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POTENTIAL FACTORS THAT INFLUENCE FRAUDULENT FINANCIAL STATEMENTS IN MANUFACTURING COMPANIES IN THE CONSUMPTION GOODS INDUSTRY SECTOR

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ABSTRACT

This research aims to determine the influence of financial targets, financial stability, external pressure, institutional ownership, and ineffective supervision of indications of the condition of financial reports in manufacturing companies in the consumer goods industry sector. The population in this study used manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (BEI) during the 2020 - 2023 period. The sampling technique used purposive sampling technique and produced a sample of 40 companies. The data analysis techniques used are descriptive statistical analysis, normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, customized R^2, F test, and t test. Based on the research results, it shows that financial targets, financial stability, external pressure, institutional ownership and ineffective supervision are not effective in the condition of financial statements.

Keywords: Financial Reports, Institutional Ownership, Financial Targets, Financial Stability, External Pressure, Ineffective Monitoring

ABSTRACT

Penelitian ini bertujuan untuk mengetahui pengaruh target keuangan, stabilitas keuangan, tekanan eksternal, kepemilikan institusional, dan tidak efektifnya pengawasan terhadap indikasi kondisi laporan keuangan pada perusahaan manufaktur sektor industri barang konsumsi. Populasi dalam penelitian ini menggunakan perusahaan manufaktur sektor industri barang konsumsi yang terdaftar di Bursa Efek Indonesia (BEI) periode 2020 – 2023. Teknik pengambilan sampel menggunakan teknik purposive sampling dan menghasilkan sampel sebanyak 40 perusahaan. Teknik analisis data yang digunakan adalah analisis statistik deskriptif, uji normalitas, uji multikolinearitas, uji autokorelasi, uji heteroskedastisitas, customized R^2, uji F, dan uji t. Berdasarkan hasil penelitian menunjukkan bahwa target keuangan, stabilitas keuangan, tekanan eksternal, kepemilikan institusional dan pengawasan yang tidak efektif tidak efektif dalam kondisi laporan keuangan..

Kata Kunci: Laporan Keuangan, Kepemilikan Institusional, Target Keuangan, Stabilitas Keuangan, Tekanan Eksternal, Pemantauan Yang Tidak Efektif

I. INTRODUCTION

Financial reports are a communication medium that aims to convey financial information about an entity for a certain period. Financial reports are presented so that they can be used by users, both internal and external. Good financial reports must fulfill qualitative elements, namely: relevant, easy to understand, reliable and comparable. According to PSAK No. 1 When preparing annual financial reports, they must be presented in accordance with IFRS which has been adapted to the requirements for preparing and presenting financial reports in the Indonesian Financial Accounting Standards Guidelines. However, there is an important thing to note, that sometimes financial reports do not reflect the actual situation. The classic reasons underlying this include wanting to show good performance for interested stakeholders. This desire to show good performance allows management to make deviations

in order to achieve what it wants, so that the financial reports appear to be well written. This action is often also referred to as financial statement fraud.

A person's motive for committing fraud is influenced by several elements, namely: elements of greed, opportunity, need and disclosure. This is the essence of the GONE theory which reveals the reasons why someone cheats. (Bologna, 1993) explains that the GONE theory has four elements, namely Greed, Opportunity, Need and Exposure, as the root cause of fraud. It is further explained that basically. Humans are never satisfied with the situation so that greed drives them to commit fraud or deviant actions. Greed can force anyone to exceed their desires in all kinds of ways, one of which is through cheating.

Fraud can also be seen from the existence of a contract between the agent and the principal (Ulfah, Nuraina, & Wijaya, 2017). This is as expressed in agency theory. Agency Theory is a version of game theory which implements an agreement between two or more parties, with one party called the agent and the other party called the principal. The principal delegates responsibility for decision making to the agent. The principal always monitors to ensure that the agent carries out his duties in accordance with the agreed contract. Usually the authority and responsibilities of both parties are regulated in a mutually agreed contract (Jensen & Meckling, 1976). Even though there are contractual arrangements, due to acts of greed, it often happens that to fulfill their desires, agents will try various steps to improve the company's financial performance in order to gain more appreciation from the principal, whether permissible or apparently permissible through acts of fraud. One of the common frauds committed by agents is manipulating the information presented in financial reports.

One of the popular cases related to fraudulent financial reporting is the Toshiba accounting scandal. Toshiba is a symbol of a great company in Japan which occurred in 2015. Toshiba Group was proven to have inflated profits of 151.8 billion Yen or the equivalent of 1.22 billion USD. Based on the results of the investigation, it was discovered that Toshiba had experienced financial difficulties in achieving its business targets since 2008. As a result, in July 2015 the company's CEO resigned due to his involvement in a major scandal that could damage the reputation of the company's 140 years of existence.

Next, researchers aim to test several other aspects that have the potential to influence fraudulent financial reporting, including financial targets, financial stability, external pressure, institutional ownership and ineffective monitoring.

Financial Targets

Financial targets are excessive pressure to lead to financial goals set by the board or management. Example of a risk factor: a company can manipulate profits to meet forecasts or analysts, such as previous year's profits (Widarti, 2015).

Financial Stability

Financial stability is a condition that requires a company to describe the company's financial position as stable. Example of risk factors: Businesses can manipulate profits when economic conditions threaten the company's finances or profitability (Widarti, 2015).

External Pressure

External pressure is excessive pressure from management to meet the requirements or expectations of other people. Example of a risk factor: When a company sees a trend towards what investment analysts expect, the pressure on the company or other external parties to provide the best results to investors and creditors becomes significant (Widarti, 2015).

Institutional Ownership

Institutional ownership is ownership of company shares by other institutions. There is evidence that corporate involvement in other institutions places particular pressure on management as management assumes greater responsibility. The measurement of institutional ownership uses the proxy variable OSHIP which is the ratio of total share ownership by other institutions to the total number of shares outstanding, and 5% OWN (Smith, Skousen, & Wright, 2008).

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Ineffective Monitoring

Ineffective monitoring refers to a situation where there is no effective monitoring mechanism to monitor company performance. Control weaknesses, management can be an opportunity for management to use it to commit fraud. According to (Smith, Skousen, & Wright, 2008), companies that commit fraud tend to have fewer board members outside the company than companies that do not commit fraud. Thus, the lower the ratio of independent auditors, the less effective the supervision of the Directors' activities will be, resulting in a higher risk of fraud in financial reporting.

Financial Statement Fraud

Financial Statement Fraud (Arens, Elder, Beasley, & Hogan, 2017) is a violation of current laws and accounting standards to deceive users of financial statements. Companies need special attention from independent auditors so they can thoroughly investigate false financial information about how perpetrators commit financial statement fraud and can make this information available to the public.

Research Hypothesis

Based on the problems and research objectives as stated in the introduction, the following research hypothesis can be formulated;

a. Financial targets have a positive effect on fraudulent financial statements.
b. Financial stability has a positive effect on fraudulent financial statements.
c. External pressure has a negative effect on fraudulent financial reports.
d. Institutional ownership has a positive effect on fraudulent financial statements.
e. Ineffective monitoring has a negative effect on fraudulent financial reports

II. RESEARCH METHODS

Research Object

The research object which is the unit of observation is the financial reports of manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange (BEI) for the period 2020 - 2023. With a porposive judgment sampling approach, data was obtained from 10 companies for 4 years so that the total data was 19 units of observation. . The research is quantitative through descriptive tests, pooling tests, classical assumption tests and research hypothesis testing.

Variables and measurement

Financial Statement Fraud

This research detects financial statement fraud using the fraud score model or commonly called F-score, where this model was developed by (Dechow, Ge, Larson, & Sloan, 2007). The F-Score model is the sum of two variable components in the fraud score model, namely accrual quality and financial performance (Skousen & Twedt, 2009), which can be described in the following equation:

F – SCORE = Accrual Quality + Financial Performances

Accrual quality is proxied by RSST accrual (Richardson, Sloan, Soliman, & Tuna, 2005) and financial performance is proxied by changes in accounts receivable, changes in accounts cash sales and changes in earnings before interest and taxes. Companies can be predicted to commit fraud on financial reports using the fraud score model.

$$RSST = \frac{(\Delta WC + \Delta NCO + \Delta FIN)}{\text{Average Total Assets}}$$

Information:
ΔWC (Working Capital) = Current Assets – Current Liabilities
ΔNCO (Non-Current Operating) = (Total Assets – Current Assets – Investment)-
(Total Liabilities – Current Liabilities – Long Term Debt)
ΔFIN (Financial Accrual) = Total Investment – Total Liabilities

$$\text{Average Total Assets} = \frac{\textit{Beginning Total Assets} + \textit{End Total Assets}}{2}$$

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Financial Performances = Change in Receivable + Change in Inventories + Change in Cash Sales + Change in Earnings

Information:

$$\textit{Change in Receivable} = \frac{\Delta\, ReceivableAverage}{Total\ Assets}$$

$$\textit{Change in Inventory} = \frac{\Delta\, InventoryAverage}{Total\ Assets}$$

$$\textit{Change in Cash Sales} = \frac{\Delta\, Sales}{Sales\ (t)} - \frac{\Delta\, Receivable}{Receivable}$$

$$\textit{Change in Earnings} = \frac{Earning\ (t)}{Average\ Total\ Assets(t\ )} - \frac{Earnings\ (t-1)}{Average\ Total\ Assets(t-1)}$$

Financial Targets

The financial target variable is proxied by return on assets. Return on assets (ROA) is part of the profitability ratio when analyzing financial reports or measuring company performance (Skousen & Twedt, 2009).

$$\textbf{ROA} = \frac{\textbf{Net Profit After Tax}}{\textbf{Total Assets}}$$

Financial Stability

The company's Financial Stability provides an assessment of the stability of the company's financial position. The greater the rate of change in a company's total assets, the greater the possibility of fraudulent financial reporting by the company. The balance sheet total describes the company's assets. Balance sheet totals include current and non-current assets. Financial stability is proxied by ACHANGE which is the ratio of changes in assets over two years (Skousen & Twedt, 2009).

$$\textbf{ACHANGE} = \frac{\textbf{(Total Asett - Total Aset(t-1))}}{\textbf{Total Asett-1}}$$

External Pressure

External pressure is a form of pressure on management to meet other people's requirements. To overcome these pressures, companies need more debt or financing sources to remain competitive. The accumulation of debt owned by a company often causes the company to increase its profits. The external pressure variable is proxied by LEV (leverage ratio), namely the ratio of total debt to total assets.

$$\textbf{LEV} = \frac{\textbf{Total Liabilities}}{\textbf{Total Assets}}$$

Institutional Ownership

Institutional ownership is the proportion of institutional ownership of shares in a company. Institutional ownership of a company can be a burden for management. because responsibility does not only lie with individuals, but with institutions (Tessa & Harto, 2016). In this research, institutional ownership is proxied by OSHIP, namely shares owned by other institutions compared to shares in circulation.

$$\textbf{OSHIP} = \frac{\textbf{Shares Owned By Other Institutions}}{\textbf{Shares In Circulation}}$$

Ineffective Monitoring

According to (Skousen & Twedt, 2009), ineffective monitoring can be caused by one person or small group controlling management, without compensation control, ineffective management and an independent board of commissioners over the financial reporting process and similar controls. In this

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study, ineffective monitoring is proxied by BDOUT, which is a calculation of the number of independent commissioners and the total commissioners.

$$\text{BDOUT} = \frac{\text{Number of independent board of commissioners}}{\text{Total board of commissioners}}$$

III. RESULTS AND DISCUSSION

Descriptive Analysis

The mean of the dependent variable proxied by F-SCORE is 0.55 with a maximum value of 1.48 and the smallest value is -1.59, while the standard deviation is 0.62, which means the data distribution for the Financial Statement Fraud variable is 0.62. The mean of financial statement fraud shows that most companies in the sample have a low probability of fraud because they are close to the minimum value. A standard deviation higher than the mean value indicates that the data is relatively heterogeneous.

Table 1. Results of descriptive analysis

	N	Minimum	Maximum	Mean	Standar Deviasi
Financial Statement Fraud	40	-1.59	1.48	0.55	0.62
Financial Target	40	-0.10	0.21	0.07	0.06
Financial Stability	40	0.00	1.68	0.11	0.28
External Pressure	40	0.09	0.94	0.41	0.20
Institutional Ownership	40	0.21	0.92	0.65	0.18
Ineffective Monitoring	40	0.33	0.50	0.38	0.06

The mean of the independent variable financial target which is proxied by ROA is 0.07 with a maximum value of 0.21 and the smallest value is -0.10 while the standard deviation is 0.06, which means the data distribution of the financial target variable (ROA) is 0.06. This means that most of the companies in the sample have low ROA because they are close to the minimum value. A standard deviation that is smaller than the average indicates relatively homogeneous data.

The mean of the independent variable financial stability which is proxied by ACHANGE is 0.11 with a maximum value of 1.68 and the smallest value is 0.00 while the standard deviation is 0.28, which means the data distribution of the financial stability variable (ACHANGE) is 0.28. This means that for the most part companies in the sample have low ACHANGE because they are close to the minimum value. A standard deviation greater than the mean indicates relatively heterogeneous data.

The mean of the independent variable External Pressure which is proxied by LEV is 0.41 with a maximum value of 0.94 and the smallest value is 0.09 while the standard deviation is 0.20, which means the data distribution for the external pressure variable (LEV) is 0.20. This means that most of the companies in the sample have a low LEV because they are close to the minimum value. A standard deviation that is smaller than the average indicates relatively homogeneous data.

The mean of the independent variable institutional ownership which is proxied by OSHIP is 0.65 with a maximum value of 0.92 and the smallest value is 0.21 while the standard deviation is 0.18, which means the data distribution for the institutional ownership variable (OSHIP) is 0.18. This means that most of the companies in the sample have low OSHIP because they are close to the minimum value. A standard deviation that is smaller than the average indicates relatively homogeneous data.

The mean of the independent variable ineffective monitoring which is proxied by BDOUT is 0.38 with a maximum value of 0.50 and the smallest value is 0.33 while the standard deviation is 0.06, which means the distribution of data for the variable ineffective monitoring (BDOUT) is 0.06. This means that most of the companies in the sample have low BDOUT because they are close to the minimum value. A standard deviation that is smaller than the average indicates relatively homogeneous data.

Normality Test

The normality test results show the following information:

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Table 3. Normality test results

Research Test	Normality Test	Results
Normality Test	Asymp. Sig. (2-tailed)	0.0

From the results of the One Sample Kolmogorov-Smirnov test, the Asymp value was obtained. Sig (two-sided) is 0.0, this value is smaller than the significance level of 0.05. The results of this test show that the research data is normally distributed.

Multicollinearity Test

In the results of the multicollinearity test, it can be seen that the tolerance value for each variable ranges from 1,216 to 4,360. From these results it can be seen that the 5 research variables all have a tolerance value greater than 0.10 and smaller than 10, which means the five variables are not within the classic assumption of multicollinearity. The value of the multicollinearity test results obtained was a tolerance value for all independent variables > 0.10 and a variance inflation factor (VIF) value < 10, which means that there is no multicollinearity in the regression model.

Multicollinearity Test	Tolerance	Tolerance Results	VIF	VIF results
Financial Stability	Tol > 0.1	0.882	VIF < 10	1.216
External Pressure	Tol > 0.1	0.270	VIF < 10	3.704
Institutional Ownership	Tol > 0.1	0.881	VIF < 10	1.223
Financial Target	Tol > 0.1	0.229	VIF < 10	4.360
Ineffective Monitoring	Tol > 0.1	0.590	VIF < 10	1.694

Autocorrelation Test

The autocorrelation test obtained a Durbin Watson (DW) value of 2.057. To get the DU value, you can look at the Durbin Watson table where the number of samples (n) is 40 and the number of variables (k) is 5, so the DU value is 1.7859 and dL is 1.2305. So, based on the results of the analysis carried out, the DW value of 2.057 is higher than the upper limit (du) of 1.7859 and lower than 4-du (4-2.2141) or can be assessed as 1.7859 < 2.057 < 2.2141, so it can be concluded that there is no autocorrelation in this research.

Table 5. Autocorrelation test results

Research Test	Criteria	Durbin-Watson
Autocorrelation Test	Du < DW < (4-Du)	2.057
	1.7859 < 2.057 < 2.2141	

Heteroscedasticity Test

Based on table 6 you can see the Sig value. of each variable is 0.143 for the financial targets (ROA) variable, the sig value is 0.286 for the financial stability variable (ACHANGE), the sig value is 0.106 for the external pressure (LEV) variable, the sig value is 0.921 for the institutional ownership variable (OSHIP), and a sig value of 0.832 for the ineffective monitoring variable (BDOUT). From these results it can be concluded that the regression equation model does not experience heteroscedasticity. This is because the value of each variable is not significant, or the Sig value. greater than 0.05.

Table 6. Heteroscedasticity test results

Heteroscedasticity test	Criteria	Results
Financial Target	Sig. > 0.05	0.143
Financial Stability	Sig. > 0.05	0.286
External Pressure	Sig. > 0.05	0.106
Institutional Ownership	Sig. > 0.05	0.921
Ineffective Monitoring	Sig. > 0.05	0.832

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Multiple Linear Regression Analysis Test

Financial statement fraud is proxied using the F-Score value. The F-Score has a directly proportional (positive) relationship with the possibility of fraudulent financial reporting. If there is an increase in the F-Score value, it indicates an increase in financial reporting fraud. Based on the results of the hypothesis test, the F-Score constant value was 0.596. A positive coefficient means that the influence of other variables that cannot be explained in the regression model is proportional to the F-Score. In other words, these other variables have a positive relationship with financial statement fraud. Thus, a constant value of 0.596 means that if the variables financial target (ROA), financial stability (ACHANGE), external pressure (LEV), institutional ownership (OSHIP) and ineffective monitoring (BDOUT) are 0, then financial report fraud occurs with a value of 0.596.

Financial Target has a regression coefficient of -20,729. A negative regression coefficient indicates that financial targets have a negative effect on the F-Score. Theoretically, the lower the F-Score, the lower the possibility of financial statement fraud, hence the negative regression coefficient of financial target shows that the ROA value has a negative effect on the possibility of financial statement fraud. The regression coefficient of-20.729 indicates that a decrease in the financial target of 1 percent will reduce the F-Score by 20,729 percent or a decrease in the possibility of financial statement fraud by 20,729 percent assuming other independent variables are constant.

Table 7. Multiple linear regression analysis test results

Regression Analysis Test	B coefficient
(Constant)	0.596
Financial Target	-20.729
Financial Stability	-1.795
External Pressure	-5.492
Institutional Ownership	-0.929
Ineffective Monitoring	1.672

Financial stability has a regression coefficient of -1.795. The negative regression coefficient indicates that financial stability has a negative effect on the F-Score. Theoretically, the lower the F-Score, the lower the possibility of financial statement fraud, so the negative regression coefficient of financial stability shows that the ACHANGE value has a negative effect on the possibility of financial statement fraud. The regression coefficient of -1.795 indicates that a decrease in financial stability of 1 percent will reduce the F-Score by 1.795 percent or a decrease in the possibility of financial statement fraud by 1.795 percent assuming other independent variables are constant.

External pressure has a regression coefficient of -6.492. A negative regression coefficient indicates that external pressure has a negative effect on the F-Score. Theoretically, the lower the F-Score, the lower the possibility of financial statement fraud, so the negative regression coefficient of external pressure indicates that the LEV value has a negative effect on the possibility of financial statement fraud. The regression coefficient of -6.492 indicates that a 1 percent reduction in external pressure will reduce the F-Score by 6.492 percent or a decrease in the possibility of financial statement fraud by -6.492 percent assuming other independent variables are constant.

Institutional ownership has a regression coefficient of -0.929. The negative regression coefficient indicates that institutional ownership has a negative effect on the F-Score. Theoretically, the lower the F-Score, the lower the possibility of financial statement fraud, so the negative regression coefficient of institutional ownership shows that the OSHIP value has a negative effect on the possibility of financial statement fraud. The regression coefficient of -0.929 indicates that increasing institutional ownership by 1 percent will reduce the F-Score by -0.929percent or reduce the possibility of financial statement fraud by -0.929 percent assuming other independent variables are constant.

Ineffective monitoring has a regression coefficient of 1.672. A positive regression coefficient indicates that ineffective monitoring has a positive effect on the F-Score. Theoretically, the lower the F-Score, the lower the possibility of financial statement fraud, so the positive regression coefficient of

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ineffective monitoring indicates that the BDOUT value has a positive effect on the possibility of financial statement fraud. The regression coefficient of 1.672 shows that increasing ineffective monitoring by 1 percent will increase the F-Score by 1.672 percent or increase the possibility of fraudulent financial statements by 1.672 percent assuming other independent variables are constant.

Coefficient of Determination Test (R^2)

Table 8. Coefficient of determination test results

Coefficient of Determination	Criteria	Results	Information
	$0 \leq R \leq 1$	15.7%	15.7% Fraud Score Model variables can be explained in research variables

Based on the table above, the Adjusted R Square regression coefficient is 0.157, which shows that the ability of the variables Financial Targets, Financial Stability, External Pressure, Institutional Ownership, and Ineffective Monitoring to explain variations in the variable Financial Statement Fraud (F-Score) is 15.7%, the remainder is 15.7%. 84.3% is explained by other variables outside the equation. With an Adjusted R Square coefficient of only 0.157, the ability of the dependent variable is relatively low, while the ability of the independent variable is very good for fluctuations in dependent variations if it has an Adjusted R Square value that is close to 1.

Stimulant Significance Test (F Statistical Test)

Based on the table above, the F test results show a significance value of 0.049. Thus, it can be concluded that the variables financial target, financial stability, external pressure, institutional ownership and ineffective monitoring have a significant effect on fraudulent financial statements (Fraud Score Model), because the value is <0.05, meaning the model fits the data and the regression model is suitable for use or fit.

Table 9. Stimulant significance test results

F test	Criteria	Sig.
	Sig. <0.05	0.0479

Individual Parameter Significance Test (t statistical test)

In table 10, a significance value (p-value) of 0.215is obtained with a regression coefficient value of 3.502. The significance value (p-value) of 0.215> 0.05 indicates that Return on Assets (ROA) has no influence on the potential for Fraudulent Financial Statements. A positive regression coefficient indicates that Return on Assets (ROA) has no positive effect on the F-Score Model. This means that for every 1 unit increase in Return on Assets (ROA), the Fraudulent Financial Statement (Y) will decrease by 3.666. These results indicate that Return on Assets (ROA) does not have a positive effect on fraudulent financial statements. The results of this research support research by (Saputra & Kesumaningrum, 2017) and (Quraini & Rimawati, 2018) which stated that financial targets have no effect on fraudulent financial reporting. However, this is different from research by (Abriatika & Mutmainah, 2022) and (Listyawati, 2020) which states that financial targets have an influence on fraudulent financial reports.

Table 10. Results of individual parameter significance tests

Uji t	Criteria	t	Result sig. (1 - tailed)
Financial Target	Sig. <0.05	3.502	0.212
Financial Stability	Sig. <0.05	0.599	0.099
External Pressure	Sig. <0.05	-0.389	0.664
Institutional Ownership	Sig. <0.05	0.247	0.658
Ineffective Monitoring	Sig. <0.05	-1.987	0.312

In the table above, a significance value (p-value) of 0.099 is obtained with a regression coefficient value of 0.599. The significance value (p-value) of 0.099 > 0.05 indicates that Financial Stability (ACHANGE) does not have a significant influence on the potential for Fraudulent Financial

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Statements. A positive regression coefficient indicates that Financial Stability (ACHANGE) has no positive effect on the F-Score Model. This means that for every 1 unit increase in Financial Stability (ACHANGE), the Fraudulent Financial Statement (Y) will increase by 0.599. These results indicate that ACHANGE does not have a positive effect on fraudulent financial statements. The results of this research support research by (Utomo, 2018) which states that financial stability has no effect on fraudulent financial reports. However, this is different from research by (Aulia & Afiah, 2020) and (Riskiani & Yanto, 2020) which states that financial stability has an effect on fraudulent financial reporting.

In the table above, a significance value (p-value) of 0.664 is obtained with a regression coefficient value of -0.389. The significance value (p-value) of 0.664 > 0.05 indicates that External Pressure (LEV) does not have a significant influence on the potential for Fraudulent Financial Statements. A negative regression coefficient indicates that External Pressure (LEV) has no negative effect on the F-Score Model. This means that every time the External Pressure (LEV) decreases by 1 unit, there is a Fraudulent Financial Statement (Y) will decrease by 0.389. These results indicate that LEV does not have a negative effect on fraudulent financial statements. The results of this research support research by (Kurnia & Anis, 2017) which states that external pressure has no effect on fraudulent financial reports. However, this is different from research by (Tessa & Harto, 2016) and (Luvita, 2021) which states that external pressure has an effect on fraudulent financial reporting.

In the table above, a significance value (p-value) of 0.658 is obtained with a regression coefficient value of 0.247. The significance value (p-value) of 0.658 > 0.05 indicates that Institutional Ownership (OSHIP) does not have a significant influence on the potential for Fraudulent Financial Statements. A positive regression coefficient indicates that Institutional Ownership (OSHIP) has no positive effect on the F-Score Model. This means that for every 1 unit increase in Institutional Ownership (OSHIP), the Fraudulent Financial Statement (Y) will increase by 0.247. These results indicate that OSHIP does not have a positive effect on fraudulent financial statements. The results of this research support research by (Tessa & Harto, 2016) and (Aprilia, 2017) which states that institutional ownership has no effect on fraudulent financial reporting. However, this is different from research by (Riandani & Rahmawati, 2019) which states that institutional ownership has an influence on fraudulent financial reports.

In the table above, a significance value (p-value) of 0.312 is obtained with a regression coefficient value of -1.987. The significance value (p-value) of 0.312 > 0.05 indicates that Ineffective Monitoring (BDOUT) does not have a significant influence on the potential for Fraudulent Financial Statements. The negative regression coefficient indicates that Ineffective Monitoring (BDOUT) has no negative effect on the F-Score Model. This means that for every 1unit reduction in Ineffective Monitoring (BDOUT), the Fraudulent Financial Statement (Y) will decrease by 1,987. These results indicate that BDOUT does not have a negative effect on fraudulent financial statements. The results of this research support research by (Prasmaulida, 2016) which states that ineffective monitoring has no effect on fraudulent financial reporting. However, this is different from research by (Himawan & Karjono, 2019) which states that ineffective monitoring has an effect on fraudulent financial reports.

IV. CONCLUSIONS

Based on the results of the analysis and discussion as in the previous section, it can be concluded that: Financial Target has no positive effect on financial report fraud, Financial Stability has no positive effect on financial report fraud, External Pressure has no negative effect on financial report fraud. Institutional Ownership has no positive effect on financial statement fraud and Ineffective Monitoring has no negative effect on financial report fraud.

Taking into account the conclusions of the research results, the recommendation that can be recommended is that: for users of financial reports (especially principals), it is hoped that this research can help in identifying potential risks of financial report fraud. By understanding the methods and patterns of fraudulent actions, it can be used to increase conservative actions in decision making. For

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investors and potential investors, the results of this research can be used as a reference in identifying transparent and trustworthy accounting practices, so that they can make wiser investment decisions by minimizing the risk of loss in investing.

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