

CHAPTER V

CONCLUSION

5.1 Conclusion

The main purpose of this study is to analysis a likelihood of detecting fraudulent financial reporting using the fraud pentagon model, which proxied by earning management modified Jones Model by Dechow. This study used secondary research from annual and financial reports totaling 205 samples, and about 128 were successfully analyzed using SPSS 26 from the banking sector during 2017-2021. Based on the results of the research described in the previous chapter, the conclusions :

1. Pressure proxied by personal financial need, calculated the ratio of shares owned by management (OSHIP) has no effect on detecting the likelihood of fraudulent financial reporting.
2. Opportunity proxied by ineffective monitoring, calculated the ratio of the committee audit that has financial experties (FINEX) has no effect on detecting the likelihood of fraudulent financial reporting.
3. Rationalization proxied by change in auditor, calculated the companies that change the external auditor (AUDCHANGE) has an effect on detecting the likelihood of fraudulent financial reporting.
4. Capability proxied by change in director, calculated the companies that change the president director (DCHANGE) has no effect on detecting the likelihood of fraudulent financial reporting.

5. Arrogancy proxied by frequent number of CEO pictures, calculated CEO photos that appears on an annual report (CEOPIC) has no effect on detecting the likelihood of fraudulent financial reporting.

5.2 Recommendation

The adjusted R-square found out 34% signifies the explanatory power of the model in influencing the independent variables which moderate category. This research also exhibits limitations, which only change in auditor that affected by dependent variables. It could be beneficial to conduct an exhaustive assessment of the chosen independent variables and their connection to the dependent variable. To enhance the model's capacity to impact the independent variables more effectively, several strategies can be considered that authors suggest as follows :

1. Future research is expected to consider several other independent variables that may influence fraudulent financial reporting to regarding fraud in indonesia especially in banking business such as financial targets, receivables ratio, external pressure, nature of industry, audit quality, organizational structure, dualism of CEO position and others.
2. The other sectors related to the earnings management variable that might be consider such as manufacturing, energy, health, industry, infrastructure, and technology.
3. The aspects of arrogance in Pentagon fraud is still limited and challenging, and it is hoped that future research can use other proxies to measure these aspects of arrogance.