

INFLUENCE OF PROFITABILITY, EXTERNAL PRESSURES AND COMPANY MEASURES AGAINST FRAUD FINANCIAL STATEMENTS (Empirical Study on Manufacturing Companies in Indonesian Stock Exchange 2016-2020)

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ABSTRACT

This research was conducted to obtain evidence empirical about factors Which influence Fraud Report Finance. Factors those analyzed in this research are Profitability which is proxied by Roa, External Pressure which is proxied by Leverage, and Company Size which is proxied by Size. Population on study this is a company manufacture Which registered on Indonesian Stock Exchange (BEI) 2016 to 2020. Method collection data Which used in this research, namely the method purposive sampling with amount sample that obtained as much 40 company. Data analysis method in research This use method analysis regression logistics (Logistic Regression). Results on study This disclose that the percentage of Profitability and Company Size influences Financial Report Fraud with a significance value of 0.000 and 0.044. Meanwhile Pressure External No influential to Fraud Report Finance, with mark significance as big as 0.251.

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1. INTRODUCTION

A company is definitely required to make financial reports. If the financial report does not exist, it is feared that the company will make a mistake when making decisions. Financial reports are also important for a company because investors will review whether to invest in the company or not, paying attention to the company's performance and investment security.

Financial reports describe accounting information that links the company's economic activities with its stakeholders. Financial Reports are used by a company to provide information about the organization's financial position, financial performance, and cash flow which will help most users of Financial Statements in making economic decisions. Financial reports also indicate management's responsibility for the use of the resources entrusted to it (IAI, 2014).

Financial Reports function as a form of accountability to improve performance, there are times when the performance results included in the Financial Report are designed to give a "good" impression to various parties (Tessa, 2016). The need to always look good from different angles forces business leaders to manipulate certain parts so that the information in the Financial Report can be inaccurate and detrimental to the parties involved. Fraud or manipulation carried out by company management is also known as fraud, and the practice of Financial Statement Fraud is commonly known as Financial Statement Fraud.

Any manipulation of Financial Statements by a company with the aim of obtaining such profits can be described as Fraud. Fraud is a deception or mistake committed by an individual or group knowing that the mistake could have a bad impact on the individual, group or certain party. The phenomenon of fraud has occurred in several companies, both in Indonesia and outside Indonesia, in various types.

One of the biggest scandals that many people in the world remember is the accounting fraud practices carried out by the energy company from the United States (US), Enron. Enron Corporation is an energy company based in Houston, Texas. The company was founded in 1985 and ceased operations in 2007. At that time, Enron Corporation was the 7th largest company in the US which was involved in a

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fraud scandal with its investors. In November 1997, Enron decided to buy shares in another energy company, namely JEDI company shares. Then, Enron sold its shares to a company that Enron created itself, namely Chewco. Chewco managers then launched a series of complex transactions to help Enron hide its debt.

On February 20, 2001, Fortune International magazine revealed that the Enron company was carrying a lot of debt. At that time, Enron shares experienced a sharp decline to \$75.09 as investors began to withdraw money from the Enron company. Andersen CEO Joseph Berardino said his company had discovered possible illegal activity by Enron. The United States (US) Department of Justice immediately sent an investigation team to prove the criminal allegations. Investors, employees, pension fund holders and even politicians are demanding clarity regarding the fall of the Enron company which had been successful for a dozen years. Fraudulent and money laundering activities at the Enron company were finally identified.

This case then attracted an employee, Michael Kopper, and he revealed all the fraud that had occurred at Enron. The perpetrator behind the investment fraud case that occurred at the Enron company was finally revealed. The perpetrators were former Financial Manager Andrew Fastow, former Chairman and CEO Kenneth Lay, Enron Financial Audit Chair David Duncan. Therefore, the suspects will be tried in accordance with applicable law (Siska Amelie F Deil, 2014).

Furthermore, an example of a Financial Report Fraud case that is still hotly discussed is the case at PT. Garuda Indonesia. Garuda Indonesia reported its financial results for 2018 to the Indonesian Stock Exchange (BEI). Financial performance at PT. Garuda Indonesia (Persero) managed to record a net profit of \$809 thousand in 2018, in contrast to a loss of \$216.58 million in 2017. This performance can be said to be quite surprising, because the company still experienced a loss of \$114.08 million in the third quarter of 2018 (Giri Hartomo, 2019).

On April 24 2019, an Annual General Meeting of Shareholders (AGMS) was held. In this meeting two commissioners of PT. Garuda Indonesia, Chairul Tanjung and Dony Oskaria were present as representatives from PT. Trans Airways submitted an objection and requested it be read out at the AGMS, but this request was not fulfilled by the decision of the meeting chairman. Results of the general meeting of shareholders, Financial Report of PT. Garuda Indonesia in 2018 was finally approved. Trans Airways argued that the \$239.94 million transaction with Mahata was too high and affected PT's balance sheet. Garuda Indonesia. If the nominal value of the collaboration is not recorded in income, the company will actually still suffer a loss of \$244.96 million, which will further increase PT's Income Tax (PPh) and Value Added Tax (VAT) burden. Garuda Indonesia. In fact, this burden should not have been recognized as a liability because payments from the collaboration with Mahata had not yet entered the company's pockets. Finally after a long journey PT. Garuda Indonesia and several parties involved were subject to sanctions from the Ministry of Finance and also the Financial Services Authority (OJK).

In the current era of globalization, there are many activities that cannot be separated from fraud. Fraud can be committed by individuals, but can also be committed by a group of people in an organization who work together in fraudulent practices. The increase in fraud cases has led some parties to believe that management has committed financial statement fraud (Skousen et al., 2009). According to survey results Association of Certified Fraud Examiners (ACFE) Indonesia (2020) Corruption cases are the most common in Indonesia with a percentage of 64.4%. Then, state and company assets or misuse of assets with a percentage of 28.9% and Financial Statement Fraud at 6.7%. Reports in 2018 show that the losses experienced by an organization due to fraud are around 5% of an organization's gross income.

Apart from that, the company also pays great attention to the level of profitability. Profitability is used to calculate the overall effectiveness of management, which is indicated by the level of profit obtained by the company. Profitability ratios provide a definite answer to the effectiveness of company management. The higher the profitability ratio, the better the company's position, which can influence investors when deciding to invest in the company. Companies with low profitability are associated with more frequent errors in financial reporting.

External pressure is pressure on management that is too strong for the company to obtain funds from investors and creditors to meet third party expectations. In this case, the creditor or lender is a third party who is expected to provide loan funds. The lender or creditor has special criteria to avoid risks that cannot be overcome. Companies that do not meet these criteria are very unlikely to get a loan. This

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pressure can enable management to commit financial statement fraud to obtain loan funds from creditors (Indonesian Institute of Public Accountants (IAPI), 2013).

Company size is also considered to influence the occurrence of financial statement fraud. There are two views regarding Company Size on Financial Statement Fraud. First, in this case it is assumed that small companies are more likely to be involved in earnings management or financial statement fraud than large companies. This is because small companies tend to always want to show that the company is in a good and orderly condition, thus encouraging investors to invest capital in their company. Large companies are more careful when preparing their financial reports so that they can report the condition of their company more accurately (Nasution, Mahirot and Setiawan, 2007).

Table 1 Research Gap From Previous Research Results

Research Gap	Researcher	Findings
There are differences in the results of Profitability research on Financial Report Fraud	Fira Fimanaya & Muchamad Syafrudin (2014)	Negative influence
	Rilla Izzatul Haqqi & Moh. Nizarul Alim and Tarjo (2015)	Negative influence
	Istiqlal Ramadhan & Herry Laksito (2019)	No significant effect
There are differences in the results of research on External Pressure on Financial Report Fraud	Annisa Rachmania (2017)	Influential
	Sri Rahmayuni (2018)	The negative effect is not significant
There are differences in the results of research on company size on financial statement fraud	Devi Kurniawati & Putri Nurmala (2020)	No effect
	Widya Nur Anisa (2012)	No effect
	Amar Fuadin (2017)	No significant positive effect
	Bambang Leo Handoko & Kinanti Ashari Ramadhani (2017)	No effect

Source: Author's Processed Data, 2022

With previous research as explained above, the factors that influence Financial Statement Fraud show inconsistent results. Therefore, further research is needed regarding the influence of profitability, external pressure and company size on financial statement fraud.

Manufacturing companies are known as companies that supply products needed by the market. The higher the market demand, the more production processes will be carried out by that party. The manufacturing process in this company will involve various factors. Starting from human resources, natural resources, to large machinery. On the Indonesian Stock Exchange (BEI), manufacturing companies dominate more than other companies listed on the Indonesian Stock Exchange (BEI). Therefore, the author chose a manufacturing company as the company to be researched.

2. METHOD

The dependent variable in this research is Financial Report Fraud, data regarding Financial Report Fraud is taken from all manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2016-2020. The independent variables in this research are variables developed from the Fraud Triangle elements. The three elements of the Fraud Triangle are: (1) Pressure; (2) Opportunity; (3) Rationalization which cannot be studied directly, and requires a variable with several representations to measure it.

The data source in this research is manufacturing companies registered on the Indonesia Stock Exchange (BEI) which were published in 2016-2020, using archival (documentation) methods which look at the company's annual reports via the Indonesia Stock Exchange (BEI) website at www.idx.co.id and the company's official website. The type of data used is secondary data. Population on study this is a company manufacture Which registered on Indonesian Stock Exchange (BEI) from 2016 to 2020. Sampling in this research was carried out using purposive sampling. The criteria used in this research in selecting samples include:

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1. Manufacturing companies listed on the Indonesia Stock Exchange (BEI) during 2016-2020.
2. Manufacturing companies that publish complete Annual Financial Reports on the company's official website or the Indonesia Stock Exchange (BEI) website during 2016-2020.
3. Manufacturing companies that use the Rupiah currency.
4. Manufacturing companies did not change sectors during the 2016-2020 observation year.
5. A manufacturing company that has experienced profits for 5 consecutive years.

Method collection data Which used in this research, namely the method *purposive sampling* with amount sample that obtained as much 40 company. Data analysis method in research This use method analysis regression logistics (Logistic Regression).

3. RESULTS AND DISCUSSION

General Description of Research Objects

The object of this research aims to present the sample selection process and company groups that form the population in this study. The objects of this research are manufacturing companies listed on the Indonesia Stock Exchange (BEI) from 2016-2020. The manufacturing company has been listed on the Indonesian Stock Exchange (BEI) and during the research period, the company did not leave or change sectors from the Indonesian Stock Exchange (BEI) and has met the criteria set out in the previous chapter.

The capital market or Stock Exchange has existed in Batavia since the Dutch colonial era, to be precise in 1912. The capital market at that time was established by the Dutch East Indies government for colonial or VOC interests, even though the capital market had existed since 1912, its development and growth did not go according to plan. This was caused by several factors such as World War I and World War II, the handover of power from the Colonial Government to the Government of the Republic of Indonesia, and various conditions that caused the capital market to experience various problems. Then in 1977, the Government of the Republic of Indonesia revived the capital market and several years later the capital market experienced growth and increase under various incentives and regulations issued by the government.

Manufacturing companies listed on the Indonesia Stock Exchange (BEI) are divided into three sectors, namely: (1) Basic Industry and Chemicals, (2) Miscellaneous Industry, and (3) Consumer Goods Industry. Based on the manufacturing company sector, this research was carried out comprehensively in the three manufacturing company sectors. The selection of manufacturing company samples in this study was determined using a purposive sampling method, namely identifying samples according to certain criteria.

The data used is secondary data in the form of the 2016, 2017, 2018, 2019 and 2020 Annual Financial Reports via the official website of the Indonesia Stock Exchange (BEI) at www.idx.co.id. Based on this review, a sample of 40 companies was obtained with a total of 190 observation data. Table 4.1 below shows the stages of sample selection according to predetermined criteria.

Table 1 Sample Selection Stages Based on Criteria

Information	Amount
Number of manufacturing companies listed on the Indonesian Stock Exchange (BEI) in 2016-2020	196
Manufacturing companies that do not present audited financial statements using annual reports in the rupiah currency	(28)
Manufacturing companies that do not publish complete audited financial reports during 2016-2020	(96)
Manufacturing companies that experienced losses during 2016-2020	(31)
Companies that changed sectors during 2016-2020	(1)
Total sample of companies based on criteria	40
Year of observation	5
Total sample during 2016-2020	200
Outliers	10
Number of research samples during the 2016-2020 period	190

Source: Author's Processed Data, 2022

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Based on Table 1 above, it can be seen that the number of manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2016-2020 was 196 companies, and the number of companies that met the criteria reached 40 companies. Below is a list of names of manufacturing companies sampled in this research.

Table 2 List of Company Names

No	Company name	Company Code
1	PT. Akasha Wira Internasional Tbk.	ADES
2	PT. Arwana Citramulia Tbk.	ARNA
3	PT. Astra International Tbk.	ASII
4	PT. Budi Starch & Sweetener Tbk.	BUDI
5	PT. Wilmar Cahaya Indonesia Tbk.	CHECK
6	PT. Chitose International Tbk.	CINT
7	PT. Charoen Pokphand Indonesia Tbk.	CPIN
8	PT. Darya-Varia Laboratoria Tbk.	DVLA
9	PT. Ekadharma International Tbk.	EKAD
10	PT. Gudang Garam Tbk.	GGRM
11	PT. Hanjaya Mandala Sampoerna Tbk.	HMSP
12	PT. Indofood CBP Sukses Makmur Tbk.	ICBP
13	PT. Champion Pacific Indonesia Tbk.	IGAR
14	PT. Indal Aluminum Industry Tbk.	HENNA
15	PT. Intanwijaya International Tbk.	INCH
16	PT. Indofood Sukses Makmur Tbk.	INDF
17	PT. Indospring Tbk.	INDS
18	PT. Jembo Cable Company Tbk.	JECC
19	PT. Japfa Comfeed Indonesia Tbk.	JPFA
20	PT. Kimia Farma Tbk.	KAEF
21	PT. Kabelindo Murni Tbk.	KBLM
22	PT. Kedawung Setia Industrial Tbk.	KDSI
23	PT. Kalbe Farma Tbk.	KLBF
24	PT. Multi Bintang Indonesia Tbk.	MLBI
25	PT. Mayora Indah Tbk.	MYOR
26	PT. Nippon Indosari Corpindo Tbk.	BREAD
27	PT. Sido Muncul Herbal Medicine and Pharmaceutical Industry Tbk.	SIDO
28	PT. Sekar Bumi Tbk.	SKBM
29	PT. Semen Indonesia (Persero) Tbk.	SMGR
30	PT. Selamat Perfect Tbk.	SMSM
31	PT. Suparma Tbk.	SPMA
32	PT. Indo Acidatama Tbk.	SRSN
33	PT. Tunas Baru Lampung Tbk.	TBLA
34	PT. Trias Sentosa Tbk.	TRST
35	PT. Tempo Scan Pacific Tbk.	TSPC
36	PT. Ultrajaya Milk Industry & Trading Company Tbk.	ULTJ
37	PT. Unilever Indonesia Tbk.	UNVR
38	PT. Wijaya Karya Beton Tbk.	WTON

Source: Author's Processed Data, 2022

Research result

The analytical method used in this research is a logistic regression model (Logistic Regression), namely analysis to test the relationship between independent variables and the dependent variable. In this research, because the dependent variable can be classified into two types, logistic regression analysis (Logistic Regression) will be used to determine the influence of Profitability, External Pressure and Company Size on Financial Statement Fraud.

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Descriptive Statistics Test Results

Several variables used in this research consist of, Profitability, External Pressure and Company Size as independent variables, as well as Financial Report Fraud as the dependent variable. These variables were tested with descriptive statistics shown in Table 4.3 below:

Table 3 Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	190	0.0005	0.5267	0.097523	0.0932146
External Pressure	190	0.0769	0.8073	0.387551	0.1854868
Company Size	190	26.4396	33.4945	29.192955	1.6433854
Financial Statement Fraud	190	0	1	0.07	0.262
Valid N (listwise)	190				

Source: SPSS Output Data Results, 2022

Table 3 shows descriptive statistics for each research variable. Based on Table 4.3, the results of analysis with descriptive statistics on the Profitability variable show that a minimum value of 0.0005 is owned by CINT (Chitose Internasional Tbk.) in 2020, this shows that Chitose Internasional Tbk. has the potential to earn the lowest profit among the sample, namely 0.05%. The maximum value of 0.5267 was owned by MLBI (Multi Bintang Indonesia Tbk.) in 2017, this shows that Multi Bintang Indonesia Tbk. has the ability to generate the highest profit among the sample, namely 52.67%. The average value is 0.097523 and the standard deviation is 0.0932146. It can be concluded that the Profitability variable is classified as good because the average value is greater than the standard deviation, meaning that the data in this variable is well distributed.

The results of the analysis with descriptive statistics for the External Pressure variable show a minimum value of 0.0769 owned by SIDO (Sido Muncul Herbal Medicine and Pharmacy Industry Tbk.) in 2016. This shows that the Sido Muncul Herbal Medicine and Pharmacy Industry Tbk. has the lowest level of debt among the sample, namely 7.69%. The maximum value was 0.8073 held by INAI (Indal Alumunium Industri Tbk.) in 2016, this shows that Indal Alumunium Industri Tbk. has the highest level of debt among the sample, namely 80.73%. The average value is 0.387551 and the standard deviation is 0.1854868. It can be concluded that the External Pressure variable is classified as good because the average value is greater than the standard deviation, meaning that the data in this variable is well distributed.

The results of analysis using descriptive statistics for the company size variable show a minimum value of 26.4396 owned by INCI (Intanwijaya Internasional Tbk.) in 2017, this shows that Intanwijaya Internasional Tbk. has the lowest total assets among the sample, namely 2,643%. The maximum value of 33.4945 owned by ASII (Astra Internasional Tbk.) in 2019, this shows that Astra Internasional Tbk. has the highest total assets, namely 3,349%. The average value is 29.192955 and the standard deviation value is 1.6433854, it can be concluded that the Company Size variable is classified as good because the average value is greater than the standard deviation, meaning that the data in this variable is well distributed.

The results of analysis using descriptive statistics of Financial Statement Fraud show a minimum value of 0, and a maximum value of 1 with an average value of 0.07. This means that the level of Financial Report Fraud is 7% and the standard deviation value is 0.262.

Research Hypothesis Testing

Assessing the Overall Model (Overall Model Fit)

Assessing the overall model (Overall Model Fit) is used to assess whether the independent variables in logistic regression have a simultaneous effect on the dependent variable or not. Markdown between values -2LogL initial with mark -2LogL stepped next describes that model hypothesis in accordance or *fit* with data.

Table 4 Test Results Assess the Entire Model (Block Number 0: Beginning Block)

Iteration	-2 Log likelihood	Coefficients Constant
Step 0		
1	111,198	-1,705
2	100,576	-2,321
3	99,969	-2,514

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4	99,965	-2,531
5	99,965	-2,531

Source: SPSS Output Data Results, 2022

Table 4 shows the Likelihood value (-2LogL) for the first block (Block Number 0: Beginning Block), where -2LogL has a value of 99.965. Then, the following table shows the -2LogL value for the next block (Block Number = 1).

Table 5 Test Results Assess the Entire Model (Block Number = 1)

Iteration	2 Log Likelihood	Constant	Profitability	Coefficients		
				External Pressure	Company Size	
Step 1						
1	98,253	1,025	4,622	0.895		-0.121
2	80,342	4,115	7,585	1,435		-0.270
3	77,231	8,654	9,399	1,693		-0.450
4	76,917	11,574	10,135	1,813		-0.560
5	76,911	12,097	10,248	1,841		-0.580
6	76,911	12,110	10,250	1,842		-0.580
7	76,911	12,110	10,250	1,842		-0.580

Source: SPSS Output Data Results, 2022

In Table 4.5, it can be seen that the Likelihood value (-2LogL) in the first block after entering the three independent variables, namely Profitability, External Pressure and Company Size, changed to 76.911.

As shown in Tables 4.4 and 4.5, the initial Likelihood (-2LogL) value or Block Number = 0 has a value of 99.965 and the second Likelihood or Block Number = 1 has a value of 76.911. This means that there was a decrease of 23,054. This decrease in the -2LogL value shows that the regression model is better or can also be called a hypothesis model that fits the data.

Partial Test / Wald Test

Table 6 Wald Test Results

		Sig.	Conclusion
Step 1	Profitability	0,000	Accepted
	External Pressure	0.251	Not accepted
	Company Size	0.044	Accepted

Source: Author's Processed Data, 2022

Based on the data in Table 4.6, you can see the influence of the independent variable on the dependent variable, here is the explanation:

- 1) The results of the first research were carried out on the significance test of Profitability on Financial Report Fraud. The Profitability variable shows a significance value of 0.000 from a significance level of $\alpha = 5\%$, meaning that the regression coefficient is significant at $0.000 < 0.05$. So it can be concluded that Profitability has a significant influence on Financial Report Fraud, so this test is accepted.
- 2) The results of the second research were carried out on the significance test of External Pressure on Financial Report Fraud. The External Pressure variable shows a significance value of 0.251 from a significance level of $\alpha = 5\%$, meaning that this regression coefficient is not significant, $0.251 > 0.05$. So it can be concluded that External Pressure does not have a significant influence on Financial Report Fraud, so this test is not accepted.
- 3) The results of the third research were carried out on the significance test of company size on financial statement fraud. The Company Size variable shows a significance value of 0.044 from a significance level of $\alpha = 5\%$, meaning that the regression coefficient is significant at $0.044 < 0.05$. So

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it can be concluded that company size has a significant influence on financial statement fraud, so this test is accepted.

Coefficient of Determination (Nagelkerke R Square)

The coefficient of determination (Nagelkerke R Square) is basically used to measure how well the model's ability to explain variations in the dependent variable. A low R² value means that the ability of the independent variable to explain changes in the dependent variable is still very limited. A value close to one means that the independent variable provides almost all the information needed to predict changes in the dependent variable (Ghozali, 2011). Table 4.7 shows the coefficient of determination which is as follows:

Table 7 Coefficient of Determination Test Results

Step	2 Log likelihood	Cox and Snell R Square	Nagelkerke R Square
1	76,911	0.114	0.279

Source: SPSS Output Data Results, 2022

Based on results on Table 4.7 can be known that *Nagelkerke R Square* has a value of 0.279. It means, variability variable dependent which can be described by variable independent is worth 27.9%. Whereas the rest worth 72.1% explained by factor other which is not considered in study. This, for example, according to (Fuadin, 2017) in his research variable *Financial stability, Financial Target, Personal Financial Need, Nature of industry, Ineffective Monitoring Change Of Auditors, Rationalization, Capability* is factors other which can be used for detecting follow-up activity Fraud Report Finance.

Testing the Feasibility of Regression Models

Testing the feasibility of the regression model was measured using Hosmer and Lemeshow's Fit Test. The Hosmer and Lemeshow tests are used to test the null hypothesis that the research data matches or is in the same direction as the model (there is no difference between the model and the data, so the model can be considered appropriate or fit).

If the Hosmer and Lemeshow fit test results are equal to or less than 0.05 then the null hypothesis is rejected, which means there is a significant difference between the model and the observed values, so quality *fit* model is not good because the model cannot predict mark his observations (Ghozali, 2011).

Table 8 Regression Model Feasibility Test Results

Step	Chi-Square	df	Sig.
1	9,512	8	0.301

Source: SPSS Output Data Results, 2022

Based on the SPSS data output in Table 4.8, it can be seen that the chi-square value is 9.512 with a significance value (p) of 0.301. Based on results, if the significance is bigger than 0.05 ($p > 0.05$), so that can be concluded that the model is able to predict mark observation or model stated *fit* with data and sample can be accepted. So that model can be used for analysis more carry on.

Multicollinearity Test

This multicollinearity test is needed to find out whether there are independent variables that are similar to other independent variables in the same model. The multicollinearity test can be seen in the Tolerance value and its opposite Variance Inflation Factor (VIF).

These two measurements show which independent variables are explained by other independent variables. Tolerance measures changes in a selected independent variable, which are not explained by other independent variables. Therefore, a low Tolerance value is equivalent to a high VIF value (because $VIF = 1/Tolerance$). If the Tolerance value > 0.1 and $VIF \leq 10$ then multicollinearity does not occur (Ghozali, 2011).

Table 9 Multicollinearity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
1 (Constant)	0.756	0.313			2,415	0.017		
Profitability	1,156	0.19	0.411		6,083	0,000	0.959	1,043
External Pressure	0.224	0.096	0.158		2,334	0.021	0.951	1,052
Company Size	-0.030	0.011	-0.190		-2,739	0.007	0.916	1,092

Source: SPSS Output Data Results, 2022

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Based on the data in Table 4.9, the test results show the Tolerance and Variance Inflation Factor (VIF) values for all independent variables, resulting in a Tolerance value > 0.010 and a VIF value < 10. Therefore, it can be concluded that these results indicate there is no multicollinearity in the model this regression.

a. Classification Matrix

The classification matrix shows the predictive power of the regression model in predicting the possibility that a company will commit financial statement fraud. In the SPSS output, this number can be seen in the Classification Table. The classification matrix estimates the correct and incorrect estimates of the dependent variable.

Table 10 Classification Matrix

	Observed	Predicted		Presentation Correct	
		0	1		
Step 1	Financial Statement Fraud	0	174	2	98.9
		1	11	3	21.4
	Overall Percentage				93.2

Source: SPSS Output Data

Table 4.10 above shows that the strength of the regression model, which predicts the model probability level, is 93.2%. Where 21.4% committed fraud and 98.9% did not commit fraud which could be predicted by the model. This means that the predictive power of the model statistically predicts 21.4% using the variables Profitability, External Pressure and Company Size.

The predictive power of the regression model to predict the possibility of financial statement fraud is 21.4%. This shows that by using the regression model used, 3 companies (21.4%) were suspected of committing Financial Report Fraud, out of a total of 14 companies that had Financial Report Fraud. The predictive power of the model for companies declared free from Financial Report Fraud is 98.9%. This shows that with the regression model used, 174 companies (98.9%) out of 176 companies did not commit financial statement fraud. Therefore, the overall classification accuracy is 93.2%.

b. Formed Logistic Regression Model

Estimate parameter can seen from coefficient regression. Coefficient regression For every variable Which tested show form connection between variable Which One with variable other. If found number significant more small that is 0.05, so coefficient regression is significant on level 5%. It means, H0 rejected And H1 accepted Which means that variable free own influence Which significant to happen variable bound. Analysis regression This covers testing difference between all variable dependent. Results from coefficient regression can determined with use mark probability (Sig). Based on results inspection coefficient regression obtained model that is:

Table 11 Logistic Regression Coefficient Test Results

		B	S.E	Wald	df	Sig.	Exp(B)
Step 1	Profitability	10,250	2,661	14,843	1	0,000	28284,037
	External Pressure	1,842	1,606	1,315	1	0,251	6,311
	Company Size	-0,580	0,287	4,073	1	0,044	0,560
		12,110	7,920	2,338	1	0,126	181602,622
	Constant						

Source: SPSS Output Data Results, 2022

$$\text{FRAUD} = 12,110 + 10,250 \text{ Profitability} + 1,842 \text{ External Pressure} - 0,580 \text{ Company Size}$$

Based on the results of logistic regression testing (Logistic Regression) in Table 4.11, it can be explained that, a constant value of 12.110 indicates that the variables Profitability, External Pressure and Company Size do not exist or have a value of zero, so the potential for company management to commit Financial Report Fraud is 12.110. The regression coefficient value for the Profitability variable is 10,250. This means that if Profitability increases by one unit, the potential for company management to commit Financial Report Fraud will increase by 10,250. Assuming other independent variables are constant, and vice versa.

The regression coefficient value for the External Pressure variable is 1.842. This means that if External Pressure increases by one unit, the potential for company management to commit Financial Report Fraud will increase by 1.842. Assuming other independent variables are constant, and vice versa. The regression coefficient value for the Company Size variable is -0.580. This means that if the Company Size increases by one unit, the potential for company management to commit Financial Report Fraud will decrease by 0.580. Assuming other independent variables are constant, and vice versa.

Discussion and Summary of Research Results

The following is a discussion of the results of research conducted using logistic regression analysis on manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2016-2020:

The Effect of Profitability on Financial Statement Fraud

H1: Profitability has a negative effect on Financial Report Fraud

Based on the variable testing carried out, this research shows that the Profitability results have a significance value of 0.000 which is smaller than 0.05 and the beta coefficient value obtained is 10.250. This shows that the hypothesis H1 is accepted. From the results of this test it can be concluded that Profitability has a positive effect on Financial Report Fraud.

Profitability is measured using the Return On Assets (ROA) measurement by looking at the total assets and net profit of a company. In this research, it can be proven that profitability has a positive effect on financial statement fraud, this means that whether a company's level of profitability is large or small, it can influence management to commit financial statement fraud. The main focus of shareholders in a company is management's ability to obtain company profits, so that a high Profitability value in the previous year becomes the motivation for managers to manipulate Financial Reports to increase Profitability in the following year.

The results of this study are in line with research (Fimanaya & Syafruddin, 2014), (Haqqi et al., 2015), (Listyawati, 2020). However, this research is contradictory (Tiffani & Marfuah, 2015) which explains that Return On Assets (ROA) has no significant effect on Financial Report Fraud. (Tiffani & Marfuah, 2015) believes that ROA does not affect Financial Statement Fraud, possibly because managers believe that the size of the company's ROA target is still considered reasonable and achievable.

The Effect of External Pressure on Financial Statement Fraud

H2: External pressure has no effect on financial statement fraud

Based on the variable testing that has been carried out, this research shows that the results of External Pressure have a significance value of 0.251 which is greater than 0.05 and the resulting beta coefficient value is 1.842. This shows that hypothesis H2 is not accepted. From the results of this test it can be concluded that external pressure has no effect on financial statement fraud.

In this research, external pressure is measured using the leverage ratio (LEV), by looking at total liabilities and total assets. Leverage is used to find out how much the company uses liabilities to finance the company and how much of the company's assets are financed by liabilities. In this research, it can be proven that external pressure does not have an effect on financial statement fraud, this means that excessive pressure on management to get what shareholders want does not necessarily lead to an increase in leverage, which can lead to high expenses, thus encouraging management to do so. financial statement fraud activities. This research is in line with (Kurniawati & Nurmala, 2020), (Ijudien, 2018), (Sulastri, 2019). However, this research is contradictory (Tiffani & Marfuah, 2015), (Obeua S. Persons, 1999) states that the higher the leverage (LEV), the greater the possibility of violating credit agreements and the lower the ability to raise additional capital through loans.

The Influence of Company Size on Financial Statement Fraud

H3: Company size has no positive effect on financial statement fraud

Based on the variable testing that has been carried out, this research shows that the Company Size results have a significance value of 0.044 which is smaller than 0.05 and the resulting beta coefficient value is -0.580. This shows that hypothesis H3 is accepted. From the results of this test it can be concluded that company size has a negative effect on financial statement fraud.

Company size is proxied by SIZE and is measured by looking at the total assets of the sample company. In this research, it can be proven that company size has a negative effect on financial statement fraud. This is in line with companies listed on the Indonesia Stock Exchange (BEI), companies with higher total assets, the greater the value of the company owned. investors definitely prefer larger companies to

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smaller companies. This is because large companies have a higher stock market value compared to small companies.

This research contradicts research (Fuadin, 2017), (Sulastrri, 2019). (Fuadin, 2017) said that both small and large companies want to give a good impression to stakeholders, so that companies can commit fraud when manipulating financial statements. This company size is in line with research (Bernandhi & Muid, 2014) which says that company size can affect the integrity of disclosures in the financial statements. Large companies tend to disclose more items in their Financial Statements because they have more information to disclose than small companies.

4. CONCLUSION

This research aims to obtain empirical evidence about the influence of Profitability, External Pressure and Company Size on Financial Report Fraud in manufacturing companies listed on the Indonesia Stock Exchange (BEI) during 2016-2020. Based on this research, conclusions can be drawn, including: The Profitability variable is proven to have a positive influence on Financial Report Fraud, so H1 is accepted. This indicates that companies that have a high level of profitability will manipulate their financial statements so that their financial statements in the following year will continue to increase. The External Pressure variable is proven to have no effect on Financial Report Fraud, so H2 is not accepted. This shows that excessive pressure on management to satisfy shareholder desires does not cause the company to increase debt, which can create significant burdens and ultimately motivate management to commit financial statement fraud. The Company Size variable is proven to have a negative effect on Financial Report Fraud, so H3 is accepted. This indicates that the larger the company size, the higher the desire to manipulate financial statements so that the company presents a good impression. Based on the research that has been carried out, the author considers several suggestions in this research, including: Future research is expected to increase the number of company category samples to predict Financial Statement Fraud in existing company groups to examine Financial Statement Fraud more thoroughly. It is hoped that further research can add other independent variables to examine Financial Statement Fraud so that the research is more comprehensive, such as Ineffective Monitoring, Financial Stability, Financial Need. Future research is expected to use other dependent variables as a measure of Financial Statement Fraud apart from using the Beneish M-Score.

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