

CHAPTER I

INTRODUCTION

1.1 Background of Study

Financial report is document official containing information finance and understanding aspect finance useful company For stakeholders interests and parties involved . Report finance give information accounting that connects user report finance with activity economy business (Pangesty, Nuraina, & Sulistyowati, 2018). Financial report can reliable only if information entered to in report the correct .

Fraud is contrary action with truth and done with on purpose For get something that is not owned by the perpetrator. However the intensity competition business often push management or party certain in company or organization that is on purpose manipulate report finance or No disclose all information important thing to do reported (Syahputra & Erlina, 2019). Business people use report finance as reference , but Because the competition is fierce , some people may manipulate report finance . Fraud report finance is error figures and misstatements made in a way on purpose with objective For cheat customer report.

A a survey conducted by the Association of Certified Fraud Examiners (ACFE) Asia - Pacific in 2018 showed that , compared to with abuse assets and corruption , fraud report finance cause loss largest , with an average loss of US\$ 700,000 and fraud report finance cause loss the biggest by 13% (Ratnasari & Solikhah, 2019). Management often use practice management profit For change report finance For maintain investor confidence .

According to Septriani & Desi Handayani (2018), type fraud report finances that are carried out company diverse , starting from from violate Standard Accountancy Finance , management aggressive profit , up to action illegal , which can cause company bankrupt . Fraud usually happen without supervision ; therefore that , behavior fraud in report finance very important For detected and removed so that report finance relevant in accordance with need

user in taking decision . The auditor can use various theory the fraud that has been developed by various researcher previously For detect cheating .

" Triangle Fraud" Donald Cressey's was progress big in theory cheating . Although Cressey did not create term That itself , the theory become very popular , and even though many people criticized him , that still become theory the most important cheating because the researchers after that fix it (Kagias et al., 2022). Besides that , Cressey's theory now become the most popular theory Because has entered to in Standard International about Audit used by external auditors and the Framework Work Practice Professional International used by internal auditors .

In general, fraud always happen when No prevented or detected. Therefore there it is a number of method for identify fraud, including fraud triangle and fraud diamond. The Fraud Triangle Theory (FTT) proposed by Donald R. Cressey in 1953 quoted by Marco, Luis, & Jose (2021) people do fraud and determined based on three elements: pressure, opportunity, and rationalization.

Element First is pressure, which is related with the motivation and drive behind it action fraud committed by someone. Stability finance, pressure external, needs finance personal, and financial goals is four situation common occurrence at pressures that can cause cheating. Elements second is opportunity, which is the underlying action crime and opportunity for do fraud. The nature of the industry, monitoring that is not effective, and structure organization is three situation on the occasion that can cause cheating. Elements third is rationalization, perpetrator can justify action no honestly. The change of auditor and audit opinion is deep condition rationalization that can cause cheating.

According to Akbar (2017) company manufacturing prone to to incident fraud report finance Because they need various type accountancy assumptions and methods For track their activity economy In the month July 2015, Toshiba Corporation company technology world giants committed to finance fraud report finance . Case as happened at PT Kimia Farma in 2008 , Indonesia was example vulnerability reporting fraudulent finances . Considering weakness

practice reporting finances that contain fraud in the company manufacturing , then important For do inspection variables that can impact on reporting fraudulent finances .

In October 2002, the American Institute of Certified Public Accountants (AICPA) issued Statement of Auditing Standards No. 99 (SAS No. 99) regarding *Consideration of Fraud in a Financial Statement Audit* as effort For repair weakness in procedure detection worldwide fraud aimed at for , for increase the auditor's ability to find fraud with enter factor risk fraud company to in consideration they . Theory factor risk Cressey's (1953) fraud determines SAS No.99 basis for factor risk fraud

Pressure external is pressure For reach what the parties expect third report finance . According to *Fraud Triangle* Theory , excessive pressure from stakeholders interest external to management can increase possibility the occurrence fraud reporting finance . Share interested creditors investing in companies , management must Work more good . High level show that company own a number of outstanding debts paid and cause concern about his ability do payment flowers . Therefore there it is Lots pressure on the management that controls operation organization . The fact that company have a large debt and are threatened bankrupt , thing This seen Possible happen (Jumali & Muniroh, 2023).

According to Fajri (2018) pressure external have influence positive to fraud report finance use leverage ratio as proxy pressure external Where high leverage ratio indicates opportunity more bankruptcy tall for company . Lower amount of debt owed For get credit from party external can result in reporting fraudulent finances .

Stability finance is a requirements that indicate that report finance company still stable , which happens If company can fulfil need moment this and the future . When stability finance or profitability company threatened by conditions economy , industry , or condition its operation , instability condition company will reduce trust public to performance company , so that hinder investment in the coming year come . Investors are interested in the business

with stable finances and convenience credit . Situation companies that do not stable Of course will give enough impact big for business as opportunity For do fraud in presentation report finance .

Business big No in doubt Again own Lots assets and reputation positive among investors and creditors . On the other hand , assets that are more low or even negative in level growth , shows that situation finance company No stable and not can operate with good . Management often get pressure For show that company can manage his assets in a way effective For produce huge profits , which in the end will increase the bonus earned and generate high return for investors as well. Management use fraud in effort For hide reason weakness stability finance with use report finance as tool (Darmawan & Saragih, 2017).

Financial targets is the purpose of which gives rise to risk for management and is excessive pressure for they For achieve it (Rahman dkk., 2020). Management must Work For achieve financial targets or objective companies that have determined previously about performance finance For make performance good company . Manager have big financial targets , so that He take not quite enough big answer For achieve the financial targets set to be seen good in the eyes manager company . If the manager No can achieve financial targets , he will committed For manipulate report finance (Fathmaningrum & Anggarani, 2021).

If the condition company year This No as good as year then , and financial targets leader company determined by its performance year previously , it is possible will There is pressure on management For maintain appearance strong performance . In matter this , if company No can reach objective finances , fraud in report finance can happen in situation this . According to Setiawati & Baningrum (2018), if the financial target company high , manager will committed For manipulate finance statement .

According to Sabatian & Hutabarat (2020), deliberate problems in reporting finance , such as an overstatement , known as fraud report finance . There are many things that can cause report fraudulent finances , but in a way general , management want to his business seen success . As expressed by

Marheni & Suryati (2021), based on (Report Statistics Quarterly , nd) collected from the Financial Services Authority website , the number report case fraud Still high and steady increase from year to year . In 2014 there were 59 cases , in 2015 there were 23 cases , 26 cases in 2016 , 57 cases in 2017 , and 36 institutions report existence fraud until with the 3rd quarter of 2018 was among the banks reported do fraud .

Based on background behind said , then problem in study This can formulated as following : **"The Effect of External Pressure, Financial Stability, and Financial Target on Financial Statement Fraud"**

1.2 Problem Statement

Based on background the back that has been written, researcher formulate main problem as following :

1. What is the effect of external pressure on financial statement fraud?
2. What is the effect of financial stability on financial statement fraud?
3. What is the effect of financial targets on financial statement fraud?

1.3 Scope of problem

For avoid expansion main problem , researcher limit room scope study with focus discussion only about Determination Influence External Pressure, Financial Stability , and Financial Target on Financial Statement Fraud in a company that is moving shelves in the sector industry construction listed on the Indonesia Stock Exchange in 2020-2022.

1.4 Research Objectives and Significance of Study

1.4.1 Research Objectives

Objective from this study is for test factor triangle fraud in detect financial statement fraud. Reseach objectives of this study are:

1. To analyze the effect of external pressure on financial statement fraud.
2. To analyze the effect of financial stability on financial statement fraud.
3. To analyze the effect of financial targets on financial statement fraud

1.4.2 Significance of Study

This study aims to provide beneficial both theoretically and practically elaborated insight on:

1. Theoretically Significance

This study aims to advance academic theory and knowledge by understanding the complex interplay between external pressure, financial stability, and financial targets in influencing the occurrence of financial statement fraud.

2. Practically Significance

This research is expected to provide an understanding of the effects of external pressure, financial stability, and financial targets on financial statements fraud lies in its ability to inform real-world decision-making and the development of strategies to prevent, detect, and mitigate fraudulent activities within organizations