that researchers take information from documents and records that already exist and are available. The use of secondary data is usually done to simplify and speed up the research process because the data is well documented. In this study, the data used comes from the annual reports and performance summaries of banking companies listed on the IDX for the last three years, namely 2021 to 2023.

The annual report is an official document published by the company and contains complete information about the activities, financial performance, and managerial aspects of the company during a certain period. This data is obtained from official sources such as the IDX website and the official website of each bank, so that the authenticity and reliability of the data is more guaranteed. In addition, secondary data also includes specific information about gender and executive competence that is usually included in annual reports, as well as indicators of financial statement quality as measured by the discretionary accrual method. Discretionary accruals are a technique used to assess the level of earnings management or accounting manipulation in financial statements, thereby assisting in measuring the quality of those statements.

Population and Research Sample

Population refers to the entire group that is the object of study, which has certain characteristics or characteristics to be researched (Indriantoro & Supomo, 2016). In the case of this study, the object is a banking company listed on the IDX for the last three years, namely from 2021 to 2023. Because not all entities in the population can be used as research objects directly, the researcher takes a sample, which is a small part of the population that is considered representative of the entire population. The technique used in sample selection is purposive sampling, namely sample selection based on certain criteria that are relevant and considered important to answer research questions. The sample for this study must meet the sample selection criteria, which includes banking companies that are consistently listed on the IDX for three consecutive years, making it possible to analyze the data continuously and consistently. In addition, the selected companies must also reflect clear share ownership during the period, as this information is important to examine the effect of ownership structure on the quality of financial statements.

Data Analysis Techniques

Data analysis technique is a crucial stage in research that aims to process and interpret the data that has been collected. In this study, the analysis begins with descriptive statistics to provide an overview of the characteristics of the sample data, such as the amount of data, minimum and maximum values, mean, and standard deviation. The average is used to determine the middle value that represents the data as a whole, while the standard deviation shows the level of data dispersion towards the average value; a small standard deviation indicates that the data tends to center around the mean, while a large value indicates a wider spread of data. Maximum and minimum values indicate the range of values present in the data, providing upper and lower limits. This information helps researchers understand the nature of the data being analyzed and ensures that the sample used is sufficiently representative of the population. After this stage, classical assumption tests and multiple regression analysis were conducted to explore the relationship between the variables in more depth (Sugiharto & Rudiawarni, 2017).

RESULTS AND DISCUSSION

Descriptive Statistics

To offer an overview of the study's variables, descriptive statistics were employed. The results of this descriptive analysis, facilitated by SPSS version 29.0 for Windows, are detailed below:

Table 1. Descriptive Statistical Analysis Results

	N	Minimum	Maximum	Mean	Std. Deviation
ABSDA (Y)	81	.00	.33	.0780	.06517
DER (X1)	81	.081	15.308	4.93772	2.986223
LENGTH (X2)	81	.000	.181	.01507	.021228
KI (X3)	81	.000	549.421	21.08627	104.261700
KM (X4)	81	.000	1.473	.12912	.333545
IBC (X5)	81	.333	.750	.56695	.097998
AC (X6)	81	2	10	4.22	1.739
Valid N (listwise)	81				

Source: processed by Researcher

The dependent variable ABSDA, which represents the quality of financial statements through the measurement of discretionary accruals, has a fairly small average value (0.0780), which indicates that the majority of companies in the sample have a relatively low level of earnings management. The standard deviation is also small (0.06517) indicating that the ABSDA data does not spread too much from its average value.

The DER variable which reflects the level of leverage of the company shows a fairly high variation between the lowest value (0.081) and the highest (15.308), with an average of 4.93. Its standard deviation (2.99) indicates a significant difference in debt structure between companies in the sample.

ROA, as an indicator of profitability, shows an average value of 0.1507 (or about 15.07%), which is considered quite good. However, the range between 0 and 0.181 with a small standard deviation (0.0212) indicates that these companies tend to have relatively uniform profitability.

Institutional Ownership (KI) has a very high standard deviation (104.26), indicating that there is a large gap between companies that have low and very high institutional ownership. This can be seen from the very high maximum value of 549,421, which is likely a value in large units (e.g. number of shares in thousands or millions).

Managerial Ownership (KM) shows a low average (0.12912), which means that in general, share ownership by managers is relatively small. However, the maximum value of 1.473 indicates that some companies have a much larger portion of managerial ownership than the average.

The Independence of the Board of Commissioners (IBC) tends to be fairly consistent across companies, with an average of 56.7% of total board members being independent commissioners, and modest variations in the data.

Finally, the number of Audit Committee (AC) members ranges from 2 to 10, with an average of around 4 members. This shows differences in the audit committee structure between companies, but within reasonable limits.

Since certain variables in this study are dummy variables, their statistics are best summarized through frequency analysis. The results of this analysis, conducted using SPSS version 29.0 for Windows, are presented.

Table 2. Frequency Statistical Analysis Results

Variable	N	Score	Frequency	Percent	Valid Percent	Cumulative Percent
CFO (X7)	81	0	53	65.4	65.4	65.4
		1	28	34.6	34.6	100.0
Comp (X8)	81	0	34	42.0	42.0	42.0

1	47	58.0	58.0	100.0

Source: processed by Researcher

From Table 2, we see the breakdown for the CFO variable (X7), which has a total of 160 data points. Male CFOs (coded 0) make up the majority with 65.4% (160 cases), while female CFOs (coded 1) account for 34.6% (28 cases). Similarly, for the competency variable (X2) (81 data points), 42.0% (34 CFOs) had no accounting/economics education (score 0), and 58.0% (47 CFOs) had such a background (score 1).

Discussion

The influence of female executives and competence on the quality of financial statements

The results of multiple regression analysis found that eight variables such as leverage ratio, profitability level, institutional and managerial ownership, the existence of an independent board of commissioners, audit committee effectiveness, the existence of female executives, and managerial competence have a significant influence on the quality of the company's financial statements. This can be interpreted that the combination of these internal company factors has an important role in determining how well the financial statements are prepared and presented. This finding is evidenced by the calculated F value of 7.709 and a significance value smaller than 0.001, which is below the significance level of 0.05 ($\alpha = 5\%$), so the first hypothesis (H1) is accepted. In addition, the test results of the coefficient of determination (adjusted R square) produced a value of 0.461. This indicates that about 46.1% of variations or changes in the quality of financial statements can be explained by a model consisting of these eight variables. While the rest, namely 53.9%, is influenced by other factors not included in this research model.

The Effect of Leverage on the Quality of Financial Statements

The test results show that the coefficient value of the Debt to Equity Ratio (DER) variable on the quality of financial statements is 6.521 with a significance level of <0.001, which is smaller than the significance threshold of 0.05 ($\alpha = 5\%$). This indicates that DER has a significant influence on the quality of financial statements, thus the first hypothesis in this study can be accepted. In the business world, the use of debt is indeed common for expansion or operations. However, if the debt is too large, the company risks entering an unhealthy financial situation. This is referred to as extreme leverage, a condition where the debt burden is so heavy that the company struggles to repay or maintain its operational stability. In such conditions, the company might be tempted to manipulate its financial statements to appear healthier in the eyes of investors or creditors.

This condition is reinforced by the findings of Nugroho et al. (2023), which state that a high debt burden often drives companies to manipulate their financial statements. The purposes can vary, such as obtaining additional loans, attracting investors, or simply maintaining the company's image. However, these manipulative actions actually undermine the integrity and reliability of financial reports, which ultimately lowers the quality of information provided to stakeholders.

However, these findings are not consistent with the research by Syafana & Parinduri (2024), which assessed leverage using the DAR (Debt to Asset Ratio). In their approach, leverage does not show any influence on the completeness of financial statements. This indicates that the method of measuring leverage can yield different results depending on the ratio used DER measures debt against equity, while DAR compares debt against total assets. This difference in perspective can affect how the relationship between leverage and the quality of financial statements is interpreted. Another study by Susanti (2017) also provides a different perspective. He stated that companies with high leverage levels usually rely heavily on loans to finance their assets. Conversely, companies with low leverage depend more on their own capital. In some cases, companies with high leverage will strive to improve the quality of their financial statements as a strategy to maintain trust with investors and creditors. This is done to appear financially healthy despite having a large debt burden. However, not all companies are able to implement this strategy effectively. The success of presenting good financial statements is greatly influenced by the credibility and managerial capabilities of each company.

The Effect of Profitability on the Quality of Financial Statements

The test results show that the coefficient value of Return on Assets (ROA) against the quality of financial statements is -0.203 with a significance level of 0.839, which is much greater than the significance threshold of 0.05 (α = 5%). This means that profitability, as measured by ROA, does not have a significant impact on the quality of financial statements. In general, ROA is considered important by investors because it reflects management efficiency in managing assets and generating profits. A high ROA is often associated with financially healthy companies. However, in practice, this data does not always align with the quality of financial reporting. There is a possibility that the company earns high profits, but still prepares low-quality financial statements due to non-standard accounting practices, lack of disclosure of important information, or violations of transparency principles.

These results are in line with Ginting's (2017) research, which concluded that profitability is not always the market's reference in responding to earnings information. This indicates that investors and other stakeholders may consider other more important factors in assessing the company's financial quality, such as report integrity or information transparency.

However, the research by Nugroho et al. (2023) offers a different perspective. They emphasize that companies aiming to maintain the quality of financial reports should not only focus on profit performance but also ensure that their reporting systems comply with applicable accounting standards and regulations. This shows that profitability needs to be accompanied by compliance and accountability to truly reflect the quality of reporting. Support also comes from Budiono & Shanti (2024), who state that high profits do not guarantee good reporting quality. This is an important note for investors and stakeholders that not all companies that appear financially profitable have reliable and trustworthy reporting systems.

The Influence of Institutional Ownership on the Quality of Financial Statements

The results of the statistical test show that the coefficient value for the Institutional Ownership (IO) variable on the quality of financial statements is 2.233 with a significance level of 0.029, which is smaller than the significance threshold of 0.05 (α = 5%). These findings indicate that IO has a significant impact on the quality of financial statements. Institutional ownership refers to the proportion of shares held by institutions such as insurance companies, pension funds, banks, and other institutional investors. Their presence as major shareholders is often associated with a higher level of oversight over management. With effective oversight, managers become more cautious and tend to avoid opportunistic actions, such as financial statement manipulation. This directly has a positive impact on the transparency and quality of the financial information conveyed by the company.

This research is in line with Fadhilah & Afriyenti (2023), which shows that the presence of institutional shareholders increases the drive for companies to produce high-quality financial reports, as institutions require reliable information for their investment decision-making. In other words, the greater the influence of institutions, the higher the demand for the company's transparency and accountability.

However, not all studies find a positive influence of institutional ownership (IO). The research by Sinulingga et al. (2020) reveals that although the total institutional ownership is high, its distribution is spread among many small institutions, each of which does not have significant power. In this condition, there is no single institution that is dominant enough to control the direction of the company's policies or pressure management to be transparent. As a result, the effectiveness of oversight becomes weak, and conflicts of interest between managers (agents) and owners (principals) continue to occur, ultimately lowering the quality of financial reports.

The Influence of Managerial Ownership on the Quality of Financial Statements

The test results show that the value of the managerial ownership (KM) coefficient on the quality of financial statements is -1.092 with a significance level of 0.061, which is greater than the significance threshold of 0.05 (α = 5%). Therefore, KM does not have a significant effect on the quality of financial statements. Although companies with managerial ownership tend to have better performance compared to companies without managerial ownership, the improvement in performance does not automatically enhance the quality of information in the company's financial statements. Managerial ownership can have two different sides in practice. On one hand, managers who are also shareholders tend to be more accountable for the company's performance because they have a personal stake in the company's success. This can enhance alignment between management and owners and encourage transparency in financial reporting. This is supported by the research of Fadhilah & Afriyenti (2023) which shows that stock ownership by management can be a positive motivator to improve the quality of financial reports.

However, on the other hand, as explained in the research by Handayani & Budiantara (2023), managerial ownership can also create opportunities for conflicts of interest, especially when managers are driven to prioritize personal gains over the interests of the company and other shareholders. In this context, there is a risk of unethical earnings management practices, risk disclosure avoidance, and financial statement manipulation for personal gain. This situation can diminish the integrity and quality of the generated financial reports.

Thus, the influence of managerial ownership on the quality of financial reports greatly depends on how managers perform their roles, whether they act in the interest of the company as a whole or prioritize personal interests. This is an important concern for companies and regulators to ensure the presence of oversight mechanisms and good governance so that managerial ownership can have a positive impact on the quality of financial reporting.

The Influence of the Independent Board of Commissioners on the Quality of Financial Statements

The coefficient value of the Independent Commissioner (IBC) variable on the quality of financial statements is -2.175 with a significance level of 0.033, which is less than the significance threshold of 0.05 (α = 5%). This indicates that the IBC has a significant influence on the quality of financial statements. Independent commissioners are members of the board of commissioners who come from outside the company and do not have personal or business relationships with the company. They are tasked with overseeing the company's operations objectively and ensuring that management conducts operations in accordance with good governance principles.

The main function of independent commissioners is to provide independent oversight of management, thereby reducing the risk of deviations and unethical practices in financial reporting. With effective oversight, it is expected that the company's financial statements can be prepared transparently, accurately, and in accordance with applicable standards. This is very important for investors and other stakeholders who rely on that information to make economic decisions. Nugroho et al. (2023) support this finding by stating that compliance with accounting standards and applicable regulations is greatly influenced by the corporate governance structure, including the presence of independent commissioners. Thus, the role of independent commissioners is not only supervisory but also as guardians to ensure that the company complies with regulations that can enhance public trust.

On the other hand, Pardede & Annisa (2023) show that from the perspective of agency theory, independent commissioners play an important role in reducing information asymmetry issues between management and shareholders. Often, shareholders are disadvantaged because they do not receive information completely and in a timely manner. Independent commissioners help bridge this gap by ensuring that transparent and reliable information is conveyed to shareholders. Thus, they contribute to the integrity and accountability of financial reports.

The Influence of the Audit Committee on the Quality of Financial Statements

The coefficient value of the Audit Committee (AC) variable on the quality of financial statements is 2.137 with a significance value of 0.036, which is smaller than the significance threshold of 0.05 ($\alpha = 5\%$). These results indicate that the presence of the audit committee significantly affects the quality of financial statements. The audit committee plays a crucial role as an internal supervisor that examines the accounting policies chosen by management and assesses whether the presented financial statements comply with applicable accounting standards and principles. To effectively carry out their duties, audit committee members must have a deep understanding of financial reporting and high analytical skills. Thus, they can help the company prepare financial statements that are clear, transparent, and accountable.

These results are in line with the research by Sumayyah & Ladepi (2020), which shows that independent audit committees are effective in curbing earnings management practices, both accounting-based and real. With strict oversight, the audit committee helps prevent financial data manipulation and ensures that the published reports reflect the actual condition of the company. Therefore, the audit committee becomes an important tool for the board of directors to maintain the integrity of financial reporting.

However, not all studies show the same positive picture. Effendi's (2024) research reveals that in practice, audit committee members sometimes lack the adequate competence to identify complex issues in financial statements. The audit committee also heavily relies on the information provided by management. If management is not transparent or hides important information, the audit committee's ability to conduct oversight becomes limited. Additionally, pressure from management or major shareholders can hinder the audit committee in performing its oversight function critically and independently. This condition has the potential to reduce the effectiveness of the audit committee and affect the quality of financial reports.

The influence of female executives on the quality of financial statements

The test results show that the coefficient value of the presence of a female Chief Financial Officer (CFO) on the quality of financial statements is 0.167 with a significance value of 0.868, which is greater than the significance threshold of 0.05 ($\alpha = 5\%$). This indicates that the presence of a female CFO does not have a significant impact on the quality of financial statements. This means that both companies led by male and female CFOs do not show differences in the levels of transparency, accuracy, and reliability of their financial reports. This is in line with the findings of Widiarta's (2013) research, which also emphasizes that gender is not a determining factor in the quality of financial reporting.

However, there are other studies that show different results. Indyani et al. (2015) state that in the decision-making process, female CFOs tend to be more meticulous and comprehensive in using the available information compared to male CFOs. This indicates that gender differences can influence work styles and decision-making, potentially affecting the final outcome of financial reports.

Furthermore, Sugiharto & Rudiawarni (2017) show that gender differences can also influence earnings management practices where female CFOs tend to adopt a more conservative reporting approach, positively impacting the quality of financial reports. Female CFOs are more likely to avoid data manipulation, resulting in more trustworthy reports.

Overall, although gender does not always significantly affect the quality of financial reports, there are indications that the leadership style and decision-making approach between male and female CFOs can differ. These differences have the potential to impact reporting quality, particularly in terms of integrity and conservatism in financial reporting. Therefore, companies need to consider the overall competence and professionalism of the CFO without viewing gender as the primary factor.

The effect of competence on the quality of financial statements

The test results show that the coefficient value of the Competence (KOM) variable on the quality of financial statements is 0.770 with a significance level of 0.889, which is greater than the significance threshold of 0.05 ($\alpha = 5\%$). This indicates that competence does not have a significant effect on the quality of financial statements. Competence here includes knowledge, skills, and work attitudes that meet the expected standards in the work environment. Although the majority of CFOs have an educational background in accounting economics, this does not guarantee that they are capable of producing high-quality financial reports. In fact, CFOs with a non-accounting educational background can also perform financial reporting functions well.

These results are consistent with the research by Indyani et al. (2015), which highlights the differences in decision-making styles between male and female CFOs, where effective decision-making relies on the thorough and meticulous use of information. This indicates that the quality of reporting does not only depend on formal competence but also on how information is processed and handled.

Additionally, Sholeh's (2017) research adds that current competency limitations can be an obstacle in producing quality financial reports. However, competencies can be improved through education, training, and work experience, so companies need to continuously develop their human resources.

On the other hand, several studies such as Nurillah & Muid (2014) emphasize that human resource competence is very important in determining the quality of financial reports. A competent CFO with adequate knowledge and skills is more likely to produce accurate and reliable financial reports.

Overall, the results of this study highlight that formal competence alone is not enough to guarantee the quality of financial reports, and the success of reporting also depends on other factors such as experience, information processing methods, and decision-making processes. Therefore, comprehensive competence development, both in terms of education and work practice, remains important to support the improvement of the company's financial report quality.

CONCLUSION

This study shows that the leverage ratio, profitability, institutional ownership, managerial ownership, independent board of commissioners, audit committee, female executives, and competence simultaneously have a significant impact on the quality of financial statements of banking companies listed on the IDX during the period 2021–2023. However, partially, only leverage, independent ownership, independent board of commissioners, and audit committee have a significant influence, while other variables such as profitability, managerial ownership, female executives, and competence do not show a significant influence.

These findings indicate the importance of managing capital structure and the role of independent oversight in improving the quality of financial reports.

Therefore, management and regulators should pay more attention to the aspects of leverage and the strengthening of the functions of the board of commissioners and the audit committee to promote transparency and accuracy in financial reporting. This research has limitations in the scope of the variables studied, thus not accommodating external factors that may affect the quality of financial reports, such as organizational culture, regulatory changes, or macroeconomic conditions. Furthermore, the research method used is still quantitative with limited variables, which may not fully capture the complexity of report quality. Therefore, it is recommended for future research to explore additional variables and use a more comprehensive approach, including moderation or mediation variables as well as qualitative methods, in order to provide a deeper understanding of the factors influencing the quality of financial reports in the banking sector.

REFERENCE

Afrizal. (2018). Accounting Theory (Haryadi & W. E. Putra (eds.)). Salim Media Indonesia.

Arikunto, S. (2008). Research Procedure A Practical Approach. Rineka Cipta.

Arismawati, K. N., Sulindawati, N. L. G. E., & Atmadja, A. T. (2017). The Influence of Education Level, Understanding, Cooperative Accounting Based on SAK-ETAP, Maturity of Age, Behavior, and Performance Effectiveness on the Quality of Financial Statements of Savings and Loan Cooperatives in Buleleng Regency (Case Study on Savings and Loan Cooperatives in Ke. E-Journal S1 Ak Ganesha University of Education, 8(2), 1–10. https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/10426

Arlita, R., Bone, H., & Kesuma, A. I. (2019). The influence of good corporate governance and leverage on profit management practices. Accountability, 16(2), 238–248. http://journal.feb.unmul.ac.id/index.php/AKUNTABEL

Budiono, M., & Shanti. (2024). The Effect of Leverage, Liquidity, Profitability, Company Age and Company Size on the Quality of Financial Statements. Scientific Journal of Accounting Students, 13. https://doi.org/10.33508/jima.v13i2.7198

Christiana, A., Luhgiatno, & Widaryanti. (2021). Faculty of Economics and Business, KAP's Reputation, Audit Committee on the Integrity of Financial Statements Moderated by Independent Commissioners & Institutional Ownership. 4(1), 2623–0186. https://doi.org/10.24246/persi.vXiX.p59-74

Effendi, B. (2024). Audit Quality, Managerial Reports, Audit Committee and Financial Reporting Quality. Journal of Business Economics, Management and Accounting (JEBMA), 4(2), 1159–1168. https://doi.org/10.47709/jebma.v4i2.4195

Fadhilah, K. A., & Afriyenti, M. (2023). Ownership Structure Affects the Quality of Financial Reporting. JOURNAL OF ACCOUNTING EXPLORATION, 5(2), 466–478. https://doi.org/10.24036/jea.v5i2.653

Ferdi Almunanda. (2023). Former President Director of Bank Jambi Charged with Manipulation of Debt Securities Leading to Default Read the article detiksumbagsel, "Former President Director of Bank Jambi Charged with Manipulation of Debt Securities Leading to Default" read more https://www.detik.ceks the President Director of Bank Jambi was charged with manipulation of debt securities leading to default. Seconds of Sumatra.

Feriyanto, O., & Kurniasih, N. (2016). The Influence of Gender and Independence on Audit Quality with Auditor Ethics as a Moderation Variable. STAR – Study & Accounting Research, 13(1), 67–73. https://doi.org/10.35141/jraj.v1i2.60

Scott, A. (2024). Financial Statement Analysis (R. R. Hasibuan (ed.); April issue). CV. Malik

Rizki Amanah.
Ghozali, I. (2014). Application of Multivariete Analysis with IBM SPSS Program (8th ed.). Publishing Agency of Diponegoro University.
Ginting, S. (2017). The effect of profitability, liquidity, and company size on the quality of profits in manufacturing companies listed on the Indonesia Stock Exchange. Journal of Microskill Economics, 7. https://e-journal.stie-aub.ac.id/index.php/advance/article/view/415
Hanafi, Mamduh M. (2017). Financial management (second). BPFE.
Handayani, T., & Budiantara, M. (2023). The effect of the corporate governance mechanism on the integrity of financial statements. ACCURACY: Journal of Accounting and Finance Research, 5(3), 287–298. https://doi.org/10.36407/akurasi.v5i3.1126
Hidayat, W. W. (2018). Financial Statement Analysis (F. Fabri (ed.); First). Uwais is inspired by Indonesia.
Hidayatullah, A., & Sulhani, S. (2018). The Effect of Financial Statement Manipulation and Chief Financial Officer Characteristics on the Timeliness of Financial Reporting with Audit Quality as a Moderation Variable. Journal of Accounting and Business Dynamics, 5(2), 117–136. https://doi.org/10.24815/jdab.v5i2.10872
Inawati, W. A., Muslih, M., & Kurnia. (2021). The Influence of Audit Committee Competence, Management Ownership and Size of the Board of Commissioners on the Quality of Financial Statements. Journal of Business and Accounting (JBA), 23.
Indayani, P. I., Sujana, E., & Sulindawati, N. L. G. E. (2015). The influence of gender, formal education level, and auditors' work experience on audit quality (Empirical Study on the Inspectorate Office of Denpasar City, Badung Regency and Buleleng Regency). E-Journal of Ganesha University of Education, 3(1).
Indrasari, A., Yuliandhari, W. S., Dedik, D., & Triyanto, N. (2016). THE INFLUENCE OF INDEPENDENT COMMISSIONERS, AUDIT COMMITTEES, AND FINANCIAL DISTRESS ON THE INTEGRITY OF FINANCIAL STATEMENTS. www.ojk.go.id
Kartika, J. C., & Budiono, E. (2015). The Influence of Human Resources Competence, Implementation of Agency Accounting Systems, and Government Internal Control Systems on the Quality of Financial Statements (Case Study on Work Units within the Ministry of Defense of the Republic of Indonesia). E-Proceedings of Management, 2, 3359–3366.
Lestari, T. U., & Ramadhan, Z. (2023). The Effect of XBRL Implementation, Company Size, and Managerial Ownership on the Quality of Financial Statements. Scientific Journal of Computerized Accounting, 16, 225.
Lilis, L. K., Sriyunianti, F., & Rissi, D. M. (2024). The effect of leverage, liquidity, profitability, company size, company age, and audit quality on the quality of financial statements in property and real estate companies listed on the IDX in 2018-2022. Journal of Politala Accounting Research, 7(1), 212–226. https://doi.org/10.34128/jra.v7i1.287
Martani, D., Nps, Sylvia Veronica, Wardhani, R., Farahmita, A., & Tanujaya, E. (2014). Intermediate Financial Accounting Based on PSAK. Four.
Maulana, Y. (2019). THE EFFECT OF AUDITOR EXPERIENCE, AUDITOR ETHICS AND GENDER ON AUDIT QUALITY (Survey on Public Accounting Firms in West Java Region). Indonesian Scientific Journal, 4, 119–133.
Nadir, R., & Hasyim. (2017). The Effect of Information Technology Utilization, Human Resource Competence, on the Quality of Local Government Financial Reports with Accrual-Based Government Accounting Standard Intervening Variables (Empirical Study in Barru Regency Government). Accountability, 14(1), 57–68. https://doi.org/10.29264/jakt.v14i1.1007

Novianti, S., & Isynuwardhana, D. (2021). The influence of independent commissioners, leverage, and institutional ownership on the integrity of financial statements. Journal of Accounting & Financial Education, 9(1), 64–73. https://doi.org/10.17509/jpak.v9i1.27003

Nugroho, M. A. S., Muhyarsyah, & Hidayah, N. (2023). Factors That Affect The Quality Of Financial Reports. Syntax Idea, 5. https://doi.org/10.36418/syntax-idea.v3i6.1227

Nurillah, A. S., & Muid, D. (2014). The Effect of Human Resource Competence, the Implementation of the Regional Financial Accounting System (SAKD), the Utilization of Information Technology, and the Internal Control System on the Quality of Local Government Financial Statements (Empirical Study on the Depok City SKPD). Diponegoro Journal of Accounting, 3(2).

Pardede, H. A., & Annisa, D. (2023). The Influence of Independent Commissioners, Audit and Corporate Governance Committees on the Integrity of Financial Statements. AKUA: Journal of Accounting and Finance, 2(3), 213–225. https://doi.org/10.54259/akua.v2i3.1784

Peni, E., & Vähämaa, S. (2010). Female executives and earnings management. Managerial Finance, 36(7), 629–645. https://doi.org/10.1108/03074351011050343

Sholeh, M. (2017). The Influence of Employee Accounting and Information Technology Competencies on the Quality of Financial Statements. Journal of Business and Economics, 8(1), 1–26.

Sinulingga, J. Y. I., Wijaya, S. Y., & Wibawaningsih, E. J. (2020). The influence of institutional ownership, managerial ownership and the size of public accounting firms on the integrity of financial statements. Journal of Syntax Transformation, 1.

Siswanto, D. E. S. S. . M. . . (2021). Basic Financial Management Textbook (1st ed.). State University of Malang.

Sufyenisa, R., & Khomsiyah. (2024). Corporate Governance Improves the Quality of Financial Statements in Food and Beverages Companies Listed on the Indonesia Stock Exchange. Journal of Economics of Trisakti, 4(1), 435–442. https://doi.org/10.25105/jet.v4i1.19399

Sugianto, D. (2018). OJK Begins to Examine Revised Bank Bukopin's Financial Statements. Detik Finance; finance seconds. https://finance.detik.com/moneter/d-4002904/ojk-mulai-periksa-laporan-keuangan-bank-bukopin-yang-dipermak

Sugiharto, A. K. A., & Rudiawarni, F. A. (2017). The Influence of Female Executives on the Quality of Financial Statements in the Manufacturing Sector Listed on the IDX for the 2012-2014 Period. Journal of Accounting and Information Technology (JATI), 11.

Sumayyah, & Ladepi, N. (2020). The Influence of Audit Committee and CEO Tenure on the Quality of Financial Statements. Journal of Economics, Management and Accounting, 23(2), 260–272. https://doi.org/10.35591/wahana.v23i2.257

Susanti. (2017). The Effect of Leverage, Liquidity, Company Size, and Audit Quality on the Quality of Financial Statement Information. Journal of Chartered Accounting, 1(1), 85–95. https://doi.org/2550-0376

Suzan, L., & Wulan, D. (2022). The influence of leverage, managerial ownership, and company size on the integrity of financial statements. Journal of Accounting and Tax Analysis, 6.

Syafana, A., & Parinduri, A. Z. (2024). The Influence of the Audit Committee, Managerial Ownership, Company Size, and Leverage on the Integrity of Financial Statements with Audit Quality as a Moderation Variable (Empirical Study on Non-Cyclicals and Cyclicals Companies on the IDX for the 2018-2022 Period). Ebid: Digital Business Economics, 2, 67–78.

Syafina, D. C. (2018). The SNP Finance Case and the Stake of Damage to the Public Accountant's Reputation. Tirto.Id. https://tirto.id/kasus-snp-finance-dan-pertaruhan-

rusaknya-reputasi-akuntan-publik-c4RT
Wati, K. D., Herawati, N. T., & Sinarwati, N. K. (2014). The Influence of Human Resources Competence, SAP Implementation, and SAKP on the Quality of Regional Financial Statements. E-Journal S1 Ak Ganesha University of Education, 2(1).
Wibawa, K. A. S., Sinarwati, N. K., & Yuniarta, G. A. (2017). Factors that affect the quality of local government financial statements in the Buleleng Regency SKPD. E-Journal S1 Ak Ganesha University of Education, 2(8).
Widiarta. (2013). The Influence of Gender, Age and Complexity of Auditor Duties on the Audit Quality of Public Accounting Firms in Bali. E-Journal of Accounting, 1, 109–118.