

(Case Study on Manufacturing Companies in the Consumer Goods Industry Sub-Sector Listed on the Indonesia Stock Exchange in 2018-2021)

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ANALYSIS DETECTING FRAUD WITH BASIC FRAUD TRIANGLE IN FINANCIAL STATEMENTS

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(Case Study on Manufacturing Companies in the Consumer Goods Industry Sub-Sector Listed on the Indonesia Stock Exchange in 2018-2021)

Meel Akbar ¹ Basyiruddin Nur ²

“Swadaya” College of Economics, Jakarta, Indonesia

Email :

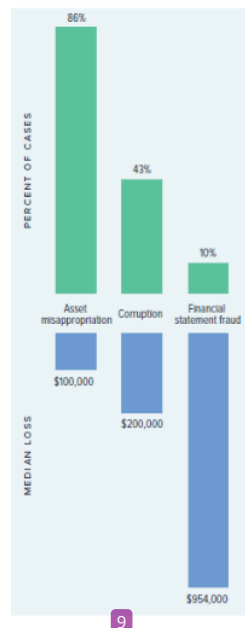
ABSTRACT

The purpose of this study is to analyze the effect of three elements in the fraud triangle, that is pressure, opportunity, rationalization. To clarify the possibility of financial statement fraud. The three components can be divided into four variables: financial stability, external pressure, industry type, and accountant change. To detect the possibility of fraudulent financial statements measured by the M-score model at manufacturers in the consumer goods subsector between 2018 and 2021. The author uses the purposive sampling technique, with the provision that manufacturing companies in the consumer goods industry sub-sector listed on the Indonesia Stock Exchange (IDX) from 2018-2021, present their financial statements in Rupiah and disclose data related to research variables and those experiencing an increase in profit from year to year. The data analysis technique used in this research is logistic regression analysis. The results showed that of the five variables used in the study, there was one (1) variable, namely external pressure which had a significant effect on the possibility of fraudulent financial statements. Meanwhile, the other three (3) variables, financial stability, nature of industry and change in auditors have no effect on the possibility of fraudulent financial statements. Meanwhile, financial statement fraud has an effect on financial stability, external pressure, nature of industry and change in auditors. The contribution of the results of this study shows that the possibility of fraud on financial statements affecting external pressure in the Manufacturing company in the Consumer Goods Industry sector or management can anticipate more so that in its business activities it will be better.

Keywords: Financial stability, Nature of industry, External Pressure, Change in Auditor, Beneish M-Score.

PRELIMINARY

Background



Source : (Association of Certified Fraud Examiners (ACFE), 2020)

Figure 11.1

Categories of Occupational Fraud

(Association of Certified Fraud Examiners (ACFE), 2020) in *Report to The Nations on Occupational Fraud and Abuse The 2020 Global Fraud Study* illustrates that *fraud* can be divided into three categories, namely asset abuse (*Asset Misappropriation*) , corruption (*Corruption*) , and financial statement fraud (*Financial Statement Fraud*) . Figure 1.1 explains that the most common cases in 2019-2020 were asset abuse (*Asset Misappropriation*) which is 86%, and then corruption (*Corruption*) which is 43%,

while the lowest percentage is occupied by financial *statement fraud* , which is 10% . This figure explains that *Financial Statement Fraud cases* rarely or rarely occur in the countries concerned, but not only because they rarely occur, these cases do not harm the country. Losses resulting from financial statement fraud (*Financial Statement Fraud*) amounted to \$954,000 and was the largest loss that occurred compared to cases of asset misappropriation (*Asset Misappropriation*) and corruption (*Corruption*) which resulted in losses of \$100,000 and \$200,000 even though these cases had a high percentage of financial statement fraud (*Financial Statement Fraud*) .

The financial statement scandals in recent years provide evidence of audit failures that have a detrimental impact on businesses. one of which is experienced by PT Garuda Indonesia (Persero) Tbk (GIAA) which has recorded receivables whose contracts are for the next 15 years to the first year and are recognized as income and included in other income. As a result, the company that previously made a loss then made a profit.

This study uses manufacturing companies as research subjects, because according to the authors of data such as the number of cases, the losses incurred by manufacturing companies are considered more productive and can have a wide chain

effect so that they are able to increase the workforce, generate the largest source of foreign exchange, and contribute to taxes and the biggest customs (Putri, 2019) . Manufacturing Company Sub-sector of the consumer goods industry is one sector that has a high level of competition so that companies are led to have excellent performance so that they can excel in competing. Therefore, the increasingly fierce business competition in the consumer goods industry sector makes fraud perpetrators able to carry out their actions. It's not just that the manufacturing sector, even though it's been under pressure due to the Covid-19 pandemic since 2020 , has still made the biggest contribution to the increase in Indonesia's economic growth.

Formulation of the problem

1. Does *financial stability* have a partial effect? to *financial statement fraud* in manufacturing companies?
2. *What is external pressure* partial effect on *financial statement fraud* in manufacturing companies?
3. *What is the nature of* Does *the industry* have a partial effect on *financial statement fraud* in manufacturing companies?
4. *is change in auditor* partially effect to *financial statement fraud* in manufacturing companies?

5. What is the nature of financial stability, external pressure? Ineffective monitoring and modification of auditors on manufacturing company accounting fraud at the same time affecting the industry?

STUDY OF THEORY AND FRAMEWORK OF THINKING

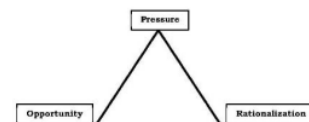
Theory Description

Agency Theory (*Agency Theory*)

In this study, the main theory used is *agency theory* . This theory was put forward by *Jensen and Meckling* , who defined it as the relationship between the owner and the agent who manages the owner's resources. This relationship has the potential to cause a conflict between the owner and the agent due to a conflict of interest (Irine Herdjiono & Kabalmay, 2021) .

Fraud

According to the KBBI (Big Dictionary of Indonesian Language) , *Fraud* is a noun (noun) an act of cheating / dishonesty / deceit. *Fraud is an act* carried out by individuals or groups that can harm other people, organizations or companies



by taking material benefits for personal or group gain (Safuan & Budiandru, 2019) .

Fraud Triangle

Fraud Triangle was first introduced by Donald R. Cressey, a criminology doctoral student at the University of Indiana during the 1940s and was interested in fraudulent behavior. In his doctoral dissertation, Cressey conducted interviews with 200 prisoners convicted of fraud. based on the results of this study, the last Cressey, known as the *fraud triangle*. The hypothesis is as follows:

"Trusted trustees are a bet of trust when they anticipate an indivisible economic problem. We recognize that this problem can be secretly resolved by violating our position of financial trust, and we are aware of the situation. You can relate it to your actions by expressing it in words. To adapt your self-image as a user of the entrusted funds and assets." (Sujeewa et al., 2018) .

Source: (Kagias et al., 2022)

Figure 2.1

Fraud Triangle Theory by Cressey

1. Pressure (*Pressure*)

Every perpetrator has to face some kind of pressure to commit fraud. Perceived pressure is defined as the motivation that directs the perpetrator to perform unethical behavior. It is important to point out that perceived pressure can occur with all employees at every level of the

organization and can occur for a variety of reasons. Such pressure does not have to be real, if perpetrators believe they are being pressured, it can lead to fraudulent behavior. The pressure faced by a person to commit fraud can come from within the person, pressure from the environment. financial pressure, pressure due to bad habits, and pressure from the work environment are examples of pressures that can encourage someone to commit fraud. Financial pressure is the strongest driving force for a person, or company management, to commit fraud, even around 95%, fraud is carried out because of financial pressure. Manipulation of financial statements carried out by the company's management in various ways, in general, is also carried out due to financial pressure from Irianto, (Pratiwi & Nurbaiti, 2018) .

2. Opportunity _

Opportunity is the second aspect that drives *fraud*. Fraudsters are supposed to have the knowledge and ability to commit fraud. The logic is that when a person is placed in a credible position, aware of the weaknesses of internal control, and gains sufficient knowledge of how to commit a crime, he or she commits a fraud. Cressey argues, there are two components of this perception of opportunity. First, general information, which is knowledge that positions containing trust or trust are

violated without consequences. ⁶ Second, the technical skills or skills needed to carry out the crime. This is usually the expertise or skill that the person has that led to getting the position (Sayidah et al., 2019)

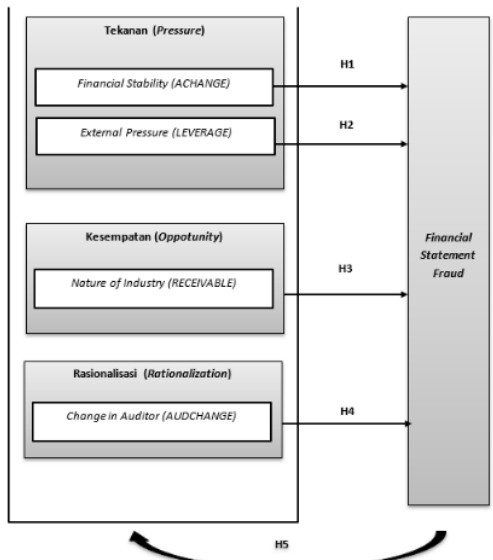
⁴ 3. Rationalization (*Rationalization*)

The third element of the injustice triangle theory is rationalization. This concept argues that perpetrators of unethical behavior devise a rationale for certain morally acceptable behaviors before engaging in fraud or other forms of unethical behavior. Rationalization seeks to justify unethical behavior different from normal criminal activity (Said et al., 2017)

Financial Statement Fraud

The definition of financial statement fraud by the American Institute Certified Public Accountant in (Nuha et al., 2021) is a deliberate act or omission that results in material misstatement that misleads the financial statements. Financial statement fraud is a very complex problem because of the impact it causes. One of the impacts is the decreasing trust of users of the company's financial statements.

Financial Statement Fraud is a deliberate misrepresentation or concealment in a number or disclosure in financial statements with the aim of deceiving users of financial statements.



Sumber: Data Diolah, 2022

Framework

Hypothesis

- H1 : *Financial Stability* as a proxy for asset growth (ACHANGE) has an influence on *Financial Statement Fraud*.
- H2 : *External Pressure* proxied by (LEVERAGE) has an effect on *Financial Statement Fraud*.
- H3 : *Nature of Industry* as proxied by (RECEIVABLE) has an influence on *Financial Statement Fraud*.
- H4 : *Ineffective Monitoring* which is proxied by (AUDCHANGE) has an influence on the *Financial Statement Fraud*

RESEARCH METHODS

Types of research

This research is a type of quantitative research with an associative approach. An associative quantitative study method is a study aimed at determining the effect or relationship between two or more variables. According to (Saragih, Megasari Gusandara et al, 2021).

Population and Sampling Procedure

Population is a domain of generalization made up of objects / subjects with specific qualities and characteristics (Jasmalinda, 2021; 2). The population in this study are all Manufacturing Companies in the Consumer Goods Industry Sub-Sector listed on the Indonesia Stock Exchange which publish financial reports for the 2018 financial year to the second quarter of 2021. The population listed on the IDX (Indonesian Stock Exchange) is 53 companies.

The sampling method used in this research is Non-Probability Sample *purposive sampling method*, namely the collection of sample data taken not randomly but samples are selected based on certain criteria which are the basis for sampling by the researcher. The sample of this research is the Manufacturing Companies of the Consumer Goods Industry Sub-Sector which are listed on the

Indonesia Stock Exchange with the following criteria:

1. A manufacturing company listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021 and in the sub-sector of the consumer goods industry;
2. 2018-2020 financial reports (*Annual Reports*) and 2021 *Quarterly Reports* on the Indonesia Stock Exchange (IDX);
3. Companies that disclose data related to research variables and available in full during the 2018-2021 period;
4. Companies that present their financial statements in Rupiah (Rp) from 2018 -2021;
5. Companies that experience increased profits from 2018 to 2020. According to Beneish, an increase in profits indicates the possibility of fraud.

Data Types and Sources

The type of data used in this study is quantitative data. H. Numerical data and quarterly reports that can be expressed in account units derived from the annual accounts of manufacturers in the sub-sector of the consumer goods industry listed on the Indonesia Stock Exchange between 2018 and 2020. And in 2021 2.

The source of this research data comes from secondary data, which can be accessed through the Indonesia Stock

Exchange website and the website of the company concerned.

Variable Operations

| Variabel | Konsep | Indikator | Skala |
|-----------------|---|--|---------|
| Pressure | X1 Financial Stability (ACHANGE) | Financial Stability merupakan keadaan yang menggambarkan kondisi keuangan perusahaan dalam kondisi stabil. ACHANGE = $\frac{\text{Total Aset}_t - \text{Total Aset}_{t-1}}{\text{Total Aset}_{t-1}}$ (Hilmawan dan Karjono, 2019) | Rasio |
| | X2 External Pressure (LAVERAGE) | External Pressure merupakan tekanan yang berlebihan bagi pihak manajemen untuk memenuhi persyaratan maupun harapan dari pihak ketiga. LEVERAGE = $\frac{\text{Total Hutang}}{\text{Total Aset}}$ (Susanto salim, 2021) | Rasio |
| Opportunity | X3 Nature of Industry (RECEIVABLE) | Nature of Industry merupakan keadaan ideal suatu perusahaan dalam industry dan merupakan kerugian yang diakibatkan adanya estimasi dan pertimbangan. RECEIVABLE = $\frac{\text{Piutang}_t}{\text{Penjualan}_t} - \frac{\text{Piutang}_{t-1}}{\text{Penjualan}_{t-1}}$ (Mardiyani, 2018) | Rasio |
| Rationalization | X4 Change in Auditor (AUDCHANGE) | Change in Auditor yaitu adanya pengaruh pergantian stausan perubahan auditor eksternal dalam suatu perusahaan dapat menjadi indikasi terjadinya tindak kecurangan. Auditor dapat memberikan beberapa opini atas perusahaan yang diauditnya sesuai dengan kondisi yang terjadi pada perusahaan tersebut. AUDCHANGE Variable dummy, dimana skor: 1 = apabila terdapat perubahan eksternal auditor selama tahun 2018-2021. 0 = apabila tidak terdapat perubahan eksternal auditor selama tahun 2018-2021. (Putri, 2010) | Nominal |
| | Y Fraudulent financial statement (M-SCORE) | Kecurangan Laporan Keuangan dapat didefinisikan sebagai kecurangan yang dilakukan oleh manajemen dalam bentuk salah saji material Laporan Keuangan yang merugikan investor dan kreditor. M-SCORE = $-4.84 + 0.929 \text{ DSRI} + 0.528 \text{ GMI} + 0.404 \text{ AQI} + 0.892 \text{ SGI} + 0.115 \text{ DEPI} - 0.172 \text{ SGA1} - 0.327 \text{ LVGI} + 4.697 \text{ TATA}$ Variable dummy, dimana skor: 1 = nilai Beneish M-Score > -2.22, perusahaan terindikasi melakukan fraudulent financial reporting atau tergolong manipulator. 0 = nilai Beneish M-Score < -2.22, perusahaan tidak terindikasi melakukan fraudulent financial reporting atau tergolong non-manipulator. (Sabar Adrian Kayot, Fandi, 2019) (Ferica, 2019) | Nominal |

Source: Processed Data, 2022

Figure 3.1
Variable Operations

RESULTS AND DISCUSSION

4.4.1. Simultaneous Hypothesis Test

| Chi-square | df | Sig. |
|------------|----|------|
| 5,205 | 4 | ,047 |
| 5,205 | 4 | ,047 |
| 5,205 | 4 | ,407 |

Table 1
Omnibus Tests of Model Coefficients

Source: SPSS 2 output data 0 0.0

With the number of observations (n=36) and the number of independent and dependent variables (k=5), then the degree of freedom (df1) = k-1 = 5-1 = 4 and (df2) = nk = 36-5 = 31, where the level of significance = 0.05. Then the ftable can be calculated using the Ms Excel formula with the insert function formula as follows:

Ftable=FINV(Probability,deg_freedom1,deg_freedom2)

Ftable = FINV (0,05,4,31)

Ftable = 2.68

Based on table 4.1, it can be obtained that the fcount value is greater than ftable (5.205 > 2.68) with a significance level (0.000 < 0.47), so H5 is accepted. So it can be concluded that *financial stability* (ACHANGE), *external pressure* (LAVERAGE) , *nature of industry* (RECEIVABLE) , and *rationalization* (AUDCHANGE) simultaneously has an effect on *financial statement fraud* .

4.4.2. Partial Hypothesis Test

| | B | Sig. |
|----------|---------|-------|
| X1 | -.681 | .633 |
| X2 | 4,489 | 0,047 |
| X3 | 11,951 | ,216 |
| X4 | -20,572 | ,999 |
| Constant | -2,533 | 0,020 |

Table 1

Omnibus Tests of Model Coefficients

Source: SPSS 2 output data 0 0.0

In logistic regression, to analyze the effect of the independent variable on the dependent variable, it is partially obtained from the results of the *Variable of Equation statistical test* obtained from the significance value (sig) from the *Variable of Equation table*. The following is a summary of the *Variable of Equation output results* regarding the partial effect of the independent variable on the dependent variable.

Discussion of Research Results

Based on the tests that have been carried out above, the following conclusions are obtained:

Table 4.12

Result Summary Hypothesis test

| Hipotesis | Variabel | Keputusan | Kesimpulan |
|-----------|--|-------------|-------------------|
| H1 | ACHANGE → M-SCORE | H1 ditolak | Tidak Berpengaruh |
| H2 | LEVERAGE → M-SCORE | H2 diterima | Berpengaruh |
| H3 | RECEIVABLE → M-SCORE | H3 ditolak | Tidak Berpengaruh |
| H4 | AUDCHANGE → M-SCORE | H4 ditolak | Tidak Berpengaruh |
| H5 | M-SCORE → ACHANGE LEVERAGE RECEIVABLE AUDCHANGE | H5 diterima | Berpengaruh |

Sumber: Data diolah, 2022

- Impact of financial stability on financial statements nt fraud
The first hypothesis (H1) that financial stability (ACHANGE) affects accounting fraud. From Table 4.12 above, we can see that the hypothesis was rejected or that financial stability (ACHANGE) did not affect accounting fraud. This corresponds to research (Ozcelik, 2020).
- Effect of External Pressure on Financial Statement Fraud
external pressure has an effect on financial statement fraud. This is in line with research (Budiyono & Arum, 2020).
- Influence of Nature of Industry on Financial Statement Fraud
The type of industry does not affect the potential for financial statement fraud. This corresponds to research (Septriani & Handayani, 2018).
- Effect 4. Impact of changes in auditors on financial statement fraud
The change of auditor does not affect the possibility of accounting tampering

(dressing fraud). this is, (Sunardi & Amin, 2018) .

CONCLUSION

Based on data analysis and discussion results, it can be concluded that the influential in this research is *External Pressure (LEVERAGE)* , The rest are financial stability (ACHANGE), industry (RECEIVABLE), and auditor change (AUDCHANGE), which have been shown to have no impact on potential fraudulent variable financial statements (*Financial Statement Fraud*) .

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