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The Effect of Liquidity, Leverage, and Profitability on Financial Statement Manipulation

Intan Sumeri[1], Sigit Mareta[2*], Lestari[3], Caturida Meiwanto Doktoralina[4], Natalia Santoso[5]
[1,2,3,4,5] Universitas Dian Nusantara, Jakarta, Indonesia

(*) Corresponding Author: sigit.mareta@undira.ac.id

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Abstract

This study aims to examine the effect of liquidity, leverage, and profitability on financial statement manipulation in Indonesian consumer goods companies. The research employs secondary data from 49 consumer goods industry companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period, with a total of 278 observations. Data analysis was conducted using panel data regression (Fixed Effect Model) with the aid of EViews 12 software. The results indicate that liquidity and leverage have a significant negative effect on financial statement manipulation, while profitability shows no significant effect. Collectively, the three variables have a significant simultaneous effect. The study focuses solely on the consumer goods industry within a limited observation period of 2019–2024; thus, the findings may not be generalized to other sectors or longer periods. The results provide valuable insights for companies, investors, and regulators regarding the role of financial ratios as indicators of potential manipulation and contribute academically by enriching the literature on financial reporting practices in emerging markets, particularly in Indonesia.

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INTRODUCTION

Financial statement manipulation has gained widespread global attention, particularly among public companies listed on the Indonesia Stock Exchange (IDX). Public companies are required to present transparent and accurate financial reports; however, in practice, many still attempt to portray a more favorable financial condition to attract investors and maintain stakeholder trust. Isnawati et al (2024) emphasize that financial reports which fail to reflect the company's actual condition can reduce transparency and potentially lead to errors in decision-making by both investors and

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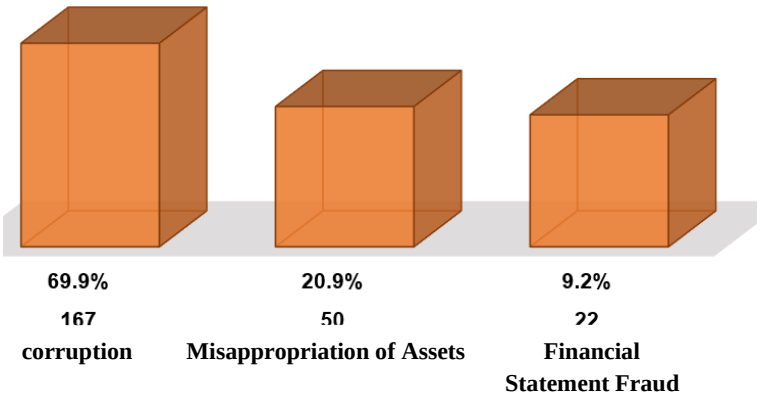
creditors. For instance, investors relying on manipulated financial statements may perceive a company as more profitable than it truly is, thereby making risky investment decisions.

In addition to affecting the quality of investor decision-making, financial statement manipulation also has broader implications for economic stability, corporate governance, and public trust. Distorted financial information can disrupt market efficiency, undermine the credibility of supervisory institutions, and diminish stakeholder confidence in the integrity of both companies and the capital market as a whole.

The practice of financial statement manipulation is commonly referred to as fraudulent financial reporting (FFR). Mayabi & Meriyani (2023) define FFR as a deceptive or inaccurate violation in financial reporting, while Novitasari & Utama (2024) state that this issue remains a serious concern in Indonesia. To strengthen the understanding of this study's urgency, data from the Indonesian Fraud Survey conducted by the ACFE Indonesia Chapter in 2019 are presented. According to the report, there are three main categories of fraud most commonly found in Indonesia, one of which is financial statement manipulation, accounting for 9.2% of total cases with accumulated losses reaching IDR 242.26 billion (ACFE Indonesia Chapter, 2020).

Figure 1. Types of Fraud According to ACFE Indonesia Chapter



Source: ACFE Indonesia Chapter (2020)

According to the ACFE Indonesia Chapter (2020), there are three main categories of fraud that are prevalent in Indonesia. One of the most notable types is financial statement manipulation, with a prevalence rate of 9.2% and total accumulated losses reaching IDR 242.26 billion. Although the percentage appears smaller compared to other types of fraud, the monetary impact is comparable and may even cause equally destructive consequences. This fact emphasizes that financial statement manipulation is not merely a technical issue in report preparation, but a phenomenon that carries serious implications for investor trust, corporate credibility, and overall market stability (ACFE Indonesia Chapter, 2020).

Several major cases illustrate the urgency of this study. For instance, PT Indofarma Tbk and its subsidiaries were allegedly involved in financial statement manipulation during the 2019–2023 period, potentially causing state losses of up to IDR 371.8 billion (Djailani, 2024). Another case occurred at PT Kimia Farma Apotek, a subsidiary of PT Kimia Farma Tbk, where discrepancies between reported and actual financial data were

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identified, resulting in losses in 2023 (CNN Indonesia, 2024). Similarly, at PT Tiga Pilar Sejahtera Food Tbk, an investigation by Ernst & Young Indonesia revealed financial statement manipulation in 2017 through fictitious revenue recognition intended to inflate share prices (Abidin, 2019; Wulandari, 2022). These cases indicate that financial statement manipulation is not solely an individual act but is often influenced by internal and external pressures that drive management to present a more favorable financial condition. As seen in the PT Indofarma case, alleged manipulation was not limited to the 2019–2023 period previously, in 2001, the company was sanctioned by the Financial Services Authority (formerly Bapepam) with a fine of IDR 500 million due to problematic financial reporting (Djailani, 2024).

The phenomenon of financial statement manipulation is often triggered by financial pressures reflected in financial ratios. Liquidity represents a firm's ability to meet short-term obligations (Wahyudin & Yudowati, 2023). Companies with low liquidity face greater financial pressure, increasing their tendency to manipulate reports to maintain a favorable performance image (Janrosl & Yuliadi, 2019). Leverage illustrates the proportion of debt financing relative to equity. A high level of leverage increases financial risk and may drive management to engage in manipulation practices (Atmamiki & Priantinah, 2023; Rianghepat & Hendrawati, 2021). Profitability, on the other hand, reflects a company's ability to generate profits. Firms with lower profitability tend to manipulate earnings to maintain stable profit trends from year to year (Widhi & Suarmanayasa, 2021).

Previous studies have shown mixed results. Janrosl & Yuliadi (2019) found that liquidity has a negative effect on financial statement manipulation, while Widhayanti & Utomo (2020) reported no significant relationship. Mayabi & Meriyani (2023) found that leverage has a positive effect, whereas Rianghepat & Hendrawati (2021) found it insignificant. Profitability was found to have a positive effect in studies by Wijayanti & Setiawan (2020) and Mayabi & Meriyani (2023), while Wahyudin & Yudowati (2023) reported no significant effect.

The diversity of findings among prior studies indicates inconsistency in the existing literature. This situation motivates the author to conduct a more focused and systematic examination of financial statement manipulation and the influence of liquidity, leverage, and profitability. From an Islamic governance perspective, financial reporting also reflects the principles of amanah (trust), accountability, justice (adl), and transparency, which require management to present financial information responsibly and truthfully. Therefore, financial statement manipulation may be viewed not only as an agency problem arising from information asymmetry and managerial interests but also as an ethical issue related to the responsibility of management toward stakeholders. The study therefore aims to analyze the effect of liquidity, leverage, and profitability on financial statement manipulation among consumer goods companies listed on the Indonesia Stock Exchange during the 2019-2024 period.

LITERATURE REVIEW

Agency Theory

Agency theory explains the interaction between principals (company owners) and agents (management) within the framework of a contractual relationship (Jensen &

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Meckling, 1976). Agency conflict arises when the agent's objectives differ from those of the principal, leading the agent to make opportunistic decisions that may increase company costs (Mareta et al., 2023). Information transparency serves as a mechanism to align these interests, yet financial statement manipulation may still occur when management seeks to present a more favorable financial condition than the actual one (Wahyudin & Yudowati, 2023; Purba, 2023).

Agency theory also highlights the influence of Liquidity, Leverage, and Profitability on managerial behavior. Within this framework, the theory provides the foundation for understanding how management decisions can affect both financial ratio management and the likelihood of financial statement manipulation. From an Islamic governance perspective, managerial responsibility is also based on amanah and accountability, requiring management to provide truthful and transparent financial information. The principle of adl emphasizes fairness and avoidance of actions that may disadvantage stakeholders, while hisbah reflects the importance of supervision in preventing improper or harmful business practices. These principles complement agency theory by emphasizing that financial reporting responsibility involves not only contractual relationships but also ethical accountability.

Financial Statement Manipulation

Financial statement manipulation refers to the deliberate act of obtaining unlawful advantage by concealing material facts (Tuanakotta, 2023). Such manipulation can be both qualitative and quantitative, often conducted to attract investors through seemingly favorable financial reports (Kirana et al., 2023). Common fraudulent methods include recording fictitious revenues, improper timing of recognition, understatement of liabilities, misrepresentation of disclosures, and inaccurate asset valuation (Isnawati et al., 2024). From an Islamic perspective, distortion of material financial information may increase uncertainty for stakeholders in assessing the actual financial condition of a company and can therefore be discussed in relation to the principle of avoiding excessive uncertainty (gharar). This perspective reinforces the importance of transparency and truthful financial reporting.

In this study, manipulation practices are measured using the Beneish M-Score model, which has been proven effective in detecting the likelihood of manipulation (Beneish, 1999; Kurniasari et al., 2024). Each ratio represents an aspect of corporate performance that can signal potential manipulation. The initial threshold value of -2.22 has been revised to -1.78 in recent studies to improve detection accuracy (Beneish et al., 2022).

Liquidity

Liquidity reflects a company's ability to meet its short-term obligations. Firms with high liquidity are generally perceived as financially healthy because they can cover operational cash needs. Interestingly, such conditions may also provide management with more flexibility to adjust financial statements to appear favorable, even if inconsistent with reality (Safitri & Muniroh, 2023).

From the perspective of agency theory, this situation illustrates a conflict of interest in which managers strive to maintain the company's image before investors and creditors, even at the expense of misleading the principal. In line with the study by Wijayanti & Setiawan (2020) liquidity positively influences financial statement manipulation. Therefore, liquidity potentially drives the occurrence of financial statement manipulation.

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H_1: Liquidity has a positive effect on financial statement manipulation.

Leverage

Leverage is defined as the extent to which a company uses debt to finance its assets (Irawan & Arif, 2024). Practically, higher leverage levels increase financial pressure on management to maintain financial stability and avoid potential covenant violations (Suzan & Wulan, 2022). This pressure can be explained through the lens of agency theory, wherein creditors act as principals who demand contractual compliance from firms. In such conditions, managers as agents may be motivated to manipulate financial statements to portray the company as financially sound and maintain access to external financing (Pratiwi et al., 2025; Widhayanti & Utomo, 2020). Consequently, leverage is considered a factor that potentially increases the risk of financial statement manipulation.

H_2: Leverage has a positive effect on financial statement manipulation.

Profitability

Profitability serves as a key indicator of a company's ability to generate profit from its core operations (Henry, 2021). A high level of profitability is generally perceived as a positive signal of corporate performance, reflecting efficient asset utilization and promising growth prospects. However, an opposing phenomenon arises when high profitability creates pressure on management to maintain this favorable trend. In such circumstances, managers may have strong incentives to preserve a reputation of success in the eyes of shareholders and potential investors, even at the cost of financial transparency (Mareta et al., 2023).

From the perspective of agency theory, this represents a classic conflict of interest between managers (agents) and shareholders (principals). Managers may resort to opportunistic strategies, such as income smoothing or accrual-based manipulation, to present consistently increasing profits, even if such reports do not fully reflect the firm's actual performance (Wijayanti & Setiawan, 2020). Therefore, profitability not only serves as a measure of financial health but also as a potential driver of financial statement manipulation.

H_3: Profitability has a positive effect on financial statement manipulation.

Conceptual Framework

Figure 2. Conceptual Framework

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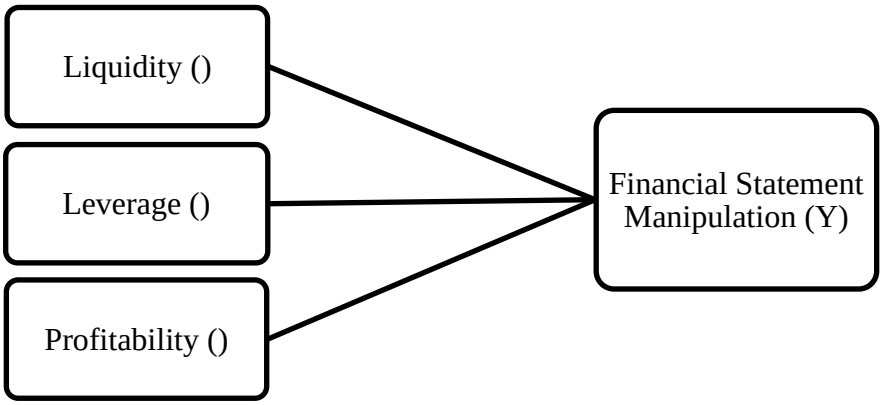

Source: Processed Data (2025)

METHODS

This study employs a quantitative approach utilizing secondary data in the form of annual financial reports from consumer goods industry companies listed on the IDX for the 2019–2024 period. The study follows the old sector classification (JASICA) to maintain data consistency, particularly for the 2019–2020 period, thereby ensuring a larger sample size and more effective analysis. The secondary data were analyzed using panel data methods with EViews 12 software. The consumer goods industry was selected because it represents a high-demand industry with relatively stable market activity, leading to stronger pressure on companies to maintain consistent earnings performance. These characteristics make the sector more vulnerable to potential financial statement manipulation, thereby providing a relevant empirical context for examining the influence of financial ratios on manipulation tendencies. Samples were selected using a purposive sampling technique based on specific criteria, which are detailed as follows:

Table 1. Criteria for Sample Selection

Description	Number
Population: consumer goods industry companies listed on the Indonesia Stock Exchange (idx.co.id)	55
1) Consumer goods industry companies not listed on the Indonesia Stock Exchange (idx.co.id) continuously during 2019–2024	(2)
2) Consumer goods industry companies listed on the Indonesia Stock Exchange (idx.co.id) during 2019–2024 that did not publish annual reports consecutively	(3)
Number of sample companies	50
Multiplied by observation years (2019–2024)	6
Total observations during the study period	300

Source: Processed Data (2025)

After applying the purposive sampling criteria, the researcher conducted an identification and removal of outliers, namely data points with extreme values that could disproportionately affect the analysis results (Wooldridge, 2020; Ghozali, 2018). Consequently, the final dataset analyzed consisted of 278 observations, representing 49 consumer goods industry companies over a six-year observation period. The panel data

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structure used in this study is unbalanced, which remains valid for analysis under the Fixed Effects Model, as long as the imbalance is not correlated with individual errors (Wooldridge, 2020).

Financial statement manipulation in this study is measured using the Beneish M-Score model. This model is widely applied in empirical research because it offers a comprehensive and reliable approach to detecting potential manipulation through a combination of financial ratio indicators. The Beneish M-Score was selected due to its documented superiority in identifying earnings manipulation compared to alternative measures, particularly in publicly listed companies where accrual-based manipulation is more prevalent.

RESULT AND DISCUSSION

Result

Descriptive Statistics

The descriptive statistical test is used to analyze the data presented in terms of the mean (average value), minimum (lowest value), maximum (highest value), and standard deviation of each variable. The following table presents the results of the descriptive statistical analysis processed using EViews 12.

Table 2. Descriptive Statistics

	Y_MSCORE	X1_CR	X2_DAR	X3_GPM
Mean	-2.373737	2.723763	0.424312	0.313773
Median	-2.476085	2.095036	0.407197	0.298898
Maximum	6.823242	13.30906	1.887043	0.699628
Minimum	-11.32855	0.193689	0.097914	-0.077022
Std. Dev.	1.255759	2.249437	0.205585	0.165712
Observations	278	278	278	278

Source: Data processed using EViews 12 (2025)

Based on the results of descriptive statistical analysis of 278 observations from consumer goods industry companies during the 2019–2024 period, the variable of financial statement manipulation, proxied by the M-Score, has a mean value of -2.37 with a standard deviation of 1.26, indicating that most samples fall below the threshold of -1.78 and are relatively not indicated to engage in manipulation. The current ratio (CR) shows a mean value of 2.72 with considerable variation, suggesting differences in the companies' ability to meet short-term obligations. The debt to asset ratio (DAR) records an average of 0.42 with low dispersion, reflecting that the firms' capital structures are relatively homogeneous and primarily supported by equity. Meanwhile, the gross profit margin (GPM) has an average value of 0.31 with moderate variation, indicating that, on average, companies are able to generate a gross profit of approximately 31% of total revenue.

Model Selection Test

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Panel data analysis requires selecting the most appropriate model specification to ensure the data are accurately represented. The tests employed include the Chow Test and the Hausman Test.

1. Chow Test: The purpose of this test is to determine the most suitable model specification between the Common Effect Model and the Fixed Effect Model. Based on the results of the Chow Test presented in Table 3, the probability value of the Cross-section Chi-square is 0.0000, which is smaller than 0.05. Therefore, it can be concluded that the most appropriate model to use is the Fixed Effect Model.

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.670440	(48,226)	0.0000
Cross-section Chi-square	124.898018	48	0.0000

Source: Data processed using EViews 12 (2025)

2. Hausman Test: The Hausman Test is conducted to determine the most appropriate model between the Fixed Effect Model and the Random Effect Model. Since the Fixed Effect Model was selected based on the previous Chow Test, the next step is to perform the Hausman Test to confirm the suitability of this model. Based on the results of the Hausman Test shown in Table 4, the significance value obtained is 0.0000, which is below the threshold of 0.05. This indicates that the Fixed Effect Model is the most appropriate model to be used in the panel data regression analysis for this study.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	56.936048	3	0.0000

Source: Data processed using EViews 12 (2025)

Classical Assumption Tests

This study conducted classical assumption tests, including multicollinearity, heteroscedasticity, and autocorrelation tests. The normality test was not performed because, according to the characteristics of panel data regression and the perspective of Wooldridge (2020), the normality assumption is primarily important when the study aims to perform highly sensitive statistical inferences, especially in cases with a relatively small number of observations. However, if the number of observations is sufficient, the estimates can still be considered reliable even when the residuals do not follow a normal distribution.

1. Multicollinearity Test: Based on the results of the multicollinearity test shown in Table 5, the correlation values among independent variables are recorded below 0.80. Therefore, it can be concluded that there is no indication of multicollinearity in the model.

Table 5. Multicollinearity Test

	X1_CR	X2_DAR	X3_GPM
X1_CR	1.000000	-0.556770	0.074170
X2_DAR	-0.556770	1.000000	-0.220461
X3_GPM	0.074170	-0.220461	1.000000

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Source: Data processed using EViews 12 (2025)

2. Heteroskedasticity Test: Based on Table 6, the results of the heteroskedasticity test show that all variables have probability values above 0.05. Therefore, the model is declared free from heteroskedasticity. The data can thus be considered reliable for predicting both dependent and independent variables.

Table 6. Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.164666	0.381165	3.055539	0.0025
X1_CR	0.008118	0.033590	0.241683	0.8092
X2_DAR	-0.372672	0.382168	-0.975151	0.3305
X3_GPM	-1.265011	0.917517	-1.378734	0.1693

Source: Data processed using EViews 12 (2025)

3. Autocorrelation Test: The results of the autocorrelation test show a Durbin-Watson statistic value of 1.903720. Based on the Durbin-Watson table, the lower limit (dL) is 1.78245, the upper limit (dU) is 1.82575, and 4 - dU = 2.17425. According to the Durbin-Watson criteria, if dU < d < 4 - dU, or 1.82575 < 1.903720 < 2.17425, it indicates that no autocorrelation occurs in the model.

Table 7. Autocorrelation Test

R-squared	0.390389
Adjusted R-squared	0.252822
Durbin-Watson stat	**1.903720**

Source: Data processed using EViews 12 (2025)

Hypothesis Testing

1. F-Test and R^2 Test

The results of the simultaneous test show that the probability value of the F-statistic is 0.000000, which is smaller than 0.05. Therefore, it can be concluded that the independent variables Liquidity, Leverage, and Profitability collectively (simultaneously) have a significant effect on the dependent variable, Financial Statement Manipulation. The Adjusted R-squared value of 0.252822 indicates that 25.28% of the variation in financial statement manipulation can be explained by the independent variables (Liquidity, Leverage, and Profitability), while the remaining 74.72% is likely influenced by external factors beyond the scope of the model.

Table 8. F-Test and R^2 Test

R-squared	0.390389
Adjusted R-squared	0.252822
Prob(F-statistic)	**0.000000**

Source: Data processed using EViews 12 (2025)

2. Partial Test (t-Test):

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The results of the partial test presented in Table 9 show that the Liquidity variable has a significance value of 0.0134, which is below the 0.05 threshold. This indicates that Liquidity has a significant effect on financial statement manipulation, with a negative coefficient reflecting an inverse relationship the higher the company's liquidity level, the lower the likelihood of management engaging in manipulation. This suggests that firms with healthier cash positions generally maintain stronger internal controls, thereby reducing manipulative practices.

Furthermore, the Leverage variable also shows a significant effect, with a significance value of 0.0000, far below 0.05. The negative coefficient implies that higher leverage levels are associated with a lower tendency toward financial statement manipulation. This may occur because companies with higher debt ratios are subject to stricter monitoring by creditors, limiting managerial discretion in misreporting financial data.

In contrast, the Profitability variable presents a different result, with a significance value of 0.6331, which exceeds the 0.05 threshold. This means that Profitability does not significantly influence financial statement manipulation. Although the coefficient is negative, the relationship is not strong enough to confirm a real effect. Therefore, it can be concluded that the level of Profitability is not a dominant factor influencing management's tendency to manipulate financial statements.

Table 9. Partial Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.688978	0.680873	1.011904	0.3127
X1_CR	-0.149509	0.060002	-2.491718	0.0134
X2_DAR	-5.679037	0.682665	-8.318926	0.0000
X3_GPM	-0.783377	1.638954	-0.477974	0.6331

Source: Data processed using EViews 12 (2025)

Discussion

The Effect of Liquidity on Financial Statement Manipulation

The t-test results indicate that Liquidity (CR) has a significant negative effect on financial statement manipulation (M-Score), with a coefficient of -0.149509 and a probability value of 0.0134 (< 0.05). This finding does not support the initial hypothesis (H_1) but can be explained through the lens of agency theory. Companies with low liquidity levels face pressure to meet short-term obligations, creating agency conflicts between managers (agents) and shareholders or creditors (principals). To alleviate this pressure and avoid external intervention, managers may engage in opportunistic actions, such as manipulating financial statements, to maintain the firm's reputation and attract market confidence (Annisa & Arifin, 2024).

This situation highlights that differences in interests between agents and principals foster information asymmetry, where managers having greater access to internal information may exploit it for personal gain, including through manipulation. From an Islamic governance perspective, such practices are inconsistent with amanah and accountability in financial reporting, as managers are expected to provide truthful and transparent information to stakeholders. The principle of adl also emphasizes fairness in

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reporting and avoidance of actions that may disadvantage other parties. Liquidity pressure further amplifies this asymmetry as managers attempt to project a financially stable image to avoid stricter monitoring from principals or regulators. These findings are consistent with Janrosl & Yuliadi (2019), who assert that firms with low liquidity are more prone to financial statement fraud due to short-term funding pressures. However, the result contrasts with Widhayanti & Utomo (2020), who found no significant relationship between liquidity and financial statement fraud. This discrepancy suggests that the impact of liquidity on manipulation may depend on industry conditions and firm-specific characteristics.

The Effect of Leverage on Financial Statement Manipulation

The t-test results for the Leverage variable show that leverage, measured using the debt-to-asset ratio (DAR), has a significant negative effect on financial statement manipulation. Consequently, the second hypothesis (H_2) is rejected. This finding implies that higher leverage levels are associated with a decrease in the likelihood of financial statement manipulation. Within the framework of agency theory, debt introduces potential conflicts of interest due to the obligation to pay interest and principal. However, when leverage is high, management is subject to more rigorous monitoring by creditors, who seek to ensure timely repayment, thereby restricting managerial discretion (Pangi & Weku, 2023). Such oversight limits opportunistic behavior, positioning leverage as an external disciplinary mechanism.

Conversely, firms with low leverage may still engage in manipulation if creditor oversight is weak, particularly when the relationship between management and lenders is overly personal, undermining objectivity (Siregar & Surianti, 2022). Weak external control creates opportunities for managerial opportunism. Therefore, leverage serves not only as a financing tool but also as a governance mechanism that strengthens corporate transparency and accountability. Previous studies support this result, Dewi (2019) found that leverage negatively affects financial statement manipulation, as higher debt levels increase creditor scrutiny. Similarly, Ratnasari & Rofi (2020) and Drice & Nuryani (2020) demonstrated that leverage has a negative influence on financial statement fraud.

The Effect of Profitability on Financial Statement Manipulation

The t-test results for the Profitability variable reveal that profitability, measured using the gross profit margin (GPM), has no significant effect on financial statement manipulation. Accordingly, the third hypothesis (H_3) is rejected or not supported by the data. Based on agency theory, financial statement manipulation is not solely determined by profitability levels. The primary managerial motivation often lies in incentives embedded within agency contracts such as bonuses, compensation, or promotion opportunities while shareholders demand transparency and accuracy in reporting. This creates a conflict of interest since managers possess more information than owners (information asymmetry).

This finding aligns with Janrosl & Yuliadi (2019) and Morisca (2022), who found that profitability does not significantly affect financial statement manipulation. Furthermore, Annafi & Yudowati (2021) reported that both high and low profitability levels do not have a significant relationship with managers' tendency to engage in financial reporting fraud. Instead, the determining factor is the effectiveness of monitoring mechanisms. When internal controls (such as the board of commissioners and

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audit committees) and external oversight (creditors, auditors, and regulators) function effectively, managerial opportunities for manipulation become limited even under low profitability conditions. Conversely, weak oversight allows manipulation to persist even when profitability is high. Hence, within the framework of agency theory, conflicts of interest are more closely linked to information asymmetry and managerial incentives to maximize personal benefits rather than to changes in profitability itself.

CONCLUSION

This study aims to examine the influence of liquidity, leverage, and profitability on financial statement manipulation among business entities operating in the consumer goods industry listed on the IDX during the 2019–2024 period. Based on the empirical findings, the following conclusions can be drawn:

1. Liquidity has a negative effect on financial statement manipulation.
2. Leverage has a negative effect on financial statement manipulation.
3. Profitability has no significant effect on financial statement manipulation.

These findings provide theoretical implications by supporting the application of agency theory in explaining the relationship between liquidity, leverage, and financial statement manipulation, while profitability does not show a significant relationship. From an Islamic accounting perspective, the findings emphasize that financial reporting should be based on amanah, accountability, transparency, and justice (adl). These principles also highlight the importance of strengthening transparency, accountability, and oversight in Sharia-oriented financial reporting and regulatory practices to reduce the risk of information distortion.

This research has certain limitations, as it relies solely on secondary data from consumer goods sector companies listed on the IDX during 2019–2024. The study also does not employ additional robustness and endogeneity tests; therefore, the findings should be interpreted within the limitations of the research design. Future research may incorporate robustness checks, endogeneity testing, additional corporate governance variables, and alternative proxies for financial statement manipulation to provide more comprehensive evidence. Expanding the sample to other industrial sectors or longer observation periods may also improve the external validity of the findings.

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