

## Fraud Triangle Perspective: Detecting Financial Statement Fraud Using the Beneish M-Score Model in Property and Real Estate Companies Listed on the Indonesia Stock Exchange

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### ABSTRACT

This study aims to determine the effect of Financial Stability, Financial Targets, and External Pressure on Financial Statement Fraud in Property and Real Estate companies listed on the Indonesia Stock Exchange (BEI) in 2015–2017. The research method used in this study is quantitative. The data used is secondary data in the form of financial statements and annual reports. The sampling technique in this study was the purposive sampling method, where the sample selection was based on certain criteria. The samples used in this study amounted to 30 property and Real Estate companies listed on the Indonesia Stock Exchange in 2015–2017. The analysis technique in this study uses logistic regression analysis. The results of the analysis show that financial stability has a positive effect on fraudulent financial statements, financial targets have a positive effect on fraudulent financial statements, and external pressure has no positive effect on fraudulent financial statements.

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## **INTRODUCTION**

Financial reports are an important element that must be owned by a company. Financial reports are files that contain records of the financial information of a company over a certain period of time. This information can help make useful economic decisions for various parties who have an interest. Providing information about the company's financial position, performance, and cash flow, which functions as a basis for decision-making for its users, is the purpose of financial reports (Syafitri et al., 2021).

Statement of Financial Accounting Concept (SFAC) No. 1 explains that earnings information is an indicator that measures the performance of management's responsibility in meeting established operational objectives and helps investors evaluate the company's future profitability. Management, in carrying out its duties, makes every effort to make financial conditions look good in the eyes of stakeholders. This can also lead to a management attitude that does everything possible to achieve its goals, such as manipulating financial statements (Syafitri et al., 2021).

Irregularities that occur in financial statements can result in the information provided in the financial statements being irrelevant and containing misstatements that cause users of the financial statements to make inappropriate decisions. When a company presents irrelevant information, the financial information cannot be used as a basis for making economic decisions because the results of the analysis carried out are not appropriate (Ijudien, 2018).

The case of fraudulent financial statements is one of the problems that occurred in a large company in the United States, namely Enron Corporation, in 2001, which revealed a fact behind the event, namely the occurrence of an accounting scandal. Furthermore, this event became the beginning of the problem or the revelation of similar problems in the United States, such as at WorldCom, Walt Disney Company, Global Crossing, Typo International, and Xerox Corp.

In Indonesia, there were also several cases of fraudulent financial statements to cover up the fraud that occurred. One of the cases that occurred was the fraud case committed by PT Timah (Persero) Tbk (TINS). This case originated from the demands of the Timah Employees Association (IKT) against the management of PT Timah (Persero) Tbk, which was considered to have made many mistakes during its three years in office since 2003. The general chairman of IKT, Ali Samsuri, revealed that management had committed fraudulent public lies through the media. In the press release of the first semester 2015 financial report, management stated that the company's performance was good. But in fact, in the first semester of 2015, the operating profit loss was Rp. 59 billion. In addition to the company experiencing a decline in profits, PT Timah recorded an increase in debt of almost 100% compared to 2013. In 2013, the company's debt only reached Rp. 263 billion, but it increased to Rp. 2.3 trillion in 2015 ([www.okezone.com](http://www.okezone.com), 2019).

In addition, a case occurred at PT Kereta Api Indonesia (KAI) regarding fraudulent financial statements. The accusation that PT KAI's financial

statements were not in order was revealed by Hekinus Manao, one of the commissioners of PT KAI. Management and public accountants made audit errors in placing the status of value added tax (VAT) and PT KAI's financial investments differently. The company should have suffered a loss of Rp. 600 billion. However, the audited results actually recorded that PT KAI made a profit of Rp. 6.9 billion ([www.liputan6.com](http://www.liputan6.com), 2019).

One of the financial statement manipulation cases that occurred in Indonesia was the case of PT Tiga Pilar Sejahtera Food Tbk (AISA). The manipulation of financial statements by AISA was carried out by deliberately writing six affiliated companies as third parties in AISA's 2017 financial statements. In addition, in AISA's 2017 financial statements, there were indications of inflation by overstating the amount of Tiga Pilar's receivables. The manipulation aims to give a good impression regarding the company's sales so that the company's fundamentals are seen as having a good growth rate ([Investor.id](http://Investor.id), 2021).

In addition to the AISA case, a case indicating fraud in financial statements also ensnared PT Tirta Amarta Bottling (TAB), which falsified the amount of assets that were inflated, not in accordance with the existing situation. TAB's mode of doing this was to obtain an extension of credit facilities from PT Bank Mandiri CBC Bandung ([kontan.co.id](http://kontan.co.id), 2017).

One of the factors that influences financial reporting fraud is financial stability, which is a condition that describes the company's financial condition as stable. When the company's financial stability is threatened, management will find various ways to make the company's financial stability look good. In cases where the company experiences below-average industry growth, management is very likely to use financial statement manipulation to improve the company's appearance (Listyaningrum et al., 2017).

Based on the results of a survey conducted by AFCE Indonesia in 2016, the most common form of fraud in Indonesia is corruption. A total of 154 respondents to the Fraud Indonesia survey chose corruption. Fraud in the form of financial statements is the third most common type of fraud selected by 4 respondents, or 2%. From the survey results, it is known that financial statements are one of the most detrimental frauds to companies, especially in Indonesia, where there were as many as 178 respondents, or 77% of all respondents.

It can be concluded that fraud within the company, whether it is published or only found internally, does originate from information or reports. Reports were selected by 37% of respondents, or 80 respondents. It can be seen that the number of losses caused by fraud is in the range of Rp. 100 million to Rp. 1 billion, which is 50%.

The details in this range are the range of Rp. 100 million to <Rp. 500 million, as much as 22%, and Rp. 500 million to Rp. 1 billion, as much as 22%. So, it can be said that fraud that occurs in financial reports is very detrimental to the company because of its materiality.

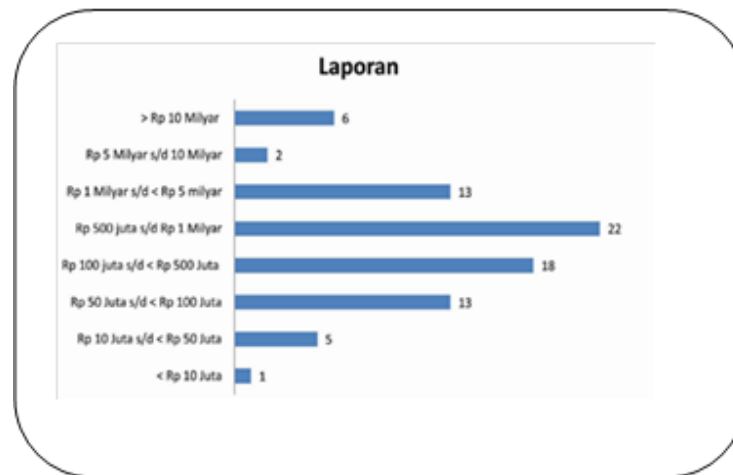


Figure 1. Magnitude of Loss when Fraud Is Discovered

Research conducted by the Association of Certified Fraud Examiners (AFCE, 1997) found that more than half of fraud perpetrators are in management, while the most common position according to respondents is manager, and some fraud perpetrators have worked for more than 10 years. because the longer the working period, the greater the potential for fraud. This is due to experience and already known loopholes for committing fraud. Taylor and Glezen (1996) define financial statement fraud as a form of deliberation or carelessness in the form of intentional acts or omissions that result in material errors in the financial statements so that the financial statements contain misleading information. According to Cressy's theory (1953), there are three conditions that are always present in acts of fraud, namely Pressure, opportunity, and rationalization, which is called the fraud triangle. These three conditions increase the risk of fraud in various situations.

The cases above are examples of how financial reports can be easily manipulated, even though the government has made regulations regarding the sanctions that companies will receive if they commit financial statement fraud. This fraud must be detected early to avoid the occurrence of similar cases, one of which is by using the fraud triangle theory. According to the fraud triangle theory, there are three triangles that are always present when financial statement fraud occurs: pressure or pressure, perceived opportunity or opportunity, and rationalization or rationalization.

The components of the fraud triangle cannot be studied directly; therefore, researchers must develop proxies and variables to measure them. This research refers to the standards of Statement of Auditing Standards No. 99. According to Statement of Auditing Standards No. 99, there are several conditions that commonly occur under pressure that result in fraud. These conditions are financial stability, external pressure, personal financial need, and financial targets. Three conditions that commonly occur in perceived opportunities are the nature of the industry, effective monitoring, and organizational structure. And the two conditions that commonly occur in rationalization are the change of KAP (auditor switch) and the audit opinion. In this study, the variables used are financial stability, financial targets and external pressure.

One of the factors that influences financial reporting fraud is Financial stability, which is a condition that describes the company's financial condition as stable. When the company's financial stability is threatened, management will find various ways to make the company's financial stability look good. In cases where the company experiences below-average industry growth, management is very likely to use financial statement manipulation to improve the company's appearance (Skousen et al., 2009).

Financial targets place excessive pressure on management to achieve financial targets set by the board of directors or management. Financial targets are one of the measurements used to assess the level of profit earned by the company on the effort spent, or ROA. According to SAS No.99 (AICPA, 2002), financial targets are the risk of excessive pressure on management to achieve financial targets set by the board of directors or management, including the objectives of receiving incentives from sales and profits. Listyaningrum et al., (2017) say that Return on assets (ROA) is often used in assessing manager performance and in determining bonuses, wage increases, and others. The higher the ROA targeted by the company, the more vulnerable management will be to manipulating profits, which is a form of fraud, so that it has a positive relationship with financial statement fraud.

External pressure is excessive pressure for management to meet the requirements or expectations of third parties. According to SAS No. 99, when excessive pressure from external parties occurs, there is a risk of fraud against financial statements. This is supported by the opinion (Listyaningrum et al., 2017), which states that one of the pressures that company management often experiences is the need to obtain additional debt or external sources of financing to remain competitive, including financing research and development or capital expenditures. Listyaningrum et al., (2017), which states that when companies experience external corporate pressure, a greater risk of material misstatement due to fraud can be identified.

Previous research conducted by Yulia (2017) concluded that Financial stability, Financial target, and External pressure have no effect on Financial statement fraud. Meanwhile, research conducted by Tiffani & Marfuah (2015) concluded that Financial stability and External pressure have a significant positive effect on financial statement fraud. But Financial theft has no significant effect on financial statement fraud. Research conducted by Yulia, Nur, and M. Cholid (2018) concluded that the variable Financial stability has no effect on Financial statement fraud, the variable External pressure has a positive effect on Financial statement fraud, and the variable Financial risk has no effect on Financial statement fraud. Aprilia (2017) concluded that Financial stability affects Financial statement fraud, but External pressure has no effect on Financial statement fraud. Research conducted by Reskino et al., (2016) concluded that Financial stability has no effect on financial statement fraud, while Financial targets affect financial statement fraud.

Based on the phenomenon of indications of financial statement fraud analyzed through earnings management and differences in the results of previous studies, the researchers took the title "Detecting Financial Statement

Fraud Using the Beneish M-Score Model in Property and Real Estate Companies Listed on the Indonesia Stock Exchange".

## **THEORETICAL REVIEW**

### **Fraud Triangle Theory**

The fraud triangle theory is a theory that explains the causes of fraud, which was first conveyed by Cressey (1953). Based on Donald Cressey's research, people who commit fraud are caused by the interaction of encouragement from within the person himself and from the external environment (Hall & Singleton, 2007 p. 264). In the fraud triangle, there are 3 conditions that encourage fraud, namely pressure, opportunity, and rationalization (Ijudien, 2018).

The following is an explanation of the three fraud situations originating from the manipulation of financial statements described in SAS 99 Ijudien (2018):

- a. Pressure The decline in the financial prospects of a company is an element of pressure that is considered common that causes the company to manipulate financial statements. In addition, the company may also manipulate to achieve the benchmarks of financial observers, for example related to the previous year's profit, to qualify for bank loans, or so that the financial statements look good in the eyes of investors and can have an impact on rising share prices.
- b. Opportunity Misstatement opportunities can arise with the change of accounting members or other weaknesses in the accounting and information process. Many cases of financial statement manipulation occur because the audit committee and board of directors are less effective in carrying out supervision related to financial reporting.
- c. Rationalization The behavior of top management towards financial reporting is an important risk aspect that must be considered in assessing the possibility of financial statement fraud. Financial statement fraud is more likely to occur if the CEO or other top management is indifferent to financial reporting procedures.

### **Financial Report**

Financial reports are the result of an accounting process that can be used as a tool to communicate financial data or company activities to interested parties to show the company's financial health and performance (Pratiya & Susetyo, 2018). Statement of Financial Accounting Standards (PSAK) No. 1 explains that the purpose of financial statements is to provide information regarding the financial position, performance, and changes in the financial position of a company that is useful for a large number of users of financial statements in making their decisions.

### **Financial Statement Fraud**

According to the Association of Certified Fraud Examiners (1998) in Ijudien (2018), the definition of financial statement fraud is: "Fraud committed

by management in the form of material misstatement of financial statements that is detrimental to investors and creditors; this fraud can be financial or non-financial fraud." The definition of financial statement fraud according to the Australian Auditing Standards (AAS) in Ijudien (2018) is "An omission or deliberate misstatement of a certain amount or disclosure in financial reporting to deceive users of financial statements (Brennan and McGrath, 2007)." From the two definitions above, the researcher concludes that financial statement fraud is a deliberate mistake aimed at deceiving users of financial statements, which ultimately harms users of these financial statements.

### **Financial Stability and Financial Reporting Fraud**

When a company is in stable condition, its value will increase in the eyes of investors, creditors, and the public. According to SAS No. 99, managers face pressure to commit financial statement fraud when financial stability and/or profitability are threatened by economic, industry, or operating entity situations (Listyaningrum et al., 2017). Loebbecke et al. (1989) and Bell et al. (1991) show that in cases where the company experiences growth that is below the industry average, management will manipulate financial statements to improve the company's prospects (Listyaningrum et al., 2017).

The company tries to improve its good outlook, one of which is by manipulating information on its asset wealth. The form of manipulation in the financial statements carried out by management is related to the growth of the company's assets (Listyaningrum et al., 2017). Therefore, the ratio of changes in total assets is used as a proxy for the Financial Stability variable. The higher the total assets owned by the company, the more wealth it has. Research conducted by Listyaningrum et al., (2017) proves that the greater the ratio of changes in total assets of a company, the higher the probability of fraud in the company's financial statements. The results of research conducted by (Siregar & Lubis, 2016) show that financial stability affects financial reporting fraud. From the above statement, the first hypothesis of the study is H1: Financial stability affects fraudulent financial reporting.

### **Financial Targets for Financial Reporting Fraud**

According to SAS No.99 (AICPA, 2002), financial targets are the risk of excessive pressure on management to achieve financial targets set by the board of directors or management, including the objectives of receiving incentives from sales and profits. Listyaningrum et al., (2017) say that Return on assets (ROA) is often used in assessing manager performance and in determining bonuses, wage increases, and others. The higher the ROA targeted by the company, the more vulnerable management will be to manipulating profits, which is a form of fraud, so that it has a positive relationship with financial statement fraud. The results of research conducted by (Siregar & Lubis, 2016) show that financial targets affect financial reporting fraud. From the above statement, the second hypothesis of the study is: H2: Financial targets affect financial reporting fraud.

### **External Pressure on Financial Reporting Fraud**

External pressure is excessive pressure for management to meet the requirements or expectations of third parties. According to SAS No. 99, when excessive pressure from external parties occurs, there is a risk of fraud against financial statements. This is supported by the opinion Listyaningrum et al., (2017), which states that one of the pressures that company management often experiences is the need to obtain additional debt or external financing sources to remain competitive, including financing research and development or capital expenditures. Person (1999) states that greater leverage (LEV) can be associated with a greater likelihood of violating credit agreements and a lower ability to obtain additional capital through loans. This statement is also reinforced by Lou and Wang (2009), who state that when a company experiences external pressure, it can identify a greater risk of material misstatement due to fraud. Listyaningrum et al., (2017), Tiffani & Marfuah (2015b), and Nugraha & Henny (2015) show that Pressure has an effect on fraudulent financial reporting. From the above statement, the third research hypothesis is: H3: External pressure affects Financial Reporting Fraud

## **METHODOLOGY**

### **Research Type and Design**

This research uses a descriptive research approach, namely by seeking information about existing symptoms, clearly defining the objectives to be achieved, planning the approach, and collecting data as material for making reports. This research was conducted by taking samples from populations. The population in this study is composed of property and real estate companies listed on the Indonesia Stock Exchange (BEI) consecutively in the 2015–2017 period. The data source used is secondary, where the measurement scale includes nominal and ratio. This data is obtained from the Financial Statements of property and real estate companies on the Indonesia Stock Exchange (IDX) on the web sites [www.idx.co.id](http://www.idx.co.id) and [www.sahamok.com](http://www.sahamok.com).

### **Population**

The population in this study is all companies in the property and real estate sectors listed on the Indonesia Stock Exchange (IDX) in 2015–2017. The number of property and real estate companies listed is 48.

### **Sample**

The sample in this study was taken randomly from a population that met the criteria for this study, which amounted to 10 companies for the period 2015–2017. The data collected in this study are financial statement data and annual reports of service companies in the property and real estate sectors listed on the Indonesia Stock Exchange (IDX) in 2015–2017.



### **Sampling Technique**

The sample selection for this study used purposive sampling technique. The sample selection criteria used in this study are as follows:

1. Companies that did not experience delisting on the Indonesia Stock Exchange (IDX) during 2015 - 2017, as well as companies that presented their annual reports on the IDX website during the 2015 - 2017 period.
2. The financial statements have been audited (unqualified) starting from December 31, 2015 to December 31, 2017.
3. The financial statements are not stated in rupiah currency, because the presentation of monetary units in Indonesia uses rupiah in every transaction.
4. Companies that earn a net profit from 2015 - 2017. the selection of these criteria is because if a company has a positive net profit, this can reflect that the company has good performance in managing capital, and the sales it makes are profitable / profitable so that it makes the company have an increased performance.
5. The company's annual report has data related to the research variables.

### **Data Analysis Technique**

#### **Logistic Regression Analysis**

Logistic regression is an approach to making predictive models like linear regression. In logistic regression, researchers predict dependent variables on a dichotomous scale. The dichotomous scale in question is a nominal data scale with two categories. In this study, the equation formula is as follows:

$$Y = \alpha + \beta_1 (\text{ACHANGE}) + \beta_2 (\text{ROA}) + \beta_3 (\text{LEV}) + e$$

Description:

Y = Financial Statement Fraud

$\alpha$  = Constant

$\beta$  = Variable coefficient

ACHANGE = Asset change ratio

ROA = Return on asset (ROA)

LEV = Leverage ratio

## **RESULTS**

### **Model Fitting Test (Goodness of Fit)**

#### **Hosmer and Lemeshow Test**

The Hosmer and Lemeshow test proves that there is no difference between predictions and observations carried out with the Chi-Square approach; if an insignificant test result is obtained, then there is no difference between the prediction of the logistic regression model and the observed data. The Hosmer and Lemeshow test results are obtained as follows:

Table 1. Results of the Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	3.952	8	.861

Source: Data Processed, 2023

Table 1 shows the results of testing the similarity of logistic regression model predictions with observed data obtained with a Chi-Square value of 3.952 and a significant value of 0.861. With a significant value greater than 0.05, there is no difference between the prediction of the logistic regression model and the observed data. This means that the model is able to predict the value of the observation, or it can be said that the model is accepted because it is in accordance with the observation results.

**Cross Tabulation Model**

To clarify the picture of the prediction of the logistic regression model with observation data, it can be shown with a cross tabulation table between the prediction of the logistic regression model and the observation results of the cross tabulation as confirmation of the absence of significant differences between the prediction of the logistic regression model and the observation data seen in the following table:

Table 2. Cross Tabulation Model

		Predicted		Percentage Correct
		FRAUD		
Observed		YANG TIDAK MELAKUKAN FRAUD	YANG MELAKUKAN FRAUD	
	Step 1	FRAUD	11	4
	YANG TIDAK MELAKUKAN FRAUD	4	10	71.4
Overall Percentage				72.4

a. The cut value is ,500

Source: Data Processed, 2023

Table 2 above shows that of the 29 samples of observation data that have not proven fraud, 4 or 73.3% are correctly predicted by the logistic regression model, and 10 observation data are not correctly predicted by the model, while of the 14 samples of observation data that have proven fraud, 71.4% are correctly predicted by the logistic regression model, and 4 observation data do not match the observation results. Overall, it means that 4 + 10 = 14 observations out of 29 samples of observation data can be correctly predicted by this logistic regression model.

**Overall Model Testing**

Testing the entire model is done using a test of the -2 log likelihood value. A low -2 log likelihood value indicates that the model will be more fit.

Table 3. -2 log likelihood

**Model Summary**

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	26.058 <sup>a</sup>	.385	.514

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than ,001.

Source: Data Processed, 2022

The final -2 log likelihood value obtained a -2 log likelihood value of 26.058. This allows a relationship between the independent variable and the dependent variable. In addition, in Table 3, there are two R-square measures, namely Cox & Snell R-square and Nagelkerke R-square. Cox & Snell's R Square uses a minimum value of less than 1, so it is difficult to interpret. Nagelkerke R Square is a modification of Cox & Snell R Square with a value that varies from 0 to 1. From table 4.5, the value of Nagelkerke R Square is 0.514; this means that 51.4% of financial statement fraud can be influenced by financial stability, financial targets, and pressure from outside the previous year, while the remaining 48.6% is influenced by other variables outside this study.

Test the significance of the overall regression coefficient (overall model) of the 3 predictors as a whole using the omnibus test of model coefficient.

Table 4. Omnibus Test Of Model Coefficient

**Omnibus Tests of Model Coefficients**

		Chi-square	df	Sig.
Step 1	Step	14.110	3	.003
	Block	14.110	3	.003
	Model	14.110	3	.003

Source: Data Processed, 2023

The results of the omnibus test of the Coefficient model show that the Chi-Square value (Decreased -2 log-likelihood) is 14,110, with a significant value of 0.003. with a value of -2 log-likelihood value block number = 0 greater than -2 log-likelihood = 1, thus indicating that the regression model by including all independent variables is better, or in other words, the hypothesized model fits the data.

**Classical Assumption Test**

The classic assumption test is one of the assumptions that must be met in research using multiple linear analysis models. The classic assumption test includes the normality test, the heteroscedasticity test, the autocorrelation test, and the multicollinearity test.

### Normality Test

The normality test aims to test whether, in the regression model, confounding or residual variables have a normal distribution and whether the dependent variable and the independent variable both have a normal distribution or not. A good regression model must have residual values that are normally distributed or close to normal.

To test this normal data using the Kolmogrov-Smirnov Test. From the One-Sample Kolmogrov-Shirmov test table, it can be seen that data that has a sig value (2-tailed) greater than 0.05 is normal data. The results of the study for the normality test are as follows:

Table 5. One-Sample Kolmogrov-Smirnov Test  
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		29
Normal Parameters <sup>a</sup>	Mean	.0000000
	Std. Deviation	.40626881
Most Extreme Differences	Absolute	.150
	Positive	.128
	Negative	-.150
Kolmogorov-Smirnov Z		.809
Asymp. Sig. (2-tailed)		.530

a. Test distribution is Normal.

Source: Data Processed, 2023

From the table above, it can be concluded that the residuals in the regression model of this study are normally distributed. This can be seen from the Asymp.Sig value (2-tailed) of 0.530, which is greater than 0.05, so it can be concluded that the research regression model is normally distributed.

### Multicollinearity Test

The multicollinearity test aims to test whether the regression model finds a very strong correlation between the independent variables. A good regression model should not have multicollinearity symptoms because this symptom causes the standard error of the estimate to tend to increase. Multicollinearity means that the other two independent variables in the regression model are perfectly related. To detect the presence or absence of multicollinearity in the regression model, it can be seen from the relationship between the independent variables, which is indicated by the tolerance and variance inflation factor (VIF), namely:

- a) If the tolerance value is  $> 0.10$  and VIF is  $< 10$ , it means that there is no multicollinearity in the study.
- b) If the tolerance value is  $< 0.10$  and  $VIF > 10$ , it means that there is a multicollinearity disorder in the study (Ghozali, 2016).

Table 6. Multicoloniality Test

Model	Collinearity Statistics	
	Tolerance	VIF
<i>Fraud</i> (Y)		
ACHANGE	,997	1,003
ROA	,882	1,134
LEV	,883	1,133

Source: Data Processed, 2023

In table 6 above, it can be seen that the financial stability variable (ACHANGE) has a tolerance value of 0.997 and a VIF value of 1.003; the financial target variable (ROA) has a tolerance value of 0.882 and a VIF value of 1.134; and the external pressure variable (LEV) has a tolerance value of 0.883 and a VIF value of 1,133. This shows that all independent variables consisting of financial stability, financial targets, and external pressure each have a tolerance value greater than 0.10 and a VIF value that is smaller than 10. So it can be concluded that the variables with one another in this study have no correlation.

#### Autocorrelation Test

Autocorrelation testing aims to test whether, in a linear regression model, there is a correlation between residual confounding data in period t and confounding errors in t-1. In this study, we obtained the results of the autocorrelation test using the Durbin-WWaston Test (DW test) method by comparing the DU and DL tables. The basis for making the Durbin-WWaston Test (DW Test) decision is:

- If the number  $Dw < dL$ , it means there is positive autocorrelation.
- If the  $Dw$  number is  $> (4-dL)$ , it means there is negative autocorrelation.
- If the number  $dU < Dw < (4-dU)$ , there is no autocorrelation.
- If the number  $dL < Dw < dU$  or  $(4-dU) < Dw < (4-dL)$  does not produce a definite conclusion (Ghozali, 2016).

Table 7. Autocorrelation Test

Model	R	R square	Adjusted R square	Std. Error of the estimate	Durbin-Watson
1	,601 <sup>a</sup>	,362	,285	,430	2,315

a. Predictors : (Constant), ACHANGE, ROA, LEV

b. Dependent Variabel : FRAUD

Source: Data Processed, 2023

Based on Table 7, it can be seen that the research results show that the Durbin-WWaston Test (DW test) value generated from the regression model is 2.315. According to the DW value according to the table with  $n = 29$  and  $k = 3$ , it can be determined that the dL limit is 1.1976 and the dU is 1.6499. Based on the dL and dU values, it can be seen from the criteria that the DW value lies between  $dU < Dw < (4-dU)$  or  $1.6499 < 2.315 < 2.3501$ , which means that there is no autocorrelation in this study.

### Heteroscedasticity Test

The Heteroscedasticity test aims to test whether, in the regression model, there is an unequal variance from the residuals of one observation to another. If the variance from one observation to another is constant, it is called homoscedasticity, and if it is different, it is called heteroscedasticity. A good regression model should not have heteroscedasticity. The basis for decision-making in the Heteroscedasticity Test is:

1. If the significant value is greater than 0.05, the conclusion is that heteroscedasticity does not occur.
2. If the significant value is smaller than 0.05, the conclusion is that heteroscedasticity occurs (Ghozali, 2016).

Table 8. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.418	.214		1.958	.061
	ACHANGE	.028	.039	.142	.717	.480
	ROA	-.005	.050	-.021	-.098	.922
	LEV	.012	.044	.057	.271	.789

a. Dependent Variable: ABS\_RESIDUAL

Source: Data Processed, 2023

Based on table 8, which shows that the financial stability variable (ACHANGE) has a significant value of 0.480, it can be concluded that the financial stability variable (ACHANGE) does not exhibit heteroscedasticity in this study because it has a significant value greater than 0.05. The financial target variable (ROA) has a significant value of 0.922, so it can be concluded that the financial target variable (ROA) exhibits heteroscedasticity in this study because it has a significant value smaller than 0.05. And the external pressure variable (LEV) has a significant value of 0.789, it can be concluded that external pressure (LEV) does not occur heteroscedasticity in this study because it has a significant value greater than 0.05.

### Hypothesis Testing

#### Logistic Regression Test

In this hypothesis research, the logistic regression test is used. Logistic regression is an approach to making prediction models like linear regression. In logistic regression, researchers predict dependent variables on a dichotomous scale. The dichotomous scale is a nominal data scale with two categories.

Table 9. Logistic Regression Test Results

		B	S.E.	Wald	df	Sig.
Step 1 <sup>a</sup>	ACHANGE	1.389	.761	3.335	1	.068
	ROA	2.772	1.179	5.527	1	.019
	LEV	.730	.577	1.600	1	.206
	Constant	12.713	5.429	5.483	1	.019

a. Variable(s) entered on step 1: ACHANGE, ROA, LEV.

Source: Data Processed 2023

Based on table 9, the regression equation can be determined with the regression coefficient for each variable. The regression equation in this study is:  
 $Y = 12.713 + 1.389 \text{ ACHANGE} + 2.772 \text{ ROA} + 0.730 \text{ LEV} + e$

From the regression model formed, the relationship between each independent variable (ACHANGE, ROA, LEV) and the dependent variable of financial statement fraud (Fraud) can be explained as follows:

- The constant value in table 9 is 12.713. The positive constant value states that if there is no change in the three independent variables.
- The ACHANGE regression coefficient is positive at 1.389 stating that the ACHANGE variable has a positive influence on financial statement fraud (FRAUD).
- The ROA regression coefficient is positive at 2.772, stating that the ROA variable has a positive effect on fraudulent financial statements (FRAUD).
- The LEV regression coefficient with a positive sign of 0.730 states that the LEV variable has a positive effect on fraudulent financial statements (FRAUD).

From these results, it can be seen that of the three independent variables, there are two variables that have a significant value, namely the ACHANGE variable, which has a significant value smaller than 0.10%, thus the financial stability variable (ACHANGE) statistically and individually affects financial statement fraud, and the ROA variable, which has a significant value smaller than 0.05, thus the financial target variable (ROA) statistically and individually affects financial statement fraud. While the external pressure variable (LEV) has a significant value greater than 0.05 and greater than 0.10%, the external pressure variable (LEV) has no effect on fraudulent financial statements.

## DISCUSSION

### The Effect of Financial Stability on Financial Statement Fraud

In Table 9, the regression coefficient of financial stability (ACHANGE) is positive at 1.389, which means that the ACHANGE variable has a positive influence on fraudulent financial statements. The t-test calculation in Table 9 shows that the regression coefficient value of ACHANGE (X1) is 1.389 with a significant level of 0.068, which is smaller than ( $\alpha = 10\%$ ). This shows that H1 is accepted, so the hypothesis stating that financial stability (ACHANGE) has a

significant effect on fraudulent financial statements in property and real estate companies is accepted.

So it can be said that financial stability has a positive influence on fraudulent financial statements. These results are in accordance with the statement (Skousen et al., 2009) that managers face pressure to commit financial statement fraud when financial stability is threatened by the state of the economy, industry, and the situation of the operating entity. This means that the company's financial instability will trigger financial statement fraud. This study agrees with research conducted by Tiffani & Marfuah (2015), which states that financial stability has a positive effect on financial statement fraud.

### **The Effect of Financial Targets on Financial Statement Fraud**

In Table 9, the regression coefficient of the financial target (ROA) is positive at 0.730, stating that the financial target variable (ROA) has a positive influence on fraudulent financial statements. The results of the t-test calculation in Table 9 show that the ROA (X1) regression coefficient value is 0.730 with a significant level of 0.019, which is smaller than ( $\alpha = 5\%$ ). This shows that H2 is accepted, so the hypothesis stating that financial targets (ROA) have a significant effect on financial statement fraud in property and real estate companies is valid. So it can be said that financial targets have a positive influence on fraudulent financial statements.

One of the measurements used to assess the level of profit earned by the company or the effort spent is ROA. The comparison of profit to total assets shows how efficiently the assets have worked. Therefore, against financial statement fraud, ROA is thought to tend to increase. It can be concluded that the higher the ROA targeted by a company, the more likely it is to commit fraud against its financial statements. This study agrees with research conducted by (Reskino et al., 2016), which states that financial targets affect financial statement fraud.

### **The Effect of External Pressure on Financial Statement Fraud**

In Table 9, the coefficient of external pressure (LEV) is positive at 0.730, stating that the external pressure variable (LEV) has a positive influence on fraudulent financial statements. The results of the t-test calculation in Table 9 show that the regression coefficient value of LEV (X3) is 1.010 with a significant level of 0.206, which is greater than ( $\alpha = 5\%$ ) and ( $\alpha = 10\%$ ). This shows that H3 is rejected, so the hypothesis stating that LEV (X3) has a significant effect on fraudulent financial statements in property and real estate companies is rejected.

So it can be said that external pressure does not have a positive influence on financial statement fraud. External pressure is excessive pressure for management to fulfill obligations from third parties; to overcome this pressure, companies need additional debt or external sources of financing to remain competitive, including financing research and capital development expenditures (Skousen et al., 2009). The smaller the leverage, the less likely it is to violate the credit agreement; the less leverage, the less likely fraud will occur. This study agrees with research conducted by Arie W & Basuki (2016) which



states that external pressure has no effect on financial statement fraud, and research conducted (Aprilia, 2017) which states that external pressure has no effect on financial statement fraud.

## CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the data analysis and discussion that have been stated, the following conclusions can be drawn from this study:

1. Financial stability (ACHANGE) has a positive effect on fraudulent financial statements, where the higher the total assets owned by a company, the more wealth it has. So that the high wealth owned by the company will be an attraction for investors. This indicates that in companies with high financial instability, management will have a higher potential to commit fraud in the company's financial statements.
2. Financial targets (ROA) have a positive effect on fraudulent financial statements if the value of the profitability ratio or ROA has a low value due to the low profit generated. This can result in management having to work harder in order to improve the company's unhealthy financial condition. Motives like this can cause pressure on management to carry out their duties, so that management will commit acts of fraud or manipulation in the company's financial statements.
3. Pressure from outside (LEV) has no positive effect on fraudulent financial statements; if the leverage of a company is getting smaller, it can be associated with a smaller possibility of committing fraudulent acts in the company's financial statements.

## FURTHER STUDY

Every research is subject to limitations; thus, you can explain them here and briefly provide suggestions to further investigations.

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