

CHAPTER II

LITERATURE REVIEW

2.1 Literature Review

2.1.1 Financial Statement Fraud

Report finance show how much effective and efficient a company , and it is expected can give the right information to party interested . Audit report finance required For identify and prevent fraud in report financials presented by management company . Audit is also required For convince investors that information presented management company can trusted and unbiased .

As stated by the Australian Audit Standard (AUS) in (Brennan & McGrath, 2007), report finance false is an intentional misstatement that includes use expression or wrong amount in report finance to cheat user report finance . Fraud reporting finance is when company with on purpose to deceive and trick reader report finance , especially investors and creditors , with present and engineer information important from report finance . Manipulation profit is effort company For guard investor interest in its shares . Fraud reporting finance will harm everyone , especially those who use report finance , if No detected immediately . As stated by (R. N. Akbar dkk., 2022), Auditing Standards (SA) section 316, " Consideration Fraud in Audit Report Finance , " Manipulation or data deletion or disclosure in report finance in a way systematic with objective For cheat user report finance known as fraud report finance .

Fraud in report finance will lower quality and integrity information the finances presented , and this will impact on investors and creditors , which are the party that has interest in information presented . In addition to investors and creditors , the parties who are most disadvantaged from fraud report finance is an auditor. The auditor experiences lost reputation , which results in disbelief . Therefore that , the auditor must own the right method For identify fraud in report finance .

In International Auditing Standard 240, fraud report finance often done with method leave control management with a number of following . First , the journal fictitious . Second , miscalculation adjustment and change considerations

that have been made For estimate balance account certain . Third , eliminate , accelerate or slow down confession events and transactions that occur during reporting finance . Fourth , cover or No serve facts . Fifth , using complex transactions are carried out For disclose report wrong finances . Finally , changing recording and related policies with transactions that are not ordinary and significant .

Term general " fraud " includes various how people use ignorance they For get more Lots profit from other people. Fraud covers cheating , cunning , and other methods that are not fair For deceive others. One of type fraud report finance is when somebody with on purpose or No on purpose serve report finances that are not in accordance with principle accepted accounting general . Negligence or negligence This very material and can influence decisions taken by interested parties. Fraud report finance can done with manipulate or ignore figures and disclosures that must be presented . Cheating can happens anywhere, starting from from company small until company large listed on global stock exchanges , including Indonesia .

Fraud can done with various ways , such as (a) Manipulation , falsification , and alteration notes accounting . (b) Presentation transactions and information important other wrong. (c) Implementation principle incorrect accounting of amount , classification , method presentation , and intentional disclosure . Reporting finances containing fraud usually occurs in the section audit failure . Quality report bad finance own potential cause fraud (Pramana dkk., 2019). (Septriani & Desi Handayani, 2018)state that objective from analyze theory the Pentagon's cheating is For find fraud report known finance as fraud report finance . Pressure , opportunity , rationalization , competence , and arrogance . is component pentagon fraud theory .

Indonesia uses report increasingly financial comprehensive . However , many gap in report finance can allow management and individuals certain do fraud . Fraud carried out by other parties and organizations that obtain money , property , or services ; avoid payment or loss services ; or For guard profit personal or business . Impact big from fraud report finance is loss the biggest

for company . This is happen Because perpetrator fraud report finance ordered by superior controllers tall in a company (Indriyanto, 2021).

For choose method appropriate reporting , estimation and disclosure with economy business they , the manager can increase mark accountancy as method communication . Although Thus , the implementation ranking management also opens opportunity For do management profit . Because information in report finance No represent condition company in a way accurate , practice making report finance false can harm a number of party (R. N. Akbar et al., 2022). The company does various effort For repair its performance , which must be more Good from previously , and for to design all activities that can increase quality company for all parties involved .

2.1.2 External Pressure

One source of external pressure is the company's ability to pay debts or meet debt requirements. Managers may also be forced to obtain additional debt or capital. For still competitive, including financing shopping or capital, management company often face pressure For get debt or financing external. According to Fathmaningrum & Anggarani (2021), managers often experiencing pressure from outside parties. They gave an example, where managers are under pressure regarding funding from external parties. To meet the needs In this case , the company usually owes money to other parties. And then, the debt that has been received will increase the credit risk, which will decrease the company's value from the investor's perspective. To avoid this, managers will manipulate the total debt in their financial statements to reduce their liabilities.

According to Fajri's research (2018), leverage ratio has a strong beneficial impact when used as a proxy for external pressure. A higher leverage ratio indicates a greater possibility of bankruptcy for the company. Companies with high leverage continue to be taken into account by creditors as a means to ensure timely payment of outstanding debts. separated and flexibility which are more low in controlling fraud.

The incentive to commit fraud in financial reporting increases with leverage if managers seek to gain access to lower cost capital or the possibility of violating debt covenants. Because of the risk increasing credit and increasing debt big, management business will stressed and potential For do fraud report finance. However, the challenges that every business is difficulty fulfil condition creditors and pay off the debt on the due date due date. One of the requirements set by creditors is that company must own performance good finances and can trusted For pay return loan. This is what drives manager

2.1.3 Financial Stability

Stability finance is when report finance company still stable If company can fulfil need moment this and the future . Conditions companies that do not stable company will give opportunity big For do fraud report finance . Big company own Lots assets and have good image in the eyes creditors and investors. If the assets low , then show instability finance company . Management get pressure For show that company can manage his assets with Good For produce Lots Advantages . Problems That cause management do fraud report finance For cover condition stability bad finances (Darmawan & Saragih, 2017).

Owner company will give pressure to management For Work guard finance company still stable because investors will invest its funds to companies that have stable finances . When a company own stable finances , then fraud tend decrease (Jumali & Muniroh, 2023). Study show that stability finance have negative and small influence to report finance fraud (Mulyaningsih & Merawati , 2018).

2.1.4 Financial Targets

Financial targets is pressure finance the company that must achieved in accordance with the target that has been set . If the condition company in the year This No as good as year then , and financial targets leader company is determined by performance year previously , it is possible will There is

pressure on management For maintain appearance strong performance . In a number of case , financial target can influence employee For do fraud . financial target can make pressure for them and because that , employee will do cheating for success they .

Manager own not quite enough high responsibility For achieve the financial targets that have been set determined . Therefore that , performance manager will seen good in the eyes owner company . When the manager No can achieve financial targets , they will committed For manipulate report finance For cover performance bad owner (Fathmaningrum & Anggarani, 2021).

2.2 Underpinning Theory

2.2.1 Fraud Triangle Theory

Fraud is a actions taken For get profit in a way No fair . Fraud considered as part from internal threats , such as corruption , abuse assets , and statements fake , etc. According to the Association of Certified Fraud Examiners (ACFE) fraud is “ use of work somebody For enrich self Alone through abuse or error deliberate application on source Power or asset employing organization ” . Ability For do type activity This based on weakness mechanism control held by institutions and companies . In condition like that's a cheater do action fraud with utilise weakness the .

Triangle Fraud (fraud triangle) is problems that occur in many countries (Sabatian & Hutabarat, 2020). Theory Triangle Fraud as stated by Donald R. Cressey as quoted by Marco, Luis, & Jose (2021) is a person who commits fraud . cheating and determined based on three elements that indicate that elements the happen in a way sequentially For fishing desire For do fraud . among others:

1. Element First is Pressure , pressure Can come from party outside who wants get profit more big from company , or from management that accepts pressure For meet the target level possible benefits obtained (Istikhoroh) et al ., 2021). Pressure can also means desire or intuition

somebody For do crime . According to SAS No. 99 (dalam Skousen dkk., 2009), stability finance , pressure external , needs finance personal , and financial goals is a number of related factors with the pressure that pushes somebody For do cheating .

2. Element second is opportunity , namely action If given chance or in a situation Where the control the more loose people will do fraud with objective protect himself Alone interests . According to SAS No. 99 (in Skousen et al ., 2009). Types industry , ineffectiveness supervision , and structure organization is a number of conditions that can associated with possibility somebody do cheating .
3. Element third from Theory Triangle Fraud is rationalization , the most difficult measured (Skousen et al ., 2009). justification with looking for an alibi as action defend self , causing action fraud feel enter reason for management . This stage have ability For influence management For distort report finance statement company . Auditor changes and audit opinions are two related conditions with possibility cheating (in Skousen et al ., 2009).

Analysis cheating , if supported by technology data mining , help reduce manual part of the detection / verification process and create search fraud become more efficient . No Possible For ensure proper moral and ethical behavior from people, especially in places work . Because of the fact this , a valid choice for identify possibility proof fraud from the available data is with use algorithm learning automatic .

2.2.2 Fraud Diamond Theory

According to Akbar et al ., (2022) Fraud Triangle Theory does not ends there . Cheating theoretical the more increased . Cressey's ideas were expanded with Wolfe and Hermanson in 2004. Wolfe and Hermanson included another variable that seems to be own impact to fraud in analysis they . The elements is ability or capacity . Idea This known as The idea of Fraud Diamond by Wolfe and Hermanson. This state that personality and abilities individual (

competence) plays role important in cheating . If someone No capable do cheating , thing This show that they No own knowledge or capacity .

Fraud Diamond Theory can very useful in understand and handle fraud report finance . Fraud report finance involving error presentation information deliberate finance For cheat users , often for inflate performance company or meet financial targets . Elements from theory This among others:

1. Pressure , individual Possible feel pushed For do fraud report finance Because expectation high performance , pressure For meet revenue targets , or difficulty finance (McKee & Asebedo, 2018)
2. Opportunity , refers to circumstances that make it possible somebody For do cheating . This is covers ability For exploit weakness in internal control of the organization or mechanism supervision , so that facilitate activity fraud without detected (Cohen & Sayag, 2019).
3. Rationalization , components important from Theory Diamond Cheating , because matter This help explain Why individuals who may consider self they ethical can involved in behavior cheating . With understand the process of rationalization , organization can more Good in overcome factor underlying psychology the occurrence fraud (Peters & Romi A, 2020).
4. Ability , the individual who performs fraud report finance often have properties certain , such as trust self , knowledge about principles accounting , and access to system reporting finance . Senior management or individual with skill accountancy Possible own ability For manipulate notes finance without detected (Wolfe & Hermanson, 2004).

According to Wolfe & Hermanson (2004) There are five attitudes perpetrator fraud , namely :

- a. People who have position important in company
- b. People who understand weakness internal control of a company
- c. People who have level trust high self and ego
- d. People who have personality For convince others to do fraud in company
- e. The person who does fraud in a way consistent and successful

Understanding Diamond Fraud can help organization to design more internal control well , implementing training programs For increase awareness about fraud , and develop policies that address root reason behavior fraud . With recognize elements this , organization can create culture integrity and reduce opportunity the occurrence cheating .

2.2.3 Agency Theory

Jensen and Meckling (1976) first defined theory connection agency as a contract in which one person or more order another person (agent) to do a service on another person's name (principal) (Darmawan & Saragih , 2017). In practice , managers company act as agent in charge answer For increase the profits of the owners (principals), but they also have interest For maximize welfare they myself . Agreement the can assumed that a number of decision will given to agent .

Management responsible answer on position taken on Name holder share as agent below contract . Agent will act in accordance with authority Stakeholder Theory if holder shares and agents You're welcome interested For maximize mark company (Akbar et al ., 2022). When managers want to maximize profit financial they , they can allow agent For act in accordance with interest principal .

According to theory agency , agent and principal have agreement For act . This is conflict interest or difference interest between agents and principals who can cause problem agency that can influence quality reported profit . Darmawan and Sarigih (2017) said that basically , the theory agency discuss How management and shareholders share interact One each other. Holder share want to get high return on investment they , while management want to get a big bonus as results from work them . Because the management contracted by the party contracted by the principal , they Certain will give results best For fulfil need principal or holder share .

Theory this also explains Why There is problem agency , which occurs when the parties own different purposes and may do action fraud For create

information asymmetry . Fraud , including fraud report finance , is one of the problems that can happened . Fraud report finance potential cause bankruptcy Because as well as harm companies and stakeholders interests (Devi *et al .* , 2021). Owners expect improvement mark company , while management want to maximize salary and bonus as well operate company with method they own. Owner request report accountability from management For know performance company and activities carried out by management , because the owner's funds invested to in company .

2.3 Previous Study

A number of previous study related with The Effect of External Pressure, Financial Stability, and Financial Target on Financial Statement Fraud.

Table 2.11 Previous Study

No.	Name and Year Study	Title Study	Variables Study	Research result
1.	Tri et al . (2023)	The Influence of External Pressure, Financial Stability, and Financial Targets on Fraudulent Financial Reporting (Empirical Study of Manufacturing Companies in the Consumer Goods Industry Sector Listed on the IDX 2016-2020)	Y : Fraudulent Financial Reporting X ₁ : External Pressure X ₂ : Financial Stability X ₃ : Financial Targets	<ul style="list-style-type: none"> • External pressure has a negative effect on fraudulent financial reporting. • Financial stability does not have a significant effect on fraudulent financial reporting. • Financial targets have a significant negative effect on fraudulent financial reporting.

No.	Name and Year Study	Title Study	Variables Study	Research result
2.	Diansari & Wijaya (2019)	Diamond Fraud Analysis in Detecting Financial Statement Fraud	Y : Fraudulent Financial Statement X ₁ : Financial Stability X ₂ : Personal Financial X ₃ : External Pressure X ₄ : Financial Target X ₅ : Nature of Industry X ₆ : Effective Monitoring X ₇ : Rationalization X ₈ : Capability	<ul style="list-style-type: none"> • Financial stability has a negative effect on financial statement fraud. • Personal financial need has a positive effect on financial statement fraud. • External pressure has a positive effect on financial statement fraud. • Financial targets have a positive effect on financial statement fraud. • Nature of industry has a positive effect on financial statement fraud. • Effective monitoring has a positive effect on financial statement fraud. • Rationalization has a positive effect on financial statement fraud. • Changes in directors have a positive effect on financial statement fraud.
3.	Indriyanto (2021)	Determinants of Financial	Y : Financial	<ul style="list-style-type: none"> • Positive effect and a

No.	Name and Year Study	Title Study	Variables Study	Research result
		Statement Fraud: Research Fraud Diamond Theory (Empirical Study on Manufacturing Company listed on the Stock Exchange)	Statement Fraud X1 : Financial Stability X2 : External Pressure X3 : Financial Target X4 : Nature of Industry X5 : Effective Monitoring X6 : Rationalization X7 : Capability	<p>compelling on potential of the fraudulent financial statements of Financial stability (ACHANGE).</p> <ul style="list-style-type: none"> • (LEV) External Pressure has no effect but it has compelling and positive to potential of fraudulent financial statements. • Financial targets (ROA) has a compelling and positive effect on potential of fraudulent financial statements. • Compelling effect and a negative effect on potential for fraudulent financial statements of Nature of industry (INVENTORY). • Effective monitoring (BDOUT) has no compelling and compelling effect on potential for fraudulent

No.	Name and Year Study	Title Study	Variables Study	Research result
				financial statements. <ul style="list-style-type: none"> • Rationalization (TATA) has no compelling and compelling effect of potential for fraudulent financial statements. • Capability (DCHANGE) has no compelling and compelling effect of potential for fraudulent financial statements.
4.	Maya Richmayati (2020)	Akibat Financial Stability, External Pressure, Financial Target Terhadap Financial Statement Fraud	Y : Financial Statement Fraud X ₁ : Financial Stability X ₂ : External Pressure X ₃ : Financial Target	<ul style="list-style-type: none"> • Financial Stability influential to Financial Statement Fraud . • External Pressure No influential to Financial Statement Fraud . • Financial Target No influential significant to Financial Statement Fraud .
5.	Pramana et al . (2019)	Fraud Factors of Financial Statements on Construction Industry	Y : Financial Statement Fraud X ₁ : Financial Targets	<ul style="list-style-type: none"> • Opportunity is proxied by the number of audit committees are proven to have a

No.	Name and Year Study	Title Study	Variables Study	Research result
		in Indonesia Stock Exchange	X ₂ : The Number of Audit Committees X ₃ : Number of Independent Commissioners X ₄ : Auditor Change	<p>negative influence on financial statement fraud. The test results show the higher number of audit committees, the less likely the occurrence of financial statements fraud.</p> <ul style="list-style-type: none"> • Rationalization is proxied by KAP change is shown by the higher intensity of auditor change on the company, it is indicated the occurrence of financial statements fraud. While the test results cannot be proven are.
6.	Yulistyawati dkk. (2019)	The Analysis Of The Factor That Causes Fraudulent Financial Reporting With Fraud Diamond	Y : Fraudulent Financial Reporting X ₁ : Pressure X ₂ : Opportunity X ₃ : Rationalization X ₄ : Capability	<ul style="list-style-type: none"> • This research showed that opportunity and rationalization are proven to be fraud diamond elements that most influence the occurrence of fraudulent financial reporting in the companies. • While pressure and capability

No.	Name and Year Study	Title Study	Variables Study	Research result
				have no effect on fraudulent financial reporting.
7.	Annisa et al . (2016)	Detection Fraud Report Finance Use Diamond Fraud	Y : Fraudulent Financial Statement X ₁ : Financial Stability X ₂ : External Pressure X ₃ : Financial Target X ₄ : Nature of Industry X ₅ : Audit Opinion X ₆ : Substitution Board of Directors	<ul style="list-style-type: none"> • Variables stability measured finance with ratio total asset change show influence positive to report finance fraud . • Study This No find pressure external measured variables with leverage ratio , a measured financial target with return on assets, nature the industry being measured with ratio change inventory , measured audit opinion with get opinion reasonable without exception with clarifying language , and capability measured with change board of directors impact on the report finance fraud
8.	Aprilia (2017)	Analysis The Impact of Pentagon	Y : Fraud Report Finance	<ul style="list-style-type: none"> • Stability finance own significant

No.	Name and Year Study	Title Study	Variables Study	Research result
		Fraud on Fraud Report Finance Use Beneish Model In Companies That Implement It ASEAN Corporate Governance Scorecard	X ₁ : CEO Politician X ₂ : Frequency Emergence CEO Image X ₃ : Policy Debts and receivables Doubting the Untrue Announced X ₄ : Limited Access Information Entity Aim Special X ₅ : Effectiveness Supervision Influential Significant X ₆ : Substitution Chief Internal Auditor X ₇ : Stability Finance X ₈ : Pressure External X ₉ : Ownership Managerial X ₁₀ : Substitution Policy Accountancy Company X ₁₁ : Auditor's Opinion	influence to fraud report finances shown by the Beneish Model. <ul style="list-style-type: none"> • Other variables do not own significant influence to fraud report finance .
9.	Grandpa (2017)	The Determination Of Fraudulent Financial Reporting	Y : Fraudulent Financial Report X ₁ : Pressure	<ul style="list-style-type: none"> • This study found that the empirical evidence shows the factors

No.	Name and Year Study	Title Study	Variables Study	Research result
		Causes By Using Pentagon Theory On Manufacturing Companies In Indonesia	X ₂ : Opportunity X ₃ : Rationalization X ₄ : Capability X ₅ : Arrogance	<p>affecting the occurrence of fraudulent financial reporting on manufacturing company in Indonesia during the observation periode caused by pressure. It is because only pressure which has p-value less than 0,01.</p> <ul style="list-style-type: none"> • While other factors such as opportunity, rationalization and capability have p-value more than 0,01, it means those three laten variabel have no effect on fraudulent financial reporting. • This study also found empirical evidence that there are three indicators that can be used as indicators of pressure which are financial targets, financial stability ,and institutional ownership.

No.	Name and Year Study	Title Study	Variables Study	Research result
10.	Sihombing & Rahardjo (2014)	<p>Analisis Fraud Diamond Dalam Mendeteksi Financial Fraud Statement : Studies Empirical In Company Manufacturers Listed on the Indonesia Stock Exchange (Bei) 2012-2014</p>	<p>Y : Financial Statement Fraud X₁ : Financial Target X₂ : Financial Stability X₃ : External Pressure X₄ : Nature of Industry X₅ : Ineffective Monitoring X₆ : Change in Auditors X₇ : Rationalization X₈ : Capability</p>	<ul style="list-style-type: none"> • Research result show that variable proxied financial stability with ratio total asset change , variable external pressure proxied with leverage ratio, variable nature of industry proxied with ratio change receivables and variables proxied rationalization with ratio total accrual change proven influential to financial statement fraud . • However , research This No prove that variable proxied financial target with ROA, variable proxy ineffective monitoring with board of commissioners ratio independent , change in auditor , and proxied capability with change board of directors own

No.	Name and Year Study	Title Study	Variables Study	Research result
				influence to financial statement fraud

2.4 Conceptual Framework

This study aims to investigate the relationship between financial statement fraud, external pressure, financial stability, and financial targets of companies engaged in the construction industry sector listed on the Indonesia Stock Exchange period in 2020-2022. The suggested research model is shown in the following figure

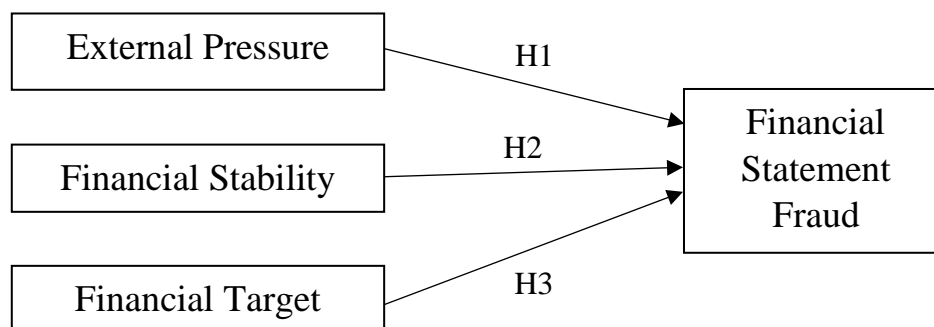


Figure 1 Conceptual Framework

2.5 Hypothesis Development

2.5.1 External Pressure

If an entity experiences pressure from a party outside, that is called external pressure. When a company looks for funding to increase operational and non-operational performance through loans to creditors is an example of external pressure that occurs in the company. External pressure can happen when a company faces a big difficulty in fulfilling loan credit at a high risk. Leverage Ratio (LEV) can show the proportion of debt used by the company. Companies with high leverage debt levels have debt requirements and are motivated by profit manipulation (Maya Richmayati, 2020). A business cannot endure paying off its debt as it increases along with the amount of debt it has. For all matters that for possibility management do fraud

Companies that are under pressure excessive need source Power additional funds for using debt. The results of research conducted by Fathmaningrum & Anggrani , (2021) and Sabatian & Hutabarat , (2020) stated that pressure external impact positive to reporting fraudulent finances . Based on study previously , pressure external can used For detect fraud report finance , so that Hypothesis following has formulated :

H1: External pressure affects on financial statement fraud.

2.5.2 Financial Stability

Stability finance a company determined by conditions in general , namely influenced by conditions the country's economy . The situation economy that is not can predicted can impact on stability finance company . And then stability finance can assist auditors to detect report finances that contain fraud (Diansari & Wijaya, 2019). Nature of the industry can prevent company do fraud report finance . Regulation industry require company For own ability justification subjective For count estimation For account certain , which causes vulnerability . Inventory and receivables need evaluation subjective and must under surveillance Because they often become subject change in report finance . Management will try various method For make asset seen more good . One of method shortcut For do This is with change mark asset in report finance .

According to Sutisna et al ., (2022), there are constant need for management For operate growth stable assets is one of factors that cause a business For serve practice good finance For interesting creditors , investors, and other parties making decision . When stability finance a company in condition threatened , Management will take various step For make stability his finances seen okay . This make management cheat in report finance , especially about asset Because business in progress develop usually need more Lots asset For develop .

Total assets size company become Power pull alone for investors, creditors and owners company . However , when the total assets company decreased , stakeholders do not will interested Because consider finance

company No stable . Therefore that , report finance used by management For cover condition finances that are not stable and doing fraud . Management will try various method For make asset seen more good . One of method shortcut For do This is with change mark asset in report finance . Receivables is part big asset company banking .

SAS No. 99 reveals that stability finance threatened by the economy conditions , industries , and global issues that are No direct give pressure on the company For do fraud report finance (Maya Richmayati, 2020). Study (Marheni & Suryati, 2021). find that stability finance impact bad fraud report finance . Based on explanation and results study previously , In study this , has formulated hypothesis as following :

H2: Financial Stability affects on financial statement fraud.

2.5.3 Financial Targets

Financial targets is amount level profit that must be got on efforts made For to obtain profit (Ayu Mutiara et al . , 2018). Financial targets determined by the Board of *Directors* for its purpose is For reach target sales and acquisition incentive benefits to management . Management must strive to make the company's performance good by meeting the company's targets for the financial performance they have determined (Haqq & Budiwitjaksono, 2020). This demand can put pressure on managers. This can prevent them from changing the financial statements so that their performance is in line with their goals.

ROA is frequently used tools used For evaluate performance managers , such as in determine bonuses and increases salary . Management will tend do manipulation , such as change profit , to be considered capable achieve financial targets . Bawekes et al . , (2018) found that financial targets measured by Return on Assets (ROA) can affect the probability of financial statement fraud. Target asset value (ROA) can also be used to determine how efficiently assets work. The higher a company's ROA target, the greater the likelihood of fraudulent financial statements made by earnings management. If the ROA

target is high, management will strive to achieve this target, and if the ROA realization shows a value below the target, management will push to increase the profit of the financial report. Temporary Manager own target finance Which tall, usually he take Lots cost not quite enough answer For fulfil target finance Which set (Fathmaningrum & Budget i , 2021). Companies with low profitability tend take notes excessive income or too much burden low . Therefore that , the target that you want achieved usually related with profitability targets , which of course will give pressure for management For Work hard For achieve it .

Management will look for method What even For manipulate number finance for meet financial targets when they are considered incapable of doing so, which is the owner's strategy to hide their poor performance (Fathmaningrum & Anggarani, 2021). Rusmana and Hendra (2019) found that financial stability, external pressure, financial targets, ineffective supervision, auditor changes, director changes, and CEO image are some of the factors that can be used to identify financial statement fraud. In other words, they say that these factors influence financial statement fraud. Based on the explanation and results of previous studies, In this study, the following hypothesis has been formulated:

H3: Financial target affects on financial statement fraud.