CHAPTER V

CONCLUSION

5.1 Conclusion

This research to provide empirical evidence regarding the effects of Pressure (Financial Targets), Opportunity (Nature of Industry), Rationalization (Change in Auditor), Capability (Educational Level of the President Director), Arrogance (Length of Tenure of President Director) and Collusion (Political Connection) on fraudulent financial statement , it can be concluded as follows:

1. Financial targets have a positive effect on fraudulent financial statements. So it can be concluded that the greater the Return on Assets (ROA), the potential for fraudulent financial statements will increase.

2. The nature of industry has a positive effect on fraudulent financial statements. So it can be concluded that the greater the changes in ratio receivables to sales, it will increase the potential for fraudulent financial statements.

3. Changes in auditors have no effect on fraudulent financial statements. This is because the company changes auditors not because they want to hide fraudulent financial statements, but because the company wants to comply with the Regulation of the Minister of Finance No. 17/PMK.01/2008 article 3 paragraph 1 which states that the provider of general audit services on the financial statements of an entity can be carried out 6 consecutive financial years by the same Public Accounting Firm and 3 consecutive financial years by the same auditor to the same client.

4. President Director's education level has no significant effect on fraudulent financial statements. The level of capability of a President Director with a higher educational background will actually make the President Director more qualified and better at making decisions so he can make the right decisions when experiencing problems without having to commit fraudulent practices.

5. The President Director's length of tenure has no significant effect on fraudulent financial statements. This is due to the longer tenure of a CEO or President

Director serving in a company, the more likely he or she will be more serious about focusing on how to improve the company's situation and choose to contribute to the company's growth that aims to develop the business rather than a new CEO or President Director who has a short tenure.

6. Political connection has no significant effect on fraudulent financial statements. This is because the political connection that the company has does not motivate fraud, but rather this connection as an effort to support the company and all parties must be responsible, including political parties and the government for disclosing fraud in companies.

5.2 Research Limitations

The limitation of this study is that there are several mining sector companies whose financial statements or annual reports are incomplete and not all mining sector companies display annual reports from 2016-2020 on the company's website. So this can reduce the number of research samples.

5.3 Suggestions

Further research on fraud is expected to produce better research by considering the following suggestions:

1. Using company in other sectors as the research objects and use more period of for the research data so the results obtained are more optimal.

2. Use other variables that have not been tested in this study to represent the elements of the fraud hexagon, such as external pressure, financial stability, auditor quality, change of directors and the number of CEO photos in the annual report.

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