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Fraudulent Financial Reporting Detection Model in the Technology Industry: Case Study in Indonesia

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A B S T R A C T

Since technology companies' stock performance has skyrocketed during the pandemic, this study aims to determine if this surge in performance is a result of their lack "fraudulent financial of reporting. Examining the effects of pressure, opportunity, rationalisation, and ability—the four pillars of diamond fraud theory—on the identification of fraudulent financial-reporting is the primary goal of this research. There are four variables: financial stability (representing pressure), external auditor-quality (representing opportunity), total accruals to total assets (representing rationalisation), and ability (representing change of director). This study employs a method known as hypothesis testing to provide an explanation. This study uses a sample of 24 companies listed on the IDX as its primary data source for the years 2020 and 2022. Analysis of data by means of multiple linear regression. A person's capacity, opportunity, rationalisation, and pressure all play significant roles in the prevalence of fraudulent financial reporting, according to the" study. Together with other recent studies in the IT industry, this one helps bring down the prevalence of false financial reporting in that field.

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INTRODUCTION

Every company must submit financial statements to internal and external parties. Financial statements are a communication tool to convey the actual condition experienced by the company because the financial statements contain financial data and all operational activities of the company that show the good performance of a company. But sometimes what is presented in the financial statements is data designed by management so that the company looks in good condition and makes a favorable impact on a number of people. This act of manipulating financial statements causes the reports produced to be not transparent and relevant so it can harm many parties. Companies that manipulate financial statements are often referred to as fraud or known as fraudulent financial reporting.

Corruption accounts for 64.4% of all fraud in Indonesia, asset misappropriation for 28.9%, and fraudulent financial reporting for around 6.7% (Association of Certified Fraud Examiners Indonesia, 2019). There were 2,110 cases of fraud in 133 countries, resulting in losses of approximately $3.6 million (ACFE, 2022). The majority of cases, which accounted for 86% of all cases, involved the misappropriation of assets, with the lowest loss per case being USD 100,000. The most prevalent type of fraud was financial reporting fraud, which accounted for nine percent of all incidents and resulted in losses of five hundred and three thousand dollars. Half of the cases involve corruption, and the average loss is $150,000 USD.

Manipulation of financial statements, often called fraudulent financial reporting, is a fatal problem for organizations because stakeholders and investors do not trust them. (Ghaisani & Supatmi, 2023) found that fraudulent reporting causes users to base their judgements on irrelevant and incorrect information in financial statements. According to (Rengganis et al., 2019), financial statements have the potential to deceive readers due to deliberate errors in data presentation and disclosure. This deceit can lead to criminal actions since it goes against the regulations of the stock market, accounting standards, and laws.

General Electric Company (GE), a multinational corporation with its headquarters located in New York, is an American technology and services company that has been involved in instances of false financial reporting. US accounting and finance investigator Harry Markopolos claims that because General Electric's insurance sector needed $18.5 billion in capital, there was an inflation in the division (cnbcindonesia, 2019). False financial reporting in the information technology and trading sectors has occurred in Indonesia. PT Envy Technologies Indonesia Tbk (ENVY) is one of these businesses; according to (cnbcindonesia, 2021) PT Ritel Global Solusi (RGS), an ENVY subsidiary, allegedly manipulated ENVY's 2019 financial statements.

The FDT was developed in 2004 by Hermanson, using the FTT as a foundation. David T. Wolfen and Dana R. Ability, opportunity, rationalization, and pressure are the four principle pillars that serve as the basis for the Fraud Diamond Theory. External pressure turns into management's influence to submit false financial reports. Pressures, both financial and non-financial, can stem from internal as well as external sources (Prayoga & Sudarmiji, 2019). Furthermore,

each person's unique circumstances resulting from debt can put pressure on them to lead a luxurious lifestyle (Safitri et al., 2023). According to (Adrian Kayoi & Fuad, 2019), deficiencies in the internal accounting system, misuse of authority, and a lack of managerial supervision can all lead to opportunities. The rationalization factor drives con artists to seek explanations for intentional behavior. The rationalization factor leads those who commit fraud to search for explanations for their intentional behavior (Adrian Kayoi & Fuad, 2019). A person's capacity for dishonest financial reporting depends on a number of factors, including position, IQ, inventiveness, and influencing skills. These four factors determine an individual's capacity for fraudulent financial reporting. Without someone who possesses the necessary skills to carry out such actions, cheating will not occur (Noble, 2019).

Through the utilization of the Altman Z-Score model, information technology companies publicly traded companies listed on the Indonesia Stock Exchange possess the capability to detect instances of inaccurate financial reporting. As per (MacCharty, 2017), Altman's Z-score offers a potential means to distinguish between financially distressed businesses and those operating soundly. (Patmawati et al., 2022) affirm that the Z-Score model serves as a valuable tool in pinpointing potential financial challenges, which could be exploited by management for false financial reporting. These assertions align with the conclusions drawn by (Bhavani & Amponsah, 2017) from their comparative analysis of the Z-score model versus the M-score model in identifying fraudulent financial reporting. Their research underscores the superiority of the Z-score model in this regard. The Z-score model has been used to other research as well (MacCharty, 2017), (Patmawati et al., 2022), (Narew et al., 2021), (Zaki, 2017).

This research is to investigate the extent to which between 2020 and 2022 technology businesses listed on IDX were able to submit fraudulent financial reporting, along with the pressure, capability, and rationale behind such reports. We zeroed in on the IT industry because the pandemic caused digitalization in Indonesia and led to a dramatic surge in tech stock prices. A large body of empirical research has tested the hypothesis of diamond fraud (Yulistyawati et al., 2019), and the results show that the opportunity and rationalization components of diamond fraud greatly impact how often companies falsify their financial statements. False financial reporting occurs at the same rate regardless of whether one considers ability or pressure.

According to (Kusumawati & Putri, 2019), several factors contribute to the prevalence of fraudulent financial reporting, such as financial goals, external pressures, institutional ownership, and individuals' expertise. However, traits like narcissism, rationalization, wealth, and opportunity do not show a significant correlation with dishonest financial reporting. In a study during the twentieth century, (Johari et al., 2023) found that within the public sector, increased opportunities correlated positively with procurement fraud rationalization, while workplace spirituality had a negative correlation with such incidents. A recent study by (Rosnidah et al., 2022) focused on the technology industry, examining audit perspectives on leveraging big data analytics for fraud

detection and prevention. This research adds to existing knowledge by exploring factors influencing financial statement fraud, particularly in the context of diamond fraud , and it is a supplement to earlier studies that were conducted in the manufacturing and finance sectors.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1 Agency Theory

Agency theory, according to (Michael C. Jensen, 1976), Contracts between principals and agents, in which the principal agrees to grant the agent discretion over specific matters, constitute an agency relationship. Agency problems, which arise when owners and agents have competing interests, might cast doubt on the accuracy of informed profits. When it comes to asymmetric information, the data usually matches up with how things really are in the company. One manifestation of this information asymmetry is the practice of fraudulent financial reporting, which agents engage in to conceal the fact that their clients are unaware of the company's financial woes (Kusumawati & Putri, 2019).

The owner of the company is unaware of the incident because the agent, who is here the company manager, is aware of the opportunity and knows how to conceal it. Here is a way for false financial reports to happen (Setiawati & Baningrum, 2018).

2.2 Fraudulent Financial Reporting

(ACFE, 2022) declares that a financial reporting event occurs when an organization's management or employees know properly cause financial reporting information to contain misstatements or omissions. This might occur, for example, if an employee submits a fraudulent expense report pretending to be on a personal vacation or going hungry. Both monetary and non-monetary forms of fraud exist. According to SAS No. 99 of the AICPA (2002), "misstatement arising from the condition of fraudulent financial reporting" refers to when financial statements purposefully fail to disclose certain amounts or information in order to deceive reporting users. To begin with, manipulating the books of accounts or any other data used as support for the final financial statements is one type of fraudulent financial reporting. The second issue is financial statement inaccuracies or omissions. Finally, the third point is the intentional abuse of concepts like numbers, categories, presentation style, and disclosure (Yulistyawati et al., 2019).

The (ACFE, 2022) has identified three-main types of fraud: (1) When someone intentionally falsifies information about a company's financial statements or breaks the law, it's known as fraudulent financial reporting. (2) "Misappropriation of assets" describes an employee's fraudulent actions when they steal from or collude with the company. (3) Balancing interests, extortion, and bribery are examples of corrupt practices. Corruption and bribery work hand in hand, creating an environment where neither party is easy to root out.

2.3 Fraud Diamond Theory

According to (Adrian Kayoi & Fuad, 2019), the term "fraud" refers to any fraudulent activity or fraudulent attempt to obtain profits, regardless of whether those profits are monetary or otherwise obtained. Fraud occurs when individuals or organizations, whether internal or external, engage in illegal activity with the intention of deceiving or manipulating individuals for the purpose of gaining their own benefit or the benefit of a larger group. According to (Skousen, 2008), The fraud triangle, originally proposed to explain the factors contributing to fraudulent behavior, includes opportunity, pressure, and rationalization as its key components. In an expanded view, (Wolfe & Hermanson, 2004) introduced the concept of the "fraud diamond," which further elaborates on these factors and adds a fourth element. This expanded model emphasizes not only the presence of opportunity, pressure, and rationalization but also the individual's capability to execute the fraud. Thus, the fraud diamond provides a more comprehensive framework for understanding and analyzing fraudulent activitie." incorporates the capability component, also known as the fraud diamond, into the technique known as the fraud triangle.

2.4 Prior Research & Hypothesis Development

2.4.1 Effects of Pressure, Rationalization, Opportunity & Capability on Fraudulent of Financial Reporting.

Some scholars have offered various methods for identifying pressures, including monetary and non-monetary pressures, as well as internal, external, and work-related pressures (Johari et al., 2023) and so on. As a result of this pressure variable, we know that cheating occurs. To be more precise, most experts divide all kinds of pressure into four main buckets: financial, legal, occupational, and other.

Fraud can result from a weak internal control system because of things like oversight gaps and misuse of authority. There is a possibility that the likelihood of false financial reporting can be reduced by putting certain processes and procedures in place and implementing steps to spot fraudulent conduct early (Johari et al., 2023).

People who engage in dishonest financial reporting may use their ethical convictions, personality attributes, or both as justifications for their activities. One popular excuse for criminal activity is the utilization of stolen property for personal gain.

Those with the know-how to deceive will be able to take advantage of this situation (Wolfe & Hermanson, 2004). One personal attribute that drives people to seize opportunities is the ability to do so. Ability plays a pivotal role in resolving these issues. The perpetrators of financial reporting fraud are those who are skilled manipulators (Yarana, 2023).

H1: The fraudulent financial reporting is influenced simultaneously by pressure, opportunity, rationalization, and ability variables.

2.4.2 The Effect of Pressure on Fraudulent of Financial R

eporting

Research by (Murtanto & Sandra, 2019) He claims that one component of fraud is the temptation to commit the crime and cover it up. The study's proxies were financial stability and economic security. Financial stability is defined in Statement of Audit Standards (SAS) No. 99 as an organization's ability to meet its declared goals and objectives in light of its current financial situation. According to (Kusumawati & Putri, 2019), the total assets of a company over the course of a year can be used to generate an estimate of the company's overall financial health. Whenever a company's current performance is fraught with a great deal of uncertainty, we refer to that company as unstable. Furthermore, as a consequence of this, there is an increased likelihood fraudulent financial of reporting. According to (Setiawati & Baningrum, 2018), businesses that are financially stable display increasing levels of sales, profits, and assets. As a result of the research that (Murtanto & Sandra, 2019), it was found that false financial reporting is influenced by financial stab ility. Here is a potential way to phrase the hypothesis:

H2: Fraudulent financial reporting is positively impacted by financial stability.

2.4.3 The Effect of Opportunity on Fraudulent of Financial Reporting.

One way to represent opportunity variables is by having a reliable external auditor. A high-quality audit is one in which the auditors are likely to pay close attention and report the outcome of the audited activity (DeAngelo, 1981). To guarantee the audit process is of high quality and to avoid conflicts of interest, the audit committee can appoint competent outside auditors to carry them out independently (Yulianti et al., 2019). It is critical to select an external auditor with the appropriate competence to assess financial statements since their quality determines the state of financial statements (Setiawati & Baningrum, 2018). The results of the study by (Cahya & Aris, 2023) suggest that competent external auditors can more effectively impact financial reporting. The organization has belief that its financial statements will be accurate and reliable if its external auditors are competent. With the aforementioned remark in mind, the following theory can be put forth:

H3: False financial reporting is positively impacted by the caliber of external auditors.

2.4.4 The Effect of Rationalization on Fraudulent Financial Reporting.

According to (Yarana, 2023), rationalization refers to the perpetrator's belief that his actions are acceptable, even though they could cause harm. A person's character and life experiences can contribute to the development of a dishonest mindset, which in turn leads to dishonest behavior. A great deal of justification is based on management's subjective judgment (Yulistyawati et al., 2019). As a stand-in for the rationalization variables in this study, the ratio of total accruals to total assets was utilized by us, and it was measured according to the research conducted by (Beneish, 1999). The rationalization component of Fraud Diamond has been found to have the greatest influence on dishonest financial reporting, as indicated by research, conducted by (Yulistyawati et al., 2019). What follows is a possible formulation of the hypothesis:

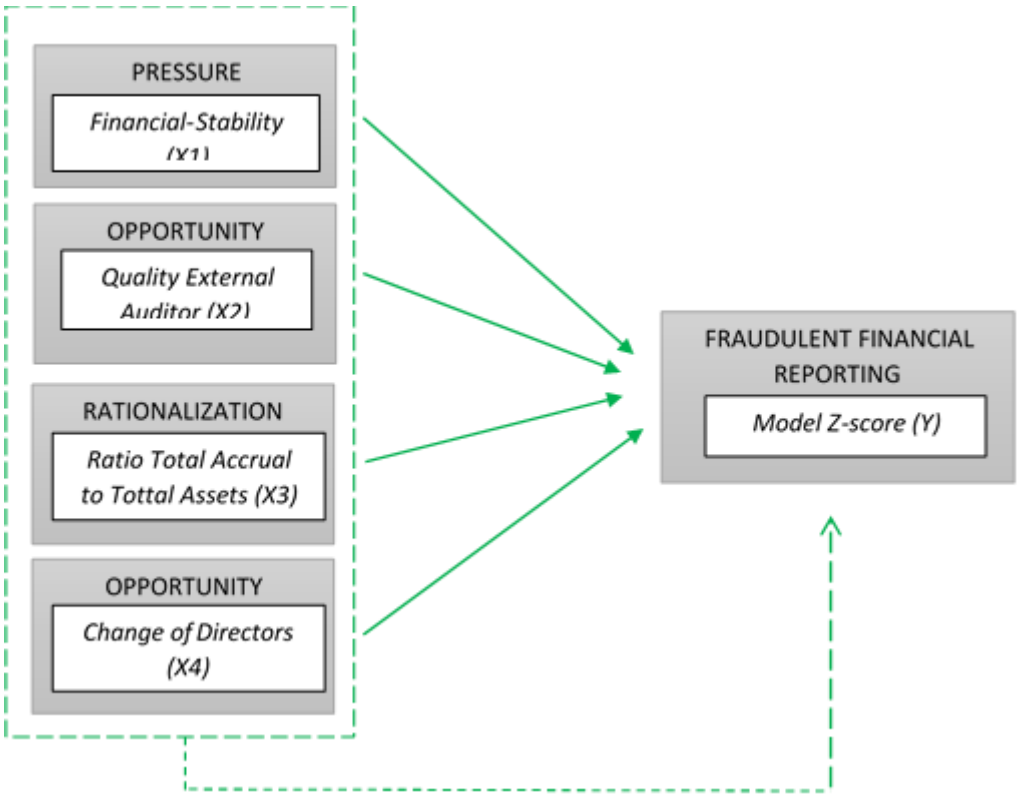
H4: Total Accrual has a positive effectt on fraudulent financial-reporting.

2.4.5 The Effect of Ability on Fraudulent Financial-Reporting

The change of directors serves as a surrogate for variable abilities. Organizations may seek to enhance the performance of past leadership through reorganizing their leadership structure or bringing in new, more capable leaders (Setiawati & Baningrum, 2018). Nevertheless, performance will suffer following a change in directors due to the considerable amount of time required to adjust to new cultural standards leaders (Setiawati & Baningrum, 2018). What follows is a possible formulation of the hypothesis:

H5: Change of Directorr has a positive effect on fraudulentt financial-reporting

Picture 1
Framework



METODOLOGY

As a component of its quantit ative research, this study makes use of secondary da ta, more specifically data obtained from the website of the company and IDX for annual financial statements. (Altman, 1968) asserts that the Z-Score model incorporates the concept of financial reporting-fraud as a dependent variable. To be able to apply the Z-score model-to-the detection of fraud, it is necessary to have an understanding of certain signs. These consist of

total assets, total liability, sales, working capital, earnings before interest and taxes, and retained earnings.

Here, opportunity, ability, pressure, and rationalization—the four corners of the fraud diamond—serve as independent variables. In order to gauge financial stability, The ACHANGE ratio, which calculates the percentage change in total assets, is examined by pressure. A company's assets, which are a representation of money, can be used to gauge its level of financial stability (Rengganis et al., 2019). (Rengganis et al., 2019), (Saepudin & Santoso, 2021) & (Susanto Salim, 2022). Utilized in these studies were measurements employing the assets change ratio. One indication of opportunity variables is high-quality external auditors. When companies have different preferences when it comes to audit services from public accounting firms, those who are part of the BIG4 (PWC, KPMG, Deloitte, Ernest & Young) and those who aren't are the main points of discussion when it comes to external auditor quality (Yulianti et al., 2019).

The evaluation of external auditors' quality makes use of dummy variables. If the audit service is BIG4 KAP, this variable is coded as 1, and if it is not, it is coded as 0. The work of (Setiawati & Baningrum, 2018) and (Yulianti et al., 2019) on the subject of external auditor quality is previous. (Beneish, 1999) suggests that one method for determining the rationalization variable is to assess it by calculating the ratio of total accruall to total-assets. A comparison of total accruals to total-assets is one method that can be utilised to determine the proportion of an income that is derived from cash, as stated by (Yulistyawati et al., 2019). Some examples of previous research that made use of the total accrual to t otall assets ratio include (Yulistyawati et al., 2019), (Yarana, 2023) & (Rahma et al., 2022). Some of these studies are listed below. The fact that directors have changed is an example of a variable indicator of ability. Because of the inherent political and personal interests of the individuals involved, there is a possibility of conflicts of interest occurring whenever there is a change in the board of directors (Saepudin & Santoso, 2021). In order to assess the turnover rate of directors, we make use of dummy variables. A code of 1 indicates that there was a change of directors during the observation year, while a code of 0 indicates that there was no change of directors during the observation year. Publications such as (Saepudin & Santoso, 2021), (Yulistyawati et al., 2019), (Susanto Salim, 2022) & (Kusumawati & Putri, 2019) are examples of those that have utilized board change measurement in the past.

For this study, the researchers resorted to multiple linear regression. There is also a regression equation as follows:

$$\text{Fraud} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$$

Information:

Fraud: Fraudulent financial reporting

A : Constant

β_1 β_2 β_3 β_4 : Coefficient of each variable

X_1 : Financial stability

X_2 : Quality of external auditors

X_3 : Total Accrual

X_4 : Change of director

Secondary data, more specifically financial statements obtained from IDX and the website of the company, are utilized in the quantitative research that is being conducted for this study. According to (Altman, 1968), the Z-Score model includes a dependent variable of financial reporting fraud as one of its variables. For the Z-score model to be effective in detecting fraudulent activity, it is necessary to be aware of certain indicators. Some of these include working capital, sales, total assets, total liabilities, retained earnings, and earnings before interest and taxe s. Other examples include overall assets and liabilities.

Here, opportunity, ability, pressure, and rationalization—the four corners of the fraud diamond—serve as independent variables. In order to gauge financial stability, The ACHANGE ratio, which calculates the percentage change in total assets, is examined by pressure. Since assets are a representation of money, they are an excellent tool for assessing a company's financial soundness (Rengganis et al., 2019).

Table 1.
Operational variables

Variable	Indicator
Fraudulent Financial Reporting	Fraudulent financial reporting is proxied with the Altman Z-Score model. The Z-score model equation is presented below: $$\text{Z-score} = \frac{\text{working capital}}{\text{total aset}} + \frac{\text{retained earning}}{\text{total aset}} + \frac{\text{earning before interest \& tax}}{\text{total aset}} + \frac{\text{Market Value of Equity}}{\text{Total Assets}} + \frac{\text{sales}}{\text{total aset}}$$ Companies in the crisis zone are coded 1, while companies in the healthy and gray zones are given a value of 0. This coding scheme is used in Z-Score evaluations that use dummy variables (Narew et al., 2021).
Financial Stability	Pressure is proxied by financial stability. Financial stability is the stable financial condition of a company. Financial stability is measured by the formula below: $$\mathbf{ACHANGE} = \frac{(\mathbf{Total\ Assets\ (t)} - \mathbf{Total\ Assets\ (t-1)})}{\mathbf{Total\ Assets\ (t-1)}}$$
Quality of External Auditors	Opportunities are measured using the quality of external auditors. The measurement of the quality of external auditors is assessed based on the KAP used by the company and the use of dummy variables when evaluating the quality of external auditors. This variable is coded 1 if the audit service is BIG4 KAP, and coded 0 if using non-BIG4 KAP. The quality

	of external auditors has previously been carried out by (Setiawati & Baningrum, 2018) and (Yulianti et al., 2019)
Total Accruals to Total Assets (TATA)	The rationalization variable is proxied by total accruals to total assets. The formula for total accrual to total assets is explained by (Yulistyawati et al., 2019), (Yarana, 2023), and (Rahma et al., 2022). The formula is presented below: $\boldsymbol{Akrual} = \frac{\textbf{Profit After Tax (t) – Net Operating Cash Flow (t−1)}}{\boldsymbol{Total\ Assets\ (t)}}$
Change of Directors	Ability variables are measured using change of directors. The measurement change of directors is assessed based on whether a company experienced a change of directors or not during the observation year. The change of directors was calculated using dummy variables by being given code 1 for companies that experienced a change of directors and code 0 for companies that did not change their directors during the study year. This measurement has been made by (Saepudin & Santoso, 2021), (Yulistyawati et al., 2019), (Susanto Salim, 2022), and (Kusumawati & Putri, 2019).

RESULT

4.1 Descriptive-Data

This study used descriptive-analysis of ratio scale variables and descriptive analysis of nominal variables.

1. Descriptive study utilizing a ratio scale, namely TATA for total accrual to total assets and ACHANGE for financial stability. These variables' minimum, mean, maximum, & standarized deviation are the parameters that define them. The results of the test using the descriptive-statistical ratio scale aree as follows:

Table 2
Descriptive-Statistics of Ratio-Scale

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ACHANGE	68	-0,79	1,55	0,1932	0,47977
TATA	68	-3,76	0,46	-0,1349	0,58429
Valid N (listwise)	68				

Source:Data processed 2024

2. Nominal scale descriptive analysis, specifically on false financial reporting (ZSCORE), external auditor quality, and director changes. Below are the findings from the descriptive statistical nominal scale test:

Table 3
Descriptive Statistics of Nominal-Scale

Variable	Valid 0				Valid 1			
	frequency	%	Valid %	Cum %	frequency	%	Valid %	Cum %
ZSCORE	37	54,4	54,4	54,4	31	45,6	45,6	100
QUALITY OF EXTERNAL AUDITORS	50	73,5	73,5	73,5	18	26,5	26,5	100
DCHANGE	43	63,2	63,2	63,2	25	36,8	36,8	100

Source:Data processed 2024

According to the data presented in Table 3, between the years 2020 and 2022, 45.6% of the technology companies that are listed on the Indonesia-Stock Exchange are in the crisis zone. This zone allows companies to engage in fraudulent-financial reporting. As for the remaining 54.4%, they are in the safe zone, which is characterized by the-absence of fraudulent-financial reporting. If it turns out that the company engaged in fake financial reporting, stakeholders would see it negatively and the company's reputation will suffer. Businesses that have engaged in fraud have the potential to do it again since it serves as a mask for their subpar operations. This fraud can be stopped by conducting honest and transparent checks (Situngkir & Triyanto, 2020).

Based on-table 3, these are known that 26.5% of company samples use BIG4 affiliated KAP and 73.5% of company samples use Non BIG4 KAP. It can be imputed that during the observation period very few technology companies listed on the IDX used BIG4 affiliated KAP.

Based on table 3, these are known that 36.8% of the sample companies made changes of directors and 63.2% of the sample companies did not change directors. It can be implied that during the observation period, technology companies listed on the IDX did not change directors very often.

4.2 Multiple Linear Regression Analysis

4.2.1 One-Sample Kolmogorov-Smirnov Test

The One-Sample Kolmogorov-Smirnov Test with the Monte Carlo approach was employed in this study's data normalcy test. The following is the Kolmogorov-Smirnov One-Sample Test:

Table 4
Data Normality Test

		Unstandardized Residual
N		68
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	5,24703484

Most Extreme Differences	Absolute		0,129
	Positive		0,129
	Negative		-0,108
Test Statistic			0,129
Asymp. Sig. (2-tailed)			,007[c]
Monte Carlo Sig. (2-tailed)	Sig.		,190[d]
	99% Confidence Interval	Lower Bound	0,180
		Upper Bound	0,201

Source:Data processed 2024

According to table 4, the Monte Carlo-method yields a significant-value that is 0.190 higher than 0.05. The results show that the data follows a normal distribution.

4.2.2 Multicollinearity Test

Test of Multicollinearity This research checks for multicollinearity using the Variance Inflation Factor (VIF) test under the following circumstances: (a) If the tolerance exceeds 0.01 or the VIF is less than 10, multicollinearity is absent; (b) If the tolerance is less than 0.01 or the VIF is larger than 10 (Susanto Salim, 2022).

Table 5
Multicollinearity Test

Variable		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	ACHANGE	0,878	1,139
	QUALITY OF EXTERNAL AUDIT	0,966	1,035
	TATA	0,869	1,150
	DCHANGE	0,982	1,019

Source: Data processed 2024

The analysis's findings indicate that the following variables: ability (with a tolerance of 0.982 and a VIF of 1.019), pressure (with a-tolerance of 0.878 and a VIF of 1.139), chance (with a tolerance of 0.966 and a VIF of 1.035), and rationalization (with a tolerance-of 0.869 & a VIF of 1.150). When everything is said and done, the data indicates that the regressionn model used in this-study does not exhibit the signs of multicollinearity.

4.2.3 Heteroscedasticity Test

This study employed the glacier test to assess heteroscedasticity. Susanto Salim (2022) states that the test's criteria specify that significant results over 0.05 signify the lack of heteroscedasticity symptoms while results below 0.05 signify their existence.

Table 6
Heteroscedasticity Test

	Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,443	0,033		13,380	0,000
	ACHANGE	-0,023	0,048	-0,063	-0,473	0,638
	QUALITY OF EXTERNAL AUDIT	-0,028	0,052	-0,068	-0,535	0,594
	TATA	-0,006	0,040	-0,021	-0,155	0,877
	DCHANGE	-0,002	0,045	-0,007	-0,055	0,956

Source: Data processed 2024

"The results of the glacier tests, as displayed in Table 6, reveal that the" independent" variables—pressure, chance, ability, and rationalization—all have significant levels higher than 0.05. It is evident by looking at the regression model that heteroscedasticity is absent.

4.2.4 Autocorrelation Test

Using the Run Test test with criteria, this study's autocorrelation test determines whether or not there is autocorrelation based on whether or not the significant value is below 0.05 or above 0.05.

Table 7
Autocorrelation Test

	Unstandardized Residual
Test Value	-0,59168
Cases < Test Value	34
Cases >= Test Value	34
Total Cases	68
Number of Runs	39
Z	0,977
Asymp. Sig. (2-tailed)	0,328

Source:Data Processed 2024

Table 7 shows that there is no evidence of autocorrelation between the residual values, since the significance-value of 0.328 is higher-than the threshold of 0.05."

4.2.5 Coefficient of Determination Test

The independent variables—pressure, chance, ability, and rationalization—all exhibit significant values higher than 0.05, according to the glacier test findings, which are shown in Table 6. The regression model makes it clear that heteroscedasticity does not exist:

Table 8
Coefficient of Determination Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,964[a]	0,930	0,926	0,04827

Source: Data Processed 2024

"An Adjusted R-squared- value of 0.926, or 92.6%, is shown by the data. This suggests that only 92.6% of the diversity in financial-statement fraud variables can be explained by the factors of opportunity, pressure, rationalization, and aptitude. Extraneous factors account for 7.4% of the explanation."

4.3 Hypothesis Testing

4.3.1 Simultaneous Test (Test F)

"A "simultaneous model feasibility test" (F test) means that the independent variables affect the dependent variable simultaneously or jointly when the significance value in the overall model feasibility test (F test) is less than 0.05. If the significance threshold is above 0.05, the independent variables do not also affect the dependent variable. A simultaneous test, sometimes called test F, is as follows:"

Table 9
Simultaneous Test (Test F)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,951	4	0,488	209,310	,000[b]
	Residual	0,147	63	0,002		
	Total	2,098	67			

Source: Data processed 2024

The model feasibility test yielded a statistical value of 1.951, less than the -significance level-of 0.05, as Table 9 demonstrates. This suggests that the identification of fraudulent financial reporting factors is influenced by the independent variables, which include financial stability, the caliber of the external auditor, the ratio of total accruals to total assets, and director changes.

4.3.2 Partial Test (T-Test)

We may employ partial testing (t-test) to ascertain the independent variable's independent influence on the dependent variable independently if the p-value is less than 0.05. A table with the incomplete test results is shown below:

Table 10
Partial Test (T-Test)

Variable		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,268	0,009		29,797	0,000
	ACHANGE	0,031	0,013	0,083	2,335	0,023

	QUALITY OF EXTERNAL AUDIT	0,378	0,014	0,913	26,921	0,000
	TATA	-0,116	0,011	-0,383	-10,722	0,000
	DCHANGE	0,129	0,012	0,355	10,540	0,000

Source:Data processed 2024

Table 10 demonstrates that pressure is proxied by financial stability, whose regression coefficient (b1) is 0.031 at a significance level of 0.023 (less than 0.05). The null hypothesis, according to which there was no relationship between financial stability and false financial reporting, was sufficiently supported by these data to be accepted.

Regression analysis was performed on an opportunity variable, external auditor quality, and produced a 0.000 significance value (lower than 0.05) and a 0.378 regression coefficient (b2). This leads us to the conclusion that opportunities have a major influence on false financial reporting, as determined by the caliber of external auditors.

The rationalization variable, a stand-in for total accrual to total assets, has a significant value of 0.000 according to the regression analysis, which is less than 0.05. Regression coefficient (b3), on the other hand, is negative, at -0.116. This resulted in the rejection of the third hypothesis as total accruals, as a stand-in for rationalization, dramatically decreased the number of cases of dishonest financial reporting.

With the change in directors serving as a stand-in for ability, regression analysis produced a regression coefficient (b4) of 0.129 and a significance level of 0.000, both of which are below the 0.05 level of statistical significance. The ability proxied by a change in directors considerably decreased cases of dishonest financial reporting, which was the fourth premise that this supported.

4.4 Discussion of Hypothesis-Testing

4.4.1 Effects of Pressure-Proxied by Financial-Stability on Fraudulent-Financial Reporting

The study's conclusions imply that dishonest-financial reporting is positively and statistically significantly-impacted by financial-stability, which is a stand-in for pressure. The results of the study show that during the observation year, each company's asset-to-asset ratio fluctuated more than average. Financial statements are manipulated by management because they are under pressure to make the company's performance appear better during uncertain times (Susanto Salim, 2022). When a company's financial health is in doubt, investors get disinterested. This puts pressure on management to commit fraud in order to meet investor demands for stability in the company's finances (Abbas & Laksito, 2022).

In contrast to studies by (Sari et al., 2019), (Rengganis et al., 2019), and (Prayoga & Sudarmiji, 2019), this one lends credence to the findings of (Murtanto

& Sandra, 2019), (Saepudin & Santoso, 2021), (Susanto Salim, 2022), and (Situngkir & Triyanto, 2020).

4.4.2 Effect of Opportunities Proxied by Quality External Auditors on Fraudulent Financial Reporting

Based on the comes about of the ponder, it was concluded that the opportunity variable proxied with the quality of external auditors had a positive impact on fraudulent financial reporting. (Setiawati & Baningrum, 2018) expressed that companies examined by public accounting firm big 4 have a more prominent chance of recognizing manipulating of financial statement than companies reviewed by public accounting firm big non-big 4, since the comes about of reviews conducted by public accounting firm big 4 are considered to have more capacity and skill to create higher quality financial statements. Because of auditors working at public accounting firm big 4 have experienced and professional in doing their occupations to review financial statements (Cahya & Aris, 2023).

In contrast to studies by (Yulianti et al., 2019) and (Setiawati & Baningrum, 2018), this one lends credence to the findings of (Cahya & Aris, 2023).

4.4.3 The Effect of Rationalization-Proxied by Total Accruals on Fraudulent-Financial Reporting

The rationalization variable, which was simply the ratio of total accruals to total assets, had no significant impact on this phenomena, according to the study, which revealed that a greater total accrual ratio was linked to lower levels of misleading financial reporting. This is not in line with the theory that it helps stop fake financial reporting. A higher total accrual ratio indicates a higher incidence of fraud within the organization. The financial reporting fraud is a result of management's inherent subjectivity (Situngkir & Triyanto, 2020).

While this study's findings are in agreement with those of (Situngkir & Triyanto, 2020), they disprove those of (Yulistyawati et al., 2019), (Yarana, 2023), and (Rahma et al., 2022).

4.4.4 Effect of Ability Proxied by Change of Directors on Fraudulent Financial Reporting

The study discovered that the ability variable—represented by the change of directors—partially mitigates dishonest financial reporting. Management and shareholders are trying to boost the company's performance by changing the directors (Kusumawati & Putri, 2019). Since shareholders may seek to replace directors due to dissatisfaction with their performance, the company stands to gain more from the appointment of new directors. In an effort to curb financial reporting fraud, the company has taken steps such as removing directors with knowledge of wrongdoing from their positions (Situngkir & Triyanto, 2020).

Contrary to studies by (Susanto Salim, 2022), (Yulistyawati et al., 2019), and (Saepudin & Santoso, 2021), this one lends credence to the findings of (Kusumawati & Putri, 2019).

CONCLUSION

The diamond fraud theory concurrently influences fraudulent financial reporting significantly, according to research based on multiple linear regression models. While some research indicates that total accruals-have little effect on fraudulent financial reporting, other research indicates that the risk of fraudulent financial-reporting is greatly reduced by financial stability, the caliber of external auditors, and director changes.

The findings of this study can inform future studies and should help businesses in identifying the causes of fraud within their own walls. Stakeholders lose faith in management's abilities and the company's long-term viability is a direct outcome of fraudulent financial reporting.

Caveats regarding this research: The study's limitations include its narrow focus on the Indonesian IT industry, its reliance on a single measurement for each variable, the difficulty in obtaining financial data from businesses, and the fact that it only covered the years 2020–2022.

Future research may decide to lengthen the research period in order to collect more samples in order to get more accurate results , considering the difficulties in obtaining useful financial statements. Using interviews, surveys, and experiments as additional means of gathering information. Stock ownership, financial goals, and individual financial needs are examples of pressure variables; opportunity variables include industry characteristics; rationalization variables include audit perspectives; and ability variables include institutional ownership.

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