

CHAPTER V

CONCLUSION & SUGGESTION

5.1 Conclusion

This study aims to determine fraudulent financial statements as measured by the variables from the pentagon theory of fraud. This study examines the fraudulent financial statements of insurance sub-sector companies listed on the Indonesia Stock Exchange in 2018-2021. The variables used from fraud pentagon theory in this study include Financial Target, Financial Stability, External Pressure, Ineffective Monitoring, Nature of Industry, Change in Auditor, Change in Director, CEO Photos, and Political Connection. Based on the results of data processing and data analysis, the following conclusions can be obtained from this study:

1. The external pressure and nature of industry variables have a negative effect on fraudulent financial statements, while the change in auditor variable has a positive effect on fraudulent financial statements.
2. The variables financial targets, financial stability, ineffective monitoring, change in directors, CEO pictures, and political connections have no significant effect on fraudulent financial reporting.
3. The independent variable (Fraud Pentagon Theory) is able to explain the dependent variable (financial statement fraud) of 60.7% and the relationship between the independent variable and the dependent variable is included in the medium category.

5.2 Research Limitation

In this study, there are still many limitations, so that the research results cannot be used as a general reference. Some of these limitations include:

1. The test results of the coefficient of determination show that the independent variables used in this study are able to explain the dependent variable by 60.7%. That is, there are still independent variables outside of this study which can explain the dependent variable which can be re-examined.
2. The calculation of several variables which are still quite difficult to measure using quantitative methods such as elements of rationalization and capability and arrogance becomes less accurate.

5.3 Suggestion

Based on these limitations, the suggestions that can be put forward are as follows:

1. To improve the ability of the Fraud Pentagon Theory in analyzing fraudulent financial statements, it is advisable for further research to use other variables for the elements in the Fraud Pentagon Theory in order to obtain better and more accurate results.
2. For further research, it is better to use a mixed method with the addition of a qualitative approach to measure the variables in the elements of rationalization, capability and arrogance to get more accurate and in-depth results.