

Research Article

Fraud in Banking Financial Reports in Indonesia from an Agency Perspective

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Abstract: This study examines the factors that cause fraud in financial reporting. The study analyzed 195 data points from 39 financial institutions listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2023 using a purposive sampling technique. The research applied multiple linear regression analysis to analyze the impact of governance independence and performance variables on the likelihood of fraudulent financial reporting. The independent variables include financial targets assessed by profitability (return on assets [ROA]), financial stability measured by changes in assets, external pressure measured by the debt-to-equity ratio (DER), and the proportion of independent commissioners as a measure of good corporate governance. The study proves that financial targets affect fraudulent financial reporting, while financial stability, external pressure, and independent commissioners do not influence fraudulent financial reporting. The findings of this study provide valuable insights for regulators, investors, and management to enhance oversight and reduce the risk of fraud in the banking sector.

Keywords: External Pressure; Financial Stability; Financial Target; Fraud; Independent Commissioners

1. Introduction

The company is obliged to publish financial reports, which have become its responsibility when carrying out financial management in a period. Therefore, The preview of financial statements must be reliable, comparable, and also relevant (Fitriana et al., 2024). This fraudulent act is carried out intentionally to obtain benefits for individuals or groups involved Putri & Suryani (2024) fraud is categorized as unethical behavior such as bribery and also corruption that generally occurs in any organization.

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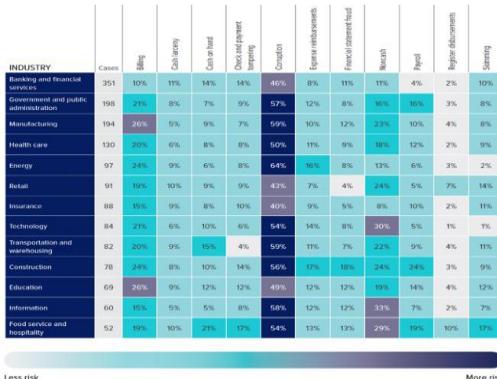


Figure 1. Fraud Cases Bases on Industry

Source: ACFE's Report to the Nations (2022)

Based on the data presented in Figure 1, cases of misconduct in the financial and banking institutions are the most prevalent, totaling 351 cases, of which 11% involved deceptive financial disclosures. Although this percentage is lower compared to corruption (46%), check and payment tampering (14%), or billing fraud (10%), the survey data from the Association of Certified Fraud Examiners (ACFE) Indonesia (2020), In Indonesia, corruption stands as the most prevalent category of fraud, with the occurrence of corruption causing manipulation of financial statements in a company (ACFE, 2020). IDX.CO.ID (2024) the latest survey

conducted by GBG in collaboration with Chartis Risk states that Indonesia rank top in banking fraud cases, particularly in money mule activities and also identity theft with 67% of financial report manipulation carried out by bank management. Bank Bukopin Case (2023) The Bank Bukopin has manipulated its reports by accelerating revenue recognition and also delaying provisions for problematic credit losses. Authority conducted an audit and also reprimand also Bank Bukopin management to improve financial reporting and also tighten internal supervision (IDX.CO.ID 2023). Bank Mandiri case (2020): Bank Mandiri engaged in profit and asset inflation practices to meet work targets and maintain market trust. Ultimately, the management of Bank Mandiri manipulated financial report data (IDX.CO.ID 2020).

Financial targets are specific goals or objectives that a company aims to achieve in its financial management. Financial targets are important for an effective financial strategy, achieving financial goals in a measurable and also planned manner (Fernand & Kunci, 2025). Previous research from Eriyana & Asuti (2024) and Fernand & Kunci (2025) It was revealed that the financial goals set conducted by the company contribute positively to the occurrence of fraudulent practices in financial reporting. Meanwhile, Septiani et al., (2025) and Rohmah et al., (2024) It is explained that financial goals do not affect the incidence regarding fraud in financial statements. Financial stability pertains to the state of economic equilibrium, which in turn reflects The firm's economic condition, whether it is sound or unsound, a company's overall financial condition is able to manage its assets effectively, thereby reducing the likelihood of fraud in its financial reports (Mayangsari2, 2025). Research from Yulianti et al., (2023) and Eriyana & Astuti (2024). It is explained that the stability has no effect on fraud in financial statements. Meanwhile, research Sugiarto & Damayanti (2023) and Rizki (2022) explains that financial stability affects fraud in the company.

External pressure represents a significant demand also imposed on management to meet external expectations stakeholders. One of these pressures Represents the firm's capability or capacity to make debt payments. The more significant The outside influence faced by the company to fulfill these expectations. Previous research from Yulianti (2023) and Putra (2022) discovered that external pressure had beneficial effect on fraud of Financial statement . Meanwhile, Mayangsari2 (2025) and Chenkiani & Prasetyo (2023) found no influence from external pressure affecting fraud of Financial statement. Independent commissioners form a part of the board of commissioners, responsible for monitoring operational activities of Company (Annisa & Kuntadi, 2024). Independent commissioners play a role in improving corporate governance practices by providing advice, and also ensuring that companies comply with applicable laws and also implement the principle of transparency in financial reporting. Research Fitriana & Fidiana (2024) explains that independent commissioners do not contribute positively to mitigating financial reporting fraud, as an increase in the number of board members can effectively diminish such fraud. This analysis highlights the inconsistencies found in prior research, indicating that the issue of fraud in financial reports remains inadequately addressed (Fitriana et al., 2024). As a finding, scholars seek to explore the components of financial goals, financial stability, external pressure, and also Independent commissioners. The findings of this study are expected to improve the understanding of the factors that influence the condition of the organization's financial reports.

2. Literature Review

Agency Theory

The agency theory presented by Alchian and also Demsetz in 1972, and later explained upon by Jensen and also Meckling in 1976, elucidates dynamics either the principal and also the agency in the context of organizational activities (Sutisna et al., 2024). This theory refers to the correlation or interaction that occurs either two parties, namely the principal and also the agency (Tanjaya & Kwarto, 2022). Based on this theory, it is explained that the function of the principal is described to shareholders, while for management an agency who is tasked and also responsible for carrying out tasks in the interests of the principal (Wardoyo et al., 2021). This means that the principal gives tasks and also responsibilities to the agency to carry out the tasks given (Wardoyo et al., 2021). The dynamics of the correlation either the principal and also agency, a conflict can occur due to differences in interests that exist, capital owners prioritize the continuity of a stable company and also the potential for good growth in the future, while agency pay more attention to welfare in managing the company (Chenkiani & Prasetyo, 2023). The conflict of interests either the main and also the agency raises the probability of fraudulent activity in financial statements (Sutisna et al., 2024). Where the theory provides an explanation regarding the characteristics of humans is prioritizing personal interests, for example, when a leader wants a big increase, but the agency is unable to fulfill the request, the agency can manipulate to create the impression that he has met the leader's expectations in order to maintain his own reputation (Putri & Suryani, 2024).

Fraud Financial Statement

Fraud of Financial statement is the behavior of management in manipulating financial reports from their actual condition (Azizah et al., 2025). Based on to ACFE, fraud of Financial statement is the highest level, as seen from the fraud tree or Occupational fraud (Azizah et al., 2025). Fraudulent actions are designed in such a way that they are very difficult to detect directly, there must be specific expertise possessed to uncover cases of fraud of financial statement (Syahraeni, 2024). The modus operand alsoi used by the scammer Mukaromah & Budiwitjaksono (2021) such as number manipulation in financial statements, omitting important information and also delaying expense recognition, so that profits appear higher than they actually are. Waruwu & Sugeng (2023) F-Score is a statistical method used to test the correlation or the effect exerted by the predictor variables on the outcome variable is a central focus in this study, variable in a regression model, especially in multiple regression analysis.

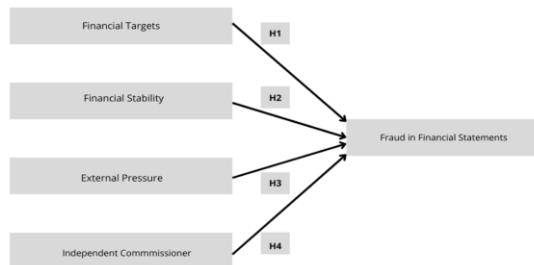


Figure 2. Research Framework
Financial Targets Impact of Fraud Financial Statement

Financial targets refer to the specific profit levels or earnings outcomes that an organization aims to achieve within a certain period, typically as a finding of its strategic and also operational efforts (Putra, 2022). These targets often function as benchmarks to evaluate the performance of management. On the other hand and financial statements represent the culmination of accounting processes, serving as a structured medium to communicate a company's financial condition also performance to external stakeholders (Mendrofa et al., 2024). The linkage either financial targets and also agency theory arises from the fundamental principle that management, as agency, is expected to operate in alignment with the objectives of the shareholders, often measured through financial performance indicators such as profitability. However, when corporate management is subjected to excessive pressure to meet ambitious or unrealistic profit expectations, it can create incentives to manipulate reported financial outcomes in order to portray a favorable financial position (Eriyana & Astuti, 2024). This pressure may compromise ethical judgment and lead to earnings management or even fraudulent reporting practices.

Based on Sasongko & Wijayantika (2019), elevated performance targets can open opportunities for management to engage in manipulative behavior within financial disclosures. Research from Fernanda & Kunci (2025) supports this view, demonstrating that stringent financial goals have a positive correlation with the incidence of financial misreporting. Therefore, while financial targets are essential for goal-setting and also evaluation, they can inadvertently increase the risk of fraud of Financial statement when not aligned with realistic and also achievable corporate conditions.

H1: Financial Targets Impact of Fraud Financial statement

Financial Stability Have Positive Impact Fraud Financial Statement

Financial stability refers to the data regarding financial state the company, the company certainly shows a stable financial condition because it affects the attractiveness of investors and also future financial flows and also investments are influenced by the enterprise's performance (Yulianti et al., 2023). Stakeholders tend to place greater trust in firms that demonstrate consistent financial performance. Accordingly, corporations must demonstrate sound financial conditions to earn such trust. If the company's condition reflects a stage of growth lower than the sector banking norm, this will push management to manipulate financial reports (Ahmad et al., 2024). The correlation either financial stability and also agency theory argues that a company facing financial instability puts pressure on its management, which may result in a decrease within the organization's investment value, finding in manipulated reports instead of reflecting the actual conditions (Alvionika & Meiranto, 2021). Wijaya (2022) Financial stability contributes positively to financial reporting fraud poor asset advancement leads management to take steps involving intentional misstatements in financial documentation, including data manipulation in Financial reports prepared by management.

H2: Financial stability have positive impact Fraud Financial statement
External Pressures Affect Fraud Financial statement

External pressure is an action that requires companies to meet expectations, managers are often pressured to obtain large loan capital (Mayangsari2, 2025). External pressure itself is an external factor. This external pressure causes the possibility of fraud of Financial reports. Existence of pressure provides coercion for involvement in fraud of Financial statement activities in meeting the goals set by the company. Fraud of the preparation of financial disclosures becomes more probable in the presence of external pressure on the organization (Saadah et al., 2022). Companies need additional debt or funding sources to maintain their advantages in order to continue to compete. If external pressure on the company increases, the possibility of fraud will also increase. Companies with Elevated debt levels ratios are believed have huge debts and also Large loan exposure ratios. Research from Fernand & Kunci (2025) Indicates how external forces have a beneficial association with fraudulent reporting practices.

H3: External Pressures Affect Fraud Financial statement

Independent Commission Causes Fraud Financial statement

Independent commissioner is a person who has no correlation with key corporate stakeholders and also he holds no directorial position in the relevant company (Hidayat & Muliasari, 2020). This type of commissioner is also tasked with supervising and also guiding with applicable provisions (Hidayat & Muliasari, 2020). Independent commissioners and the concept of nostalgia are interconnected, as organizations facing financial instability exert pressure on their management. This dynamic can influence the investment value of the company, potentially finding within manipulated financial reports (Fitriana et al., 2024). Independent board commissioners functions for the openness also corporate accountability. The existence of this board can increase the clarity and also organizational accountability, A higher proportion of independent board members contributes to more effective monitoring of the company's management (Fitriani & Fidiana, 2024). Research Widowati & Oktoriza (2021). Demonstrates a positive relationship between the presence of independent commissioners and financial statement fraud

H4: Independent Commission Causes Fraud Financial statement

3. Research Method

Using a quantitative research approach, this study focusses on banking institutions that are recorded on the Indonesia Stock Exchange (IDX) have released full financial statements for 2019–2023 timeframe. Purposive sampling is the sampling strategy used, which is the intentional selection of samples according to particular standards pertinent to the study's goals. By using this method, the study focusses on traditional commercial banks that satisfy the predetermined inclusion criteria. The five-year observation period allows for a comprehensive evaluation of financial trends and also reporting behaviors within the selected institutions. The criteria used for determining the eligibility of the sample are outlined in Table 1. This structured sampling framework ensures the relevance and also reliability of the data while minimizing the presence of outliers or irregular financial disclosures. Consequently, the sample provides a robust foundation for conducting empirical analysis and also drawing meaningful conclusions regarding financial reporting practices in the Indonesian banking sector.

Table 1. Cricket Sampling Using Purposive Sampling

No	Description	Quantity
1	Banking institutions registered on the Indonesia Stock Exchange (IDX)	48
2	Total Non-conventional bank	9
3	Conventional banking institutions publicly listed on the Indonesia Stock Exchange between 2019 and 2023	39
4	Listed conventional banks operating in the general banking sector from 2019 to 2023	0
5	Conventional commercial banking companies do not provide the data needed in the study	0
Total Sample		195

Source: Data processing, 2025

The data for the selected company samples were identified based on the research variables. The independent variables used in the measurement include financial targets (ROA), financial stability (Achange), external pressure (DER), and the proportion of independent commissioners within the board of commissioners.

Table 2. Measurement of Variables

Variable	Measurement of Variables	Source
Financial Target	$ROA = \frac{\text{Net income after tax}}{\text{Total assets}}$	(Skousen et al., 2009)
Financial Stability	$Achange = \frac{t\text{Total Assets} - \text{Total Assets} (t-1)}{\text{Total assets}}$	(Skousen et al., 2009)
External Pressure	$DER = \frac{\text{Total Debt}}{\text{Total assets}}$	(Skousen et al., 2009)
Independent Commissioner	$\text{Proportion of the board of commissioners} = \frac{\text{Number of Independent Commissioners}}{\text{Total Number of Board of Commissioners}}$	(Fitriani & Fidiana, 2024)

Fraud Financial Statement = $\alpha + \beta_1 ROA + \beta_2 Achange + \beta_3 DER + \beta_4 \text{Propotion of The Board of Commissioners} + \epsilon$

Description: FFS represents a financial report that includes aspects of fraudulent activity; α denotes a constant; $\beta_1 - \beta_4$ signifies the regression coefficient; FT refers to return on assets; FS indicates the variation in total assets; EF represents leverage; IC stand also for an independent commissioner, and also ϵ denotes an error.

Fraud Financial Statement F-Score = Accrual Quality + Financial Performance (Mukaromah & Budiwitjaksono, 2021)

Accrual Quality calculated using RSST Accrual with the formula:

Table 3. Measurement of Variables

RSST Accrual	$\frac{(\Delta WC + \Delta NCO + \Delta FIN)}{\text{Average Total Asset}}$	(Mukaromah & Budiwitjaksono, 2021)
Working Capital (ΔWC)	Current Asset – Current Liability	(Mukaromah & Budiwitjaksono, 2021)
Non Current Operating (ΔNCO)	(Total Asset – Current Asset – Investment and also Advances) – (Total Liabilities – Current Liabilities – Long Term Debt)	(Mukaromah & Budiwitjaksono, 2021)
Financial Accrual (ΔFIN)	Total Investment – Total Liabilities	(Mukaromah & Budiwitjaksono, 2021)
Accrual Average Total Asset	Net Profit – Cash Flow from Operations Beginning Total Asset + Ending Total Asset/2	(Piotroski et al., 2013) (Mukaromah & Budiwitjaksono, 2021)

Financial performance with the formula:

Table 4. Measurement of Variables

Financial Performance	$\frac{\text{Change in Receivables} + \text{Change in Inventories} + \text{Change in Cash Sales} + \text{Change in Earnings}}{\Delta \text{ Receivable} / \text{Average Total Asset}}$	(Mukaromah & Budiwitjaksono, 2021)
Change in Receivable	$\Delta \text{ Inventories} / \text{Average Total Asset}$	(Mukaromah & Budiwitjaksono, 2021)
Change in Inventories	$\Delta \text{ Sales} - \text{Sales}^{(t)} / \Delta \text{ Receivable} - \text{Receivable}^{(t-1)}$	(Mukaromah & Budiwitjaksono, 2021)
Change in Cash Sales	$\Delta \text{ Earnings} / \text{Average Total Asset}^{(t)} - \Delta \text{ Earnings} / \text{Averane Total Asset}^{(t-1)}$	(Mukaromah & Budiwitjaksono, 2021)

Data Analysis Metod

The present study employed multiple linear regression analysis, utilizing WarpPLS 8.0 to process and evaluate the collected data. The analytical procedure was carried out through several testing stages, detailed as follows:

- This study employed descriptive statistics to present the essential characteristics of the dataset, which include minimum, maximum, mean, and standard deviation values.
- The Goodness-of-Fit Model Test is performed to evaluate the suitability and adequacy of the applied structural model by referring to several fit indicators.
- The testing of hypotheses and the analysis of statistical significance were carried out to assess the influence of each independent variable on the dependent variable, employing

indicators including path coefficients, p-values, and t-statistics obtained from the WarpPLS 8.0 output.

4. Results and Discussion

The research was analyzed using WarpPLS 8.0 software.

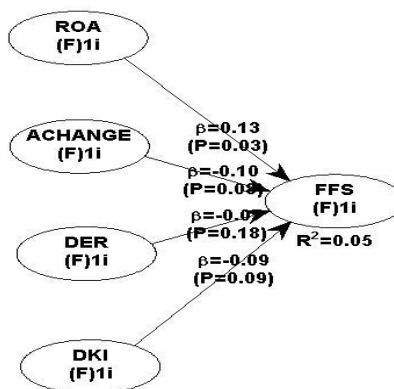


Figure 3. Research Model

Source: Warp PLS 8.0 output processed

Figure 3 presents the results of the structural model analysis conducted using WarpPLS 8.0 software. This analysis aims to assess the influence of several independent variables on the dependent variable, namely fraudulent financial statements. The independent variables consist of ROA (Return on Assets), ACHANGE (Asset Change), DER (Debt to Equity Ratio), and DKI (Independent Board of Commissioners). The relationships between the variables are represented by path coefficients (β) and statistical significance values (p-values), while the R^2 value is used to evaluate How far the independent variables explain the variance in the dependent variable.

Table 5. Descriptive Statistical Test

Variable	N	Maximum	Minimum	Median	Mean
Financial Target	195	18.058	-2.307	0.890	1.311
Financial Stability	195	1.126	-0.398	0.070	0.110
External pressure	195	5.994	0.059	0.833	0.855
Independent Commissioner	195	1.000	0.267	0.600	0.575
Fraud Financial Statement	195	9.935	0.013	1.225	1.915

Source: Warppls 8.0 output processed

According to the results presented in Table 5, the Financial Target variable has values ranging from -2.307 to 18.058. The Financial Stability variable shows a minimum of -0.398 and a maximum of 1.126. For the External Pressure variable, the observed values fall between 0.059 and 5.994. The Independent Commissioner variable varies from 0.267 to 1.000. Meanwhile, the dependent variable, Fraudulent Financial Statements, has a range between -0.473 and 6.567. In addition, the intervening variable, Financial Performance, records values from 0.013 up to 9.935.

Table 6. Model Fit Test Result.

Criteria	Fit Criteria	Result	Conclusion
Average path coefficient (APC)	P<0.1	0.097	Accepted
Average R-squared (ARS)	P< 0.1	0.045	Meet the Criteria
Average adjusted R-squared (AARS)	P<0.1	0.025	Meet the Criteria
Average block VIF (AVIF)	acceptable if <= 5, ideally <= 3.3	1.015	Fit Model
Average full collinearity VIF (AFVIF)	acceptable if <= 5, ideally <= 3.3	1.035	Ideally
Tenenhaus GoF (GoF)	Small >= 0.1, medium >= 0.25, large >= 0.36	0.212	Fit Model (Small)
Sympson's paradox ratio (SPR)	acceptable if >= 0.7, ideally = 1	1.000	Ideally

R-squared contribution ratio (RSCR)	acceptable if ≥ 0.9 , ideally = 1	1.000	Ideally
Statistical suppression ratio (SSR)	acceptable if ≥ 0.7	1.000	Ideally
Nonlinear bivariate causality direction ratio (NLBCDR)	acceptable if ≥ 0.7	0.875	Accepted

Source: WarpLSS 8.0 output processed

Referring to the findings presented in Table 6, the applied model demonstrates an acceptable level of fit. This conclusion is supported by several evaluation indicators. Firstly, the Average Path Coefficient (APC), Average R-squared (ARS), and Adjusted Average R-squared (AARS) show p-values below 0.1, signifying that the relationships between variables in the model are statistically meaningful. Moreover, the model proves to be significant and acceptable. The values of the Average Variance Inflation Factor (AVIF) and Average Full Collinearity VIF (AFVIF) are both lower than the maximum threshold of ≤ 5 , which demonstrates that multicollinearity is not an issue. The Tenenhaus Goodness of Fit (GoF), with a value of 0.212, illustrates a small yet adequate level of model fit. Additional indicators, including the Sympson's Paradox Ratio (SPR), R-squared Contribution Ratio (RSCR), Statistical Suppression Ratio (SSR), and Nonlinear Bivariate Causality Direction Ratio (NLBCDR), also meet the required benchmarks, further confirming that the model is stable, consistent, and reliable.

Table 7. R-Square Contributions

Variable	Contributions
Financial Target	0.018
Financial Stability	0.011
External pressure	0.005
Independent Commissioner	0.012
Fraud Financial Statement	0.045

Source: WarpLSS 8.0 output processed

Table 7 shows an R-squared value of 0.045, suggesting that the independent variables considered in this research, including financial target, financial stability, external pressure, and independent commissioners, explain merely 4.5% of the variation in fraud financial statement.

Table 8. Hypothesis Testing Results

Variable	Coefficient	P-Value	Ideal	Results
Financial Target	0.128	0.034	<0.05	Significance
Financial Stability	-0.099	0.080	<0.05	Not significance
External pressure	-0.066	0.177	<0.05	Not significance
Independent Commissioner	-0.094	0.091	<0.05	Not significance

Source: WarpLSS 8.0 output processed

The Influence of Financial Targets on Fraud Financial statement

According to the test outcomes, Return on Assets (ROA), representing financial targets, exhibits a statistically significant effect on financial statement fraud, with a p-value below 0.034. This outcome corroborates the first hypothesis and indicates that heightened pressure to fulfill financial targets i Profitability is associated with a higher probability of financial statement fraud risk of fraud. The phenomenon can be understood through the lens of Agency Theory, which points to potential conflicts of interest between owners and managers. The pressure to achieve high profitability targets may lead management to engage in opportunistic behavior, including the manipulation of financial statements, in order to preserve reputation and fulfill stakeholder expectations. Lestari & Jayanti, (2021) argue that psychological and professional pressure are key drivers of fraudulent behavior. This is further supported by Achmad et al (2022), who found that performance targets, when not accompanied by strong internal controls, can create conditions that are conducive to fraud. Putri & Suryani (2024) also emphasize that when financial targets are not aligned with the company's realistic capabilities, earnings manipulation may become a strategic choice to maintain a favorable image. Therefore, overly ambitious and unrealistic financial targets can serve as a critical trigger for financial reporting fraud, as explained within the framework of Agency Theory.

Financial Stability Does Not Affect Fraud Financial statement

The results of the second hypothesis testing show that financial stability, as measured by changes in total assets (ACHANGE), does not positively affect financial statement fraud, with a p-value of 0.080 (> 0.05). This indicates that second hypothesis is not empirically supported. This analysis shows consistent with prior studies by Yulianti (2023) and Eriyana & Astuti (2024), which concluded that financial stability is not able to significantly influence of fraudulent financial reporting. Companies with stable financial conditions generally exhibit sound asset management and experience lower tendency To adjust financial reporting. Companies that have either stable or unstable financial conditions do not appear to have a

significant influence on the likelihood of financial statement fraud (Fitriana et al., 2024). Also found that neither financial stability nor instability has a causal relationship with a company's tendency to commit financial statement manipulation. This suggests that a company's fiscal condition whether stable or unstable is not a decisive factor in the emergence of fraudulent practices (Nuryana et al., 2024). In the context of Agency Theory, the relationship between the principal (owner) and the agent (management) inherently carries the risk of conflict of interest due to differing objectives. Agents tend to act in their own self-interest, which may be detrimental to the principal. Such conflicts can serve as a trigger for financial statement fraud.

External Pressure Does Not Affect Financial Statement Fraud

The third hypothesis tests the impact of external pressure, measured by the Debt-to-Equity Ratio (DER), on financial reporting fraud. The result shows a p-value of 0.177, indicating no significant effect. This aligns with findings from Mayangsari (2025) and Chenkiani & Prasetyo (2023), who concluded that debt pressure does not immediately result in financial statement fraud. External pressure experienced from management is not necessarily associated with the financial stability of the company. Instead, such pressure often arises from the expectations of external stakeholders such as investors, creditors, and regulators regarding the achievement of financial targets or overall performance (Langsa et al., 2025). These pressures, including demands to increase profitability, obligations to repay debts, and regulatory compliance requirements, do not directly correlate with an increased risk of financial statement fraud (Nurhafifa et al., 2023). Through the lens of Agency Theory, pressures from outside indicate possible conflicts between managers (agents) and shareholders (principals), where agents may feel compelled to satisfy the principals' expectations, even through unethical or manipulative practices. However, such pressure can occur regardless of whether a firm is in a financially stable or unstable condition. Without effective oversight and a robust internal control system, this pressure may serve as a motivation for fraudulent financial reporting. Therefore, financial stability alone cannot be considered the primary determinant of the level of external pressure that might potentially lead to fraud.

Independent Commissioner Does Not Affect Financial Statement Fraud

The final hypothesis discusses the role of independent commissioners in curbing financial statement fraud. The test results show a p-value of 0.091, indicating that the presence of independent commissioners does not have a significant effect on reducing financial reporting fraud within the sampled institutions. This finding is consistent with the research by Fitriani & Fidiana (2024), which states that although independent commissioners play an important role in upholding governance standards, their presence alone is not always sufficient to prevent financial misconduct. In theory, independent commissioners serve as supervisors who ensure transparency, accountability, and adherence to ethical principles. However, their effectiveness largely depends on their expertise, authority, and active involvement in the oversight process. From the perspective of Agency Theory, independent commissioners function as a control procedure to mitigate conflicts. Misalignment of objectives between agents and principals can lead to financial statement fraud. However, if commissioners fail to carry out their roles optimally due to a lack of industry understanding, indecisiveness, or merely serving a symbolic role, the risk of fraud remains. Furthermore, a larger number of commissioners does not necessarily enhance oversight effectiveness and may even create coordination issues that reduce efficiency (Tan et al., 2022). Therefore, although the structural presence of independent commissioners is important, their role must be supported by other governance mechanisms, such as effective internal audits, information transparency, and a strong ethical culture within the organization, in order to effectively prevent fraud.

5. Conclusion

Based on the analysis conducted, it can be concluded that financial targets show a meaningful contribution to the occurrence of fraudulent financial reporting. This finding suggests that internal pressure arising from the demand to satisfy financial performance targets is a major driving force behind manipulative reporting practices carried out by management. In contrast, the variables of financial stability, external pressure, and the presence of independent commissioners do not show a significant impact on financial reporting fraud. The company's financial condition whether stable or unstable does not appear to be a determining factor in the emergence of fraudulent behavior. Likewise, external pressures from investors, creditors, or regulatory authorities do not directly contribute to the risk of fraud. Furthermore, although independent commissioners are theoretically predicted to serve as a key factor in supervisory function in good company governance, their presence alone is not always effective in preventing fraudulent practices. This ineffectiveness may stem

from limited competence, weak independence, or their symbolic function without active oversight. The recommendation from the findings of this research is to add or expand also the number of sample time spans and also research sectors so that more data is obtained to see the consistency of the findings to be obtained. In addition, the use of a mix method or mixed method can be carried out in further research in order to dig deeper into information and also analysis. Other variables can also be added such as Nature of Industry, corporate governance, corporate profit management, audit committee, or managerial ownership.

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