

CHAPTER V

CONCLUSION

5.1 Conclusion

This research investigates the effectiveness of the Fraud Pentagon theory, specifically the F-Score model developed by Dechow (2011), in identifying fraudulent financial reporting. It introduces CEO gender as a new moderating variable within the existing framework. The study utilizes secondary data from annual and financial reports of 72 manufacturing companies listed on the IDX in 2023, analyzed using SPSS 26. The following chapter details the research findings and the resulting conclusions:

1. Pressure proxied by external pressure (LEV), calculated by total liabilities per total assets has a negative influence on detecting the likelihood of fraudulent financial reporting, individually.
2. Opportunity proxied by ineffective monitoring (BDOUT), calculated by the total number of independent commissioners has no influence on detecting the likelihood of fraudulent financial reporting, individually.
3. Rationalization proxied by the change of external auditors (AUDCHANGE), calculated by using dummy variable has no influence on detecting the likelihood of fraudulent financial reporting, individually.
4. Competence/capability proxied by the change of board of directors (DCHANGE) calculated by using dummy variabel has no influence on detecting the likelihood of fraudulent financial reporting, individually.

5. Arrogance proxied by frequent number of CEO pictures, calculated the total of CEO pictures that appears on an annual report (CEOPICT) has no effect on detecting the likelihood of fraudulent financial reporting, individually.
6. The Fraud Pentagon framework, which incorporates factors including Pressure, Opportunity, Rationalization, Competence, and Arrogance, was conducted with SPSS software by running the omnibus test. The results indicate that all five elements of the Fraud Pentagon collectively or as a whole has an influence to the likelihood of Fraudulent Financial Reporting (FFR).
7. An interaction analysis conducted in SPSS revealed that CEO's gender does not act as a moderator in the relationship between the Fraud Pentagon framework and FFR. This implies that the influence of the Fraud Pentagon on FFR remains consistent regardless of whether the CEO is male or female. These findings suggest that the risk of FFR is not contingent upon the gender of the company's leader.
8. After running a sensitivity test, the result shows that Pressure (LEV) remains as the only predictor that has influence on FFR for manufacturing companies in Indonesia and CEO's Gender does not moderate the relationship between Pressure, Opportunity, Rationalization, Competence/Capability, Arrogance and FFR.

5.2 Recommendation

Future research on fraud is expected to be able to provide higher quality research findings and results by considering the following suggestions:

1. One limitation of this study is its reliance on a single independent variable which is leverage (proxy of Pressure) that has influence on the dependent variables. Future research is expected to consider several other proxies for independent variables that may influence fraudulent financial reporting to regarding fraud in Indonesia especially in manufacturing sector such as financial targets, financial stability, receivables ratio, nature of industry, political connection, and others.
2. Future studies could explore additional moderating variables beyond those examined here. This could involve investigating another CEO characteristics like age, tenure, experience, or educational background that could or might successfully moderate the relationship between the independent and dependent variables.
3. Building on the success of the F-Score model in manufacturing, future studies can investigate its effectiveness in detecting fraudulent financial reporting across diverse sectors. Potential areas of exploration encompass banking, non-banking institutions, property companies, retail businesses, and service providers.
4. This research investigates manufacturing companies in the year 2023. Future research can enhance the comprehensiveness of the results and get a more robust foundation for drawing conclusions, by striving to extend the observation period to encompass data from multiple years.