A Moderation Variable's Impact of the Triangle Theory of Fraudulent Financial Reporting with Managerial Ownership

Supriatiningsih[1*], Safri[2], Maria Suryaningsih[1], Cahyadi Husadha[3] and Nawang Kalbuana[4]

[1]*Universitas Teknologi Muhammadiyah Jakarta, Indonesia.*

[2]*Universitas Dirgantara Marsekal Suryadarma Indonesia.*

[3]*Universitas Bhayangkara Jakarta Raya, Indonesia.*

[4]*Indonesian Aviation Polytechnic Curug (PPI Curug), Indonesia.*

Abstract: With managerial ownership moderation and Triangle theory analysis, the study's goal is to spot dishonest financial reporting. The pressure, opportunity, and justification factors, as well as other factors, are all described by the fraud triangle. In this study, external pressure (LEV) serves as a proxy for pressure, whereas ineffective monitoring and rationalization serve as a proxy for opportunity. The M-Score is used in this study's sample to evaluate unethical financial reporting and corporate governance, with management ownership acting as a moderating factor. 17 businesses that were listed on the Sri Kehati stock exchange between 2018 and 2021 made up the sample for this study. The study's conclusions indicate that External Pressure (LEV) negatively and significantly affects financial statements that are false. There is a significant and uplifting influence.

Keywords: Pressure, fraud financial reporting, opportunity, managerial ownership, rationalization.

1. INTRODUCTION

One important component that must be owned by a company is financial statements. Financial statements are the documentation of a company's financial information over a certain period of time. This information can help make economic decisions that benefit various interested parties. Financial reports aim to provide information about the company's financial position and performance and its cash flows, which helps users make decisions (Taqi et al., 2021). In carrying out their duties, management makes every effort to make financial conditions look good in the eyes of stakeholders (Abbas et al., 2021). This can also lead to a management attitude that will do everything possible to achieve its goals, such as changing financial reports. One type of fraud is changing the numbers in financial reports (Kalbuana et al., 2022)

According to the Association of Certified Fraud Examiners (ACFE) Indonesia (2020), survey data shows that corruption accounts for 70% of fraud in Indonesia. Fraud is illegal and usually occurs in financial statements, which is referred to as financial statement fraud, the country of Indonesia is ranked 85th out of 180 countries, with an estimated budget deviation of 2%. Meanwhile, the results of the 2019 ACFE survey showed financial fraud of 6.7%, which resulted in a loss of IDR 2,260,000,000, or 9.2%, indicating an increase in fraudulent financial reporting each year.

*Address correspondence to this author at the Faculty of Economics and Business at Universitas Teknologi Muhammadiyah Jakarta, Indonesia;
E-mail: nining1975@yahoo.com

In 2018, PT Garuda Indonesia improved its balance sheet after suffering a loss of USD 2 billion. Another case occurred at PT. WaskitaKaryaTbk, a state-owned company. In this case, the KPK examined Desi Arryani, director of Jasa Marga, and PT WiskitaKarya, director of finance, as witnesses to resolve the problem. When PT AsuransiJiwasraya, the oldest and largest public insurance company in Indonesia, failed to pay its claims in 2018, it obtained Rp. 802 billion in October and reached Rp. 12. billion in December 2019 (Keuangan.kontan.go.id 2020), a lot of media coverage was done. At the end of the period, Jiwasraya bought the second and third shares to "beautify" the company's balance sheet, or "change of clothes".

The fraud triangle idea is one of the aspects that influences fraudulent financial reporting. The Fraud Triangle consists of several variables, namely pressure, opportunity and rationalization. Fraudulent financial reporting occurs due to pressure, this is based on research findings, (Imtikhani, 2021), (Achmad *et al.*, 2022b), (Puspitaningrum *et al.*, 2019) indicating that external pressure has a significant effect on fraudulent financial reporting. Furthermore, (Permata Sari & Kurniawan Nugroho, 2020) shows that the external pressure factor has no effect on fraudulent financial reporting. Fraudulent financial reporting will not occur if there are no opportunities, this is in accordance with the results of research from (Demetriades & Agyei, 2022), (Indarti & Siregara, 2018) that ineffective monitoring has an effect on fraudulent financial reporting, while the results of research from (Achmad *et al*, 2022b), (Sinarti & Nuraini, 2019) and (Indarto & Ghozali, 2016) that ineffective monitoring has no effect on fraudulent financial reporting. Someone justifies/rationalizes the fraud that has been committed, based on research results from (Avortri&Agbanyo, 2021) that rationalization has an effect on fraudulent financial reporting, whereas according to (Indarti & Siregara, 2018), (Ramadlan & Yuliana, 2020) rationalization has no effect against fraudulent financial reporting. Based on the explanation above that the variables that influence fraudulent financial reporting produce inconsistent findings, research on managerial ownership as a moderating variable is still small, so the authors are interested in conducting research on the fraud triangle theory of fraudulent financial reporting with managerial ownership as a moderating variable.

2. LITERATURE REVIEW & HYPOTHESES

2.1. Theory

2.1.1. Agency Theory

Agency theory put forward by (Jensen & Meckling, 1976) describes the relationship between the principal and the agent. The principal gives the agent a mandate to manage the company on behalf of the principal which involves some decision-making authority to the agent. The purpose of having a work contract between principal and agent is to increase efficiency by reducing the role of loss of information caused by moral hazard problems. The benefit of using agency theory is that each individual is obsessed with his own interests rather than the interests of others. The difference is that this interest can give rise to agency problems that affect fraudulent financial reporting.

2.1.2. Fraud Triangle Theory

The triangle theory of deception argues that rationalization, opportunity, and pressure/motivation are the three main reasons for fraud (Cressey, 1953). The first and most unavoidable factor is obedience to superiors, which is a form of pressure that cannot be avoided in a company. The second factor is opportunity or opportunity, which is a way to commit fraud to avoid punishment. If one is under high pressure, these opportunities or opportunities will not arise. The last factor is rationalization, which is justification for the fraudulent actions that have been committed.

2.2. The Conceptual Framework of the Research

In describing the link between independent and dependent variables, the conceptual framework is crucial. The fraud triangle, represented in this study by outside pressure, inefficient monitoring, and rationalization, is one of the independent factors. Financial reporting fraud, which is modified by managerial ownership, is the key dependent variable in this study. These variables combined can be viewed as a conceptual framework with a clear structure that can systematically explain the relationship between dependent and independent variables. The conceptual framework that follows seeks to explain how these variables are related to one another:

2.3. Hypoteses

2.3.1. The Effect of External Pressure on Fraudulent Financial Reporting

External pressure encourages management to fulfill the wishes of third parties (Sinarti & Nuranini 2019). According to SAS No. 99, excessive external pressure can lead to fraudulent financial reporting. The company's ability to pay debts creates external pressure. To calculate external pressure, you can use the leverage ratio, which is the ratio of total debt divided by all assets. The leverage ratio indicates that the probability of violating a credit agreement is greater if the leverage is greater. Therefore, manipulated financial reporting is very possible because of the high credit risk. When a company has a high level of debt, outside pressure can have an impact on fraudulent financial reporting (Wardhana & Usman, 2022).

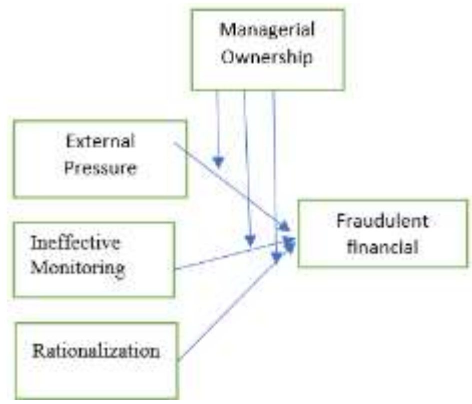

Fig. (1). Framework of thought.
Source: author data.

H_1 = External pressure has a negative effect on fraudulent financial statements

2.3.2. The Effect of Ineffective Monitoring on Fraudulent Financial Reporting

Ineffective monitoring is ineffective monitoring carried out by companies due to the company's weak oversight system and audit committee (Skousen *et al*, 2009). The rise of accounting scandals in Indonesia is one of the impacts that occurs due to weak supervision by companies so that it can create opportunities for someone to commit acts of fraud in accordance with their personal interests. Therefore, to prevent financial statement fraud, a party, namely an independent board of commissioners, is needed.

H_2 = Ineffective monitoring has a negative effect on fraudulent financial reporting

2.3.3. The Effect of Rationalization on Fraudulent Financial Reporting

An essential element of fraud is rationalization, which drives fraudsters to look for justification for their behavior. The measurement of rationalization is the most challenging aspect of the fraud triangle (Skousen *et al.*, 2009). Rationalization is frequently connected to a person's mentality that, in the eyes of the larger community, justifies an unethical behavior. People who engage in unethical behavior frequently justify fraud by changing the code of ethics. When an auditor fails to address instances of financial statement fraud, this presumption becomes more prevalent. According to SAS No. 99, the audit turnover cycle, the audit opinion the business received, and the ratio of total accruals to total assets can all be used to gauge a company's level of rationalization. A decision is made when an auditor is changed.

H_3 = Rationalization has a negative effect on fraudulent financial reporting

2.3.4. Managerial Ownership has an Effect on Fraudulent Financial Reporting

According to (Jackson et al., 2009) in his research stated that management ownership of fraud. financial reporting that says that management incentives can be adjusted according to manager ownership, and if managers own stock, they are more likely to make the decisions that are most beneficial to all parties to enable fraudulent acts. With managerial ownership and management, they can do their job effectively and can reduce the possibility of fraud in financial statements.

H_4 = Managerial ownership has a negative effect on fraudulent financial reporting

2.3.5. Managerial Ownership in Moderating the Effect of External Pressure on Fraudulent Financial Reporting

Research (Darwis; Supriatiningsih, 2021) proves that the existence of managerial ownership has a positive influence on fraudulent financial statements, which means that the greater the managerial ownership, the lower the level of fraud, this is because managerial ownership will have a desire to maintain and protect the company's image. The existence of managerial ownership can improve supervision within a company so that the relationship between external pressure components in fraudulent financial statements is getting stronger

H_5 = The correlation between external pressure and financial reporting fraud may be weakened by managerial ownership

2.3.6. The role of Managerial Ownership in Reducing the impact of Insufficient Oversight of Fraudulent Financial Reporting

According to agency theory, the principle needs internal oversight within the business to deter fraud. Because principals have less information than agents, a lack of control will eventually lead to a rise in fraud. The risk of fraudulent financial reporting will be decreased by the existence of managerial ownership, which will strengthen monitoring of the business' operational activities. Low managerial ownership in a corporation indicates ineffective corporate governance. This occurs as a result of the fact that deceptive financial reporting practices leave unfinished business commitments (Wiyadi et al., 2016). The findings of this study are consistent with those of research by Ibrahim et al. (2022), which found that managerial ownership is unable to counteract the negative effects of insufficient oversight of fraudulent financial reporting.

H_6 = Ineffective monitoring can weaken the ineffective monitoring relationship to fraudulent financial reporting

2.3.7. Managerial Ownership in Moderating the Effect of Rationalization on Fraudulent Financial Reporting

According to agency theory, the more managerial ownership, the more motivated the principal is to supervise agents to act in the interests of the owner. In addition, according to (Ibrahim et al, 2022) managerial ownership prevents managers from acting in a profitable way to meet shareholder expectations. According to (Samukri *et al.*, 2022) managerial ownership can oversee management and participate in decision making, especially regarding auditor changes, thereby reducing the possibility of fraudulent financial reporting. The more rationalizations, the more likely management is to commit financial statement fraud. In other words, managerial ownership can weaken the link between rationalization and financial reporting fraud.

H_7 = Managerial ownership can weaken the relationship between rationalization and fraudulent financial reporting

3. METHOD

3.1. Approaches to Research and Population

To determine how likely a company is to commit fraud through financial reports, this quantitative research focuses on the company's financial performance. The data used comes from the financial statements of 17 companies listed on the Sri Kehati indexed stock exchange from 2018 to 2021. Journals can be viewed on the company's official website and at www.idx.co.id. The data used is included in the category of time series and cross sections because it includes many units and from time to time. In addition, the panel data method is a combination of time series and cross-section. Fixed effect models and pooled least squares are some of the methods used to calculate model parameters using panel data. The independent variables in this study are pressure by proxy for external pressure, opportunity by proxy for ineffective monitoring and rationalization. Managerial ownership as a moderating variable, and fraudulent financial reporting as the dependent variable

3.2. Variable Measurement

3.2.1. Dependent Variable

Fraudulent financial reporting

Fraud on financial statements is the study's dependent variable (Y). This study uses the Beneish M-Score model, which was created by Beneish (Beneish, 1999), to assess false financial statements. A favorable ratio index with five ratios may be more successful than an index with eight ratios for identifying false financial statements, according to research (Agustin et al., 2022). The score is determined using the Beneish Model test. The corporation may be engaging in financial statement fraud if the M score is more than -2.22. The corporation is less likely to falsify financial statements, however, if the M score is less than 2.22. The Beneish M-Score methodology, created by (Beneish, 1999), is used to quantify fraudulent financial reporting.

$$M = -4{,}84 + 0{,}92*DSR + 0{,}528*GMI + 0{,}404*AQI + 0{,}892*SGI + 4{,}679*TATA$$

Moderation Variables

Managerial Ownership

Managerial ownership is defined as shareholders who simultaneously act as owners of the company from management in a way that suits their interests (Owens-Jackson *et al.,* 2009). Monitoring the effectiveness of plans is part of supervision,

Table 1. Results of Descriptive Statistics.

Keterangan	Pressure	Opportunity	Rationalization	Corporate Governance	M-Score
	LEV	BDOUT	TATA	MO	M_Score
Mean	27,37	0,62	10.27	9,515,859	44.93
Median	0.45	0.51	(0.447)	1,669,955	(4.55)
Maximum	880,36	1,51	889.79	159,800,000	4.050.52
Minimum	0,00	0,00	(335.85)	(1,451,574)	(1.717.26)
Std. Dev	101,60	0,43	113.78	37,823,262	523.82
Skewness	7,18	0,83	5.55	3,75	5.42
Kurtosis	52,94	2,72	45.67	15,05	44.70

Source : author data.

and companies can measure their success by evaluating the amount of supervision they perform in pursuit of their objectives.

$$MO = \frac{Total\ of\ shares\ owned\ by\ management}{Total\ of\ outstanding\ shares}$$

3.2.2. Independent Variables

External pressure

The main factor driving cheating is pressure. There are three types of pressure: work pressure, personal pressure, and external pressure (Gisairo, 2016). Outside pressure, or external pressure, is pressure experienced by management when trying to meet the requirements and expectations of third parties, which can lead to fraud. When a business has large debts, it can put pressure on management, which can lead to fraudulent financial statements (Samukri et al, 2022). In this study, the LEV formula is used to calculate external pressure.

$$LEV = \frac{Total\ debt}{Total\ Assets}$$

Ineffective Monitoring

Ineffective Monitoring

According to (Ikbal et al., 2020) fraud perpetrators try to justify their actions. People who are usually dishonest have an easier time rationalizing cheating. The behavior of top management in the financial reporting process is very important to assess the possibility of fraudulent financial reporting.

$$BDOUT = \frac{Total\ of\ independent\ commissioners}{Total\ of\ commissioners}$$

Rationalization

TATA is related to rationalization, where the accrual principle describes the entire operation of the company, making it the basis for management decisions. In research (Dewinta Agustin *et al.*, 2022) and (Skousen et al., 2009) the TATA formula is used, *i.e.*

$$TATA = \frac{Total\ Accruals}{Total\ Assets}$$

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics Analysis

Based on the output of Eviews 12 in table 4.3 above, it is interpreted as follows:

Based on the results of the descriptive statistics above, there are 85 data, external pressure (Lev), with an average value (mean) of 27.36 and a minimum value of 0.00 and a maximum value of 880.36. There is also a standard deviation of 101.60 and a median of 9.40. Ineffective monitoring (Bdout) with an average value (mean) of 0.63 and with a minimum value of 0.00 and a maximum of 1.50. The standard deviation value is 0.44 and the median value is 0.50, according to the results of descriptive statistics. Rationalization (TATA), with an average value (mean) of 10.26 and with a minimum value of -336.73 and a maximum value of 890.04. There is also a standard deviation value of 113.98 and a median value of -0.46. Managerial Ownership, with an average (mean) of 9,515,869,688,765.45 with a minimum value of 1,669,677 and a maximum value of 159,800,000,000,000.00 while a standard deviation value of 37,823,262,541,5113.30 and a median value of 1,669.955, 00. M_Score, the average (mean) is 44.93 with a minimum value of -1,717.26 and a maximum value of 4,050.52 while the standard deviation value is 523.95 and the median value is -4.55.

Research Hypothesis Testing

The results of testing the hypothesis in the table above can be explained as follows:

Hypothesis Testing (H1) The regression coefficient obtained from the influence of the External Pressure (LEV) variable on fraudulent financial statements is 0.053872 with a statistical value of 6.043432 > 1.96 at a significant level = 0.05 (5%) with a significance value of 0.0000 <0 .05 which states that there is a negative and significant effect of External Pressure (LEV) on fraudulent financial statements. The regression coefficient value of 0.053872 can be interpreted to mean that if 0.053872 increases by 1, then fraudulent financial statements will decrease by 0.053872 and vice versa. If

Table 2. Result of Hypothesis Testing.

Variable	Coefficient	std. error	t-statistic	prob.
C	-3.264645	0.420100	-7.818731	0.0000
Lev	-0.053872	0.008931	-6.043432	0.0000
Bdout	4.463215	0.980135	4.555716	0.0000
Tata	4.623325	0.008052	573.4551	0.0000
MO	3.080014	1.580014	1.945445	0.0551

Source: author data.

Table 3. Result of External Pressure - Managerial Ownership.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-51.68688	40.94917	-1.262220	0.2105
LEV_MO	6.040013	5.150012	0.117313	0.9069
Root MSE	316.8042	R-Squared		0.630049
Mean Dependent Var	45.16091	Adjusted R-Squared		0.611551
S.D. Dependent Var	523.9483	S.E. of Regression		326.5543
Akaike Info Criterion	14.47209	Sum Squared Resid		8531017.
Schwarz Criterion	14.61578	Log Likelihood		-610.0639
Hannan-quinnCriter.	14.52989	F-Statistic		34.06115
Durbin-watsonStat	2.134103	Prob(F-statistic)		0.000000

Source: author data processing.

Table 4. Result of Ineffective Monitoring - Managerial Ownership.

Variable	Coefficient	std. error	t-statistic	prob.	
C	-45.90464	118.1805	-0.388428	0.6987	
BDOUT_MO	1.780012	4.930012	0.361650	0.7186	
Root mse	490.3023	R-Squared		0.113884	
Mean Dependent Var	45.16091	Adjusted r-Squared		0.069578	
S.D. Dependent Var	523.9483	S.E. of Regression		505.3920	
Akaike Info Criterion	15.34557	Sum Squared Resid		20433687	
Schwarz Criterion	15.48925	Log Likelihood		-647.1867	
Hannan-quinnCriter.	15.40336	F-Statistic		2.570406	
Durbin-watsonStat	1.909980	Prob(F-statistic)		0.044090	

Source: author data.

the External Pressure (LEV) decreases by 1, then fraudulent financial statements will increase by 0.053872.

Hypothesis Testing (H2). The regression coefficient obtained from the influence of the Ineffective Monitoring (BDOUT) variable on fraudulent financial statements is 4.463215 with a statistical value of 4.555716 > 1.664 (Df = 80) at a significant level = 0.05 (5%) with a significance value of 0.0000 <0.05 which states that there is a positive and significant influence between Ineffective Monitoring (BDOUT) on fraudulent financial reporting. The regression coefficient value of 4.463215 can be interpreted to mean that if Ineffective Monitoring (BDOUT) increases by 1, then fraudulent financial statements will increase by 4.463215 and vice versa. If Ineffective Monitoring (BDOUT) decreases by 1, then fraudulent financial statements will decrease by 4.463215.

Hypothesis Testing (H3). The regression coefficient obtained from the influence of the Rationalization variable (TATA) on fraudulent financial statements is 4.623325 with a statisti-

Table 5. Result of Rationalization - Managerial Ownership.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.112421	0.745262	-1.492658	0.1395
TATA_MO	-7.510015	1.820014	-0.413263	0.6805
Root MSE	45.16091	Adjusted R-squared		0.999839
Mean Dependent Var	523.9483	S.E. of Regression		6.641616
S.D. Dependent Var	6.681610	Sum Squared Resid		3528.885
Akaike Info Criterion	6.825295	Log Likelihood		-278.9684
Schwarz Criterion	6.739404	F-Statistic		130671.9
Hannan-quinnCriter.	1.222072	Prob(F-statistic)		0.000000

Source: author data processing.

Table 6. Result of Coefficient Testing.

Weighted Statistics			
Root MSE	5.471958	R-squared	0.999926
Mean Dependent Var	41.62954	Adjusted R-squared	0.999915
S.D. Dependent Var	639.8701	S.E. of regression	5.904605
Sum Squared Resid	2545.098	F-statistic	90038.18
Durbin-watsonStat	1.766744	Prob(F-statistic)	0.000000

Source: author data.

cal value of 573.4551> 1.664 (Df = 80) at a significant level = 0.05 (5%) with a significance value of 0.0000 <0.05 which states that there is a positive and significant influence between Rationalization (TATA) on fraudulent financial statements. The regression coefficient value of 4.463215 can be interpreted that if the Rationalization (TATA) increases by 1, then fraudulent financial statements will increase by 4.463215 and vice versa. If Rationalization (TATA) decreases by 1, then fraudulent financial statements will decrease by 4.463215.

Hypothesis Testing (H4). The regression coefficient obtained from the influence of the Managerial Ownership (KM) variable on fraudulent financial statements is 3.080014 with a statistical value of 1.945445 > 1.292 (Df = 80) at a significant level = 0.1 (10%) with a significance value of 0.0551 <0.10 which states that there is a positive and significant influence between Managerial Ownership (KM) on fraudulent financial statements. The regression coefficient value of 3.080014 can be interpreted to mean that if Managerial Ownership increases by 1, then fraudulent financial statements will increase by 3.080014 and vice versa. If Managerial Ownership (KM) decreases by 1, then fraudulent financial statements will decrease by 3.080014.

Hypothesis Testing (H5). The regression coefficient obtained from managerial ownership (KM) in moderating the effect of the External Pressure (LEV) variable on fraudulent financial statements is 6.040013 with a statistical value of 0.117313 <1.664 (Df=80) at a significant level = 0.05 (5%) with a a significance of 0.9069 > 0.05 which states that managerial ownership is not able to moderate the effect of External Pressure (LEV) on fraudulent financial statements

Hypothesis Testing (H6). The regression coefficient obtained from managerial ownership in moderating the effect of Inefficient Monitoring on fraudulent financial statements is 1.780012 with a statistical value of 0.361650 <1.664 (Df=80) at a significant level = 0.05 (5%) with a significance value of 0.7186 > 0.05 which states that managerial ownership is not able to moderate the effect of inefficient monitoring on fraudulent financial reporting.

Hypothesis Testing (H_7). The regression coefficient obtained from managerial ownership in moderating the effect of Rationalization on fraudulent financial statements is -7.510015 with a statistical value of 0.413263 < 1.664 (Df = 80) at a significant level = 0.05 (5%) with a significance value of 0.6805 > 0.05 which states that managerial ownership is not able to moderate the effect of rationalization on fraudulent financial statements.

Determination Coefficient Test

Based on the results of the coefficient of determination test in the table above, the value of Adjusted R-squared is 0.999915 or 99.99% of the total variation of independent variables such as Pressure, Opportunity, Rationalization and Good Corporate Governance (GCG) explaining the variation of the dependent variable in the form of fraudulent reports finance. While the remaining 0.01% (100 – 99%) is explained by other variables or factors not explained in this study.

4.2. Discussion

4.2.1. There is a Negative and Significant Influence between External Pressure (LEV) on Fraudulent Financial Reporting

This is in line with research from (Imtikhani, 2021), (Achmad *et al.*, 2022), (Puspitaningrum *et al.*, 2019) Pressure can occur due to excessive pressure to meet third party expectations where companies need debt financing so that companies remain competitive (Ibrahim *et al*, 2022). The fraud triangle theory states that excessive pressure from external parties on management can raise the risk of fraudulent financial reporting. Outside pressure can be proxied by the leverage ratio. A company that has a high leverage ratio means that the company has a large amount of debt and high credit risk. The higher the credit risk, the greater the level of concern for creditors to provide loans to companies. This is inversely proportional to the results of research (Sari & Nugroho, 2020) which states that external pressure has no effect on fraudulent financial reporting.

4.2.2. There is a Positive and Significant Influence Between Ineffective Monitoring (BDOUT) on Fraudulent Financial Reporting

With the existence of an independent board of commissioners from outside the company, it will increase the effectiveness of oversight of management in preventing fraudulent financial statements. This is in line with research from (Demetriades & Owusu-Agyei, 2022), (Indarti & Siregara, 2018) Research contrary to research from (Achmad *et al.*, 2022), (Sinarti & Nuraini, 2019), (Indarto & Ghozali, 2016) where ineffective monitoring (BDOUT) has no effect on fraudulent financial reporting.

4.2.3. There is a Positive and Significant Influence between Rationalization (TATA) on Fraudulent Financial Reporting

This research is in line with research from (Avortri & Agbanyo, 2021) that there is a change of auditors or it is also called the elimination of traces where fraud may be found in the old auditor. The results of the research make the justification for the actions taken (rationalization) which can be used as an excuse for perpetrators to commit acts of fraud. Research from (Ramadlan & Yuliana, 2020), (Indarti&Siregara, 2018) states that changing auditors has no effect on fraudulent financial statements.

4.2.4. There is a Positive and Significant Influence between Managerial Ownership on Fraudulent Financial Reporting

The existence of a Managerial Ownership function in an effort to reduce agency costs within the company, when there is a conflict between managers and investors managerial ownership can mediate the conflict. With share ownership influencing management actions, it will have an impact on ROA which will increase the influence of financial performance in decision-making efforts so as to increase firm value. Research is in line with (Supriatiningsih& Darwis, 2023), (Triyani et al., 2019). This is inversely proportional to the results of research (Bening Laila Shaqila, 2020) which states managerial ownership has no effect on fraudulent financial reporting.

4.2.5. Managerial Ownership is Unable to Moderate the Effect of External Pressure (LEV) on Fraudulent Financial Reporting

This lack of information obtained by the principal is then used by the agent to commit fraud, especially the company's condition is not good in the eyes of the agent, the company needs financing through loans so that the company can run. Managerial ownership cannot prevent management from committing fraudulent financial reporting. The result of this research is that managerial ownership is not able to moderate the effect of external pressure on fraudulent financial reporting. The size of managerial ownership is not able to prevent management from committing fraud. This is in line with research results from (Agustin *et al.*, 2022), (Agustin & Widiatmoko, 2022), inversely proportional to research results from (Wahyuningtyas & Aisyaturrahmi, 2022)

4.2.6. Managerial Ownership is Unable to Moderate the Effect of External Pressure (LEV) on Fraudulent Financial Reporting

This lack of information obtained by the principal is then used by the agent to commit fraud, especially the company's loan condition is not good in the eyes of the agent, the company needs financing through which the company can run. Managerial ownership cannot prevent management from committing fraudulent financial reporting. The result of this research is that managerial ownership is not able to moderate the effect of external pressure on fraudulent financial reporting. The size of managerial ownership is not able to prevent management from committing fraud. This is in line with research results from (Agustin *et al.*, 2022), (Agustin & Widiatmoko, 2022), inversely proportional to research results from (Wahyuningtyas & Aisyaturrahmi, 2022)

4.2.7. Managerial Ownership is not Able to Moderate the effect of Inefficient Monitoring on Fraudulent Financial Reporting

With ineffective monitoring by an independent board of commissioners from outside the company, it will increase the effectiveness of oversight of management in preventing fraudulent financial reporting. The results of the study prove that managerial ownership is not able to moderate the effect of ineffective monitoring on financial reports. The amount of managerial ownership is not a factor that can suppress fraudulent financial reporting by management. This is in line with the results of research from (Ibrahim et al., 2021), (Samukri, Supriatiningsih, Ridwan Saleh, 2022), (Seifzadeh et al., 2022) and (Bouteska, 2018) (Mousavi et al., 2022) different from research results from (Rezazadeh & Mohammadi, 2019) that managerial ownership can weaken ineffective monitoring of fraudulent financial reporting. Managerial ownership cannot control how rationalization affects false financial statements. Management of the company will always provide an explanation for engaging in deceptive financial reporting, which tries to impress investors. Because management only provides limited information, managerial ownership—regardless of the amount—cannot affect what is

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done by management. This is consistent with study from (Alzoubi, 2016), which found that managerial ownership can reduce the impact of rationalization on misleading financial reporting.

CONCLUSION AND IMPLICATIONS

External Pressure (LEV) has a negative and severe impact on false financial statements. Ineffective monitoring, rationalization (TATA), and managerial ownership (BDOUT) have a favorable and considerable impact on fraudulent financial reporting. The effects of external pressure (LEV), ineffective monitoring (BDOUT), and rationalization (TATA) on false financial statements cannot be mitigated by managerial ownership.

RESEARCH LIMITATIONS

Ineffective monitoring proxies are used to measure opportunity, ineffective pressure proxies are used to evaluate pressure, and TATA is used to measure rationalization. Of course, this research is still not perfect. The scope of the proxy of pressure, opportunity, and rationalization will hopefully be increased by additional study. The fraud idea has also evolved, necessitating an adjustment. Regulators are encouraged to design enabling rules that can serve as a control mechanism for all parties involved in the reporting of financial information by a corporation.

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