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Fraud Triangle Risk Factors Affecting Fraud Financial Statements

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Abstract

This study aims to determine the influence of the fraud triangle risk factor on financial statement fraud. In the fraud triangle theory, there are three conditions that are always present in every fraud incident. The three conditions are pressure, opportunity and rationalization. Financial statement fraud in this study is proxied by earnings management. The research was quantitative, with seven independent variables consisting of four pressure elements (financial stability, external pressure, financial target, and personal financial need), two opportunity elements (nature of industry and effective monitoring), and one rationalization element (change in auditor). Meanwhile, financial statement fraud was used as the dependent variable. The companies listed in the Jakarta Islamic Index from 2018 to 2020 make up the study's population. Purposive sampling was used to select the sample, and a total of 21 companies were included in the research sample. Multiple linear regression analysis was used, as well as hypothesis testing with the t test, F test, and coefficient of determination. The results showed that the external pressure variable which was proxied by LEV had a significant negative effect on financial statement fraud, the change in auditor variable which was proxied by the dummy variable had a significant positive effect on financial statement fraud. Meanwhile, the financial stability variable proxied by ACHANGE, financial target proxied by ROA, personal financial need proxied by OSHIP, nature of industry proxied by RECEIVABLE and ineffective monitoring proxied by BDOUT have no effect on financial statement fraud.

Keyword: Fraud, Triangle, Risk, Financial Statement

1. Introduction

Financial statements are essential for every company to prepare as a form of accountability and a benchmark for determining whether or not a company can survive for an extended period of time. Because financial statements are so important, businesspeople are expected to provide information that is accurate, timely, and free of fraud so that users of financial statements can make informed decisions. In Rahmatika (2020:28), Arens, *et al*. explain that misleading financial statements (fraudulent statements) are a type of error or omission made by management on material results or disclosures of material value that aim to mislead users of financial statements by reporting earnings or other assets that are higher than they actually are.

Some examples of financial statement fraud cases that have become public attention. Among them, the Enron case in 2001 is an example of an ice-breaking financial statement fraud case. This is because Enron is the 7th largest company in the United States which involves a well-known public accounting firm named Arthur Andersen Public Accounting Firm and it is suspected that there are also several White House officials. Enron is a massive energy company headquartered in Houston, Texas, with approximately 21,000 employees. The Enron company falsified its financial statements by recording a profit of up to USD 600 million between 1997 and 2000, even though the company suffered a loss, according to an investigation. In addition, World Com, the second largest long-distance telecommunications company in the United States, filed for bankruptcy in 2002 after the ownership of their executive officers' assets was revealed. It was discovered after an investigation that the increase in wealth stemmed from company assets reaching up to USD 11 billion as a result of financial games played by company executives.

Fraudulent financial statements do not only occur in foreign countries, but also in Indonesia. Based on the results of the Association of Certified Fraud Examiner (ACFE) survey in 2019 showed that cases of fraudulent financial statements for losses below Rp. 10 million were the most common cases in Indonesia compared to cases of corruption and misuse of assets. as shown in the table 1 below;

Table 1. Value of Losses Due to the Most Adverse Fraud in Indonesia in 2019

Loss Value (Rp)	Coruption (%)	Financial Statement Fraud (%)	Misuse of State/Company Assets (%)
< 10 million	48.1	67.4	63.6
10 million - 50 million	4.2	2.9	3.3
50 million - 100 million	8.4	5.4	8.8
100 million - 500	11.7	6.7	9.6

Loss Value (Rp)	Coruption (%)	Financial Statement Fraud (%)	Misuse of State/Company Assets (%)
million			
500 million - 1 billion	10.9	6.7	2.9
1 billion - 5 billion	5.9	3.8	3.8
5 billion - 10 billion	5.4	2.1	3.4
> 10 billion	5.4	5.0	4.6

Source: Survey Results ACFE

The Financial Services Authority (OJK) revealed several cases of fraud, including those committed by the Commissioner of BPR Multi Artha Mas Sejahtera Bekasi and cases of fraud committed by the President Director of BPR KS Bali Agung Sedana. OJK is of the opinion that the types of fraud cases include credit cases, recording engineering, embezzlement of funds, transfer of funds, and asset procurement. Garuda Indonesia was also sanctioned by the Financial Services Authority (OJK) because the financial statements found an irregularity. The Garuda Indonesia case also involves several large Public Accounting Firms (KAP). In addition, there was a fraud case at PT Sentul City (Rini in Pamungkas, 2018). One of the companies on the Jakarta Islamic Index is PT Sentul City. The case at PT Sentul City was handled by the president director, who was charged with corruption in the Bogor Regency forest conversion case. As a result, a sample of companies listed on the Jakarta Islamic Index will be used in this research. The purpose of using this sample is to see if other companies listed on the Jakarta Islamic Index are as likely to commit fraud as PT Sentul City was.

From the cases above, various questions can be raised, for example, why did these cases occur?. Donald R. Cressey in 1953 developed the fraud triangle theory based on his research on the causes of people deciding to commit fraud which he called the trust violator. The results of his research show that there are three main reasons someone commits fraud, including: (1) pressures faced by perpetrators (pressures); (2) opportunities owned by the perpetrator

(opportunity); and (3) rationalization from within the actor (rationalization). These three elements are then referred to as the fraud triangle.

Research that also uses the fraud triangle as a tool to identify and predict fraud include Kurniawati (2012), Norbarani (2012), Martantya (2013), Susanti (2014), Ardiyani (2015), Utomo (2018), Rahma research. (2019), and Eachandewi (2020). One of the proxies that can be used to measure financial statement fraud is earnings management (Susanti, 2014), the results of which can be explained in table 2 below;

Table 2. *Research Gap*

Variable	Researcher	Research result
Pressure:		
1. *Financial Stability*	Rahma (2019) Utomo (2018)	Significantly positive effect No effect
2. *External Pressure*	Kurniawati (2012) Utomo (2018) Ardiyani (2015)	Significantly effect Significantly negative effect No effect
3. *Financial Target*	Norbarani (2012) Tiapandewi (2020)	Significantly positive effect No effect
4. *Personal Financial Need*	Utomo (2018) Martantya (2013)	Significantly positive effect No effect
Opportunity:		
1. *Nature of Industry*	Kurniawati (2012) Tiapandewi (2020)	Significantly effect No effect
2. *Ineffective Monitoring*	Tiapandewi (2020) Utomo (2018) Norbarani (2012)	Significantly positive effect Significantly negative effect No effect
Ratinalization:		
1. *Change in Auditor*	Susanti (2014) Kurniawati (2012)	Significantly negative effect No effect

Source: results of previous research

Based on the differences in the results of the research above, it becomes a

reason for researchers to re-examine the variables that have different results from previous studies, especially on the variables of financial stability, external pressure, financial targets, personal financial need, nature of industry, ineffective monitoring, and change in auditors. So that the main theme of discussion is the fraud triangle risk factor that affects financial statement fraud.

2. Literature

2.1. Agency Theory

Jensen and Meckling (1976) explain that the agency relationship is a contract between the manager (agent) and the owner (principal). An agency relationship arises when one or more people (principal) orders another person (agent) to perform a service on behalf of the principal and authorizes the agent to make the best decisions for the principal (Norbarani, 2012:12). The relationship between the principal and the agent can lead to an information asymmetric condition because the agent is in a position that has more information about the company than the principal. Assuming that both the agent and the principal act to maximize their own interests, the information asymmetry they have will encourage the agent to hide some information that the principal does not know. Agents can influence the accounting numbers presented in financial statements by means of earning management (Suryandari and Endiana, 2019:43). Earning management carried out by agents due to conflict of interest and asymmetric information with the principal is a form of financial statement fraud that is materially misleading.

2.2. Financial Statement Fraud

Financial statement fraud is an action taken by an official or executive of a company or government agency to cover up the actual financial condition by carrying out financial engineering in the presentation of its financial statements to gain profits or may be analogous to the term window dressing (Suryandari and Endiana, 2019:18).

2.3. Fraud Triangle Theory

The Fraud Triangle theory is a theory that discusses the reasons or causes of someone committing fraud or fraud. According to Donald R. Cressey, there are three main reasons someone commits fraud, including:

2.3.1. Pressure/Incentive

The driving factor for the emergence of this motive is due to financial needs, lifestyle, and pressure from other parties that cause someone to be compelled to commit fraud (Rahmatika, 2020:16). Statement of Auditing Standards (SAS) No. 99 in Rahmatika (2020:16) states that there are four types of general conditions that occur in pressure that can lead to fraud, namely, financial stability, financial targets, external pressure, and personal financial need.

2.3.2. Opportunity

According to Rahmatika (2019: 19) "The driving factors for the emergence of the opportunity motive are weak internal control systems, trust in one's duties that are too broad and excessive, lack of training and supervision, lack of demands for fraud perpetrators, ineffectiveness of anti-fraud programs and policies, and weak culture. ethical". Statement of Auditing Standards (SAS) No. 99 in Rahmatika (2020:19) states that opportunities for financial statement fraud can occur in three categories, namely, nature of industry, ineffective monitoring, and organizational structure.

2.3.3. Rationalization

Rationalization can be interpreted as an act of seeking justification by people who feel themselves trapped in a bad situation. There are studies that show that the incidence of audit failure and litigation increases rapidly after a change in auditors. Therefore, auditor changes as a proxy for rationalization (Skousen, et. al., in Rahmatika (2020:22).

2.4. Framework Of Thinking

2.4.1. Effect of Financial Stability on Financial Statement Fraud

According to SAS No. 99 in Rahmatika (2020:17) "Financial stability is a condition that makes a company must declare its financial condition in a stable

condition". If the company's financial stability is in a bad condition, the management will take various ways to make the company's financial stability look good. The form of manipulation of financial statements by management is related to asset growth (Skousen et al., in Susanti, 2014:41). The existence of a high percentage change in total assets indicates manipulation of the financial statements. Therefore, the ratio of changes in total assets is used as a proxy for the financial stability variable.

2.4.2. Effect of External Pressure on Financial Statement Fraud

According to Skousen, et. al. in Rahmatika (2020: 18) External pressure is excessive pressure on management in an effort to meet the expectations of third parties. One of the pressures generally experienced by the management is when obtaining additional debt (liabilities) or external financing to keep the company competitive, such as research financing and development (Skousen et al., in Susanti, 2014:41). Therefore, the leverage ratio (LEV) is used as a proxy for the external pressure variable.

2.4.3. Effect of Financial Targets on Financial Statement Fraud

According to SAS No. 99 in Rahmatika (2020:18) "Financial targets are excessive pressure to achieve financial targets on management or operating personnel set by the board of directors or management. An example of a risk factor is companies can engineer earnings to meet benchmarks or standards such as previous year's earnings. Return on Assets (ROA) is defined as the company's ability to generate profits from any assets that have been used. The higher the ROA targeted by the company, the more vulnerable management will be to manipulate earnings which is a form of financial statement fraud (Tiapandewi, 2020:161). Therefore, ROA is used as a proxy for the financial target variable.

2.4.4. Effect of Personal Financial Need on Financial Statement Fraud

Skousen et al., in Rahmatika (2020:18) define Personal Financial Need, namely "A condition when the finances of the institution are also influenced by the financial condition of the company's executives". The presence of some shares owned by company executives will affect management policies in disclosing the company's financial performance. With this ownership, Managers will be under

pressure to be more vigilant in providing financial information (Martantya and Daljono, 2013: 4-5). Therefore, the percentage of share ownership by insiders is used as a proxy for personal financial need.

2.4.5. Effect of Nature of Industry on Financial Statement Fraud

The nature of industry is the ideal state of the company in an industrial environment. Industrial regulations in the area where the company operates are one of the gaps for companies to practice fraudulent financial statements. This gap arises because of industry regulations that require companies to have expertise in estimating accounts whose values are calculated based on subjective assessments. In the financial statements there are accounts whose balances are determined based on estimates, for example bad debts and obsolete inventories (Pamungkas, 2018). In estimating the value of receivables, companies can use these accounts to manipulate financial statements by overstating the allowance for bad debts in order to reduce profits (Handoko in eachandewi, 2020:162). This is done to create profit reserves that can be used to increase profits in the future when the company does not reach the target (Tiapandewi, 2020:162).

2.4.6. Effect of Ineffective Monitoring on Financial Statement Fraud

Skousen et al., in Rahmatika (2020:20) defines ineffective monitoring as "a condition where the institution does not have an effective supervisory unit to monitor the company's performance". With ineffective supervision, management will feel that they are not being closely monitored and will be more flexible in finding ways to maximize their personal benefits (Martantya and Daljono, 2013:5). Therefore, to prevent fraud, another party is needed, namely an independent board of commissioners. So, with the existence of an independent commissioner, it is hoped that company supervision will be more effective and fraudulent practices can be minimized.

2.4.7. Effect of Change In Auditor on Financial Statement Fraud

Companies that commit fraud more often change auditors, because company management tends to try to reduce the possibility of detection by the old auditor regarding fraudulent financial statements (Utomo, 2018: 80).

3. Method

3.1. Population and Sample

The population in this study are companies listed in the Jakarta Islamic Index on the 2018-2020 BEI, which are 45 companies. While the sample in this study were 21 companies listed in the Jakarta Islamic Index on the IDX in 2018-2020. The sampling technique used is purposive sampling. The criteria used to select the sample in this study are as follows: (1) companies that are not in and out (permanently) listed in the Jakarta Islamic Index on the Indonesia Stock Exchange in 2018-2020, (2) the company publishes annual financial reports on the company website or the IDX website (www.idx.co.id) for the 2018-2020 period in a row. (3) the company publishes the annual financial report on the company's website or the IDX website which is stated in rupiah (Rp). (4) completely available data (data as a whole are available in publications during the 2018-2020 period), regarding data related to research variables.

3.2. Data Sources and Data Collection Methods

The data source in this study uses secondary data used in this study in the form of information obtained from the audited financial statements of all companies listed in the Jakarta Islamic Index on the 2018-2020 BEI. While the data collection method is done by means of documentation, namely by collecting all secondary data from www.idx.co.id.

3.3. Data analysis method

The method used in conducting data testing with the following stages: (1) classical assumption test, (2) multiple regression analysis: $Y = a + b1x1 + b2x2 + b3x3 + b4x4 + b5x5 + b6x6 + b7x7 + e$, (3) hypothesis testing consisting of : correlation test , coefficient of determination test, simultaneous test, and partial test.

4. Result And Discussion

4.1. Result

4.1.1. Descriptive statistical analysis

Descriptive statistical analysis in this study is used to provide information, descriptions, and descriptions of predetermined sample data.

Table 3. Descriptive Statistical Analysis

Variable	N	Min	Max	Mean	Std. Dev
Financial Stability (X1)	63	-,607	,756	,07806	,152859
External Pressure (X2)	63	,157	,744	,45654	,155790
Financial Target (X3)	63	-,057	,447	,09911	,094643
Personal Financial Need (X4)	63	,000	,024	,00167	,003690
Nature Of Industry (X5)	63	-1,665	3,882	,24668	,739317
Ineffective Monitoring (X6)	63	,300	,800	,40614	,112615
Financial Statement Fraud (Y)	63	-,275	,882	,05617	,196027
Valid N (Listwise)	63				

Source: data processed by the author

Based on table 3, information can be obtained that the average financial statement fraud is 0.05617. The average amount of financial stability is 0.07806 or about 7.8%. The average amount of external pressure is 0.45654. The average financial target is 0.09911 or around 10%. The average personal financial need is 0.00167 or about 0.2%. The average nature of industry is 0.24668. The average ineffective monitoring is 0.40614.

Table 4. Descriptive Statistical Analysis *Change In Auditor* (X7)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Changing KAP	55	87,3	87,3	87,3
	Changing KAP	8	12,7	12,7	100,0
	Total	63	100,0	100,0	

Source: data processed by the author

Based on table 4, it can be seen that only 12.7% of the sample companies in

the observation period made auditor changes (KAP). And the remaining 87.3% decided to continue to use the services of the same auditor (KAP).

4.1.2. Normality Test

Table 5. Normality Test *One-Sample Kolmogorov-Smirnov Test*

		Unstandardized Residual
N		63
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,15972603
Most Extreme Differences	Absolute	,141
	Positive	,141
	Negative	-,110
Kolmogorov-Smirnov Z		1,118
Asymp. Sig. (2-tailed)		,164

Source: data processed by the author

In table 5 above, the results of the normality test show that the data is normally distributed. It is known from the significance value of asymp. Sig. (2-tailed) of 0.164 > 0.05. The other method referred to above is by using a probability plot. If the data spreads around the diagonal line and follows the direction of the diagonal line or histogram graph, it can show a normal distribution pattern, or it can be concluded that the regression model meets the assumption of normality.

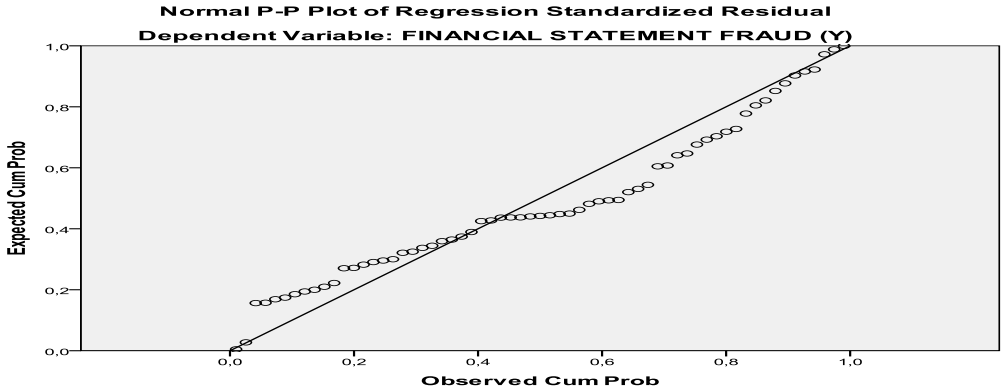

Figure 1. Probability Plots

Source: data processed by the author

4.1.3. Multicollinearity Test

Table 6. Multicollinearity Test

Model		Tolerance	VIF
1	(Constant)		
	Financial Stability (X1)	,915	1,093
	External Pressure (X2)	,866	1,155
	Financial Target (X3)	,613	1,631
	Personal Financial Need (X4)	,924	1,082
	Nature Of Industry (X5)	,876	1,141
	Ineffective Monitoring (X6)	,558	1,793
	Change In Auditor (X7)	,935	1,069

Source: data processed by the author

In table 6 of the multicollinearity test above, the VIF value for each independent variable is less than 10 and the tolerance value is above 0.10. This shows that there is no correlation between the independent variables in the regression model and it is concluded that there is no multicollinearity problem among the independent variables in the regression model that is formed.

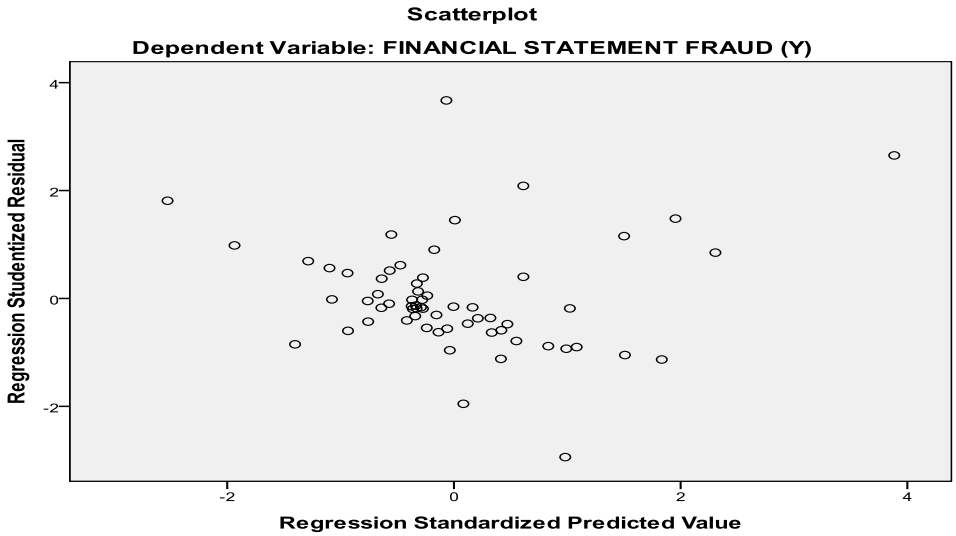

Figure 2. Scatterplot

Source: data processed by the author

Based on the scatterplot image above, it can be seen that the points do not form a clear pattern and spread above and below zero on the Y axis, so it can be concluded that there is no heteroscedasticity in the regression model. Thus, the assumption of no heteroscedasticity can be met.

4.1.4. Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,097	,104		,936	,353
	Financial Stability (X1)	,069	,147	,053	,465	,644
	External Pressure (X2)	-,485	,149	-,385	-3,264	,002
	Financial Target (X3)	-,234	,291	-,113	-,806	,424
	Personal Financial Need (X4)	-,303	6,071	-,006	-,050	,960
	Nature Of Industry (X5)	,048	,031	,180	1,537	,130
	Ineffective Monitoring (X6)	,395	,256	,227	1,544	,128
	Change In Auditor (X7)	,206	,066	,353	3,103	,003
R Adjust R Square	= 0, 580 = 0,252	F hitung Sig. F	= 3,977 = 0,001			

Source: data processed by the author

Thus, it can be concluded that the following multiple linear regression equation has been obtained: (1) Y = a + b1x1 + b2x2 + b3x3 + b4x4 + b5x5 + b6x6 + b7x7 + e, (2) Y = 0.097 + 0.069x1 0.485x2 0.234x3 0.303x4 + 0.048x5 + 0.395x6 + 0.206x7 + e.

The explanation of the multiple linear regression equation in table 7 is as follows: (1) the constant value of 0.097 indicates that financial statement fraud

will increase by 0.097 with the assumption that the independent variables are constant. (2) the value of the financial stability regression coefficient is 0.069, meaning that if the level of financial stability changes by one unit, the value of financial statement fraud will also change by 0.069 with the assumption that the other independent variables are constant. (3) the value of the external pressure regression coefficient is -0.485, meaning that if the external pressure level changes by one unit, the financial statement fraud value will also change by -0.485 with the assumption that the other independent variables are constant. The negative sign of the coefficient indicates the opposite relationship, this means that if the percentage of external pressure increases, the value of financial statement fraud will decrease by -0.485. (4) the value of the financial target coefficient is -0.234, meaning that if the financial target level changes by one unit, the value of the financial statement fraud will also change by -0.234 assuming the other independent variables are constant, (5) the regression coefficient value of personal financial need is -0.303, meaning that if the level of personal financial need changes by one unit, then the value of financial statement fraud will also change by -0.303 assuming the other independent variables are constant. (6) the value of the nature of industry regression coefficient is 0.048, meaning that if the nature of industry level changes by one unit, then the value of financial statement fraud will also change by 0.048 with the assumption that the other independent variables are constant, (7) the regression coefficient value of ineffective monitoring is 0.395, meaning that if the level of ineffective monitoring changes by one unit, the value of financial statement fraud will also change by 0.395 assuming the other independent variables are constant. (8) change in auditor regression coefficient value is 0.206, meaning that if the company changes KAP (score 1), the financial statement fraud will increase by 0.206 assuming other independent variables are constant. The positive sign of this variable coefficient indicates a one-way relationship, this means that if the auditor turnover increases, the financial statement fraud will increase by 0.206.

4.1.5. Simultaneous Test (F test) Results

Table.8: Simultaneous Test (F test) Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,801	7	,114	3,977	,001[a]
	Residual	1,582	55	,029		
	Total	2,382	62			

a. Predictors: (Constant), Change In Auditor (X7), Personal Financial Need (X4), Nature Of Industry (X5), Financial Target (X3), Financial Stability (X1), External Pressure (X2), Ineffective Monitoring (X6)

b. Dependent Variable: Financial Statement Fraud (Y)

Source: data processed by the author

Based on table 8 above, the test results show the value of F_{count} 3.977 is greater than F_{table} (k; N-k) = (7; 63-7) = (7; 56) = 2.18 and sig. 0.001 < 0.05. This means that simultaneously all independent variables have a significant effect on financial statement fraud. So it can be said that the partial test can be continued because it has met the requirements.

4.1.6. Partial Test (t test) Results

Partial test (t test) was conducted to determine the effect of each independent variable on the dependent variable. If $t_{count} > t_{table}$, it means that the independent variable (X) has a partial effect on the dependent variable (Y). The formula for finding t_{table} = (a/2, n-k-1) = (0.05/2, 63-7-1) = (0.025, 55) = 2.00404. (Further explanation is in the discussion section). Partial test results are shown in the following table 9:

Table 9. Partial test (t test)

Variable	Coefficient	t	Sig.
1(Constant)	,097	,936	,353
Financial Stability (X1)	,069	,465	,644
External Pressure (X2)	-,485	-3,264	,002
Financial Target (X3)	-,234	-,806	,424
Personal Financial Need (X4)	-,303	-,050	,960

Variable	Coefficient	t	Sig.
Nature Of Industry (X5)	,048	1,537	,130
Ineffective Monitoring (X6)	,395	1,544	,128
Change In Auditor (X7)	,206	3,103	,003

a. Dependent Variable: Financial Statement Fraud (Y)

Source: data processed by the author

From table 9 above, it can be explained as follows:

1. Financial stability produces a t value of 0.465, then $t_{count} < t_{table} = 0.465 < 2.00404$ with a significance value of 0.644 > 0.05. The results of hypothesis testing can be seen that financial stability partially has no effect on financial statement fraud. Statement H_1 is rejected.
2. External pressure produces a t value of -3.264, then $t_{count} > t_{table} = -3.264 > 2.00404$ with a significance value of 0.002 <0.05. The results of hypothesis testing can be seen that external pressure partially has a significant negative effect on financial statement fraud. The effect is negative at 0.485. Statement H_2 is accepted.
3. Financial target produces a t value of -0.806, then $t_{count} < t_{table} = -0.806 < 2.00404$ with a significance value of 0.424 > 0.05. The results of hypothesis testing can be seen that the financial target partially has no effect on financial statement fraud. Statement H_3 is rejected.
4. Personal financial need produces a t value of -0.050, then $t_{count} < t_{table} = -0.050 < 2.00404$ with a significance value of 0.960 > 0.05. The results of hypothesis testing can be seen that personal financial need partially has no effect on financial statement fraud. Statement H_4 is rejected.
5. Nature of Industry produces a t value of 1.537, then $t_{count} < t_{table} = 1.537 < 2.00404$ with a significance value of 0.130 > 0.05. The results of hypothesis testing can be seen that the nature of Industry partially has no effect on financial statement fraud. Statement H_5 is rejected.
6. Ineffective monitoring resulted in a t value of 1.544, then $t_{count} < t_{table} = 1.544 < 2.00404$ with a significance value of 0.128 > 0.05. The results of hypothesis testing can be seen that partially ineffective monitoring has no effect on financial statement fraud. Statement H_6 is rejected.

7. Change in auditor produces a t value of 3.103, then tcount > ttable = 3.103 > 2.00404 with a significance value of 0.003 <0.05. The results of hypothesis testing can be seen that the change in auditor partially has a significant positive effect on financial statement fraud. The positive effect is 0.206, meaning that the higher the external pressure, the higher the financial statement fraud. H7 statement is accepted.

4.2. Discussion

4.2.1. Partial Effect of Financial Stability on Financial Statement Fraud

Financial stability produces a t value of 0.465, then tcount < t table = 0.465 < 2.00404 with a significance value of 0.644 > 0.05. The results of hypothesis testing can be seen that financial stability partially has no effect on financial statement fraud. Statement H1 is rejected. The results of this study are consistent with the research of Norbarani (2012), Susanti (2014), and Utomo (2018). This is because the company has a good level of supervision carried out by the board of commissioners to monitor and control the actions of management who are directly responsible for business functions such as finance, so that even though management faces pressure when financial stability is threatened by economic conditions, industry, and the situation of the operating entity, it is not will affect the occurrence of fraudulent financial statements. Meanwhile, research by Martantya (2013), Pamungkas (2018), and Rahma (2019) are not in line.

4.2.2. Partial Effect of External Pressure on Financial Statement Fraud

External pressure produces a t value of -3.264, then tcount > ttable = -3.264 > 2.00404 with a significance value of 0.002 <0.05. The results of hypothesis testing can be seen that external pressure partially has a significant negative effect on financial statement fraud. The negative effect is 0.485, meaning that the higher the external pressure, the lower the financial statement fraud. Statement H2 is accepted. The results of this study are consistent with the research of Norbarani (2012) and Utomo (2018). The reason that underlies the external pressure proxied by the debt ratio has a negative effect, namely that companies

can take loans for two reasons, first because of an unpredictable decline in income, secondly because of financing the company's development operations In general, companies experience a second condition when taking out a loan. With the increase in loans, the operational funds will increase. An increase in operating funds will increase production and increase sales. This increase in sales causes profits to increase and pressure for management to decrease so that fraud is minimal. While the research of Martantya (2013) and Ardiyani (2015) is not in line.

4.2.3. Partial Effect of Financial Target on Financial Statement Fraud

The financial target produces a t value of -0.806, then tcount < ttable = -0.806 < 2.00404 with a significance value of 0.424 > 0.05. The results of hypothesis testing can be seen that the financial target partially has no effect on financial statement fraud. Statement H3 is rejected. The results of this study are consistent with the research of Susanti (2014), Utomo (2018), and Lagiandewi (2020). There is no effect of financial targets as proxied by return on assets (ROA) on financial statement fraud in this study, possibly because managers consider that the company's ROA target is still considered reasonable and achievable. However, this study is not in line with the research of Norbarani (2012), Martantya (2013), and Pamungkas (2018).

4.2.4. Partial Effect of Personal Financial Need on Financial Statement Fraud

Personal financial need produces a t-value of -0.050, then tcount < ttable = -0.050 <2.00404 with a significance value of 0.960 > 0.05. The results of hypothesis testing can be seen that personal financial need partially has no effect on financial statement fraud. Statement H4 is rejected. The results of this study are consistent with the research of Norbarani (2012), Martantya (2013), and Susanti (2014). However, this study is not in line with the research of Molida (2011) and Utomo (2018). The cause of the absence of a significant influence on personal financial need as proxied by share ownership by insiders is because there are not many shares owned by insiders in the Jakarta Islamic Index company that is the

sample in this study. Thus, it makes sense that the regression results show an insignificant effect between personal financial need and financial statement fraud.

4.2.5. Partial Effect of Nature of Industry on Financial Statement Fraud

Nature of Industry produces a t value of 1.537, then tcount < ttable = 1.537 < 2.00404 with a significance value of 0.130 > 0.05. The results of hypothesis testing can be seen that the nature of the industry partially has no effect on financial statement fraud. Statement H5 is rejected. The results of this study are consistent with the research of Ardiyani (2015), Utomo (2018), and Lagiandewi (2020). The cause of the absence of influence on the nature of industry as proxied by the receivables ratio may be because the company has an average value of changes in receivables from the previous year which has no effect on the company's cash turnover. The large number of trade receivables owned by the company does not reduce the amount of cash that the company can use for its operational activities so that the ratio of changes in accounts receivable does not trigger management to commit fraudulent financial statements. However, this study is not in line with the Pamungkas research (2018).

4.2.6. Partial Effect Ineffective Monitoring Effect on Financial Statement Fraud

Ineffective monitoring resulted in a t value of 1.544, then tcount < ttable = 1.544 < 2.00404 with a significance value of 0.128 > 0.05. The results of hypothesis testing can be seen that partially ineffective monitoring has no effect on financial statement fraud. Statement H6 is rejected. The results of this study are consistent with the research of Norbarani (2012), Martantya (2013) and Pamungkas (2018). This study, on the other hand, contradicts Pertamandewi's findings (2020). The lack of a significant influence on ineffective monitoring proxied by an independent board of commissioners is due to the fact that the company can only place and add an independent board of commissioners to meet formal requirements, but is not intended to enforce good corporate governance (GCG) in the mechanism for preventing financial reporting misstatements.

4.2.7. Partial Effect of Change In Auditor on Financial Statement Fraud

The change in auditor resulted in a t-value of 3.103, so tcount > ttable =

3.103 > 2.00404 with a significance value of 0.003 <0.05. The results of hypothesis testing can be seen that the change in auditor partially has a significant positive effect on financial statement fraud. The positive effect is 0.206, meaning that the higher the external pressure, the higher the financial statement fraud. H7 statement is accepted. The results of this study are consistent with Siddiq's research (2017). However, this research contradicts Kurniawati's findings (2012). Because the company changes auditors as part of its efforts to eliminate the fraud trail detected by the previous auditor, there is a significant positive influence on the change in auditor.

5. Conclusion

Based on the results of data analysis that has been carried out, it can be concluded: (1) (2) the variables of financial stability, financial target, personal financial need, nature of industry, and ineffective monitoring, partially have no effect on financial statement fraud. (3) the external pressure variable has a significant negative effect on financial statement fraud, meaning that if the value of external pressure increases, the value of financial statement fraud decreases, (4) the change in auditor variable has a significant positive effect on financial statement fraud, meaning that the greater the change in auditor value, the potential to increase financial statement fraud.

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