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DETECTION OF FINANCIAL TARGET, FINANCE STABILITY AND EXTERNAL PRESSURE FACTORS ON FRAUDULENT FINANCIAL REPORTING WITH MARKET CAPITALIZATION AS A MODERATOR VARIABLE IN MANUFACTURING COMPANIES

DETEKSI FAKTOR FINANCIAL TARGET, FINANCIAL STABILITY DAN EXTERNAL PRESSURE TERHADAP KECURANGAN LAPORAN KEUANGAN DENGAN KAPITALISASI PASAR SEBAGAI VARIABEL MODERATOR PADA PERUSAHAAN MANUFAKTUR

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Abstract

This study aims to analyze the effect of Financial Target, Financial Stability, and External Pressure on Financial Statement Fraud, with Market Capitalization as a moderating variable, in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2017–2019. The research employs a quantitative approach using panel data regression analysis with the Common Effect Model (CEM) and the Moderated Regression Analysis (MRA) technique. The data were obtained from the financial statements of manufacturing companies that met the sampling criteria over a three-year observation period. The results indicate that Financial Target (ROA) has a positive and significant effect on financial statement fraud. Financial Stability (INVSAL and CATA) also shows a significant effect but in different directions: INVSAL increases, while CATA decreases the likelihood of fraudulent financial reporting. External Pressure (FREEC) has a negative and significant effect on financial statement fraud. The moderating variable, Market Capitalization, was found to strengthen the effect of CATA and weaken the effect of INVSAL on financial statement fraud. The R^2 value of 17.52% indicates that the research model explains a moderate portion of the variation in financial statement fraud among manufacturing firms in Indonesia. These findings support Agency Theory and the Fraud Triangle Theory, suggesting that financial pressure, stability, and external conditions play a crucial role in influencing the occurrence of financial statement fraud.

Keywords : Financial Target, Financial Stability, External Pressure, Market Capitalization, Financial Statement Fraud.

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh Financial Target, Financial Stability, dan External Pressure terhadap Kecurangan Laporan Keuangan (Financial Statement Fraud) dengan Kapitalisasi Pasar sebagai variabel moderasi pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia

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(BEI) periode 2017–2019. Penelitian ini menggunakan metode kuantitatif dengan analisis regresi data panel melalui model Common Effect Model (CEM) serta uji interaksi (Moderated Regression Analysis). Data diperoleh dari laporan keuangan perusahaan manufaktur yang memenuhi kriteria sampel selama tiga tahun periode pengamatan. Hasil penelitian menunjukkan bahwa Financial Target (ROA) berpengaruh positif signifikan terhadap kecurangan laporan keuangan, Financial Stability (INVSAL dan CATA) berpengaruh signifikan dengan arah yang berbeda, di mana INVSAL meningkatkan sedangkan CATA menurunkan kecenderungan fraud. External Pressure (FREEC) berpengaruh negatif signifikan terhadap kecurangan laporan keuangan. Variabel moderasi Kapitalisasi Pasar terbukti memperkuat pengaruh CATA terhadap kecurangan laporan keuangan dan memperlemah pengaruh INVSAL terhadap kecurangan laporan keuangan. Nilai R^2 sebesar 17,52% menunjukkan bahwa model penelitian ini mampu menjelaskan sebagian variasi kecurangan laporan keuangan pada perusahaan manufaktur di Indonesia. Temuan ini mendukung teori keagenan (agency theory) dan teori fraud triangle bahwa tekanan, stabilitas keuangan, serta kondisi eksternal berperan penting dalam mendorong tindakan kecurangan laporan keuangan.

Kata Kunci : Financial Target, Financial Stability, External Pressure, Kapitalisasi Pasar, Kecurangan Laporan Keuangan.

1. INTRODUCTION

Financial reports are essential documents that illustrate a company's financial position, performance, and cash flows over a specific period. The information contained within is not only beneficial for management's decision-making but is also utilized by various external parties such as investors, creditors, suppliers, customers, the government, and the general public. Therefore, the quality and reliability of financial reports significantly determine a company's image and credibility in the public eye. Financial reporting is an accounting product commonly used by both internal and external parties for decision-making. It serves as a tool to communicate various financial data or activities of a business to interested parties. Consequently, financial reports play a broad role and serve as the foundation for critical analysis (Rustandi Kartawinata et al., 2021).

However, in practice, it is not uncommon for financial reports to be manipulated to present a better corporate condition than reality. This form of manipulation usually involves overstating assets, revenue, or profits and understating liabilities, expenses, or losses. Such actions are known as financial statement fraud and fall into the category of fraud that causes the most significant losses, even though cases occur relatively infrequently.

Fraud is a dishonest act intentionally committed to obtain personal or group benefit by harming others. Generally, types of fraud can be classified into several main categories: Financial Statement Fraud: The act of manipulating or presenting financial information that does not reflect actual conditions—such as inflating revenue, hiding liabilities, or falsifying accounting records—to mislead investors, creditors, or other stakeholders. This type of fraud is usually committed by top-level management as it relates directly to strategic decision-making and performance reporting, Asset Misappropriation: Fraud involving the theft or unauthorized use of company assets. Examples include cash embezzlement, inventory theft, payroll manipulation, and the use of company facilities for personal gain. Although the loss

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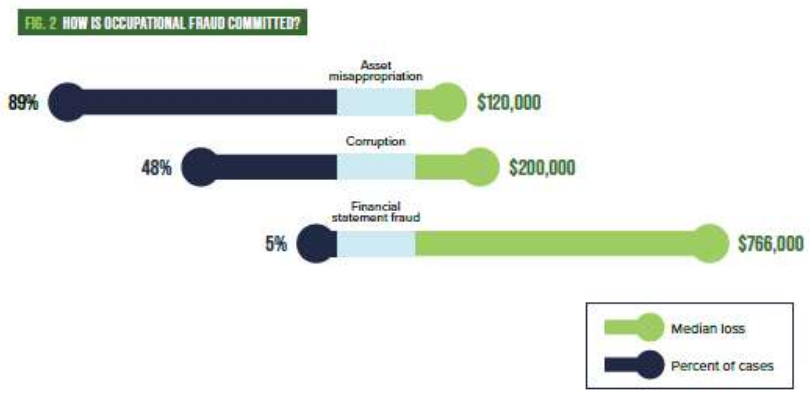
per case is relatively smaller than financial statement fraud, it is the most frequent type and is generally committed by employees at various organizational levels. Corruption: This includes the abuse of position or authority to gain personal benefit through unethical practices such as bribery, illegal gratuities, conflicts of interest, and extortion. Corruption often occurs in business relationships with external parties, such as in procurement processes, contract awarding, or licensing, and can damage organizational integrity and public trust.

In addition to these three main types, fraud can also take the form of non-financial fraud, such as document forgery, manipulation of operational data, or misuse of confidential information. These types of fraud, whether financial or non-financial, fundamentally arise due to weak internal controls, pressure, opportunity, and rationalization by the perpetrator, as explained in fraud theories like the Fraud Triangle and its subsequent developments.

The *Occupational Fraud 2022: Report to the Nations* published by the ACFE confirms the scale of this problem globally. The study, covering 1,921 cases from 138 countries, found that organizations lose an average of 5% of their annual revenue to fraud, with total losses reaching USD 3.1 billion. The median loss per case reached USD 145,000. If projected against the 2022 global GDP of USD 101 trillion, the estimated loss due to fraud worldwide could exceed USD 5 trillion per year. This figure indicates that fraud is not merely an individual case but a systemic and global phenomenon capable of disrupting the financial stability of organizations in the private, public, and government sectors (ACFE Indonesia, 2022).

Occupational fraud schemes are divided into three main categories: asset misappropriation, corruption, and financial statement fraud. The image below shows the frequency and median loss for each of these categories. Asset misappropriation cases involve an employee stealing or misusing the resources of the organization where they work. This is the most common category of occupational fraud, occurring in 89% of cases in the study. These cases also tend to cause the lowest median loss, at USD 120,000 per case. Nearly half of the cases in the study (48%) involved some form of corruption. These cases caused a median loss of USD 200,000 per case. Financial statement fraud, where the perpetrator intentionally causes material misstatements or omissions in the organization's financial reports, is the least frequent category (5% of schemes) but causes the largest median loss (USD 766,000 per case).



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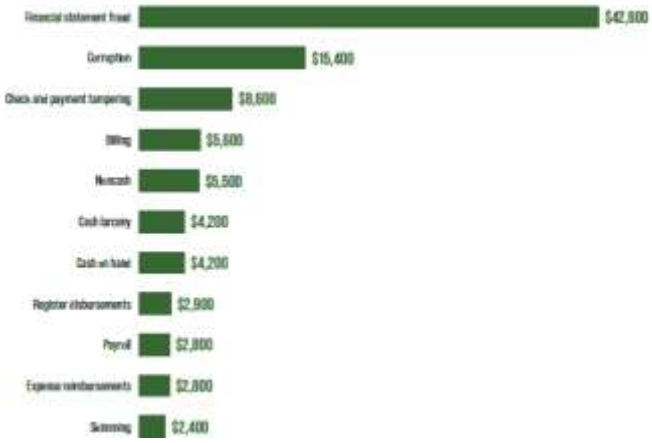
Fraud schemes affect companies differently, and organizations must make decisions on how and where to direct anti-fraud efforts. Therefore, we analyzed how quickly occupational fraud tends to cause losses, as well as the variation in this speed among different types of schemes. The velocity of reported cases (i.e., total loss divided by the number of months of the scheme's duration) measures the impact of various types of fraud over a similar period. The overall velocity, or amount of loss per month, for all cases is USD 9,900. The image below shows that certain types of schemes progress much faster than others, with financial statement fraud and corruption schemes having the highest velocity. Similarly, cases involving collusion between two or more perpetrators and cases committed by individuals at higher levels of authority also have higher velocity and cause financial losses to victims more quickly.



companies on the Indonesia Stock Exchange (IDX), academic research indicates that financial statement fraud is often carried through earnings management, fictitious revenue recognition, or debt concealment. According to Skousen, Smith, & Wright (2009), these actions are usually driven by pressure to meet profit targets and maintain the company's image for investors. This finding aligns with research by Sihombing & Rahardjo (2014), who studied 90 manufacturing companies on the IDX and found that high leverage, financial pressure, and weak internal oversight significantly influence the likelihood of fraud.

An example of financial statement fraud occurred in 2017 involving General Electric (GE), a US-based technology and services multinational. GE faced allegations of fraud within its GE Power division. GE Power reportedly misstated revenue and profit for 2016 and 2017. They reported higher revenue than actual and were non-transparent regarding how they achieved a $1 billion profit in 2016, allegedly derived from previous cost reductions. Between 2015 and 2017, GE allegedly lowered claim costs at GE Capital and failed to disclose risks to investors (A. Damayanti, 2020).

Avakian also revealed that GE was not transparent regarding US$ 2.5 billion in cash collected after sacrificing receivables to other subsidiaries. As a result of these fraud allegations, GE faced pressure from investors and regulatory authorities and had to pay a fine of US$ 200 million (approximately IDR 2.8 trillion) to settle several financial investigations. Senior GE leaders corrected their actions and restored their reputation in the market (A. Damayanti, 2020).

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A second case occurred in late 2018 when Nissan Motor Co., Ltd. announced it had discovered several ethical violations and financial fraud within the company. Former Nissan boss Carlos Ghosn reportedly falsified financial reports to show better financial results than actual. This was done by understating salary expenses in the financial reports by approximately 10 billion yen (IDR 1.3 trillion) over five years starting from 2010. Consequently, Carlos Ghosn faced a fine of approximately IDR 1.2 billion or a maximum of 10 years in prison (Mangkuto, 2018).

Former Nissan CEO Carlos Ghosn allegedly used company funds for personal interests, such as renting luxury homes in several countries. Anonymous sources even mentioned that Nissan spent billions of yen just to purchase and renovate Ghosn's homes in Paris, Beirut, and Amsterdam, which had no connection to Nissan's business. Ghosn was also alleged to have used company funds for personal investments. This financial fraud case caused significant financial loss and impacted the company's reputation. Nissan has since implemented several improvements, including management restructuring and enhanced internal controls (Antara, 2018).

A third case, the financial statement fraud at PT Tiga Pilar Sejahtera Food Tbk (AISA), represents one of the largest accounting scandals in Indonesia’s manufacturing sector in the last decade. As a public company in the food and beverage industry, AISA was widely known for brands like Taro, Ayam 2 Telor, and Maknyuss. However, despite its reputation, the company became entangled in a financial manipulation case indicating weak corporate governance and internal control systems. This fraud drew public attention because it involved a major issuer on the IDX. Beyond harming investors, the AISA case shook confidence in the credibility of public company financial reports in Indonesia. Academically, this case serves as a clear example of agency theory and the importance of effective oversight systems in preventing opportunistic management behavior.

The issues began in 2017 when the Financial Services Authority (OJK) found irregularities in AISA's consolidated financial reports, particularly in its rice segment subsidiaries, PT Indo Beras Unggul (IBU) and PT Jatisari Sri Rejeki (JSR). Suspicion grew after Deloitte Indonesia (Satrio Bing Eny & Rekan) issued a disclaimer of opinion on the 2017 financial statements because certain financial data could not be adequately verified.

OJK investigations indicated financial statement fraud via **overstatement** of asset and revenue values, primarily through fictitious receivables and inventory. The manipulation value was estimated at over IDR 4 trillion. Additionally, fictitious self-dealing transactions between subsidiaries were discovered to artificially boost turnover.

In 2019, OJK officially imposed administrative sanctions on AISA's old management for violating transparency principles and misleading financial reporting. The IDX subsequently suspended AISA's stock trading in 2020. After a change in management and a re-audit, AISA shares only resumed active trading in mid-2023, following reputation recovery efforts and business restructuring.

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Agency theory by Jensen and Meckling (1976) explains that the relationship between management (agent) and shareholders (principal) often creates an agency conflict. Agents with greater access to information tend to exploit it for personal gain, especially when oversight and governance are weak. In AISA's case, management sought to maintain an image of success through financial engineering to protect stock value and performance compensation. This reflects the opportunistic behavior at the heart of agency theory. Furthermore, the weakness of the audit committee, board of commissioners, and internal audit increased the opportunity for manipulation, worsened by the absence of an effective whistleblowing system.

This case also indicates that weak governance systems can lead to moral hazard, where financial decisions are no longer based on the company's overall interest but on the interests of individuals or groups within the executive ranks. The AISA case provides important implications for strengthening public corporate governance in Indonesia: Strengthening internal oversight, especially internal audit and the audit committee, Periodic external auditor rotation to maintain independence, Strict implementation of Good Corporate Governance (GCG) principles: transparency, accountability, responsibility, independence, and fairness. Regulators (OJK and IDX) must strengthen early warning systems for unusual reporting patterns.

The AISA case proves that the abuse of management power and weak corporate oversight can cause major distortions in financial information. Based on agency theory, these manipulative actions result from the failure of checks and balances and information asymmetry.

Firm size is a key variable that can moderate the relationship between fraud arrogance and financial statement fraud. Large companies generally have more complex organizational structures, higher bureaucracy, and multi-layered oversight compared to small firms. This complexity can strengthen internal controls but also provide loopholes for top management with an "arrogant" or superior attitude to exploit their power to manipulate reports without easy detection. According to Rukmana (2018), large companies face higher external pressure (investor demands, market expectations), making arrogant management more likely to commit fraud to maintain a successful image.

Research by Akbar (2017) also shows that firm size significantly strengthens the influence of managerial behavior on fraud tendencies; the larger the company, the greater the opportunity to hide manipulation through complex transactions. Conversely, in small companies, the room for manipulation is more limited due to simpler structures. Fathmaningrum (2021) notes that large firms tend to have higher information asymmetry, making arrogance-driven fraud harder to detect. Thus, firm size acts as a moderating variable that strengthens or weakens the link between fraud arrogance and financial statement fraud.

The Fraud Triangle theory by Cressey (1953) explains that fraud arises from three factors: pressure, opportunity, and rationalization (Supadmini & Magdalena, 2021). This study focuses on the "pressure" factor as moderated by firm size.

The Beneish M-Score uses financial ratios to detect fraud by observing abnormal patterns in key accounts, such as: DSRI (Days' Sales in Receivables Index): May indicate fictitious

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revenue. GMI (Gross Margin Index) & AQI (Asset Quality Index): Indicate potential earnings manipulation by inflating margins or shifting costs to assets. SGI (Sales Growth Index): High growth pressure can drive fraud. DEPI (Depreciation Index): Potential extension of asset life to lower expenses. TATA (Total Accruals to Total Assets): Reflects accrual-based earnings manipulation.

Pressure refers to conditions where a company faces financial instability due to economic or industry conditions (Yanti, 2021b). ISA 240 notes that pressure occurs when management is under external or internal strain to meet earnings targets. SA 240 also indicates that fraud arises from pressure to meet market expectations and maximize performance-based compensation (IAPI, 2021). According to W. S. Albrecht et al. (2008), financial pressures include losses, declining sales, and failure to meet Wall Street expectations. Per SAS No. 99, risk factors include financial targets, financial stability, and external pressure (AICPA, 2003). Financial Targets: Pressure to achieve specific financial goals. Higher targets increase the probability of fraud (Yusrianti et al., 2020). Financial Stability: When stability is threatened, management may commit fraud to improve the company's prospects and hide its true condition (Maghfiroh & Syafnita, 2015). External Pressure: Pressure to meet third-party expectations, often occurring when credit risk is high due to debt (Yesiariani & Rahayu, 2017).

The Indonesia Stock Exchange (IDX) introduces the Capital Market to the academic world through IDX Investment Galleries (3-in-1 concept between IDX, Universities, and Security Firms). These provide real-time information for analyzing stock trading. Manufacturing companies on the IDX operate in eight sectors: energy, basic materials, industrials, primary consumer goods, non-primary consumer goods, healthcare, and technology.

Table 1. Number of Manufacturing Companies

No	Year	Number of Manufacturing Companies
1	2017	158
2	2018	166
3	2019	183

The table above shows the growth of companies listed on the IDX. This growth is driven by public demand, making the IDX-IC industry highly competitive. Management must present financial reports that provide positive information so that performance is viewed favorably by investors. Financial reports are used to assess management's accountability for resources. The importance of these reports often drives management to commit financial statement fraud by "window dressing" or beautifying the reports beyond reality.

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2. RESEARCH METHOD

This research employs a quantitative approach with a causal design to examine the influence between variables. The study focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2017–2019 observation period. The data used is secondary data in the form of annual reports obtained from the official IDX website and the respective companies' websites. The research population includes all manufacturing companies on the IDX, using a purposive sampling technique based on specific criteria to obtain data suitable for analysis.

The independent variables consist of Financial Target, which is measured by Return on Assets (ROA) to reflect management efficiency in generating profits from investments (Akbar Aldi et al., 2021), as well as Financial Stability (measured by INVSAL and CATA) and External Pressure (measured by FREEC). The inclusion of financial targets is based on the premise that management often faces pressure to present ideal financial performance to principals, which may trigger manipulation if actual conditions are less than favorable (Suryani et al., 2023).

Meanwhile, Financial Statement Fraud is positioned as the dependent variable measured using the M-Score, and Market Capitalization is used as a moderating variable to see its effect in strengthening or weakening the relationship between these variables. The data analysis technique applied is panel data regression. Based on a series of model tests, including the Chow test, Hausman test, and Lagrange Multiplier test, the selected model is the Common Effect Model (CEM). In addition, classical assumption tests including multicollinearity and heteroscedasticity tests were performed to ensure the validity of the regression model. To test the moderating effect of Market Capitalization, the researcher used the Moderated Regression Analysis (MRA) or interaction test. Final hypothesis testing was conducted through the simultaneous significance test (F-test), partial significance test (t-test), and the analysis of the coefficient of determination (R^2)..

3. RESULT AND DISCUSSION

Results of Model Selection Test in Panel Data

a. Test Chow

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.437971	(136,253)	0.0068
Cross-section Chi-square	229.637430	136	0.0000

The Chow test output indicates that the probability value (Prob) is greater than the 0.05 significance level. Consequently, the null hypothesis cannot be rejected, confirming that the Common Effect Model (CEM) is more appropriate than the Fixed Effect Model. This suggests

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that the panel data in this thesis does not require intercept variations across companies or time, allowing the data structure to be treated as a standard pooled regression.

b. Hausman test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.380247	11	0.2127

The Hausman test compares the fixed effect and random effect models; however, since the previous Chow test established the Common Effect Model (CEM) as the superior model, the Hausman results support retaining CEM over the Random Effect Model (REM). The relatively high probability value in the Hausman test indicates no significant difference between the fixed and random coefficients, providing no statistical justification to switch to a random effect model for this dataset.

c. Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	4.834523 (0.0279)	1.553386 (0.2126)	6.387908 (0.0115)
Honda	2.198755 (0.0139)	1.246349 (0.1063)	2.436056 (0.0074)
King-Wu	2.198755 (0.0139)	1.246349 (0.1063)	1.502858 (0.0664)
Standardized Honda	2.482978 (0.0065)	2.011013 (0.0222)	-5.727631 (1.0000)
Standardized King-Wu	2.482978 (0.0065)	2.011013 (0.0222)	-0.615891 (0.7310)
Gourieroux, et al.	--	--	6.387908 (0.0160)

The Lagrange Multiplier (LM) test results show a probability value greater than 0.05, meaning the null hypothesis is not rejected and the Common Effect Model (CEM) is considered adequate compared to the Random Effect Model. Consequently, the Chow, Hausman, and LM tests consistently conclude that the CEM is the most appropriate model for this thesis. This model serves as the primary basis for subsequent classical assumption tests and panel regression estimations.

d. Classical Assumption Test

The regression estimation results met the Best Linear Unbiased Estimator (BLUE) criteria. Classical assumption tests, including multicollinearity and heteroscedasticity tests, were performed. Normality and autocorrelation tests were not performed because the model used was CEM with pooled panel data, where the effect of time was assumed to be constant.

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e. Multicollinearity Test

	ROA X1	GPM X2	ACHANGE...	CATA_X4_	SALAR_X5_	SALTA X6	INVSAL X7	LEV_X8_	FINANCE_...	FREEC_X...	KP Z
ROA ...	1.000000	-0.006525	0.073389	0.488765	0.003494	0.003220	0.049941	-0.214579	-0.030101	-0.007403	0.016345
GPM ...	-0.006525	1.000000	0.040855	0.006032	-0.012517	0.019926	-0.394381	-0.097471	0.032539	0.051257	-0.153391
ACH...	0.073389	0.040855	1.000000	0.058653	-0.024903	0.027969	-0.053893	-0.061958	-0.066152	-0.026060	-0.086450
CATA...	0.488765	0.006032	0.058653	1.000000	0.005293	0.010737	0.011812	-0.130993	-0.324854	-0.257477	0.028986
SALA...	0.003494	-0.012517	-0.024903	0.005293	1.000000	-0.005901	-0.033222	0.000868	-0.002756	-0.003754	0.070522
SALT...	0.003220	0.019926	0.027969	0.010737	-0.005901	1.000000	-0.273810	0.058568	0.049520	0.030341	0.091227
INVS...	0.049941	-0.394381	-0.053893	0.011812	-0.033222	-0.273810	1.000000	-0.030571	-0.155982	-0.033610	0.225522
LEV ...	-0.214579	-0.097471	-0.061958	-0.130993	0.000868	0.058568	-0.030571	1.000000	-0.013772	-0.061326	0.149677
FINA...	-0.030101	0.032539	-0.066152	-0.324854	-0.002756	0.049520	-0.155982	-0.013772	1.000000	0.287498	-0.083551
FREE...	-0.007403	0.051257	-0.026060	-0.257477	-0.003754	0.030341	-0.033610	-0.061326	0.287498	1.000000	-0.100283
KP Z	0.016345	-0.153391	-0.086450	0.028986	0.070522	0.091227	0.225522	0.149677	-0.083551	-0.100283	1.000000

The multicollinearity test was conducted to determine whether a strong linear relationship exists between the independent variables. Based on the correlation matrix results for variables X1 through X10, all correlation coefficients are below 0.85. For instance, the correlation between X1 and X2 is -0.006525, X1 and X3 is 0.073389, and X1 and X4 is 0.488765. Since the highest correlation remains below the established tolerance threshold ($r < 0.85$), it is concluded that there is no multicollinearity issue in the model.

f. Heteroscedasticity Test

Heteroskedasticity Test: ARCH

F-statistic	1.341225	Prob. F(1,399)	0.2475
Obs*R-squared	1.343432	Prob. Chi-Square(1)	0.2464

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 12/25/25 Time: 02:36
Sample (adjusted): 2 402
Included observations: 402 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.199962	0.013403	14.91928	0.0000
RESID^2(-1)	0.057883	0.049981	1.158113	0.2475

R-squared	0.003350	Mean dependent var	0.212248
Adjusted R-squared	0.000852	S.D. dependent var	0.164094
S.E. of regression	0.164024	Akaike info criterion	-0.772635
Sum squared resid	10.73463	Schwarz criterion	-0.752714
Log likelihood	156.9132	Hannan-Quinn criter.	-0.764747
F-statistic	1.341225	Durbin-Watson stat	2.003562
Prob(F-statistic)	0.247511		

g. Dicussion

The regression analysis demonstrates that the Common Effect Model (CEM) effectively explains the relationship between variables, meeting all classical assumption requirements. The simultaneous F-test results ($F = 3.832863$; $p < 0.05$) indicate that all independent variables (X1–X10) and their interactions significantly influence financial

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statement fraud. Individually, Financial Target (ROA) and Financial Stability (INVSAL) show significant positive impacts on fraud, supporting agency theory and the resource-based view where high performance or internal resource optimization can paradoxically increase the risk of manipulation. Conversely, CATA and FREEC exert significant negative influences, suggesting that higher current asset ratios and free cash flow may act as deterrents to fraudulent behavior under certain conditions.

The moderation analysis reveals that Market Capitalization plays a crucial role in altering the dynamics between financial stability and fraud. It significantly strengthens the relationship between CATA and the dependent variable, effectively transforming a negative impact into a constructive one. In contrast, Market Capitalization significantly weakens the positive relationship between INVSAL and fraud, indicating that strong external market factors can reduce the influence of internal asset instability on fraudulent tendencies. Other interactions, such as those involving ROA, GPM, and LEV, were found to be statistically insignificant, implying that the moderating effect of market capitalization is selective and situational.

Overall, the model achieves an R-squared value of 17.52%, meaning that while the identified variables and their interactions significantly explain variations in financial statement fraud, 82.48% of the remaining variation is driven by factors outside the scope of this study. The Durbin-Watson score of 2.129836 confirms the absence of autocorrelation, ensuring the model's statistical stability. These findings highlight that financial statement fraud in manufacturing companies is a complex phenomenon driven by a combination of internal financial targets, asset stability, and external market pressures.

4. CONCLUSION

Based on the research results and discussion outlined above, the following conclusions were reached:

a. Financial Target (ROA) has a positive and significant effect on financial statement fraud, indicating that the higher a company's financial target, the greater the potential for management to manipulate financial statements to meet performance expectations.
b. Financial Stability (INVSAL and CATA) has a significant effect on financial statement fraud. INVSAL is positively related, while CATA is negatively related to the likelihood of fraud, indicating a difference in direction between the influence of inventory stability and operating cash flow.
c. External Pressure (FREEC) has a significant negative effect on financial statement fraud, indicating that the availability of free cash flow can suppress the incentive to commit fraud.
d. Market Capitalization, as a moderating variable, strengthens the effect of CATA on financial statement fraud and weakens the effect of INVSAL on financial statement fraud. Thus, company size has been shown to moderate the relationship between internal factors and financial statement fraud.

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e. The R^2 value of 17.52% indicates that the variables in this study are able to explain some of the variations in the occurrence of financial reporting fraud in manufacturing companies on the IDX, while the remainder is explained by other factors outside the research model.

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