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The Effect of Financial Targets and Financial Stability on Financial Statement Fraud in The Mining Sector Registered in Lq-45 For The 2019 – 2023 Period

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Abstract
his study aims to determine the picture and influence of Financial Targets and Financial Stability on financial statement fraud. This study uses a quantitative method with a descriptive and verifiable approach, the secondary data in this study is accessed through www.idx.co.id. The population of this study is companies in the mining sector listed in LQ-45 for the 2019-2023 period with a population of 50 financial statements from 10 companies during the 2019-2023 period. In the sampling process, the technique used is purposive sampling by producing 20 financial reports from 4 companies during the 2019-2023 period. Based on the results of the hypothesis test, it was obtained that the results of the t-test partially concluded that the Financial Target had no effect on Financial Statement Fraud with an effect of 0.1%. Meanwhile, the Financial Stability variabel partially did not affect Financial Statement Fraud with an influence of 3.0%. And simultaneously, Financial Targets and Financial Stability have no effect on financial statement fraud, the amount of influence is -0.70% on the Mining Sector Registered in LQ-45 for the 2019-2023 Period.

Keywords: Financial Target, Financial Stability, Financial Statement Fraud.

1. Introduction

Every company ideally creates and uses financial statements in the process of organizing and managing the company's finances. A legitimate and operating company must record financial statements, recording financial statements is the most important part of running a company's business. Therefore, the recording of financial statements in a company is very important not only to meet legal and regulatory requirements, but it can provide very important information to shareholders, investors, creditors, and other stakeholders about the company's financial health. The Association of Certified Examiners Indonesia (ACFE)

categorizes fraud into three categories, namely asset abuse, corruption and financial statement fraud. Asset abuse is the most common fraud with the lowest average loss rate of USD 120,000. In second place is corruption with an average loss of USD 200,000. Meanwhile, financial statement fraud has the largest average loss rate of USD 766,000 ACFE (2024).

There are many companies that do not carry out their operations with high integrity and are committed in presenting their financial statements and there are companies that manipulate or record their financial statements inaccurately, dishonestly and carelessly, such carelessness will result in fraud in their financial statements. The case of fraud itself is one of the problems that are often faced by countries, not only in developed countries. Developed and developing countries such as Indonesia have also experienced several cases of violations that have occurred. In Indonesia, there is a phenomenon related to fraud in the category of financial statement fraud or manipulation, namely in pertambangan.PT companies. Timah Tbk has a long and complex history related to various issues, including manipulation or fraud in PT Timah's financial statements have manipulated data in the 2018 financial statements unnaturally. The company manipulated the share price per share up to IDR 1,605 from the actual price of IDR 620 per share, an increase of 158 percent. Viewed from this side, the company is suspected of making fictitious financial statements in 2018.

In this study, the calculation of Financial Statement Fraud uses the Beneish M-Score Model. The Beneish M-Score model includes eight ratios to identify financial fraud. to measure Financial Target using Return On Asset. Companies that commit fraud tend to have a lower ROA compared to companies that do not commit fraud Ayu et al (2018). Financial Stability is measured using Achange.

Based on the background and previous research as well as the existence of POJK regulation No. 29/POJK.04/2016 concerning the Annual Report of Issuers or Public Companies, it regulates the submission of financial information that must be in accordance with applicable financial accounting standards. POJK No. 55/POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of the Audit Committee, which regulates internal supervision of financial statements and identifies potential fraud and there are inconsistencies where the results of the research on the variables of Financial Target and Financial Stability on Financial Statement Fraud show different results The identification of the problem in this study is the variable Financial Statement Fraud in the mining sector using the Beneish M Score model, which experiences fraud in finance because the score of the Beneish M Score is greater than -2.22, so the company is indicated to commit fraud or fraud in finance. Furthermore, the Financial Target variable in the mining sector uses Return On Asset (ROA). It shows a below-average return on average which indicates that the company cannot achieve its management targets. The Financial Stability variable in the mining sector using Achange shows the results of Achange below the average which indicates that the company has experienced unstable financial statements.

1.1. **Management**

Management comes from the Italian Imaneggiare which means " to control ", especially in the context of controlling a horse, which comes from the Latin manus meaning hand. The French then adopted this word from English to management, which means the art of performing and organizing" Pratama (2020). Meanwhile, according to Hasan et al. (2022),

management is a process or framework that involves guiding or directing a group of people towards organizational goals or real intentions.

1.2. Financial Management

Financial management is a process in regulating activities or financial activities in an organization, which includes planning, analyzing, and controlling financial activities that are usually carried out by financial manager Sa'adah (2020). Meanwhile, according to Hasan et al (2022), financial management is one part of the basic concepts of accounting or accounting theory.

1.3. Risk Management

Risk Management is a set of policies, a complete procedure that an organization has, to manage, monitor, and control an organization against risks Arta et al (2021). Overall, risk management theory not only helps organizations manage the risks associated with fraud in financial statements, but also strengthens controls and processes that can reduce the likelihood of fraud or the occurrence of such financial statements.

1.4. Financial Statement Fraud

Financial Statement Fraud is an intentional or unintentional act in financial reporting that misleads users of financial statements in decision-making and policies Jao et al (2020). Meanwhile, according to Hutapea (2022), Financial Statement Fraud is an act of misleading financial statements carried out deliberately by Hutapea (2022). Financial Statement Fraud is proxied or measured by the Baneish M-Score Model as follows:

$$\text{SCORE} = -4.840 + 0{,}920 \times \text{DSRI} + 0{,}528 \times \text{GMI} + 0{,}404 \times \text{AQI} + 0{,}892 \times \text{SGI} + 0{,}115 \times \text{DEPI} - 0{,}172 \times \text{SGAI} + 4{,}697 \times \text{TATA} - 0{,}327 \times \text{LVGI}$$

Formula 1 Model Baneish M-Score

1.5. Financial Statements

Financial statement is a written document or record that conveys business activities or activities and financial performance in a company. Meanwhile, according to Hayat et al (2021), financial statements reflect the company's financial performance which includes information such as assets, debt, revenue, profit, and cash flow. Financial statements are the final result of the accounting process, in which all transactions that occur will be recorded, classified, summarized and then compiled into a financial report

1.6. Financial Target

Financial Target is excessive pressure on management to achieve financial targets set by the board of directors or management Jao et al (2020). Meanwhile, according to Putra (2022), Financial Target is the nominal profit given to the management is a benchmark for the performance of a business entity that meets expectations. Financial Target is proxied or measured through ROA or Return On Asset as follows

$$\text{ROA} = \frac{Net\ Profit}{Total\ Assets}$$

Formula 2 *Return On Asset*

1.7. Financial Stability

Financial stability is a state that describes a company's financial condition in a stable state, Kurniati et al (2020). Meanwhile, according to Putra (2022), Financial Stability is a factor that is a demand for management to protect financial stability in an entity. Financial Stability is proxied by Achange as follows:

$$\text{ACHANGE} = \frac{Total\ assets_{(t)} - Total\ assets_{(t-1)}}{Total\ assets_{(t-1)}}$$

Formula 3 ***Achange***

2. Research Method

In this study, quantitative research with descriptive and verifiable approaches is used. According to Wada et al (2024), quantitative research is systematic scientific research on parts and phenomena and the causality of their relationships. According to Wada et al (2024), the descriptive method is one of the various quantitative research methods with a problem formulation that combines research to explore or photograph the social situation to be studied thoroughly, broadly, and in-depth.

This study uses a nonprobability sampling technique. According to Retnawati, (2017) Nonprobability sampling is a sampling technique that does not provide equal opportunities or opportunities for each element or member of the population selected to be a sample. The method used in this study is the purposive sampling method. According to Riyanto & Hatmawan (2020), purposive sample is the selection of samples based on certain characteristics or traits that are considered to be closely related to previously known characteristics or characteristics of the population. The sampling technique is carried out by purposive sampling with the aim of obtaining a representative sample in accordance with the specified criteria.

In this study, the population used is 50 financial reports and annual reports from 10 companies in the mining sector listed in LQ-45 for the 2019-2023 period. And this study uses a sample of 20 financial statements and annual reports from 4 companies for 5 years in the mining sector registered in LQ-45 for the 2019-2023 period.

3. Results And Discussion

3.1. Results

Classical assumption test is used to determine the presence or absence of residual normality, multicollaborativeity, heterokedasticity and autocorrelation in regression models. . The results of the classic assumption test in this study are as follows:

Table 1 Normality Test Results

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			20
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.81168848
Most Extreme Differences	Absolute		.170
	Positive		.170
	Negative		-.095
Test Statistic			.170
Asymp. Sig. (2-tailed)[c]			.133
Monte Carlo Sig. (2-tailed)[d]	Sig.		.133
	99% Confidence Interval	Lower Bound	.124
		Upper Bound	.142

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Source : Results of researcher data processing, SPSS (2024)

processing, SPSS (2024) Based on table 1 above, the results of the normality test using the One-Sample Kolmogorov-Smirnov Test show an Asymp.sig (2-tailed) Unstandardized Residual value of 0.133. This shows that 0.133 > 0.05 can be concluded that the data is normally distributed

Test Table 2 Multicolinity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	5.621	.313		17.981	<.001		
	ROA	-.013	.028	-.127	-.480	.637	.811	1.233
	Achange	1.000	1.157	.228	.865	.399	.811	1.233

a. Dependent Variable: Baneish M-Score

Source : Results of researcher data processing, SPSS (2024)

The Financial Target Variable (ROA) has a tolerance value of more than 0.10 (0.811 > 0.10) and a VIF value of less than 10 (1.233 < 10). Therefore, it can be concluded that the data is stated to be multicollinearity. The Financial Stability (Achange) variable has a tolerance value of more than 0.10 (0.811 > 0.10) and a VIF value of less than 10 (1.233 < 10). So it can be concluded that the data is stated to be multicollinearity

Table 3 Heterokedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.654	.213		3.073	.007
	ROA	-.005	.019	-.072	-.283	.780
	Achange	-.870	.787	-.282	-1.106	.284

a. Dependent Variable: ABS_RES

Source : Results of researcher data processing, SPSS (2024)

Based on table 3 above, it is known that the heterokedasticity test results of the ROA variable have a significant value of 0.780 and the Achange variable has a value of 0.284. The results explain that both variables have a sign value > 0.05, so it can be concluded that all of the above variables do not have heterokedasticity symptoms.

Table 4 Autocorellation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.207[a]	.043	-.070	.85811	1.750

a. Predictors: (Constant), Achange, ROA

b. Dependent Variable: Baneish M-Score

Source : Results of researcher data processing, SPSS (2024)

Based on table 4, the results of the autocorrelation test show a Durbin Watson value of 1,750 where according to Ghozali (2017) if the value of Du < Dw < 4 – du, then there is no negative or positive autocorrelation. In this study, the value of Du = 1.536, the value of 4 – du = 2.463, and the value of Dw = 2.206 or (1.536 < 1.750 < 2.463). Therefore, it can be concluded that in this study there is no autocorrelation.

Table 5 Multiple Linear Regression Analysis Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	5.621	.313		17.981	<.001
	ROA	-.013	.028	-.127	-.480	.637
	Achange	1.000	1.157	.228	.865	.399

a. Dependent Variable: Baneish M-Score

Source : Results of researcher data processing, SPSS (2024)

Based on table 5, the results of multiple regression analysis obtained coefficients for the independent variables X1 = -0.013 and X2 = 1,000 with a constant of 5.621. So that the regression equation model is obtained as follows:

$$Y = 5{,}621 + -0{,}013(X1) + 1{,}000\ (X2) + e$$

The value of α (constant) is 5.621, which means that if the Financial Purpose (ROA) and Financial Stability (Change) variables are ignored (X1-X2=0), then the Financial Statement Fraud variable (Baneish M-Score) remains (constant) at 5.621. The Financial Target regression coefficient (ROA) is -0.013. This shows that the Financial Target (ROA) has a negative regression coefficient direction, meaning that every increase in the Financial Target (ROA) by one unit, the company's chances of committing Financial Statement Fraud (Baneish M Score) decrease by -0.013. The Regression Coefficient of Financial Stability (Achange) is 1,000. This shows that Financial Stability (Achange) has a positive regression coefficient direction, meaning that every increase in Financial Stability (Achange) by one unit will increase Financial Statement Fraud (Baneish M Score) by 1,000.

Table 6 Multiple Correlation Coefficient Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.207[a]	.043	-.070	.85811

a. Predictors: (Constant), Achange, ROA

b. Dependent Variable: Baneish M-Score

Source : Results of researcher data processing, SPSS (2024)

Based on table 6 above, an R value of 0.207 was obtained, which means that the value is in the interval of 0.20-0.399 which shows a low relationship between the Financial Target (ROA) variable (X1) and the Financial Stability (Achange) variable (X2) to the Financial Statement Fraud variable (Baneish M Score) (Y).

3.2. Discussion

Determination Coefficient of Financial Target (ROA) against Financial Statement Fraud (Baneish M Score)

Table 7 Results of Determination Coefficient of Financial Target (ROA)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.028[a]	.001	-.055	.85208

a. Predictors: (Constant), ROA

b. Dependent Variable: Baneish M-Score

Source : Results of researcher data processing, SPSS (2024)

Based on table 7 above, it can be seen that the value of the Financial Target (ROA) determination coefficient (R-Square) is 0.001 which means that the contribution (influence) of the Financial Target (ROA) to Financial Statement Fraud (Baneish M Score) is 0.001 or 0.1%. While the remaining 99.9% were influenced by other variables outside this study.

Financial Stability Determination Coefficient (Achange) on Financial Statement Fraud (Baneish M Score)

Based on table 8 below, it can be seen that the value of the Financial Stability (Achange) (R-Square) determination coefficient is 0.030 which means the contribution (influence) of Financial Stability (Achange) to Financial Statement Fraud (Baneish M Score) is 0.030 or 3.0%. While the remaining 97% are influenced by other variables outside this study

Table 8 Results of Financial Stability Determination Coefficient (Achange) Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.173[a]	.030	-.024	.83957

a. Predictors: (Constant), Achange

b. Dependent Variable: Baneish M-Score

Source : Results of researcher data processing, SPSS (2024)

Coefficient of Determination of Financial Target (ROA) and Financial Stability (Achange) on Financial Statement Fraud (Baneish M Score)

Table 9 Results of Test of Coefficient of Determination of Financial Target (ROA) and Financial Stability (Achange)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.207[a]	.043	-.070	.85811

a. Predictors: (Constant), Achange, ROA

b. Dependent Variable: Baneish M-Score

Source : Results of researcher data processing, SPSS (2024)

Based on table 9 above, it can be seen that the value (Adjused R-Square) is negative, which is -0.070. According to Damodar N. Gujarati (2003) in Yusuf (2019), if in the empirical test an adjusted R Square value is obtained with a negative value, then it is considered zero or the independent variable is completely unable to explain the variance of the bound variable.

Table 10 t-Test (Partial)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	5.621	.313		17.981	<.001
	ROA	-.013	.028	-.127	-.480	.637
	Achange	1.000	1.157	.228	.865	.399

a. Dependent Variable: Baneish M-Score

Source : Results of researcher data processing, SPSS (2024)

Variable Financial Target (ROA) obtained a t_hitung value of 0.480 or an absolute value of 0.480, this value is smaller than t_tabel 2.109. Therefore, it can be concluded that the value of t_hitung< t_ (table) or t_hitung value = 0.480 < 2.109 . Financial Stability Variable (Achange) obtained a t_hitung value of 0.865, this value is smaller than t_tabel 2.109. So it can be concluded that the value of t_hitung< t_ (table) or the value of t_hitung = 0.865 < 2.109

Table 11. F Test Results (Simultaneous)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.561	2	.280	.381	.689[b]
	Residual	12.518	17	.736		
	Total	13.079	19			

a. Dependent Variable: Baneish M-Score

b. Predictors: (Constant), Achange, ROA

Source : Results of researcher data processing, SPSS (2024)

Based on table 11, the results of the F test obtained a F_hitung value of 0.381, smaller than F_tabel 3.59. So it can be concluded that the value of F_hitung< F_ (table) or the value of t_hitung = 0.381< 3.59. The value of the F_hitung Financial Target (ROA) Financial Stability (Achange) of 0.381 is in the H_0 acceptance area and F_tabel is in the rejection area H_0 so it can be concluded that the hypothesis H_a3 rejected or not proven to be true, it can be concluded that the Financial Target (ROA) Financial Stability (Achange) variable has no effect on Financial Statement Fraud (Baneish M Score) in the Mining Sector Registered in LQ-45 for the 2019-2023 Period.

4. Conclusion

The results of this study show that partially Financial Target (ROA) has no effect on Financial Statement Fraud (Baneish M Score) with an influence of 0.1% and that Financial Stability (Achange) has no effect on Financial Statement Fraud (Baneish M Score) with an influence of 3.0%. Simultaneously, the results were obtained that Financial Target (ROA) and Financial Stability (Achange) had no effect on Financial Statement Fraud (Baneish M Score) in the Mining Sector Registered in LQ-45 for the 2019-2023 Period with an influence of -0.070 so it was considered 0 For readers and researchers, it is expected to increase the population and sample, the research period so that the research can cover more variety and increase the generalization of results. , and it is recommended to develop or add other independent variables that are able to influence Financial Statement Fraud (dependent) that are not described in the study so that they can provide better results.

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