THE EFFECT OF FINANCIAL STABILITY, NATURE OF INDUSTRY AND TOTAL ACCRUAL ON FRAUDULENT FINANCIAL STATEMENTS

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Abstract

This study aimed to investigate the impact of Financial Stability (ACHANGE), Nature of Industry (REC), and Total Accruals (TATA) on fraudulent financial statements, using the Modified Jones model as a proxy. The study used the documentation method to collect data from 55 industry companies listed on the Indonesia Stock Exchange in 2020. Annual financial reports were obtained from the IDX website, and a sample of 34 companies was selected using purposive sampling. Multiple linear regression analysis, prerequisite analysis tests, classical assumption tests, and hypothesis testing were used to analyze the data. The multiple linear regression analysis was used to examine the relationship between variables, while the prerequisite test checked the normal distribution of data, the classic assumption test checked for data acceptability, and the hypothesis test determined the acceptance or rejection of hypotheses. The results revealed that Financial Stability (ACHANGE) and Nature of Industry (REC) had a significant impact on fraudulent financial statements, while Total Accruals (TATA) did not have a significant effect.

Keywords: *ACHANGE, Fraud Triangle, Fraudulent Financial Statements, Modified Jones Model, TATA*

1. INTRODUCTION

Managing finances in business means controlling money in every transaction. Enterprises run by everyone often pay attention to the development of income and expenses that occur in a certain period. This is closely related to financial problems, which, if not managed properly, can impede and even halt the business. Companies, as business operations, need standard guidelines for creating routine financial reports.

According to Christy, financial statements generally record transactions involving cash or credit, purchases or sales, which are reported depending on the policymakers, whether monthly or yearly. According to Statement of Financial Accounting Standards (PSAK) number one, financial statements consist of the following components: a snapshot of the financial position at the end of the period, profit or loss and comprehensive income, changes in equity, cash flows, notes to financial statements, and comparative information from the previous period. All information provided by financial statements is expected to be an illustration for internal parties (decision-makers) and external parties (investors) (Christy et al., 2015).

In order to achieve the company's expected goals, the administration insists on striving for the best financial management in each reporting period. According to Rahman et al. (2020), financial reports, used as information for various stakeholders, play an essential role in the company's sustainability and must be managed with good practices. Therefore, management often faces pressure to create financial reports that are well-

received by stakeholders, especially external parties. The consequence of this pressure can lead to fraudulent financial statements by not accurately reflecting the company's actual financial condition (Rahman et al., 2020).

According to Mardianto and Tiono, fraud is an act carried out intentionally to hide, change, and avoid the facts of essential information so that these actions can influence and change decisions for someone who does it for profit (Mardianto & Tiono, 2019). According to Reskino and Anshori, this fraudulent act occurred in both developing and developed countries, involving official/state institutions and private companies, both national and multinational. This generally can happen when the company is experiencing sluggish development, as well as the uncertain state and world economic situation causing management to commit fraudulent actions (Reskino & Anshori, 2016).

The Financial Services Authority stated that in 2014, the Financial Services Authority (OJK) released data on 262 companies that were not under its authority. From 2018 to June 2020, 2591 illegal peer-to-peer lending fintech companies and 99 business activities were forcibly terminated (OJK, 2020). According to the researcher, the impact of this fraudulent behavior will mislead the information presented and harm the relevant stakeholders. There will be a crisis of trust in the management and the companies involved.

According to a survey conducted by the Association of Certified Fraud Examiners (ACFE) Indonesia 2020, it was stated that in 2019 there were at least 239 frauds that occurred in Indonesia. There are 167 cases due to corruption, 50 issues due to misuse of state and company assets/wealth, and 22 points due to financial statement fraud. Crime alone has a total loss of 373.65 billion, while the misuse of assets has a total loss of 257.52 billion. Still, fraud in financial statements with a percentage of 9.2% of cases, the total loss is 242.26 billion.

A survey conducted by ACFE stated that employees ranked at the top with 31.8%, owners with 29.4%, and managers with 23.4%. The small percentage did not reduce the losses, which were almost as large as the others. However, many employees are involved in fraud cases around Rp 10-100 million, while managers and owners are between Rp 500 million - > 10 billion (ACFE Indonesia, 2020).

Speaking of financial statement fraud cases, British Telecom, a British foreign giant, has a chance in one of its business lines in Italy which inflated its profits by making fake contract extensions and invoices and fraudulent transactions with vendors known through complaint reports that were forwarded through accounting. Forensics by Klynveld Peat Marwick Goerdeler (KPMG). The resulting impact is not only dropping the name of the company but its Public Accountant, namely Price Waterhouse Coopers (PwC), a well-known public accounting firm included in the big four. As a result of the disclosure, British Telecom had to reduce profits by GBP 530 million and cut cash flows to meet all undisclosed debts of GBP 500 million. Before this incident, British Telecom had paid taxes on profits, which were detrimental because they did not exist. Sanctions of dismissal were imposed on British Telecom Italia Executive Luis Alvarez, then Chief Executive Officer Gavin Patterson, and Chief Financial Officer Tony Chanmugam, who had to return bonuses including GBP 340,000 and GBP 193,000, and British Telecom shareholders asked for a loss report for defrauding investors and fraud cases. Financial statements are not announced immediately (Telecommunications, 2017).

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In the domestic case, Rahman explained that the state-owned company in aviation transportation, namely PT. Garuda Indonesia Tbk. Stumbled on fraud where the Financial Services Authority (OJK) and the Ministry of Finance stated that the 2018 financial report submission was not by PSAK. The case sentenced the Public Accounting Firm (KAP) Kasner Sirumapea and KAP Tanubrata, Sutanto, Fahmi, Bambang & Partners, issuers, and directors to evidence of violations of the annual financial statements. This case occurred because the management of Garuda Indonesia recognized receivables as revenue of US$ 239.94 million. As a result, in 2018, the SOE achieved a net profit of US$ 809.85 thousand (Rahman et al., 2020).

According to a report from the Financial Services Authority in 2019, the discrepancy was conveyed by 2 Garuda commissioners, namely Chairul Tanjung and Dony Oskaria. They stated that the recognition and measurement of income must follow PSAK No. 23. This situation allows management to use earnings management by recognizing revenue annually or spread throughout the agreement. According to a Press Release (SP26/DHMS/OJK/VI/2019) issued by the OJK, in the end, there was an order for the improvement and restatement of the Annual Financial Statements (LKT) and the imposition of administrative sanctions of Rp. One hundred million jointly and severally to Garuda, each member of the Board of Directors, all members of the Board of Directors, and the Board of Commissioners for those who signed (Otoritas Jasa Keuangan, 2019).

Indrani and Siregara state that the reality of fraud that occurs anywhere is closely related to manipulated financial statements ranging from transaction evidence and recording to the opportunity for fraudulent financial statements to be wide open for perpetrators (Indarti & Siregara, 2018). The definition of financial statement fraud, according to Irsutami and Sapriadi, is an intentional misrepresentation that can mislead accounting data (Irsutami & Sapriadi, 2020). According to Prasmaulida, this effort is carried out as a way to eliminate material facts so that when considering the available information, the reader can change his judgment or decision (Prasmaulida, 2016). The researcher concludes that if the management of company activities in the financial statements is held by management if there is fraudulent behavior, stakeholders and the public will find it difficult to restore their trust.

As the party responsible for financial management, Huang stated that management must maintain a corporate culture that prohibits fraud. Facts in the field are often individuals from management and even managers who commit fraud and use opportunities in their positions. They consider themselves to be under pressure which ultimately rationalizes their fraudulent actions. On the other side, companies also need an image to increase their name and value so that investors come to invest their capital (Huang et al., 2017).

To detect fraudulent financial statements, it is necessary to investigate what factors may cause this incident. According to Cressey, three elements often arise when fraudulent steps occur. At first, a person has pressure which is the cause of committing fraud. Then in that condition, he sees an opportunity to carry out his actions. Finally, this person will become the perpetrator of fraud and rationalize the reasons so that his actions are not wrong (Aghghaleh & ., 2014). This theory is better known as the Fraud Triangle, which Cressey owns with three factors causing it, namely pressure, opportunity, and rationalization (Irsutami & Sapriadi, 2020).

Pressure, according to Marliani is where it refers to an event that occurs in a person's life and motivates him as a perpetrator of the theft. If the perceived pressure is higher, fraudulent behavior from someone will likely appear and occur. In cases that often happen, management is generally encouraged to demonstrate the company's ability to create profits. All of which are displayed by utilizing existing resources so that investors can be interested in investing in their companies (Marliani, 2015). The variable taken in this theory is financial stability (CHANGE).

According to Marliani, the opportunity is a position where a person's feelings about committing fraud have possible situations and conditions that are not detected. In this situation, a person will feel confident about the open opportunities, so fraudulent behavior will likely occur (Marliani, 2015). According to Rahma and Suryani, an actor can see the advantages of the weakness of the company's control system at the right time and place. He can eliminate fraudulent actions (Rahma & Suryani, 2019). The variable taken in this theory is nature of the industry (REC).

According to Iqbal and Murtanto, rationalization occurs due to someone who feels that his fraudulent actions are the truth, also called justification efforts made by the perpetrators. In Cressey's fraud triangle theory, rationalization is the most difficult to measure in any case because the perpetrators are always looking for justifications for their behavior. This behavior makes the perpetrator believe that his actions can be carried out by others, feeling that it is not a crime even though it is illegal (Iqbal & Murtanto, 2016). The variable taken in this theory is total accrual (TATA).

The results of other studies that have been mentioned previously aim to strengthen the reasons why researchers want to examine the problems that have been described. Collecting these journals is to improve this research because each journal's contents can be a reliable source. All the journals mentioned have different results in their results, variables, proxies, and calculations. Therefore, it can be concluded that this research is still relatively new, and not many previous researchers have done it.

This study was conducted to detect fraudulent financial statements using financial stability, nature of industry and total accrual. Financial Stability uses the ACHANGE proxy, Nature of Industry uses the REC proxy and Total Accruals uses the TATA proxy. This research has a period of 2020 with a population of industry companies listed on the Indonesia Stock Exchange. Researchers hope that this work can clarify the urgency of financial reports so that their management is in accordance with applicable regulations so that no party is harmed.

2. LITERATURE AND HYPOTHESIS DEVELOPMENT

Sabatian & Hutabarat (2020) explain "companies generally need a lot of assets and companies want to see developments quickly, so they are vulnerable to fraud on the part of assets". Change in total assets (ACHANGE), namely a situation where asset growth increases significantly, which can lead to financial statement fraud, because fast growth indicates an unstable company state (Mardianto & Tiono, 2019). The greater the change in total assets (ACHANGE) of a company, the greater the possibility that the company will mispresent its financial statements (Dwijayani et al., 2019).

H1 : Financial stability has a significant effect on fraudulent financial statements.

Companies that use estimates to determine certain account sizes are at significant risk, especially if management involvement with subjective considerations will increase financial statement fraud (Rahman et al., 2020). The nature of this industry is caused by unreliable accounting and the complexity of accounting regulations, as a result companies vulnerable to fraud due to management assumptions about certain accounts (Utama et al., 2018). This particular account is the accounts receivable ratio (REC), which if sales turnover is high, this situation allows management to commit fraud on financial reports to reduce receivables (Mertha Jaya & Poerwono, 2019).
H2 : Nature of Industry has a significant effect on fraudulent financial statements.

High (positive) total accruals (TATA) indicate a firm's basic condition for excessive profits through increased accrual transactions in revenue recognition (Beneish, 1999). High total accruals indicate that the business has a lot of accumulated profits, which indicates a low amount of cash from profits (Kartikasari & Irianto, 2010). High total accruals indicate that the company has a lot of accrual interest. If the exercise value is positive, then the possibility of profit manipulation is greater (Stephanus, 2018).
H3 : Total Accrual has a significant effect on fraudulent financial statements.

Clinard & Cressey (1954) made a theoretical hypothesis that three conditions are always present when fraudulent financial reporting occurs. The fraud triangle is composed of three conditions, namely pressure (financial stability), opportunity (nature of the industry), and rationalization (total cost). Opportunity, namely the nature of the industry can open doors and pressure with financial stability and rationalization, namely total accruals can attract someone to fraud (Silverstone et al., 2012).

The fraud triangle reveals that the first typical fraudster has an incentive or pressure with financial stability as a proxy. Fraudsters will then take advantage of opportunities represented by the nature of the industry to manifest themselves as control weaknesses. Finally, fraudsters will rationalize their actions represented by total accruals through an attitude or mindset that fraudulent actions will solve problems when there is an urgent need (Padget, 2015).
H4 : financial stability, nature of industry and total accruals have a significant effect on fraudulent financial reporting.
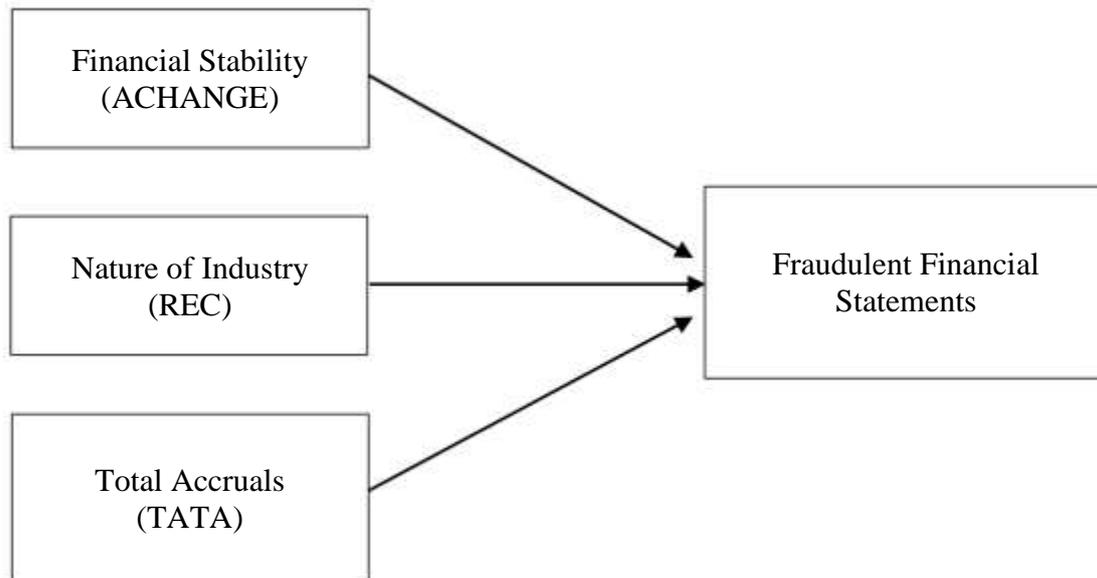
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┌─────────────────────┐
│  Financial Stability │
│      (ACHANGE)       │
└─────────────────────┘

┌─────────────────────┐                    ┌─────────────────────┐
│  Nature of Industry  │ ────────────────▶  │ Fraudulent Financial│
│        (REC)         │                    │     Statements      │
└─────────────────────┘                    └─────────────────────┘

┌─────────────────────┐
│   Total Accruals     │
│       (TATA)         │
└─────────────────────┘
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Figure 1. Relationship between Dependent Variable and Independent Variable

3. RESEARCH METHODS

This study used quantitative analysis, where according to Hartati (2016), the results of processing quantitative data will be presented in the form of numbers with statistics. In this research, information will be sourced from library databases and gathered through the use of documentation methods. The data collection process will involve the use of various types of documents such as pictures, photographs, diagrams, charts, literary works, artwork, and more. The data is obtained using secondary data; according to Yusuf & Daris (2018), secondary information is obtained from existing or previously collected sources, usually from reports or documents, libraries, or relevant research results. The method of analysis carried out in this study uses tools in the statistical application program, namely Statistical Product and Service Solution (SPSS).

This study focuses on analyzing industry companies that are listed on the Indonesia Stock Exchange as well as non-listed ones that meet specific research criteria. The research criteria include companies that did not release their annual financial reports through their website or the IDX website and were delisted in the 2020 period, as well as companies experiencing outliers. The researchers used Purposive Sampling as the technique to select a sample of 34 companies from a total population of 55 companies.

3.1. Variable Operationalization
2.2.1. Dependent Variable

Stages for determining discretionary accruals as an indicator of earnings management in the Modified Jones Model.

Table 1. Formula Modified Jones Model

No.	Description	Formula
1.	Determine the total value of accruals with the formulation	$TA_{it} = NI_{it} - CFO_{it}$
2.	Determine the parameter values a1, a2, a3 using the Jones Model (1991), with the formulation	$TA_{it} = \alpha_1 + \alpha_2 \Delta Rev_{it} + \alpha_3 PPE_{it} + \varepsilon_{it}$
3.	Then to scale the data, all these variables are divided by the previous year's assets so that the formulation changes to	$\dfrac{TA_{it}}{A_{it-1}} = \alpha_1 \left(\dfrac{1}{A_{it-1}}\right) + \alpha_2 \left(\dfrac{\Delta Rev_{it}}{A_{it-1}} - \dfrac{\Delta Rec_{it}}{A_{it-1}}\right) + \alpha_3 PPE_{it} + \varepsilon_{it}$
4.	Calculating the NDA value with the formulation. Parameter values α1, α2 and α3 are the results of calculations in step 2 by filling in all the values in the formula so that the NDA value can be obtained.	$NDA_{it} = \alpha_1 \left(\dfrac{1}{A_{it-1}}\right) + \alpha_2 \left(\dfrac{\Delta Rev_{it}}{A_{it-1}} - \dfrac{\Delta Rec_{it}}{A_{it-1}}\right) + \alpha_3 \left(\dfrac{PPE_{it}}{A_{it-1}}\right)$
5.	Find the value of discretionary accruals which are indicators of accrual earnings management by subtracting total accruals from nondiscretionary accruals using the formula	$DA_{it} = TA_{it} - NDA_{it}$

Source : Jones (1991), Dechow et al. (1995)

3.2. Independent Variable

Financial Stability : $ACHANGE = \dfrac{Total\ Asset\ t - Total\ Asset\ t - 1}{Total\ Asset\ t}$

Nature of Industry : $RECEIVABLE = \left(\dfrac{Receivable\ t}{Sales\ t}\right) - \left(\dfrac{Receivable\ t - 1}{Sales\ t - 1}\right)$

Total Accrual : $TATA = \dfrac{Laba\ Usaha\ (t) - Arus\ Kas\ dari\ Aktivitas\ Operasi\ (t)}{Total\ Aktiva\ (t)}$

4. RESULTS AND DISCUSSION
4.1. Normality Test

In the Kolmogrov-Smirnov test using a significance level of 5% with decision making, it is stated that the data is normally distributed if it has a significance value > 0.05. Meanwhile, using the Normal Probably Plot has criteria for decision-making. The

data can be normally distributed if the points or data are in the diagonal area and follow a diagonal line.

According to the results of the normality test presented in the table, it can be observed that the Asymp.sig (2-tailed) value of 0.200 is higher than the significance level of 0.05. Therefore, it can be inferred that the data follows a normal distribution. This implies that the significance level of the residual is more significant than 0.05, and it can be concluded that the data used in this study, namely ACHANGE, REC, TATA, and Modified Jones Models, are normally distributed. This normality test provides evidence that the data can be further analyzed with other statistical tests.

4.2. Linearity Test

The Linearity Test results indicate that the significance value for Linearity is 0.751, which is greater than the significance level of 0.05. As a result, it can be inferred that there is a linear relationship between the dependent variable (financial statement fraud) and the independent variables (financial stability, nature of industry, and total accruals).

4.3. Multicollinearity Test

In the Tolerance column X1 is 0.815, X2 is 0.860, X3 is 0.933 which is more than 0.1 and the VIF value of X1 is 1.227, X2 is 1.162, X3 is 1.072 which means less than 10. So it meets the criteria and it can be concluded that the regression model does not occur multicollinearity.

4.4. Heteroscedasticity Test

In the scatterplot image above, it can be seen that the distribution of points in the image above is as follows: the data points spread above and below the 0. point, the data points are not spread at the top or bottom only, and the data points are not clustered and form a certain pattern.

To interpret the results of the heteroscedasticity test using the Glejser test, it is sufficient to refer to the output coefficients table with the ABRESID variable acting as the dependent variable. From the output, it can be seen that the significance value (Sig.) for the ACHANGE (X1) variable is 0.159, for RECEIVABLE (X2) variable is 0.835, and for TATA (X3) variable is 0.646. As the significance values for all three variables are greater than 0.05, it can be concluded that the regression model is not violating the classical assumption of heteroscedasticity and is therefore appropriate to use.

4.5. T-Test

Based on the t-test results presented in the table, it can be observed that for the financial stability variable (ACHANGE) (X1), the t-statistic is 3.038. Using a two-tailed test with a significance level of $0.05/2 = 0.025$ and degrees of freedom (df) of 30 (n-k-1), the t-table value is 2.04227. Since the t-statistic value is greater than the t-table value ($3.038 > 2.04227$) and the significance value ($0.005 < 0.05$), the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is accepted. This implies that there is a significant effect of financial stability (ACHANGE) on financial statement fraud using the modified Jones model proxy.

For the nature of industry variable (REC) (X2), the t-statistic is 3.353. Using a two-tailed test with a significance level of $0.05/2 = 0.025$ and df of 30, the t-table value is 2.04227. Since the t-statistic value is greater than the t-table value ($3.353 > 2.04227$) and the significance value ($0.002 < 0.05$), the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is accepted. This implies that there is a significant effect of the nature of industry (REC) on financial statement fraud using the modified Jones model proxy.

However, for the total accrual variable (TATA) (X3), the t-statistic is 0.081. Using a two-tailed test with a significance level of $0.05/2 = 0.025$ and df of 30, the t-table value is 2.04227. Since the t-statistic value is smaller than the t-table value ($0.081 < 2.04227$) and the significance value ($0.936 > 0.05$), the null hypothesis (H0) is accepted and the alternative hypothesis (Ha) is rejected. This implies that there is no significant effect of total accrual (TATA) on financial statement fraud using the modified Jones model proxy.

4.6. F-Test

Based on the research results, in the Sig column, if it is known that the value is <0.05, it can be concluded that financial stability, nature of industry and total accruals simultaneously or together have an effect on fraudulent financial reporting.

4.7. Coefficient Determination Test

Based on the given table, the R Square (R^2) value is 0.525, indicating that financial stability (ACHANGE), nature of industry (RECEIVABLE), and total accrual (TATA) variables, measured using the Modified Jones Model, explain 52.5% of the variation in financial statement fraud. The remaining 47.5% of the variation is affected by other factors that are not included in the model.

4.8. Effect of Financial Stability (ACHANGE) on Fraudulent Financial Statements

The results of the multiple regression analysis in the table above indicate that there is a significant effect of financial stability (ACHANGE) on financial statement fraud measured by the modified Jones model proxy. The t-test results show that ACHANGE has a significance level of 0.005, which is less than 0.05, and a t-value of 3.038, which is greater than the t-table value of 2.04227. Therefore, it can be concluded that the first hypothesis (H1) is supported, and it can be interpreted from this study that changes in total assets have an impact on detecting 34 respondents involved in committing financial statement fraud.

Based on the results of this study, in line with the theory put forward by Dorminey et al. (2012) that the pressure felt from financial problems that cannot be communicated creates a source of crime, this is caused by the perception of social stigma with the problem. In addition, a strong sense of ego or pride can make someone seek help or to achieve the problem they are experiencing. That perpetrators engage in social and political pressure in situations where a person feels and believes that their status or reputation should not cause them to fail. So that the results of this study can be said to be in accordance with the existing theory. This is in line with research Mardianto & Tiono (2019), Muhandisah & Anisykurlillah (2016) and Rahma & Suryani (2019) that financial stability (ACHANGE) has an effect on fraudulent financial statements.

4.9. Effect of Nature of Industry (REC) on Fraudulent Financial Statements

Based on the multiple regression analysis results in the table above, it is evident that the nature of the industry (RECEIVABLE) has an impact on the fraudulent financial statement proxies using the modified jones model. The t statistical test results indicate that RECEIVABLE has a significant level of 0.002, which is less than 0.05, and a t value of 3.353, which is greater than the t-table of 2.04227. Therefore, the second hypothesis (H2) is supported, suggesting that the accounts receivable ratio has an effect on detecting 34 respondents involved in financial statement fraud.

Based on the research results according to the theory of Skousen et al. (2011) a good company eliminates and reduces company receivables and increases the company's cash flow. In principle, there is a risk in all transactions in the acceptable area that each transaction will fail. So the results of this study are in line with the existing theory. Based on these results in line with research from Alfina & Amrizal (2020), Himawan & Wijanarti (2020) and Pasaribu & Kharisma (2018) that nature of industry (REC) has an effect on fraudulent financial statements.

4.10. Effect of Total Accrual (TATA) on Fraudulent Financial Statements

According to the results of the multiple regression analysis in the table provided, it was found that there was no significant effect of Total Accruals (TATA) on the fraudulent financial statement proxies modified Jones model. The statistical test of this method revealed a significant level of 0.936, which is greater than the significance level of 0.05. Furthermore, the t-value of 0.081 is lower than the t-table value of 2.04227. Therefore, the second hypothesis (H2) is not supported. Based on this study, it can be interpreted that the total accruals value does not play a role in detecting the 34 respondents who committed financial statement fraud.

Based on research, this is not in accordance with Beneish's theory (1999) that when the total accumulation is greater than cash, this indicates a high possibility of profit manipulation. Then with the theory of Lokanan & Satish (2018) that rationalizers usually adjust their fraud constructions to internalize their mistakes. Until the perpetrators of fraud feel that these actions are not bad and justify this because of company factors. This is in line with research from Aprilia (2017), Mertha Jaya & Poerwono (2019), Utomo (2018) that TATA has no effect on fraudulent financial reporting.

4.11. Effect of Financial Stability (ACHANGE), Nature of Industry (REC) and Total Accruals (TATA) on Fraudulent Proxy Financial Statements Modified Jones Model

The results of testing the hypothesis with multiple regression analysis in the table above show that there is a simultaneous effect of Financial Stability (ACHANGE), Nature of Industry (REC) and Total Accruals (TATA) on fraudulent financial statement proxies modified jones model. The results of the F statistical test show that the independent variables collectively have a significant level of 0.000 which is less than 0.05. This shows that the fourth hypothesis (H4) is supported, it can be interpreted from this study that Financial Stability (ACHANGE), Industry Nature (REC) and Total Accruals (TATA) simultaneously influence the detection of 34 respondents in committing financial statement fraud.

Based on this research, this result is in line with the theory of Padget (2015) that the fraud triangle reveals that the first typical fraudster has an incentive or pressure with financial stability as a representative. Fraudsters will then take advantage of opportunities represented by the nature of the industry to manifest themselves as control weaknesses. Finally, fraudsters will rationalize their actions represented by total accruals through the attitude or mindset that fraudulent actions will solve problems when the need is urgent. Based on these results in line with research from Susanti (2020), Nugraheni & Triatmoko (2017) and Umar et al. (2020) that financial stability (ACHANGE), nature of industry (REC) and total accrual (TATA) simultaneously has a significant effect on fraudulent financial statements.

5. CONCLUSION

The findings reveal that there is a significant correlation between Financial Stability (ACHANGE) and fraudulent financial statement proxies modified Jones model in industrial companies listed on the Indonesia Stock Exchange in 2020. This indicates that as the company's assets grow, there is a higher likelihood of committing financial statement fraud. Conversely, as the company's asset development decreases, the possibility of fraudulent financial statements also decreases.

The study found a significant effect of the Nature of Industry (REC) on fraudulent financial statements of modified Jones model proxies in industrial companies listed on the Indonesia Stock Exchange in 2020. Specifically, the higher the ratio of total receivables owned by the company, the higher the possibility of the company committing financial statement fraud. Conversely, the lower the total receivables ratio, the lower the probability of fraudulent financial statements for the company.

There is no significant influence of Total Accruals (TATA) on fraudulent financial statements of modified Jones model proxies in industrial companies listed on the Indonesia Stock Exchange in 2020. This suggests that there is no correlation between the total amount of accrual transactions a company has and the likelihood of that company committing financial statement fraud.

Adding other proxies to each variable will enable more data to detect fraudulent financial statements such as personal financial need, Return of Assets, leverage, the ratio of several independent commissioners, independent auditor turnover, and others. Re-expanding the data for the year of the research for at least five years to represent more accurate results. Using other proxies on the dependent variable, namely financial statement fraud, such as the Jones model, Dechow, Kaznik, Beneish m-score, and others. Multiply the research sample of at least 100 companies to represent the actual condition of the company.

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