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Pentagon's Analysis of Fraud in Detecting Fraudulent Financial Reporting

(Empirical Study of Banking Companies Listed on the Stock Exchange Indonesia Year 2018-2021)

Nurul Aziza[1], Drs. Wahyono, M.A., Ak.[2]
[1]*Muhamadiyah University of Surakarta, Faculty of Economics and Business,*
Jl. Ahmad Yani Tromol Post 1, Pabelan, Kartasura 57102, Indonesia
[2]*Muhamadiyah University of Surakarta, Faculty of Economics and Business,*
Jl. Ahmad YaniTromol Post 1, Pabelan, Kartasura 57102, Indonesia

Abstract: Fraudulent Financial Reporting is an intentional misrepresentation of a company's financial condition that is committed through intentional misstatement or omission of amounts or disclosures in financial statements to deceive financial statement users. This is because the company only wants to get a good spotlight from various parties so that it encourages manipulation of information in certain parts that will be presented to the public. This study uses a population of all banking companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This study aims to determine the effect of the nature of industry, financial stability, financial targets, external pressure, auditor change, change of direction, and frequent number of ceo's pictures on fraudulent financial reporting. The data used in this research are secondary data obtained from www.idx.co.id and related company websites. From this population, a sample of 28 companies was obtained. By using the data aggregation method for 4 years of observation, 28 x 4 periods were obtained or 112 observational data were obtained. Then 8 data outliers were carried out so that 104 observational data were obtained which were tested and analyzed using logistic regression analysis test. The results of this study indicate that the Frequent Number of Ceo's Picture has a significant effect on Fraudulent Financial Reporting while the influence of nature of industry, financial stability, financial targets, external pressure, auditor change, change of direction does not have a significant effect on Fraudulent Financial Reporting.

Keywords: Fraud Pentagon, Fraudulent Financial Reporting, Frequent Number of Ceo's.

1. Introduction

Financial reporting (financial reports) is a communication tool between management and interested parties (stakeholders). One of the important standards that a report must meet financial statements, namely financial reports must be reliable. Information can be said to have reliable quality if it is not misleading to reader and there is no material error. The information contained in the financial statements is used readers to perform future decision making. The company is always trying shows the best performance results every year. However, sometimes found several companies that show inappropriate performance results with actual circumstances. This is because the company just wants get good attention from various parties. Nice highlight wanted obtained by the company is what encourages the manipulation of information in certain parts to be presented to the public. Events like this can lead to fraudulent practices in the company's financial statements. Fraudulent practices in financial reporting are often referred to as fraudulent financial reporting.

In general, fraud will always occur if it does not exist effective prevention and detection. Internal fraudulent behavior presentation of important financial statements is a concern so that this action can be detected and eliminated so that financial reports can be trusted byinterested parties and the public. Fraud can also be defined as an aberration and unlawful act (illegal act) done intentionally for a specific purpose such as deceiving or mislead other parties, which carried out by people both from within and outside the organization (Karyono, Forensic Fraud, 2013). Fraud that occurs within a company can result in: the company is considered bad by the community, it can even result bankruptcy.

Fraud can occur in various types of companies, one of which is banking company. Banking companies are vulnerable with this fraud. Many cases of fraud have occurred in the world of banking and caused many losses to various parties. Sample case fraud that occurred in Indonesian banking, namely the Bank Century case. The financial statements issued by Bank Century are considered misleading due to material misstatements. Another case example is Bank Lippo Tbk. who knowingly provide different financial reports topublic and IDX management. Of the many cases that occurred in the company banking, should detect acts of fraud in the company banking sector is further strengthened in order to minimize the existence of cases fraud.

The pentagon fraud theory (Crowe's fraud pentagon theory) is a theory which discusses the factors that

trigger fraud. This theory was put forward by Crowe Howarth in 2011. This theory is a development of the fraud triangle theory proposed by Cressey (1953) by adding two Other factors of fraud are competence and arrogance (arrogance). Factors triggering fraud are as follows first, Arrogance includes: frequent number of CEO's picture and CEO duality; second, Pressure includes: financial stability, external pressure, financial targets, and personal financial needs; third, Opportunity includes: the nature of industry; fourth, Razionalitation includes: auditor change; and fifth, Competence, including: change of directors. The pentagon fraud theory is often used to detect fraudulent acts in reports a company's finances.

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2. Literature Review and Hypothesis

2.1 Fraud Theory

Fraud is an intentional or fraudulent act done knowingly to abuse everything that is jointly owned, including company resources personal enjoyment. Actions performed by presenting wrong information to cover up the abuse that could be impact on decision making. According to the Association of Certified Fraud Examiner Report (2016; 11), Fraud can be classified into 3, namely: Financial statement fraud which consists of on the presentation of net income above actual profit and presentation of net income below actual profit. Misappropriation of assets which consists of cash fraud and inventory and other asset fraud. Corruption consists of conflicts of interest, bribery, illegal gifts , economic extortion. Cheating that will disclosed in this study, namely fraud on financial statements.

2.2 Fraud Triangle

Fraud triangle is a theory put forward by DonaldR. Cressey at the time of conducting research in 1953. Resultshis research was published in a book entitled "Other People'smoney". Fraud theory was introduced in Padda's professional literature Statement on Auditing Standards No. 99 (2002). Fraud triangle isThe first theory explains the causes of fraud.

2.3 Fraud Diamond

Fraud diamond was introduced by Wolfe Hermanson in2004 called fraud diamond theory, the theory of fraud diamond isrefinement of the fraud triangle theory. Diamond fraud theoryadding the element of capability/ability (capability) as an elementfourth in addition to the elements of pressure (pressure), opportunity (opportunity), andrationalization that has previously been described infraud triangle. According to Wofle and Hermanson, fraud or cheating is notcould possibly happen without people with the right skillsto carry out such deception or fraud. That abilityreferred to is the nature of individuals commit fraud, which encouragesthem to look for opportunities and take advantage of them.

2.4 Teori Fraud Pentagon

The latest theory that reveals more about the factors that can detect the causes of fraud is the theory of fraudpentagon. This theory was put forward in 2010 by Jonathan Marksone of the partners in charg fraud and ethics practice at Crowe Howarth LLP which is one of the largest public accounting firms and consultants in IndonesiaUnited States of America. The pentagon fraud theory is a development of the theorythe fraud triangle which was previously put forward by Cressey in1953.In this theory, two elements of fraud are added, namely competence(competence) and arrogance (arrogance). Competence (competence) thatdisclosed in the pentagon fraud theory has a more or less meaningthe same as the capability previously described by Wolfe and Hermanson in 2004. Competence isability of employees to override existing internal controlswithin the company, developing fraud strategies, and monitoringsocial situations that will later make his personal profit (Horwath, 2011).

2.5 Agency Theory

Agency theory (Agency Theory) is a theory that usually used to describe agency relationships that occur in a company. Agency relationship arises when there is a contract cooperation from shareholders (principal) who have a contract for employ and delegate authority in taking decision to the management (agent). Then the management (agent) as the party given the contract must be responsible for all work and authority to shareholders (principal) (Michael C. Jensen, 1976). The conflict of interest between principal and agent drives the problem agency that can affect the quality of reported earnings. Often the information reported does not match the circumstance the actual company or what is usually referred to as information asymmetric.

2.6 Fraudulent Financial Reporting

Fraudulent Financial Reporting is a mistake deliberate of the financial condition of a company that is carried through intentional misstatement or omission of amounts or disclosure in financial statements to deceive

report users finance. Association of Certified Fraud (ACFE, 2019)defines fraudulent financial reporting as intentional or misreporting omission of amounts or disclosures in the financial statements for deceive financial statement users. Furthermore (Karyono, 2013: 4) disclose that statement of fraudulent acts committed by company officials or executives through financial engineering. Reporting financial statements containing elements of fraud can result in a decline integrity of financial information and can lead to decision making wrong by the stakeholders. (Karyono, Forensic Fraud, 2013) suggests that detection fraudulent financial reporting can be done by comparison analysis of financial statements with previous reports. Comparison too can be done on financial data. Fraud in reporting disclosure financial analysis can be detected using: first, vertical analysis, namely a technique used to analyze the relationship between items in the income statement, financial position, or statement of cash flows through presentation description. The second is horizontal analysis, which is a technique for analyze the percentage change in several financial statement items reporting period. The third is ratio analysis, which is a tool to measure the relationship between item values in the financial statements. For example, ratio cash flow, embezzlement, or cash laundering can cause a decline ratio calculation.

2.7 Nature of Industry

In the financial statements there are accounts with the amount of the balance determined by the company itself through an estimate, for example estimated uncollected accounts receivable balance. Due to an assessment subjective in determining the balance of these accounts, management can use the account as a tool for report manipulation finance. According to (Christopher J. Skousen, 2008)who found that Accounts receivable and inventories are involved in a large number of frauds. Estimation the value of receivables can be calculated in terms of value, the company can use the account to manipulate financial statements with how to increase the allowance for bad debts so that you can reduce profits. This is done to create a profit reserve which can be used to increase profits at a later date the company can not reach the target. Therefore, the nature of industry in this study is proxied by the ratio of changes in sales receivables for two years. The higher the change in receivables ratio that is proxy for the nature of industry, the possibility of fraud also tall. Results of research conducted by Sekar Akrom Faradiza (2019) proves that the nature of industry has an effect on fraudulence financial reporting. Based on the description above, it can be formulated in the hypothesis this research as follows:

H_1: The nature of industry has an effect on fraudulent financial reporting

2.8 Financial Stability

Effect of Financial Stability on Fraudulent Financial Reporting According to SAS No.99 Financial Stability is a condition that describes the financial condition of the company in a stable. Management is often under pressure to be successful manage the company's assets properly so that they can produce a lot of profit and will also generate a high return for investors (Laila Tiffani, 2015). According to states companies that display a stable total asset value from year to year year will make investors interested as well as partiescreditors who will lend capital to the company. Therefore then, management will do everything possible to restore the company's financial stability becomes a condition one good thing, one of which is by cheating on financial reports (fraudulent financial reporting). The higher it is financial stability, then acts of fraud in financial statements Getting lower. Research results from Christian Natalis, Jeffveny Kho, Kennily Kho, Cucu Cahya, Merry Agustina (2021) and According to (Mega Indah Lestari, 2019)prove that financial stability affects fraudulent financial reporting. Based on the description above, it can be formulated in the hypothesis this research as follows:

H2: Financial Stability has an effect on financial fraud reporting

2.9 Financial Target

Business to be achieved by the company is often referred to as financial targets. If the financial targets set by the company are not can be achieved according to plan, management will try to cover it up and fraudulent financial reporting is one alternative. Measurement to assess the profit target obtained by the company above operating expenses are ROA (Return On Assets). The higher the ROA the obtained by a company, the better the company's performance it, and vice versa. Pressure to achieve financial targets experienced by management to achieve its objectives, among others get bonuses for performance appraisal and maintain existence of company performance. The results of research conducted by Sekar Akrom Faradiza (2019) proves that financial targets effect on fraudulent financial reporting. Based on the description above, it can be formulated in the hypothesis this research as follows:

H3: Financial targets have an effect on financial fraud reporting

2.10 External Pressuure

External pressure is the existence of pressure from outsiders such as creditors and investors. This will give a negative signal when The company is unable to meet payments to creditors or provide a level of profit from the capital provided by investors. Excessive pressure can push managers to commit fraud, especially from external parties, namely creditors, the company's inability to pay its debts The company found it difficult to obtain debt financing, however The company is obliged to repay all of its debts to creditors (Pasaribu, 2020). According to (Tessa, 2016), if a company has leverage high, it means that the company is considered to have a large debt and its credit risk is also high. The higher the risk credit, the greater the level of creditor concern to provide loans to companies. Therefore, this thing becomes one matter of particular concern to the company andmay be one of the causes in its emergence fraudulent financial reporting. The results of research conducted by Ardhi Nugraha Putra1 & Agung Dinarjito (2021) prove that external pressure affects fraudulent financial reporting. Based on the description above, it can be formulated in the hypothesis this research as follows:

H4: External pressure has an effect on financial fraud reporting

2.11 Auditor Change

The existence of a change of auditors is considered capable of hiding traces fraud that has been discovered by previous auditors. Company tend to change their independent auditors when the company want to hide things that are not natural for public knowledge with lower auditor quality than the previous auditor. Companies that have negative motivation will certainly seek truth in its own way do not even think about public interest when the information the company presents is not reliable or misleading (Maria Ulfah, 2017). The higher If the company does an auditor change, the higher it is level of fraud in financial statements. Research results that conducted by Ardhi Nugraha Putra1 & Agung Dinarjito (2021) proves that auditor change has an effect on fraudulence financial reporting. Based on the description above, it can be formulated in the hypothesis this research as follows:

H5: External pressure has an effect on financial fraud reporting

2.12 Change of Direction

Changes in directors can cause a stressful period resulting in the opening of opportunities for fraud. Substitution directors can be a company effort to improve previous performance of the directors by changing the composition directors or the selection of new directors who are considered more competent. This change of directors can also indicate an interest certain policies to replace the previous board of directors. On the side On the other hand, the change of directors is considered as an effort to reduce performance management effectiveness because it requires more time to able to adapt to the work culture new directors. The more often the company changes directors, the the higher the company's chances of committing fraud financial statements. The results of research conducted by Noer Sasongko & Sangrah Fitriana Wijayatika (2019) proves that auditors change has an effect on fraudulent financial reporting. Based on the description above, it can be formulated in the hypothesis this research as follows:

H6: Change of Directors has an effect on financial fraud reporting

2.13 Frequent Number of CEO Picture

Arrogance in research is proxied by the frequent number of CEO's picture. Frequent number of CEO's picture is the number of photos The CEO or main director shown in the company's annual report (Tessa, 2016). The number of photos of the CEO is emblazoned inside a company's annual report can represent the level arrogance or superiority of the CEO. Lots of photos The CEO who appears in a company's annual report can represents the level of arrogance or superiority possessed by the CEO the. A CEO tends to be more willing to show everyone will the status and position they have in the company because they don't want to lose that status or position (or feel not considered), this corresponds to one of the elements described by (Horwath, 2011). Results of research conducted by Alfa and Dian (2018) proves that the frequent number of CEO picture has an effect on fraudulent financial reporting. Based on the description above, it can be formulated in the hypothesis this research as follows:

H7: Frequent Number of CEO Picture has an effect on fraudulence financial reporting

3. Methodology

The method used in this research is quantitative descriptive, the population in this study are banking companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. Sampling in this study was carried out by purposive sampling method, namely the considerations in taking samples were adjusted to the objectives and research problems. The following are the criteria for sampling in this study:

1. Banking companies listed on the Indonesia Stock Exchange respectivelyduring the 2018-2021 period.
2. Companies that present a complete annual report on the Stock ExchangeIndonesia and the company's

website during the 2018-2021 period.

3. Banking companies that publish their annual financial reportsusing rupiah currency.
4. Banking companies that experienced profits during the 2018-2021 period in a row.

This study uses secondary data types, the data sources of this research are the website www.idx.co.id and the websites of companies that are samples in the study.

3.1 Data Analysis Technique

Tests in this study using regression analysislogistic, where logistic regression is the regression used forlook for the regression equation if the dependent variable is the variable thatin the form of a scale and categorical types of two choices such as: yes or no,mor more than two choices such as disagree, agree, and strongly agree.In the logistic regression test, the normality test is no longer usedclassic assumptions on the independent variable, and also ignoreheteroscecity, meaning that the dependent variable does not require homoscedacityfor each independent variable. The logistic regression model in this study is as follows:

FFR = a + b1 (NI) + b2 (FS) + b3 (ROA) + b4 (LEV) + b5(ACHANGE) + b6 (DC) + b7 (CP) + e

4. Result and Discussion

Table 1: Descriptive Statistical Analisys

Variable	N	Minimum	Maximum	Mean	Std. Deviation
NI	104	-144,575	9,110	-1,57156	14,587911
FS	104	-0,050	0,462	0,10521	0,091980
ROA	104	0,000	0,080	0,01593	0,016129
LEV	104	0,001	0,929	0,77656	0,196010
ACHANGE	104	0,000	1,000	0,18269	0,388285
DC	104	0,000	1,000	0,58654	0,494839
CP	104	2,000	26,000	8,72115	5,691855
FFR	104	0,000	1,000	0,08654	0,282519
Valid N (listwise)	104				

Source: SPSS. Data processed by researchers, 2023

Based on the results of the descriptive statistical analysis according to the table above, it shows that, the first independent variable used in this research is Nature of Industry. Nature of Industry in this study has a minimum value of -144.575 and a maximum value of 9.110. While the average value (mean) is owned of -1.5715 with a standard deviation of 14.587911. The second independent variable used in this research is Financial Stability. Financial Stability in this study has a minimum value of -0.050 and the maximum value is 0.462. While the average value (mean) is equal to 0.1052 with a standard deviation of 0.091980. The third independent variable used in this research is financial Target. The Financial Target in this study has a minimum value of 0.000 and maximum value of 0.080. While the average value (mean) is equal to 0.0159 with a standard deviation of 0.016129. The fourth independent variable used in this study is External pressure. External pressure in this study has a minimum value of 0.001 and the maximum value is 0.929. While the average value (mean) is equal to 0.77656 with a standard deviation of 0.196010. The fifth independent variable used in this study is the Auditor change. Auditor Change in this study has a minimum value of 0.000 and a maximum value of 1,000. While the average value (mean) is equal to 0.18269 with a standard deviation of 0.388285. The sixth independent variable used in this study is Change of Direction. Change of Direction in this study has a minimum value of 0.000 and a maximum value of 1.000. While the average value (mean) is owned of 0.5865 with a standard deviation of 0.494839. The seventh independent variable used in this study is Frequent Number of Ceo's Picture. Frequent Number of Ceo's Picture in this study has a minimum value of 2,000 and a maximum value of 26,000. Whereasthe average value (mean) is 8.7211 with a standard deviation of 5.691855. The dependent variable used in this study is Fraudulent Financial Reporting. Fraudulent Financial Reporting in this study has minimum value of 0.000 and maximum value of 1.000. While the average value (mean) is 0.08654 with a standard deviation of 0.282519.

4.1 Logistic Regression Analysis

The first step of logistic regression analysis is to assess the overall regression model. From the results of the overall model fit test, the final result of -2 Log Likelihood is 48.220. those results indicates a decrease in value from the initial -2LL to the final -2LL, which is equal to (61.247 – 48.220 = 13.027). Decreasing the value

of -2LL indicates a regression model this research is good or in other words the hypothesized model fit with data. From the results of the Nagelkerke R Square test the coefficient of determination shows a value of 0.208 which means the ability of the independent variables (nature of industry, financial stability, financial target, external pressure, auditor change, change of direction, frequent number of ceo's picture) in explaining the dependent variable (fradulent financial reporting) of 26.5% and there are 100% - 26.5% = 73.5 % other factors outside the model which explains the dependent variable (fradulent financial reporting). The results of the Hosmer and Lemeshow goodness of fit test show that the Hosmer and Lemeshow goodness of fit test produces a Chi-square value of 5.676 with a significance value of 0.683 which is greater than 0.05. So that H0 is accepted and Ha is rejected. and can concluded that there is no difference between the model and the data. This means models Logistic regression generated in this study is able to predict value observation, so that the model can be accepted.

Table 2: Logistic Regression Analysis

Variable	B	Sig	Description
NI	0,131	0,419	H_1 Rejected
FS	5,265	0,232	H_2 Rejected
ROA	64,006	0,195	H_3 Rejected
LEV	10,833	0,101	H_4 Rejected
ACHANGE	-0,319	0,794	H_5 Rejected
DC	-0,763	0,350	H_6 Rejected
CP	0,156	0,018	H_7 Accepted

Source: SPSS. Data processed by researchers, 2023

Hypothesis one (H1) states that the nature of industry has an effect on fraudulent financial reporting. The results of the research conducted show that nature of industry has no significant effect on financial fraud reporting, so that it can be said that Hypothesis one **(H1) is rejected**. This matter consistent with the research of Noer Sasongko and Sanggrah Fitriana (2019), which stated that the nature of industry did not significantly influence the fraudulent financial reporting. The results of the study stated that the nature of industry had no significant effect significant to fraudulent financial reporting indicates that the level changes in receivables do not affect the occurrence of fraud in the financial statements.

Hypothesis two (H2) states that financial stability has an effect on fraudulent financial reporting. The results of the research conducted show that financial stability has no significant effect on financial fraud reporting, so that it can be said that the second hypothesis **(H2) is rejected**. This matter consistent with the research of Noer Sasongko and Sanggrah Fitriana (2019), which states that financial stability has no significant effect on fraudulent financial reporting. The results of the study stated that financial stability has no significant effect significant to fraudulent financial reporting indicates that the condition financial stability does not affect the presence of fraud in the presentation of reports finance. This happened due to the condition of the growth of banking company assets in the 2018-2021 period shows stable conditions, meaning that conditions stable growth of company assets can reduce the level of fraud on financial reports. So it can be concluded that the higher the influence of financial stability, the potential for fraudulent financial statements is increasing decrease.

Hypothesis three (H3) states that financial targets have an effect on fraudulent financial reporting. The results of the research conducted show that financial target has no significant effect on financial fraud reporting, so that it can be said that the third hypothesis **(H3) is rejected**. This matter consistent with the research of Noer Sasongko and Sanggrah Fitriana (2019), which states that the financial target has no significant effect on fraudulent financial reporting. The results of the study stated that financial targets had no significant effect significant to fraudulent financial reporting indicates that the profit target determined does not affect the existence of fraud in the presentation of reports finance. This occurred due to an increase in ROA in banking companies for the 2018-2021 period aims to improve the quality of the company's quality through the selection of sources quality resources, implementation of policies that can increase value companies such as marketing management to increase sales, selection appropriate depreciation method so that the depreciation expense is lower so that it can be increase profits. So it can be concluded that the higher the effect of the target financial statements, the potential for fraudulent financial reporting decreases.

Hypothesis four (H4) states that external pressure has an effect on fraudulent financial reporting. The results of the research conducted show that external pressure has no significant effect on financial fraud reporting, so that it can be said that the fourth hypothesis **(H4) is rejected**. This matter consistent with the research of Noer Sasongko and Sanggrah Fitriana (2019), which states that external pressure has no significant

effect on fraudulent financial reporting. The results of the study stated that external pressure had no significant effect significant effect on fraudulent financial reporting indicates that pressure excess from external parties does not affect internal fraud presentation of financial reports. This happens because the high leverage ratio is not a pressure for the company to commit fraudulent financial statements because of obtaining sources Financing in order to pay debts is not only through loans to creditors but can be obtained by the way the company can issue shares back in order to obtain sources of funds from investors (Estu Ratnasari, 2019).

Hypothesis five (H5) states that auditor change has an effect on fraudulent financial reporting. The results of the research conducted show that auditor change has no significant effect on financial fraud reporting, so that it can be said that Hypothesis five **(H5) is rejected**. This matter consistent with the research of Noer Sasongko and Sanggrah Fitriana (2019), which states that auditor change has no significant effect on fraudulent financial reporting. The results of the study stated that auditor change had no significant effect significant effect on fraudulent financial reporting indicates that turnover the auditor does not influence the presence of fraud in the presentation of financial statements.

Hypothesis six (H6) states that change of direction has an effect on fraudulent financial reporting. The results of the research conducted show that change of direction has no significant effect on financial fraud reporting, so that it can be said that the sixth hypothesis **(H6) is rejected**. This matter consistent with research by Alfa Vivianita, et al (2018) which states that change of direction has no significant effect on financial fraud reporting. The results of the study stated that change of direction had no significant effect significant effect on fraudulent financial reporting indicates that turnover the board of directors does not affect the existence of fraud in the presentation of reports finance. This happened because the company that made the change of directors was not as efforts in order to remove directors who are considered aware of fraud orcover up fraudulent financial statements committed by the previous directors however the change of directors is carried out because the term of office has ended or there is resignation so that the company needs to recruit new directors (Rahmayuni, 2018)

Hypothesis seven (H7) states that the frequent number of ceo's picture has an effectagainst fraudulent financial reporting. The results of the research conducted showthat the frequent number of ceo's picture has a significant effect onfraudulent financial reporting, so it can be said that Hypothesis seven **(H7)accepted**.This happens because of the frequency of CEO images appearing in the annual reportBanking companies for the 2018-2021 period show a fairly high frequency.The increasing number of CEO photos that appear in the company's annual reportindicates a high level of arrogance that the CEO has a desire to bebetter known by the public for the status or position held.With the high level of arrogance from the company's top brass will make themtake actions that aim to add value to them in the eyessociety, one of which is by conducting fraudulent financial reporting so that reportsThe company's finances are always in a stable condition and have increased profits.

5. Conclusion

The purpose of this research is to obtain empirical evidenceregarding the influence of the nature of industry, financial stability, financial targets, externalpressure, auditor change, change of direction, and frequent number of ceo's picture against fraudulent financial reporting in banking companies listed on the ExchangeIndonesian Securities in 2018-2021. Based on the results of the analysis and discussion that has beendescribed, the following conclusions are drawn: The nature of industry ratio does not have a significant effect on fraudulencefinancial reporting. This result is evidenced by a significance value greater than 0.05that is equal to 0.939. The financial stability ratio has no significant effect on fraudulencefinancial reporting. This result is evidenced by a significance value greater than 0.05that is equal to 0.221. The financial target ratio has no significant effect on fraudulencefinancial reporting. This result is evidenced by a significance value greater than 0.05that is equal to 0.423. The external pressure ratio has no significant effect on fraudulencefinancial reporting. This result is evidenced by a significance value greater than 0.05that is equal to 0.241. The auditor change ratio has no significant effect on fraudulencefinancial reporting. This result is evidenced by a significance value greater than 0.05that is equal to 0.986. The change of direction ratio has no significant effect on fraudulencefinancial reporting. This result is evidenced by a significance value greater than 0.05that is equal to 0.478. The frequent number of ceo's picture ratio has a significant effect onfraudulent financial reporting. This result is evidenced by the more significant valuesmaller than 0.05, which is equal to 0.009.

Based on the conclusions and limitations contained in this study, then Severalsuggestions can be put forward that can be taken into consideration in research further, namely: This research only uses banking companies as objects so it is advisable to add research objects so that the data is far away more accurate. This study only uses seven independent variables, so it is advisable to add other independent variables apart from the independent variables that have been studied, especially the variables that directly related to fraudulent financial reporting. This study only uses data from four years of observation, so it is advisable to add a period of research

so that much more accurate data.

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