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Detection of Fraudulent Financial Statements Through Pressure, Opportunity, Rationalization In Banking South Sulawesi

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ABSTRACT

Purpose: This paper aims to empirically determine the effect of pressure, opportunity, rasionalisasi on fraudulent financial statements in banking companies in South Sulawesi. This type of research is quantitative. The data source used is primary data obtained from the results of a questionnaire. This study used sample of 65 banking companies in South Sulawesi with certain criteria.

Methodology: Data analysis techniques in this study used validity test, reliability test, classical assumption test, and t test, f test with SPSS program

Findings: Based on the results of data analysis, the research findings are (1) Pressure has a positive effect on fraudulent financial statements,(2)Opportunity has a positive effect on fraudulent financial statements,(3)Rationalization has a positive effect on fraudulent financial statements

Implications: Because this study focuses on one country, the findings may not be generalizable. In addition, the relatively small sample size could be another limitation

Keywords: Pressure, Opportunity, Rationalization, Fraudulent financial statements

INTRODUCTION

Fraud is an act that deviates from general norms and is carried out by individuals or groups for unilateral gain, and usually harms many people. According to (Association of Certified Fraud Examiners (ACFE), 2020), explains that there are three fraud schemes carried out by management and employees in a company. The three schemes are corruption, assets misappropriation, and financial statement fraud. This scheme is called the "Fraud Tree" or "Fraud Tree" (Association of Certified Fraud Examiners (ACFE), 2020). Of the three schemes of the fraud tree, financial statement fraud has the greatest impact (Bekiaris, M. &. (2017).

The research results of the Association of Certified Fraud Exeminers (ACFE) (2020) show that every year an average of 5% of an organization's income becomes a victim of fraud (Antoni, 2021). Fraud cases occur in all types of organizations, including governments, companies and profit organizations (Adeniyi, (2016)). In 2003, the Association of Certified Fraud Exeminers also stated that the biggest fraud is fraudulent financial reporting.

The practice of fraudulent financial reporting is not something foreign to the public. (Kaminski, (2004) One case of fraud in the financial statements that has been revealed in the business world and resulting in losses and business failures, is like the case in banking companies ((APA)., (2011)). However, it is different from the objectives of banking itself, where we know that banking aims to assist the implementation of the national development of a region/country to achieve equity, economic growth and increase in people's welfare.

Based on research conducted by the Association of Certified Fraud Examiners (ACFE) in recent years, it was found that the banking industry was most frequently reported as being identified as committing fraud (Young, (2020)). In 2020, ACFE noted that there were 364 cases of fraud that occurred in the banking sector industry where the Financial Services Authority (OJK) had collected data, that the majority of criminal acts occurred in credit cases and engineering records, then embezzlement of funds and the rest were manipulation of transfers funds and asset procurement (Haryadi, 2021).

The banking sector dominates with at least 38 corruption cases prosecuted. PT. Bank Rakyat Indonesia (Persero) occupies the top position with a total of at least 15 cases. This indicates a vulnerability to customer money management and credit distribution. Furthermore, cases of fraud also occurred at PT Bank Bukopin Tbk, namely the modification of credit card data for more than 100,000 cards which caused Bukopin's credit position and commission-based income to increase improperly. Bank Bukopin revised its 2016 net profit to Ro 183.56 billion from the previous Rp 1.08 trillion. The biggest decline was in the share of income from credit cards. This income decreased from IDR 1.06 trillion to IDR 317.88 billion (Pirda, 2020). This illustrates that fraud in financial statements has become an increasingly critical problem today.

Financial statement fraud (financial statement fraud) as an intentional act or action that results in financial statements materially misleading (Rezaee, (2005)). Financial reporting that contains elements of fraud can result in a decrease in the integrity of financial information and can affect various parties such as owners , creditors, employees, auditors, and even competitors. Fraudulent financial reporting is often used by companies experiencing financial crises and who are motivated by misguided opportunism (Chen, (2016).

In the theory of the fraud triangle, it is explained about the factors a person commits fraud, namely pressure, opportunity and rationalization (Fitri, 2019). The first factor is the pressure experienced and experienced by management (agent) on their responsibilities to investors (principal). Furthermore, there is an opportunity factor that supports the occurrence of the fraud where the opportunity will be the entry point for the occurrence of fraud. The third factor, namely rationalization, is an important element in the occurrence of fraud because the perpetrator seeks justification for his actions. This justification can occur because the perpetrator feels entitled to get something more (position, salary, promotion) because he has served the company for a long time, or the perpetrator takes some of the profits because the company has generated large profits. This attitude or character causes one or more individuals to rationally commit fraud (Sabatian, (2020)).

According to (Mansor, (2015)) financial pressure has been the reason behind around 95% of fraud cases. An employee will tend to commit fraud if there are elements of pressure, both financial and non-financial (Utami, (2021)). A survey conducted by (Association of Cerrtified Fraud Examiners (ACFE)., (2016)) showed that 42% of fraudulent activities resulted from personal and organizational financial pressure (Said, (2017)). This finding is supported by research conducted by Rahman et al., (2016). Dellaportas (2013) and Shelton (2014) argue that pressure plays an important role in increasing the occurrence of fraud among bank employees.

Furthermore, research conducted by (Zaki, (2017)) says that opportunity influences fraudulent financial statements. Opportunity is an opportunity that allows fraud to occur, usually caused by weak internal controls of an organization, lack of oversight, or abuse of authority from a leader.

In contrast to research conducted by (Hildayani, (2021)) the results of the study show that pressure has no significant effect on employee fraud. Meanwhile, opportunity has a significant effect on employee fraud, and rationalization has a significant effect on employee fraud intentions.

Formulation of the problem

Based on the introduction that has been explained previously, the researcher formulates the problem as follows:

1. Pressure has a positive effect on fraudulent financial statements
2. Opportunity has a positive effect on fraudulent financial statements
3. Rationalization has a positive effect on fraudulent financial statements

Problem goal

This research aims to :

1. To find out whether pressure has a positive effect on fraudulent financial reporting
2. To find out the opportunity to have a positive effect on fraudulent financial statements
3. To find out rationalization has a positive effect on fraudulent financial statements

METHOD

Data types and sources

This research uses quantitative descriptive. The data source used is primary data. Primary data was obtained directly from the results of the questionnaire in the form of a google form which was filled in by the respondents, namely the head of the branch of each banking company in South Sulawesi.

The questionnaire is in the form of a list of statements and the weight of the Likert scale questionnaire assessment, namely Strongly Disagree (STS) with a score of 1, Disagree (ST) with a score of 2, Neutral (N) with a score of 3, Agree (S) with a score of 4, Strongly Agree (SS)) with a score of 5.

Population and sample

The population in this study are banking companies in South Sulawesi. Furthermore, the sample of this study is 65 banking companies from each city in South Sulawesi with sampling with certain criteria. The variables used in this study are pressure with indicators consisting of 1) financial pressure, 2) pressure from someone's bad habits, 3) pressure from external parties. Furthermore, the second variable is opportunity with indicators namely 1) Lack of control to prevent and detect violations, 2) Inability to assess the quality of an outcome 3) Failure to discipline perpetrators of fraud 4) Lack of access to information 5) Ignorance, apathy or indifference, and ability inadequate from the party who is disadvantaged in fraud, 6) Lack of inspection. The third variable, namely rationalization with indicators, consists of: (1) feeling one's own, (2) indebtedness, (3) no party is harmed, (4) fraudulent acts for the sake of kindness. As for the variable of fraudulent financial satements with indicators, namely 1) Improper revenue recognition. (2) The time difference (timing difference). (3) Disclosing debts and costs appropriately (concealed liabilities and expenses). (4) Improper disclosure, and (5) Improper asset valuation.

Descriptive statistical test

Ghozali, (2007) said that descriptive statistics are a method for organizing and analyzing quantitative data, namely: frequency, central tendency (mean, median, mode), dispersion (standard deviation and variance), and correlation coefficient between research variables. The size used in descriptive statistics depends on the type of construct measurement scale used in the research.

Classic assumption test

The classical assumption test consists of the following is Normality test, Multicollinearity Tes, Heteroscedasticity Tes, Autocorrelation Test.

Determination Coefficient Test (R2)

Ghozali, (2011: 97) said that the coefficient of determination test is to measure how much the model's ability to explain the independent variable to the dependent variable. This R2 value provides the information needed to predict the independent variable.

Simultaneous Test (Test F)

Ghozali, (2011: 97) in (Khoirudin, (2013)) said that this test was also carried out to measure the accuracy of the sample regression function in estimating the true value statistically." The F test basically shows whether the independent variables included in the model have a simultaneous effect on the dependent variable. The regression model is said to be feasible if the significant level is <0.05 while the significant level is > 0.05, then it is declared not feasible.

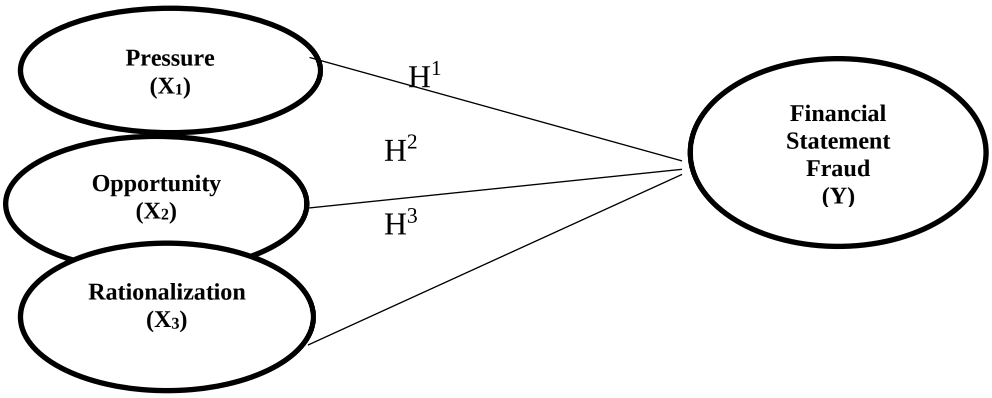
Partial test (t test)

Ghozali, (2011: 97) Says that the t test can show how much influence each independent variable has on the dependent variable.

Research Model

The conceptual framework of this research is:

Graph 1. Conceptual Framework



Source: Researcher development, 2023

RESULTS AND DISSCUSION

The results of the validity test on the four variables, namely Pressure (X_1), Opportunity (X_2), Razionalization (X_3), and Fraudulent Financial Statements (Y) obtained the value of r for all items, namely above 0.361 and a significance value below 0.05. Therefore, it can be concluded that all items in these variables are valid or feasible to use for each variable.

Table 1. Validity Test

Variable	r Calculate	Significance	Description
Financial statement fraudulent	0,789	0,001	Valid
Pressure	0,554	0,000	Valid
Opportunity	0,657	0,000	Valid
Rationalization	0,573	0,000	Valid

Source: Primary data processed in 2023

The results of the validity test on the four variables, namely Pressure (X_1), Opportunity (X_2), Razionalization (X_3), and Fraudulent Financial Statements (Y) obtained the value of r for all items, namely above 0.361 and a significance value below 0.05. Therefore, it can be concluded that all items in these variables are valid or feasible to use for each variable.

Table 2. Reliability Test

Variable	*Cronbach's Alpha*	Condition	Description
Financial statement fraudulent	0,875	0,60	Reliabel
Pressure	0,779	0,60	Reliabel

Opportunity	0,765	0,60	Reliabel
Rationalization	0,790	0,60	Reliabel

Source: Primary data processed in 2023

Based on the results of the reliability test on each variable, it was found that the variable was reliable. This is evidenced by the value if the Cronbach's alpha value for each variable is above 0.60. It can be interpreted that the questionnaire used in research can be trusted as a data collection tool and is able to reveal actual information in the field.

Table 3. Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Standar Deviation
Fraudulent Financial statement	35	-5,50	0,45	-0,065	0,473
Pressure	35	0,04	0,50	0,414	0,159
Opportunity	35	0,00	0,80	1,255	10,55
Rationalization	35	0,00	1,00	0,144	0,363

Source: Processed primary data

Table 4. Multiple Linear Regression Analysis Test Results

Variabel	Hipotesis	Koefesien	Signifikansi
Pressure	H_1 +	0,32	0,001*
Opportunity	H_2 +	0,10	0,024
Rationalization	H_3 +	0,25	0,000
R-Squared		0,10	
Adjusted R-Square		0,05	
F-Statistic		1,15	0,036

Source: Processed primary data

DISCUSSION

The research aims to examine the relationship and influence of the independent variables on the dependent variable. This study uses multiple regression analysis with a significance level of 5%. If the significance level is more than 0.05, then the independent variable has no effect on the dependent variable, or the hypothesis is not supported. Conversely, if the significance level is less than 0.05, then the independent variable affects the dependent variable, and the hypothesis is accepted. The research results will be explained one by one as follows:

Explanation of Discussion 1

The calculation results obtained t value of 3.297 and a probability number of 0.001 which is smaller than the significance level of 5% or 0.05. The results of the study show that there is a significant and positive influence between Pressure on Fraudulent Financial Reporting partially. Thus the first hypothesis which states that Pressure has an effect on Fraudulent Financial Reporting, is accepted.

The greater the pressure, the greater the fraudulent financial reporting. Greater pressure can be associated with a greater possibility of violating credit agreements and a higher ability to obtain additional capital through loans. Pressure is excessive pressure for management to meet the requirements or expectations of third parties. When a company experiences external pressure from the company, a greater risk of material misstatement can be identified due to fraudulent financial reporting. One of the pressures that is often experienced by company management is the need to obtain additional debt or external sources of financing to remain competitive, including financing research and development or capital expenditures. Pressure proxied by a higher leverage ratio can be associated with a greater likelihood of violating credit agreements and a lower ability to obtain additional capital through loans.

The results of this study are in line with the results of research conducted by (Sihombing, 2014), (Tiffani L. &., 2015), (Kayoi, 2019) in Susianti and Yasa (2015); Annisya et al. (2016), (Sulaiman, (2014), found that pressure has a significant effect on financial statement fraud. However, this research is not in line with research conducted by (Ardiyani, 2015) dan (Arie, 2016) who found that pressure has no significant effect on financial statement fraud.

Explanation of Discussion 2

The calculation results obtained t value of 2.280 and a probability number of 0.024 which is smaller than the significance level of 5% or 0.05. The results of the study show that there is a significant influence between Opportunity on fraudulent financial reporting partially, meaning that companies with high Opportunity have an impact on fraudulent financial reporting by companies. Based on testing the second hypothesis which states that Opportunity has a significant effect on fraudulent financial reporting is accepted. This significant result indicates that the company's low internal control can open opportunities for fraudulent acts on the company's financial statements. So it is important to place employees who have the ability to detect fraud. internal control weaknesses and having a strong ego and self-confidence in detecting and being able to control work stress (Wolf & Hermanson, 2014 in (Nursani, 2014).

However, the results of this study are not in line with research conducted by (Manurung, 2015), (Sari, 2016) (Mardiana, (2022) found that opportunity has no significant effect on financial statement fraud (financial statement fraud).

Explanation of Discussion 3

The calculation results obtained t value of 2.262 and a probability number of 0.000 which is smaller than the significance level of 5% or 0.05. The results of the research show that there is a significant influence between rationalization and fraudulent financial reporting. Based on the third hypothesis testing which states that rationalization has a significant effect on Fraudulent Financial Reporting, it is accepted. These results indicate that the use of management policy (discretion) is high or the motive for manipulating earnings is low. The rationalization variable is included in the third pillar in the fraud triangle which is the most difficult element to indicate its measurement, because rationalization is an attitude of justification carried out by management, employees, or the board of commissioners (Schuchter, (2016)) , (Ruankaew, (2013)).

The results of this study are in line with research conducted by Sihombing and (2014); Herawati and Wahyuni (2016); Sari Selni Triponika (2016), found that rationalization has a significant effect on financial statement fraud. However, this research is in line with research conducted by Tiffani and Marfuah (2015) in (Chandrawati, (2021)) and (Susianti, (2015)) found that rationalization had no significant effect on financial statement fraud.

CONCLUSION

Based on the results of an analysis
conducted on banks in South Sulawesi regarding the detection of fraudulent financial statements on pressure, opportunity and rationalization factors. So it can be concluded as follows:

1. H_1 accepted, means that there is a significant influence between pressure on financial statement fraud partially.
2. H_2 accepted means that there is a significant influence between opportunity and partial financial statement fraud.
3. H_3 accepted meaning that there is a significant influence between Rationalization and partial financial statement fraud.

SUGGESTION

The suggestions for further research are as follows:

Future research needs to examine other factors that influence fraudulent financial reporting apart from financial stability, external pressure, financial targets, ineffective monitoring, nature of industry, rationalization and foreign ownership, for example auditor industry specialization, KAP size, audit quality and other factors.

Future research needs to use other data analysis methods besides multiple regression, for example logistic regression so there is no need to eliminate outlier data.

Investors can consider pressure, needs and rationalization in predicting fraudulent accounting reporting.

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