

THE INFLUENCE OF FINANCIAL STABILITY, EXTERNAL PRESSURE, AND INSTITUTIONAL OWNERSHIP ON FRAUD OF FINANCIAL REPORTS

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ABSTRACT

This study aims to examine and analyze how the influence of Financial Stability, External Pressure, and Institutional Ownership on Financial Statement Fraud (Empirical Study on Index LQ-45 Companies Listed on the Indonesia Stock Exchange for the Period 2017-2021). The research approach used is quantitative. The population in this study is Index LQ-45 Companies listed on the IDX for 5 consecutive years for the period 2017-2021. The sampling technique used purposive sampling and produced a sample of 70 samples from 14 companies. The data analysis technique used multiple linear regression analysis and hypothesis testing. The results of this study indicate that partially the Financial Stability variable has a negative influence on Financial Statement Fraud, External Pressure variable has a positive influence on Financial Statement Fraud, and Institutional Ownership variable has a positive influence on Financial Statement Fraud.

Keywords: Financial Stability, External Pressure, Institutional Ownership, Financial Statement Fraud

INTRODUCTION

Financial statements are a very important part for users of financial statements because there is information related to financial position, profit and loss, changes in equity, cash flows, and notes to financial statements. Investors, creditors, auditors and the company itself are interested parties who use information in financial statements. Users of financial reports need information as material for consideration in making decisions (Tamara & Kartika, 2021). The auditor uses financial reports as an object in checking whether the financial statements are in accordance with applicable accounting standards. Investors look at the company's financial statements with the aim of getting a profit on the funds invested in the company. Creditors have an interest in the company's financial statements for the funds that will be lent to the company (Izza, 2021).

Given that company performance can be seen through the company's financial reports, encouragement or motivation to always look good by various parties often forces companies to manipulate certain parts, so that in the end it presents information that is not supposed to be and will certainly harm many parties (Aprilia, 2017). Financial Stability is a situation where the company has the best financial condition, but if the company experiences an unhealthy financial condition, managers will be forced to manipulate certain parts of the financial statements with the aim of describing the company's financial condition as being at its best condition (Sumampow et al., 2021). External Pressure is the pressure faced by company management in meeting demands from third parties. External pressure will arise due to excessive pressure on management where management is required to meet targets given by third parties (Luvita, 2021).

Institutional Ownership is defined as the amount of shares owned by institutions and institutions such as banks, investment companies, insurance companies, and other institutional ownership that is outside or inside compared to the number of outstanding shares. Institutional shareholders have the competence to supervise management and protect the rights of minority shareholders, so their decisions are considered (Azzaha, 2021).

Fraud is an act of misrepresenting a truth that is material, known to be incorrect or indeed presented by ignoring the principles of truth, with the aim of deceiving other parties which then causes the other party to feel disadvantaged (Luvita, 2021). In its Report to The Nations, ACFE reports that Financial Statement Fraud is a type of fraud with the lowest frequency of occurrence but has the greatest loss rate among other types of fraud. The consequences of fraud - fraud that occurs can be very fatal. Many parties will certainly be harmed because they receive incorrect information in financial statements (Abbas, 2017).

Companies that have gone public, such as LQ-45 Index companies, actually want a picture of the company's condition in the best condition, this can lead to fraud in financial statements. Companies listed on the LQ-45 Index are companies that have shares actively traded in the capital market and their prices continue to fluctuate (experiencing price changes) in line with the intensity of their trading (Jalaludin, 2017).

LITERATURE REVIEW

shareholders as principals and managers as agents (Akbar, 2017). The relationship between the principal and the agent can lead to agency conflict because each has different interests which can lead to fraud in reporting financial reports (Agusputri, 2019). Relationships like this can give rise to feelings of pressure or create conditions that put pressure on one party, in this case the agent usually gets a lot of pressure (Maharani, 2018).

Financial Stability

Financial stability is one of the reasons for fraud caused by pressure. Financial stability is a condition that describes the financial condition of a company in a stable condition (Damayanti & Suryani, 2019). Financial stability can encourage someone to commit acts of fraud, these can be in the form of greed, living under the will of other people, lots of debt, personal economic losses, and a sudden need for money (Damanik, 2020). Financial Stability can be calculated by formula (1):

$$ACHANCE = \frac{Total\ Assets_t - Total\ Assets_{t-1}}{Total\ Assets_t} \quad (1)$$

External Pressure

External Pressure is an encouragement for the management to be able to realize the wishes of third parties. SAS No. 99 states, when there is excessive pressure from external parties it will create a risk of fraud in financial reports (Luvita, 2021). The pressure that is often experienced by companies is the need to obtain additional debt or external sources of financing so that companies remain competitive. These funding sources are used by carrying out various programs such as research and resource development programs to obtain maximum results (Setiawan et al., 2019). External pressure is calculated using a leverage ratio aimed at describing the company's ability to fulfill all of its obligations (Damayanti & Suryani, 2019). External pressure can be calculated as follows (formula 2):

$$LEV = \frac{Leverage}{Total\ Assets} \quad (2)$$

Institutional Ownership

Institutional Ownership are shares owned by institutions and institutions such as banks, investment companies, insurance companies, and other institutional ownership that are outside or inside compared to the number of outstanding shares (Azzaha, 2021). Institutional Ownership is sharing ownership owned by other institutions and can put pressure on the company. This pressure can affect management performance, so that fraud can occur within the company. Ownership of some shares by insiders can be used as a control in financial reporting (Izza, 2021). Institutional Ownership can be calculated by the formula (3).

$$\text{Institutional Ownership} = \frac{\text{outstanding shares}}{\text{institutional share}}$$

3)

Fraud

Fraud is an act of deviation and illegal act (illegal act) that is carried out intentionally for a specific purpose such as manipulating or providing misleading reports for users of financial statements, which are generally carried out by people inside or outside the organization to gain personal gain but harm other parties (Agusputri, 2019)

Fraud Triangle

The Fraud triangle was the first idea to examine the causes of fraud. This theory was developed by Donald R. Cressey in 1953. The fraud triangle theory explains three factors that are present in every fraud situation, namely Pressure, Opportunity, and Rationalization (Hidayah & Saptarini, 2019).

Financial Statement Fraud (Kecurangan Laporan Keuangan)

Financial Statement Fraud (Kecurangan Laporan Keuangan) defined as fraud committed by management in the form of material misstatement of financial statements that can harm investors and creditors, this fraud can be both financial and non-financial. (Damanik, 2020).

Fraud Score Model

Financial Statement Fraud in this study is measured using the Fraud Score Model or commonly called the F-Score. The variable components of the F-Score include two things, namely accrual quality and financial performance, which are summed up. This model is used as a calculation to calculate the potential for fraud that takes place in the company's financial statements. The way to calculate it is by adding accrual quality and financial performance. (Izza, 2021).

Framework of thinking

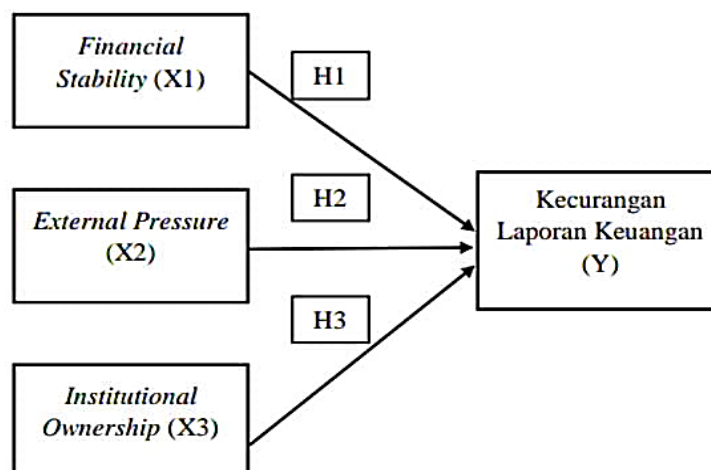


Figure 1. Framework of thinking

Source: Author Analysis (2022)

The Effect of Financial Stability on Fraudulent Financial Statement

Financial stability is one of the reasons for fraud caused by pressure. Financial stability is a condition that describes the financial condition of a company in a stable condition (Darmayanti & Suryani, 2019). According to (Setiawan et al., 2019) Financial stability is a financial problem experienced by a company caused by economic conditions, industrial

conditions, or company operating conditions. Where when the competition between one company and another is getting higher, the company is required to always be competitive in order to win market competition. Companies tend to manipulate earnings when financial stability or probabilities are threatened by economic conditions. The results of research that support the effect of Financial Stability on Financial Statement Fraud are research from (Wijaya, 2019), (Luvita, 2021), and (Oktavia, 2017) which state that Financial Stability has a positive influence on Financial Statement Fraud. Based on the description above, the following hypotheses can be developed:

H1: Financial has a positive effect on Financial Statement Fraud.

The Effect of External Pressure on Fraudulent Financial Statements

External Pressure is a situation where the company gets pressure from outside the company. Excessive pressure from external parties will create a fraudulent risk of financial reports (Oktavia, 2017). The pressure that is often experienced by companies is the need to obtain additional debt or external sources of financing so that the company remains competitive. These funding sources are used by carrying out various programs such as research and resource development programs to obtain maximum results (Setiawan et al., 2019). The results of research that support the effect of External Pressure on Financial Statement Fraud are research from (Luvita, 2021) and (Agusputri, 2019) which states that External Pressure has an influence on Financial Statement Fraud. However, it is different from research from (Aprilia, 2017) which states that External Pressure has no significant effect on Financial Statement Fraud. Based on the description above, the following hypotheses can be developed:

H2: External Pressure influences Fraudulent Financial Statements.

Influence of Institutional Ownership of Cheating Financial Statements

Institutional Ownership It is a share owned by other institutions and can put pressure on the company. This pressure can affect management performance, so fraud can occur in the company. The ownership of some of the shares by this person is used as a control in financial reporting (Izza, 2021). When there is ownership of other institutions in a company, management's responsibility is greater because it is not only responsible for an individual but to an institution. The greater the ownership of shares by the institution, the greater the possibility of management feeling depressed to commit fraud in financial reporting (Maharani, 2018). The results of the study that support the influence of institutional ownership on fraud of financial statements is research from (Tamara & Kartika, 2021) and (Azzaha, 2021) which states that institutional ownership has a positive influence on fraudulent financial statements. Based on the description above can be developed hypotheses as follows:

H3: Institutional Ownership has a positive effect on fraudulent financial statements.

METHODS

Research Approach

Research on fraud of this financial statement uses a quantitative approach. According to (Wijaya, 2019) Quantitative research methods are considered appropriate and appropriate for use in this study because this study uses numbers as an indicator of research variables to answer the research problems.

Population, samples and sampling techniques

The population is a generalization area consisting of objects or subjects that have certain quality and characteristics set by researchers to be studied and then drawn conclusions (Damanik, 2020). The population in this study is the LQ-45 index company listed on the Indonesia Stock Exchange in the period 2017 - 2021. According to (Damanik, 2020) samples are part of the number and characteristics of the population. The sample used in this study is the LQ-45 index company listed on the Indonesia Stock Exchange in the period 2017 - 2021 which has met the criteria in this study. Sampling

techniques use purposive sampling. According to (Damanik, 2020) purposive sampling is one of the sampling techniques carried out based on certain criteria or considerations.

Data collection technique

The type of virgin used in this study is quantitative data. The data collection technique in this study uses documentation and literature study techniques. The documentation method is a method of data collection by taking notes and studying documents or archives that are relevant to the problems studied. The type of data needed in this study consists of secondary data obtained from the Indonesia Stock Exchange website, www.idx.co.id or through the company's website. Library studies are research conducted by using relevant literature with the subject matter, both from the research journals, books and the internet (Maharani, 2018).

Data analysis method

This study uses multiple regression analysis techniques as the data analysis technique. Meltery linear regression analysis method is used to measure the influence between variables involving more than one independent variable on the bound variable (Wijaya, 2019). The following is the data analysis technique done a) Descriptive statistics; b) Classical assumption test consisting of normality test, multicollinearity test, heteroscedasticity test, and auto correlation test; c) Multiple linear regression analysis. Hypothesis test consisting of tests Significance of the Persial Influence (T Test) and test coefficient of determination (R2 Test).

RESULTS

Descriptive Statistical Test

Descriptive statistics provide an overview or descriptive of a data seen from the minimum value, maximum, average (mean) and standard deviation generated from the research variable (Damanik, 2020). The results of descriptive statistical data for each variable used in this study can be seen in Table 1.

Tabel 1 Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Stability	70	-.15	.21	.0659	.06413
External Pressure	70	.15	.89	.5667	.25146
Institutional Ownership	70	.12	755.47	101.3623	248.09672
Kecurangan Laporan Keuangan	70	-15.17	86.92	10.3500	20.28386
Valid N (listwise)	70				

Source: Output SPSS 25, Secondary data is processed (2022)

Based on the table above it can be seen that there are 70 samples from each variable studied. The results of the descriptive statistical analysis can be explained by several things as follows, namely: The Independent Financial Stability variable has a minimum value of -0.15 maximum value of 0.21 average value (mean) 0.0659 and the default default 0.06413. External Pressure independent variables have a minimum value of 0.15, maximum value of 0.89 average value (mean) 0.5667 and the default default 0.25146. The Institutional Ownership's independent variable has a minimum value of 0.12, maximum value of 755.47 average value (mean) 101.3623 and the discoloration standard 248.09672. Dependent variables Cheating Financial statements have a minimum value of -15.17 maximum value of 86.92 average value (mean) 10.3500 and the default standard of 20.28386.

Classic assumption test

Normality test

The normality test aims to test whether the residual variable has a normal distribution in the regression model, as is known that the T and F test assumes that the residual

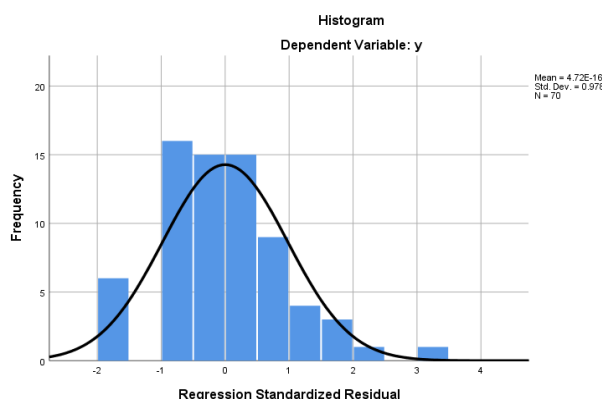
value follows the normal distribution (Damanik, 2020). According to (Izza, 2021) Normality testing is carried out with the intention of detecting whether the variable is normally distributed or not by looking at the One Sample Test Kolmogorov-Smirnov on the basis of decision making if the value of the sig (significance) > 0.05 then the data is normally distributed And if the sig (significance) value < 0.05 then the data is not normally distributed. Based on the results of the output processing of the normality test data using the One Sample Kolmogorov-Smirnov Test formula as stated in the table above the SSYMP value obtained. Sig (2tailed) of 0.200 is greater than 0.05. So it can be concluded that the data tested is normally distributed. From the histogram graph above which means the data in the curved line that forms a reverse bell and the highest point on the curved line is parallel to 0. then the regression model meets the assumption of normality. From the image above shows the output pattern visible point spread around the diagonal line so that the regression model model in this study is normally distributed

Table 2. The Results of The Normality Test with Kolmogorov-Smirnov

Unstandardized Residual		
N		70
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	16.78532166
Most Extreme Differences	Absolute	.094
	Positive	.089
	Negative	-.094
Test Statistic		.094
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Source: Output SPSS 25, Secondary data is processed (2022)

Figure 1. Histogram Normality Test Results



Source: Output SPSS 25, Secondary data is processed (2022)

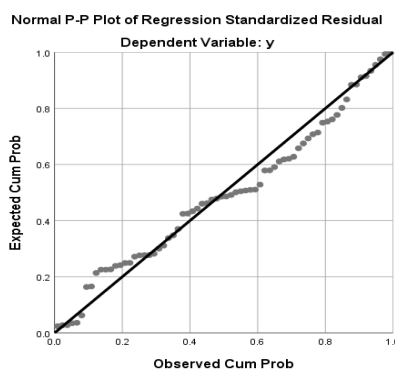


Figure 2. P-P Normality Test Results

Source: Output SPSS 25, Secondary data is processed (2022)

Multicollinearity test

The multicollinearity test aims to test whether there is a correlation between independent variables in the regression model seen with the value of variance inflation factor (VIF). A good regression model should not occur correlation between independent variables. The existence of multicollinearity if the tolerance value is <0.10 and VIF value > 10 (wijaya, 2019). The results of the multicollinearity test are as follows (Table 3):

Table 3 of multicollinearity test results

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Financial Stability	.890	1.123
External Pressure	.819	1.222
Institutional Ownership	.901	1.110

Source: Output SPSS 25, Secondary data is processed (2022)

Based on the output of multicollinearity tests in the table above, data is obtained that the tolerance value can be seen all independent variables have a tolerance value of more than 0.10 and have a VIF value no more than 10. Tolerance Financial Stability value is 0.890 and VIF value is equal to 1.123. Tolerance External Pressure value of 0.819 and VIF value of 1.222. The Institutional Ownership Tolerance value is 0.901 and the VIF value is 1.110. Then it can be concluded that there is no multicollinearity between independent variables in this research regression model.

Heteroscedasticity test

The heteroscedasticity test is done to see if there is a similar variant of the residual value for all observations on the regression model. A good regression model is characterized by no heteroscedasticity symptoms. One of the most accurate ways is to use the Glejser test. It can be declared no heteroscedasticity in regression if the significance value of independent variables is greater than 0.05 (izza, 2021). Table 4 are the results of the heteroscedasticity test.

Table 4 Heteroscedasticity Test Results Glesjer

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.452	1.365		-.331	.744
Ln X1	-.651	.440	-.302	-1.480	.153
Ln X2	.268	.912	.061	.293	.772
Ln2 X3	-.048	.175	-.057	-.276	.785

Source: Output SPSS 25, Secondary data is processed (2022)

Based on the results of the SPSS output version 25 above, the results of the treatment of the Glejser that have been processed shows that none of the independent variables that statistically significantly affect the dependent variable. This can be seen from the results of the heteroscedasticity test above show that all independent variables value the significance is more than 0.05. Then the It can be concluded that no heteroscedasticity in the regression model, so the regression model is feasible to predict fraudulent financial statements based on input independent variable Financial Stability, External Pressure, and Institutional Ownership. Based on the scatterplot in Figure 3, it can be observed that the pattern spreads throughout the part, in addition, there is also no specific pattern form in the image of the data dissemination. So it can be said that there is no heteroscedasticity.

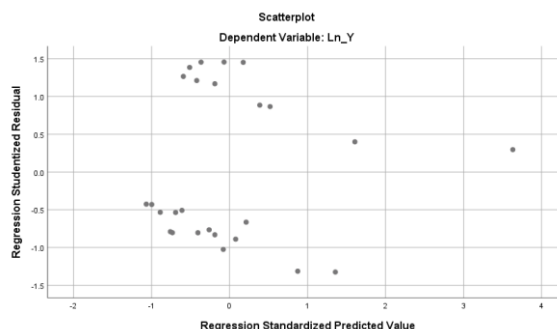


Figure 3 Scatterplot Heteroscedasticity Test Results
 Source: Output SPSS 25, Secondary data is processed (2022)

Autocorrelation test

The autocorrelation test aims to test there is a correlation between disturbing mistakes in the T period with bully errors in the T - 1 period (previously) in the regression model. If there is a correlation, it is called the autocorrelation problem. There is no symptoms of autocorrelation can be detected by the Durbin-Watson (D-W Test) test. This test is only used for first-order autocorrelation autocorrelation and requires the existence of intercept (constants) in the regression model (Maharani, 2018). Table 5 the results of the autocorrelation test. Based on Table 5 results of the autocorrelation test data show that the value of Durbin Watson is 2.078 with n = 70 and k = 3 obtained a value of DL = 1.5245 and du 1.7028. So that the results show that the regression model used is included in the test area of $DU < D < 4-DU$, which is $1.7054 < 2,078 < 2,2946$ which means that in this study there was no autocorrelation in the regression model in this study.

Table 5 Autocorrelation Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.767 ^a	.588	.570	8.90062	2.078

Source: Output SPSS 25, Secondary data is processed (2022)

Multiple Linear Regression Analysis

Multiple linear regression is a regression that has one dependent variable and two or more independent variables and indicates the direction of relations between dependent variables with independent variables. Table 6 shows the results of multiple linear regression analysis.

Table 6 results of multiple linear regression analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.911	5.893		-.833	.408
	x1	-27.440	35.410	-.087	-.775	.441
	x2	22.483	9.419	.279	2.387	.020
	x3	.043	.009	.522	4.691	.000

Source: Output SPSS 25, Secondary data is processed (2022)

Based on the table above, the results of the regression calculation that have been processed using the SPSS program, obtained a financial stability coefficient value (-27,440), external pressure of 22.483, and institutional ownership of 0.043 with value constants of (-4,911). So that the regression equation model is obtained as follows (4).

$$y = -4,911 - 27,440 X_1 + 22,483 X_2 + 0,43 X_3 + e \quad (4)$$

Based on the results of the multiple linear regression equation it can be described as follows: 1) The constant value shows the number -4.911 which means that the independent variable (X) Financial stability, External Pressure, and Institutional Ownership is 0 or constant, so the value of the Financial Statement Fraud variable is -4.911; 2) The regression coefficient value of Financial Stability is -27.440 units with a negative direction, which means that if the Financial Stability variable increases by 1 unit, it will cause a decrease of -27.440 units in Financial Statement Fraud assuming the other variables are considered constant; 3) The regression coefficient value of External Pressure is 22.483 units in a positive direction, which means that if the External Pressure variable increases by 1 unit, it will cause an increase of 22.483 units in Financial Statement Fraud assuming the other variables are considered constant; 4) The regression coefficient value of Institutional Ownership is 0.43 units with a positive direction, which means that if the Institutional Ownership variable increases by 1 unit, it will cause an increase of 0.43 units in Financial Statement Fraud assuming the other variables are constant.

Hypothesis testing

Partial Effect Significance Test (T Test)

Partial significance testing using the t statistical test is used to find out whether each independent variable partially or separately has an effect on the dependent variable (Maharani, 2018).

Table 7 Results of the Partial Effect Significance Test (T Test)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.911	5.893		-.833	.408
	x1	-27.440	35.410	-.087	-.775	.441
	x2	22.483	9.419	.279	2.387	.020
	x3	.043	.009	.522	4.691	.000

Source: Output SPSS 25, Secondary data is processed (2022)

Based on the results of the t test statistics in the table above, the results of the study can be seen as follows. 1) The Financial Stability variable shows the result that the tcount is -0.775 with a variable significance value of 0.441 and a ttable of 1.668 with a significance level of $\alpha = 0.05$. The data shows that $T_{\text{count}} < T_{\text{table}}$ ($-0.775 < 1.668$) with a significance level of $0.441 > 0.05$. Then H_1 is rejected and H_0 is accepted, thus it can be concluded that the Financial Stability variable has a negative influence on. 2) Financial Statement Fraud. The External Pressure variable shows the result that the tcount is 2.387 with a variable significance value of 0.020 and a T_{table} of 1.668 with a significance level of $\alpha = 0.05$. The data shows that $T_{\text{count}} > T_{\text{table}}$ ($2.387 > 1.668$) with a significance level of $0.020 < 0.05$. Then H_1 is accepted and H_0 is rejected, thus it can be concluded that the External Pressure variable has a positive influence on financial statement fraud; 3) The Institutional Ownership variable shows the result that the tcount is 4.691 with a variable significance value of 0.000 and a T_{table} of 1.668 with a significance level of $\alpha = 0.05$. The data shows that $T_{\text{count}} > T_{\text{table}}$ ($4.691 > 1.668$) with a significance level of $0.000 < 0.05$. Then H_1 is accepted and H_0 is rejected, thus it can be concluded that the Institutional Ownership variable has a positive influence on financial statement fraud.

Determination Coefficient Test (R^2 Test)

The coefficient of determination (R^2) is essentially used to measure how far the ability of the independent variable is to explain the dependent variable (Maharani, 2018). Based on the test of the coefficient of determination (R^2) above, it is known that the Adjusted R Square value is 0.570. Table 8 shows that the variables Financial Stability, External Pressure, and Institutional Ownership can influence the Financial Statement Fraud variable by 57.0% and the remaining 43.0% is influenced by other variables not discussed in this study.

Table 8. Test Results for the Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.767 ^a	.588	.570	8.90062

Source: Output SPSS 25, Secondary data is processed (2022)

The Effect of Financial Stability on Fraudulent Financial Statements

The results of the hypothesis test on the t test show that $T_{\text{count}} < T_{\text{table}}$, which is equal to ($-0.775 < 1.668$) with a significance level of $0.441 > 0.05$. So this states that H_1 is rejected and H_0 is accepted, thus it can be concluded that the Financial Stability variable has a negative influence on Financial Statement Fraud. This means that the more stable the company's finances, the lower the possibility of financial statement fraud. A stable company financial condition will reduce the risk of fraudulent financial reporting. The potential for financial statement fraud is higher if the company's financial condition is unstable. Investors tend to be attracted by the company's stable financial condition. This research supports research from (Vidella, A, Afiah, 2020), (Izza, 2021), and (Maharani, 2018) which states that Financial Stability has a negative effect on Financial Statement Fraud.

The Effect of External Pressure on Fraudulent Financial Statements

The results of the hypothesis test on the t test show that $T_{\text{count}} > T_{\text{table}}$ ($2.387 > 1.668$) with a significance level of $0.020 < 0.05$. Then H_1 is accepted and H_0 is rejected. Thus, it can be concluded that the External Pressure variable has a positive influence on financial statement fraud. The results of this study indicate that the higher the pressure from external parties, the higher the management's potential to commit fraudulent financial statements. Large leverage (LEV) can be associated with a greater likelihood of violating credit agreements and a lower ability to obtain additional capital through loans. When a company experiences external pressure from the company, a greater risk of material misstatement due to fraud can be identified. So this causes External Pressure to affect Fraudulent Financial Statements. This research supports research from (Indriyani & Suryandari, 2021), (Puspitha & Yasa, 2018) and (Damanik, 2020) which states that External Pressure has a positive effect on Financial Statement Fraud.

The Influence of Institutional Ownership on Fraudulent Financial Statements

The results of the hypothesis test on the t test show that $T_{\text{count}} > T_{\text{table}}$ ($4.691 > 1.668$) with a significance level of $0.000 < 0.05$. Then H_1 is accepted and H_0 is rejected, thus it can be concluded that the Institutional Ownership variable has a positive influence on financial statement fraud. This means that the higher the institutional ownership, the higher the integrity of the company's financial statements. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. This is due to the existence of institutional investors who can analyze well so that they are not easily deceived by management manipulation in issuing financial reports. So it can be concluded that high institutional ownership will limit managers from committing fraud and can improve the integrity of financial statements. Institutions that own shares in a company will demand management to make financial reports properly. This research supports research from (Tamara & Kartika, 2021), (Azzaha, 2021) and (Nindito, 2018) which states that Institutional Ownership has a positive effect on Financial Statement Fraud.

CONCLUSIONS

Financial Stability has a negative influence on Fraudulent Financial Statements. The results of this study indicate that the more stable a company's finances are, the lower the possibility of fraudulent financial reporting will occur. A stable company's financial condition will reduce the risk of fraudulent financial reporting. External Pressure has a positive influence on financial statement fraud. The results of this study indicate that the higher the pressure from external parties, the higher the management's potential to commit fraudulent financial statements. Institutional Ownership has a positive influence

on financial statement fraud. This means that the higher the institutional ownership, the higher the integrity of the company's financial statements. This is due to the existence of institutional investors who can analyze well so that they are not easily deceived by management manipulation in issuing financial reports.

For future researchers, it is hoped that they can choose research samples with various industrial sectors and add variables not only seen using the Fraud Triangle theory, but using Fraud Diamond theory and Fraud Pentagon theory, such as Opportunity, Rationalization, Competence, Arrogance. Future researchers are also expected to use the latest research period, so that research is better, more useful and more relevant to the year the research was conducted. For companies, researchers suggest company management not to commit fraud in presenting financial statements, so that decision making can be in accordance with the information from the financial reports presented and can also carry out supervision with the aim of minimizing the occurrence of fraud in financial reports. Investors and potential investors who wish to invest in stocks should be more careful in analyzing financial reports and paying attention to company performance so that they can avoid fraudulent financial reports by company management.

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