

## CHAPTER V

### CONCLUSION AND SUGGESTION

#### 5.1 Conclusion

This study aims to prove empirically the influence of Pressure (External Pressure, Financial Stability, and Financial Targets), Opportunity (Ineffective Supervision, Influence of Industry Nature, and Quality of External Auditors), Rationalization (Change of Auditors and Auditor Opinions), Competency (Substitution of Directors), and Arrogance (Frequent number of CEO's picture and CEO duality) regarding fraudulent financial statements of consumer goods industry companies listed in the Indonesia Stock Exchange during 2017-2019.

1. The pressure variable from the fraud pentagon theory is proven to have a positive effect on fraudulent financial reporting. This is evidenced by the significance value of the pressure variable  $< 0.0001$  and the beta coefficient value of  $0.38$  so that the first hypothesis can be accepted.
2. The opportunity variable from the pentagon fraud theory has no effect on fraudulent financial reporting. This is evidenced by the significance value of the opportunity variable of  $0.016$  or  $> 0.001$  in a negative direction as proven by the beta coefficient value of  $-0.197$ , so it can be concluded that the second hypothesis is rejected.
3. The rationalization variable of the fraud pentagon theory has a negative effect on fraudulent financial reporting. This is evidenced by the beta

coefficient value of -0.028 and a significance value of 0.383 or  $> 0.001$ , which means that the third hypothesis which states that rationalization has a positive effect on fraudulent financial reporting is rejected.

4. The competence variable of the fraud pentagon theory has a negative effect on fraudulent financial reporting. This is evidenced by the beta coefficient value of -0.002 and a significance value of 0.493 or  $> 0.001$ , which means that the fourth hypothesis which states that the competence variable proxied by the change of directors has a positive effect on fraudulent financial reporting is rejected.
5. The arrogance variable of the fraud pentagon theory has a positive effect on fraudulent financial reporting but not significant. This is evidenced by the beta coefficient value of 0.037 but the significance value of 0.348 or  $> 0.001$ , so the fifth hypothesis which states that the arrogance variable has a significant positive effect on fraudulent financial reporting is rejected.

## **5.2 Implications of Research Results**

The implications of the results of this study are mainly on the pressure variable with indicators of financial targets, financial stability and external pressure, which are proven to have a significant positive effect on fraudulent financial reporting. It is hoped that this research can provide benefits to users of financial statements, especially companies that are included in the consumer goods industry, it could be a consideration for management who is an agent and person in charge of shareholders. Besides, investors can use it as a tool to add information to be more careful in considering investments. For creditors as a

consideration when giving credit to the company. Financial report users can use indicators of the financial target, financial stability and external pressure to detect whether a company has the potential for financial statement fraud so that it can be used as one of the considerations in decision making

### **5.3 Limitations of Research and Suggestions**

Based on the research results, the limitation of this study is the  $R^2$  value of 0.22. This means that the effect of the independent variable on the dependent variable is only 22% and the other 78% is explained by factors outside this research study. It is recommended that in future studies to add another proxy variable of the fraud pentagon such as political connection in Aidil and Kurnia (2017) and institutional ownership in Taufiq Akbar (2017) so that the research variables become wider.

