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THE INFLUENCE OF FRAUD STAR AND DIGITAL BANKING ON FFR IN BANKING SECTOR AND THE MODERATING ROLE OF FOREIGN OWNERSHIP

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ABSTRACT

This study aims to analyze the influence of Fraud Star dimensions consisting of Pressure, Opportunity, Rationalization, Capability, Integrity, and Digital Banking in detecting the occurrence of Fraudulent Financial Reporting (FFR) with the moderating role of Foreign Ownership. This study uses 100 sample datas from banking companies listed on the Indonesia Stock Exchange (IDX) which were selected using purposive sampling method. The analytical methodology used is panel regression analysis. The results of this study indicate that Pressure has a positive and significant effect on FFR. In addition, the moderating role of Foreign Ownership is able to strengthen the positive influence of Pressure on FFR. However partially, Opportunity, Rationalization, Capability, Integrity and Digital Banking have no effect on FFR. Foreign Ownership also cannot moderate the relationship of Opportunity, Rationalization, Capability, Integrity and Digital Banking to FFR. The results of statistical tests indicate that the Fraud Star dimension is a unity that can effect the occurrence of FFR. Likewise with Integrity as the last dimension of Fraud Star which is adherence to moral values or code of ethics that must be adhered to and become important basis in the banking sector. This study implies that the occurrence of FFR can be influenced, prevented and minimized by observing the ROA value, the proportion of independent commissioners, auditor and director turnover, stock price performance (MBR), digitization, the proportion of foreign shares, liquidity risk and the size of banking companies simultanously. In addition, banks are expected to strengthen the control function in line with the increase in performance targets and employee performance bonuses.

Keyword: **Fraudulent financial reporting, fraud star, digital banking, foreign ownership, integrity**

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh dimensi *Fraud Star* yang terdiri dari *Pressure, Opportunity, Rationalization, Capability,* dan *Integrity;* serta *Digital Banking* dalam mendeteksi terjadinya *Fraudulent Financial Reporting* (FFR) dengan peran moderasi Kepemilikan Asing. Penelitian ini menggunakan 100 data sampel dari perusahaan perbankan yang terdaftar di Bursa Efek Indonesia (BEI) yang dipilih dengan metode *purposive sampling.* Metodologi analisis yang digunakan adalah analisis regresi panel. Hasil penelitian ini menunjukkan bahwa *Pressure* berpengaruh positif dan signifikan terhadap FFR. Selain itu peran moderasi Kepemilikan Asing mampu memperkuat pengaruh positif *Pressure* terhadap FFR. Namun secara parsial *Opportunity, Rationalization, Capability, Integrity* dan *Digital Banking* tidak berpengaruh terhadap FFR. Kepemilikan Asing juga tidak dapat memoderasi hubungan *Opportunity, Rationalization, Capability, Integrity* dan *Digital Banking* terhadap FFR. Hasil uji statistik tersebut menunjukkan bahwa dimensi *Fraud Star* merupakan satu kesatuan yang dapat mempengaruhi terjadinya FFR. Demikian juga dengan *Integrity* sebagai dimensi terakhir *Fraud Star* yang merupakan kepatuhan pada nilai moral atau kode etik yang harus dipegang teguh dan menjadi dasar penting dalam sektor perbankan. Penelitian ini mengimplikasikan bahwa terjadinya FFR dapat dipengaruhi, dicegah dan diminimalkan dengan mencermati nilai ROA, proporsi dewan komisaris independen, pergantian auditor dan direksi, kinerja harga saham (MBR), digitalisasi, proporsi saham asing, risiko likuiditas dan ukuran perusahaan perbankan secara bersama-sama. Selain itu perbankan diharapkan dapat memperkuat fungsi kontrol sejalan dengan kenaikan target kinerja maupun kenaikan bonus kinerja karyawan.

Kata kunci: ***Fraudulent Financial Reporting, Fraud Star, Digital Banking,* Kepemilikan Asing, *Integrity***

Introduction

Banking plays important role in the country's whole financial system. The many rules and laws that protect banking activities in the form of preventive and repressive measures are a manifestation of the government's and the financial

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services authority (OJK)'s concern for the Indonesian banking industry. A survey conducted by The Association of Certified Fraud Examiners (ACFE) stated that the banking and financial services sector was ranked the second highest of 24 industrial sectors in terms of committing fraudulent financial reporting (ACFE, 2018). The level of losses generated by fraudulent financial reporting (FFR) has the largest amount compared to the losses generated by asset misappropriation and corruption (Simaremare et al., 2019). FFR in Indonesian banking sector continues to emerge even though the government and authorized institutions have established regulatory system. However the bank's strict and multi-layered regulatory system does not guarantee the disappearance of fraud in the banking sector. According to Umar (2016) one of the main factors behind FFR is a lack of integrity, where integrity is part of the fraud star. Theory Agency that is used as the grand theory explains that as agents who receive mandate from principal, management are obliged to carry out duties according to the oath of office stated in the employment contract. However, not all workers have good integrity.

During Covid-19 pandemic, conventional banking changed to digital, especially the use of internet banking which increased by 132% (Situmorang, 2021). The development of information technology and digital banking in recent years and increasingly rapidly since the Covid-19 pandemic has contributed to new challenges for companies in an effort to reduce the opportunities for fraud to occur which are increasingly diverse. According to the financial services authority (Ojk, 2018) digital services have become the main focus of banks in increasing competitiveness by offering services that are faster, easier, according to customer needs, and can be done independently through the use of digital technology, although it is undeniable that banks require large capital for digital transformation. This transformation will require banking operations to shift from paper-based to all-digital paperless, so that fraud such as FFR is expected to be minimized.

Large amounts of capital injection will be needed when banking is increasingly digitized. Herein lies the role of foreign ownership in providing capital injections to accelerate the growth and application of national banking digitalization. Economic globalization will also encourage banking services to be connected to the global market. The presence of foreign roles will help national banks in preparing themselves to compete in the global market. Meanwhile, until July 2020, the Financial Services Authority (OJK) recorded 73% domestic ownership in banking and 27% foreign ownership (Suheriadi, 2020). According to Syamsudin et al. (2017) foreign ownership is able to reduce FFR by using qualified auditors to assess the reliability of management's financial reporting as well as management's encouragement to disclose the results of financial statements more transparently. Companies with foreign ownership protect shareholders by establishing a more stringent supervision and control system, thereby minimizing FFR.

Previous studies researched fraud dimensions to fraud in financial statement or FFR. Simaremare et al. (2019) researched fraud diamond to fraudulent financial statement and gave results that pressure, opportunity, and capability do not effect fraudulent financial statement. Meanwhile, Ferica et al. (2019) that researched Fraud Pentagon to FFR, stated that Capability effects to

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FFR. The research of Umar et al. (2020) that examined fraud diamond to FFR carried out results that pressure, opportunity, rationalization, and capability have effect to FFR. Dzaki and Suryani (2020) stated that The Board of Commissioners and the Audit Committee have no effect on the fraudulent financial statement, while Simaremare et al. (2019) measured opportunity with ineffective monitoring and Achmad et al. (2018) measured rationalization with the changes of board directors. On the other side, Siahaan et al. (2019) researched fraud star to asset misappropriation with primary datas. The use of different and inaccurate measurements on fraud dimensions as well as different populations can creates research gap.

This research was conducted to answer the research gap in previous studies. Based on the above explanation, this study tries to analyze the influence of fraud star dimensions in detecting the occurrence of FFR with the moderating role of Foreign Ownership. Unlike the past study that examined Fraud Star using primary data, this study use secondary data. Another novelty is examine the digital banking on FFR, as implementation form of the rapid development of banking digitalization era which was also driven by the Covid-19 pandemic. The presence of foreign ownership as moderating variable and the use of banking sector as research population also be research novelties that differs this study with previous studies. This study is expected to help contribute to banking, regulators and professional associations in identifying, preventing, and minimizing FFR. In addition, potential investors are expected to be able to use this study as a consideration for making investment decisions in the banking sector.

Literature Review

Agency Theory

The Agency Theory explains the relationship between principals who give mandates and agents who receive mandates, to carry out activities on behalf of principals in the capacity as decision makers (Jensen and Meckling, 1976). Principals and agents are assumed to have a bargaining position and economic rationality. Principals as shareholders assess a good company's financial statements will provide large dividends. Meanwhile, according to the agent as the company's management, a good financial report concludes that the company has achieved its annual performance target which will provide benefits in the form of bonuses or promotions. Both will fulfill personal interests before the other interests. This situation illustrates how the first fraud star dimension (pressure) in terms of achieving company performance targets and bonuses can trigger agents or management to manipulate the financial statements (FFR). This causes a trust issue so monitoring and control of management performance is carried out (Copeland and Weston, 2005). The second dimension of fraud star (opportunity) is described through the weak points of the company's internal control that will be used by management to commit fraud. Meanwhile, rationalization as the third dimension in fraud star appears as management justification. Window dressing can be justified as an effort to save the value of the company for potential investors. Management as an internal party has deeper information related to the company's organization

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which is called the fourth dimension of fraud star (capability). This gives opportunity for self-beneficial actions such as fraud. Management should be obliged to carry out their duties and roles according to oath of office as stated in the employment contract. However, not all workers have good integrity (Umar, 2016). The fifth dimension of fraud star (integrity) becomes the basis for whether management will be responsible and committed to their work or not. Meanwhile, conflict of interest in digital banking occurs between shareholders who want cost savings and management who wants performance effectiveness through expensive digital technology. In line with this, foreign ownership in banking is expected to support the application of digital technology that is oriented towards global competition.

Fraud Star Dimensions

Umar et al. (2021) stated that fraud perpetrators were trapped to follow their wishes and ignore the applicable regulations. Fraud perpetrators deny their oath of office to uphold honesty and good values. Under these conditions, the perpetrators of fraud have lost the value of integrity which should always be upheld in any circumstances. Integrity refines the factors causing fraud into five dimensions, which were initiated and introduced by Umar (2016) as Fraud Star.

Pressure

Pressure can encourage someone to commit fraud. SAS No. 99 divides four types of pressure that can trigger FFR : financial stability, external pressure, personal financial need, and financial targets. This study use financial target to measure Pressure. So pressure is defined as the risk of pressure that arises because of the company's financial targets and includes the achievement of bonuses and employee incentives. Based on the agency theory, agents are required to present financial statements that show increasing profits every year. Meanwhile, on the agent side, achieving company's financial targets is not always easy to do.

Opportunity

SAS No. 99 categorizes opportunity into three conditions : nature of industry, organizational structure, and ineffective monitoring. This study uses ineffective monitoring as the condition of opportunity. Ineffective monitoring is a condition where the company does not have effective supervision to monitor the company's performance. According to agency theory, conflict of interest will cause trust issue so principal will monitor agents' performance. Ineffective monitoring is explained as weak points of company's monitoring system.

Rationalization

Rationalization is a justification made by fraud perpetrators for the actions they have done. There are three circumstances of rationalization that have potential to cause FFR according to SAS No. 99 : auditor change, auditor report, and total accruals. This study uses auditor change which means the company changes auditors based on the Regulation of the Ministry of Finance 17/PM.K.01/2008 and SEOJK No. 36/SEOJK.03/2017. Based on agency theory, principals tend to have

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competent and independent auditors for the sustainable progress of the company which will ultimately facilitate the achievement of the principal's interests to create increasing profits every year.

Capability

Capability is the ability of the perpetrator to find weaknesses that can be used as a loophole to commit fraud. Capability is considered to have a significant influence on fraud (Simaremare et al., 2019). In line with the agency theory, change of directors can be an effort to improve company performance as principal interest by replacing directors with more competent ones. However, this can also be done to hide fraud that has been known to the previous directors or to obscure opinions on the existence of fraud in the previous leadership.

Integrity

The existence of integrity will reduce the occurrence of fraud, and conversely, fraud perpetrators commit fraud due to lack of integrity in addition to the other four factors. Meanwhile, the integrity of financial statements is defined as financial statements presented in accounting data that describe the actual, honest, and undisclosed economic condition of the company. Agency theory explains the existence of an employment contract between the principal and the agent. However, the existence of a conflict of interest can encourage agents to do things that are contrary to the employment contract and ignore integrity. On the other hand, agents with good integrity will hold good morals and will not commit fraud, even though on the other hand they have economic rationality.

Digital Banking

POJK 12/POJK.03/2018 defines digital banking services as electronic digital-based services provided by banks to customers in order to provide optimal services and provide options for customers to perform independently. Othman (2020) stated that digitalization through the application of technology can improve the company's internal control and supervision system. Based on agency theory, Digital Banking will cause conflict of interest between principal and agent, where the principal tries to reduce the company's costs as low as possible, and the agent wants the adoption of digital banking to simplify the company's operations.

Liquidity Risk

Bank Indonesia Regulation (PBI) 11/25/2009 defines Liquidity Risk as bank risk caused by the bank's inability to meet maturing obligations originating from cash funding or high quality liquid assets that can be pledged, without disrupting the activities and financial condition of the bank.

Firm Size

Firm Size as the second control variable in this study, shows the ownership of the company's assets as well as the complexity of the management managing the company. Widiastari and Wirawan (2018) defines firm size as a large-small size scale of a company by calculating including total assets, income, and share value.

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Foreign Ownership

The pattern of ownership structure plays an important role in reducing conflicts between principals/shareholders and agents/management. The largest ownership structure will be in charge of supervising, controlling or monitoring management. Foreign ownership is the proportion of shares owned by foreign parties or shareholders with overseas status. Banks with foreign ownership tend to have a greater incentive to monitor company operations (Syamsudin et al., 2017).

Fraudulent Financial Reporting (FFR)

The Association of Certified Fraud Examiners (ACFE) defines fraudulent financial reporting as a deliberate attempt by companies to provide information that misleads users of financial statements by manipulating certain values in financial statements. FFR can be interpreted as a misstatement that is intentionally made, including in the form of an error in the amount or disclosure of financial statements, to deceive its users (Annisya et al., 2016). Banking fraud is an act of irregularities that still occurs a lot even though the government has issued many regulations to regulate banking activities.

Hypothesis Development

Effect of Pressure on Fraudulent Financial Reporting (FFR)

Maulidiana and Triandi (2020) stated that pressure has a significant effect on FFR. These result is in line with research conducted by Ayem and Astuti (2019) which showed that ROA as a proxy for pressure had a positive effect on FFR. Research conducted by Indarto and Ghozali (2016) and Umar (2020) also showed the same result. While on the other hand Simaremare et al. (2019) stated that pressure did not affect FFR. Nevertheless, the existence of pressure has the potential to cause FFR. Earning company profits that are on target will attract investors' attention because a high return on assets (ROA) is considered capable of generating high profits (Ayem and Astuti, 2019). Efforts to achieve profit targets can encourage management to commit fraud. Agency theory explains that management as an agent responsible for its performance in financial statements which include increasing profits every year. Management is not only obliged to achieve profits according to the principal or shareholder targets, but he also has the economic rationality to pursue bonuses or promotions as a reward for his hard work in the company. These pressures trigger the manipulation of financial statements within the company.

H_1 : There is a positive influence of pressure on FFR.

Effect of Opportunity on Fraudulent Financial Reporting (FFR)

Ferica et al. (2019) and Simaremare et al. (2019) in their research stated that opportunity had no significant effect on FFR. Widyatama and Setiawati (2020) stated that the independent board of commissioners did not carry out their roles and duties in supervising the running of the company properly. On the other hand, Apriani (2020) stated that opportunity is one of the driving factors for fraud. Supervision carried out by independent commissioners is considered to be able to improve internal control. Ineffective monitoring is considered a weak point in the company's supervisory system that can create opportunities for manipulation of

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financial statements. This is corroborated by research conducted by Aprilia (2017) in Jaunanda and Silaban (2020), which showed that ineffective monitoring as a proxy for Opportunity positively affects FFR. This is in line with the agency theory which states that agents have economic rationality to achieve bonuses and promotions. So when there is an opportunity, agents will use it to manipulate financial statements to fulfill their interests.

H_2 : There is a positive influence of opportunity on FFR.

Effect of Rationalization on Fraudulent Financial Reporting (FFR)

Tessa and Harto (2016) in Widyatama and Setiawati (2020) stated that auditor turnover does not affect the occurrence of FFR because companies can change auditors to improve the previous auditor's performance. On the other hand, Simaremare et al. (2019) stated that Rationalization had a positive effect on fraudulent financial statements which was also supported by Umar et al. (2020). Fraud perpetrators tend to have a mindset that will continue to look for justifications for their actions for various reasons. Mardianto and Tiono (2019) argue that the role of auditors is very fundamental in assessing financial statements so that a change of auditors in a company can indicate manipulation of earnings in financial statements. This explanation is in line with the agency theory where shareholders or principals have an interest in receiving large dividends, which in turn can encourage manipulation of financial statements. Principals can justify the change of auditors as a company's effort to purely improve the performance of the audit board because basically, every company has the right to choose and replace auditors. Although there may be FFR that is being covered up.

H_3 : There is a positive influence of rationalization on FFR.

Effect of Capability on Fraudulent Financial Reporting (FFR)

Research conducted by Annisya et al. (2016) shows that changes in board directors have no effect on the fraudulent financial statement due to the supervision of commissioners on directors' performance. In addition, it is happened to reshuffle the board of directors with new directors who are more competent in their fields to improve the company's performance. This explanation is in line the study conducted by Ayem and Astuti (2019). On the other hand, Indarto and Ghozali (2016) explained that capability has a positive effect on FFR, confirms that the change of directors is carried out by the company to cover fraud on financial statements during the former director era. Agency theory explains that the principal has an interest in obtaining large dividends. This encourages management as agents who run the company, to manipulate financial statements. The reshuffle of the composition of the company's board of directors is considered to be carried out by the company to cover up this manipulative action.

H_4 : There is a positive influence of capability on FFR.

Effect of Integrity on Fraudulent Financial Reporting (FFR)

Siahaan et al. (2019) explained that integrity has a negative effect on asset misappropriation. Integrity provides positive inspiration to the surrounding environment, spreads the values of honesty, truth and good morals so it will reduce

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opportunities for fraud in the company. Alam et al. (2018) in Apriani (2020) explained that the existence of integrity has a negative influence on the occurrence of corruption. Indrasti (2020) using secondary data of a conservatism index (market to book ratio) as a proxy for the integrity of financial statements. The higher of the market to book ratio (MBR) indicates a better company value, which is reflected in the good company performance and good company integrity. So a high MBR value indicates low FFR. Agency theory explains the existence of employment contract between the principal as the shareholder and the agent as the management. Everything that is done by management within the company, is on the mandate of the shareholders and must be in accordance with the employment contract. However, the existence of a conflict of interest can encourage agents to do contrary things and violate the employment contract such as manipulating the financial statements. This means that management does not have integrity in carrying out the mandates stipulated and binding in the employment contract. On the other hand, management with integrity will hold the moral of goodness and will not commit fraud.

H_5 : There is a negative influence of integrity on FFR.

Effect of Digital Banking on Fraudulent Financial Reporting (FFR)

The existence of digital banking can reduce the occurrence of FFR. The presence of digital banking offers many advantages, including convenience and comfort, accelerated financial inclusion and literacy, and cost efficiency (Arieza, 2021). Citradi (2020) said that digital banking is referred to as a new growth engine in the Indonesian economy. The implementation of digital technology makes banking transactions recorded in the system database. This will minimize the manipulation of records that previously often occurred in activity based on paper. Othman (2020) states that digitalization can improve the company's internal control and supervision system, as well as being able to track every company transaction more quickly. Digitization helps the implementation of standard operating procedures (SOP) to be more effective and efficient by digitizing data and documents. Meanwhile, based on agency theory, the application of digital technology will cause conflict of interest, where the principal tries to minimize cost as low as possible, on the other hand, the agent wants the adoption of digital banking to facilitate the daily operations.

H_6 : There is a negative influence of digital banking on FFR.

Moderation of Foreign Ownership of Digital Banking's Effect on FFR

Foreign ownership will increase control and monitoring of the company's operational activities, due to the emergence of barriers to differences in culture, language, time, and place. Syamsudin et al. (2017) supported this statement by showing the negative influence of Foreign Ownership on FFR. Foreign ownership will support the adoption of digital technology in the company's operations if viewed from the high growth of the digital economy in the era of global competition. The existence of digital banking practices is expected to be strengthened by foreign ownership in company policies (Othman, 2020). Agency Theory explains that the adoption of digital technology can cause a conflict of

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interest. For management, investment in technology is highly desirable because it can help the company's operations become more effective and efficient, while shareholders tend to perceive the adoption of digital technology as a big cost that will only burden the company and reduce profits and dividends. However, the presence of foreign ownership will be able to reduce the occurrence of the conflict of interest by allocating both the interests of shareholders and the interests of management, one of which is the ownership of large enough resources to adopt digital banking.

H_7 : Foreign ownership strengthens the negative influence of digital danking on FFR.

Moderation of Foreign Ownership of Integrity's Effect on FFR

Siahaan et al. (2019) revealed that lack of integrity is the main problem in the occurrence of fraud because the presence or the absence of integrity is the basis and root of every individual action. Where in the results of his research revealed that Integrity has a negative effect on the occurrence of asset misappropriation. Although in agency theory it is explained that there is always an agency problem in the relationship between the principal and agent, with the integrity that is firmly held by management, it will not make him lose control and manipulate financial statements. On the other hand, Wibowo and Herawaty (2019) explained that foreign ownership can be an effective solution, in terms of increasing capital and providing financial statement that is more accurate and transparent. According to study conducted by Irfan (2016) foreign ownership simultaneously affects bank performance. This supports the research of Syamsudin et al. (2017) which stated that the largest share ownership held by foreigners causes a crisis of trust in management, thus encouraging shareholders to carry out more effective monitoring that encourage management to improve performance and minimize fraud.

H_8 : Foreign ownership strengthens the negative influence of integrity on FFR.

Moderation of Foreign Ownership of Capability's Effect on FFR

The amount of foreign ownership in the company is expected to be able to prevent fraud in the financial statements. Riandari and Rahmawati (2019) stated that a change or a change of directors indicates an act of fraud. Meanwhile, Indarto and Ghozali (2016) explained that there was a positive influence of capability on the occurrence of FFR because the company tried to cover up and disguise fraudulent acts on financial statements committed during the previous director's tenure by changing new directors. In agency theory, the principal has an interest in obtaining a large dividend yield through the company's profit which is expected to increase every year. The existence of this interest places management to manipulate financial statements. The change in the board of directors is considered an attempt by the company to cover up the fraud. However, the foreign ownership is expected to provide a better monitoring and control system. This concludes that the presence of foreigners in the ownership of a company will weaken the influence of Capability on FFR.

H_9 : Foreign ownership weakens the positive influence of capability on FFR.

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Moderation of Foreign Ownership of Rationalization's Effect on FFR

Syamsudin et al. (2017) stated that foreign ownership has a significant negative effect on fraud in financial statements. Meanwhile, the results of the analysis conducted by Riandari and Rahmawati (2019) showed that rationalization positively affected the occurrence of FFR. This is in line with the agency theory which explains that agents are always in a cornered situation and are required to maximize the company's profits every year, then encourages agents to manipulate financial statements. In terms of ownership, Bremholm (2015) in Taduga and Nofal (2019) found that foreign ownership in Japan has a positive impact on company performance. Foreign ownership provides strategic changes to more Anglo-American ways with tighter supervision, more transparency, and providing increased risk-taking. Thus, the presence of foreign hands in company decisions and policies is considered capable of weakening the influence of rationalization on FFR.

H_{10} : Foreign Ownership weakens the positive influence of Rationalization on FFR.

Moderation of Foreign Ownership of Opportunity's Effect on FFR

Syamsudin et al. (2017) explained that tighter monitoring came from trust issues owned by foreign principals on the performance of agents as reflected in the financial statements. This is also confirmed by Shrivastav and Kalsie (2017) who in their research explain that foreign ownership provides access to resources on a large scale, provides monitoring and equips management with many of the skills needed in the company, and helps companies gain access to the market. capital and implementation of technology. The presence of foreign hands in company shares is considered capable of controlling the work environment and suppressing conflicts of interest which according to agency theory occur between principals as shareholders and agents as company management. Riandari and Rahmawati (2019) stated that the ineffectiveness of supervision affects the occurrence of fraud positively, it is hoped that foreign ownership will be able to weaken the influence of opportunity in the ineffectiveness of supervision of FFR.

H_{11} : Foreign Ownership weakens the positive influence of Opportunity on FFR.

Moderation of Foreign Ownership of Pressure's Effect on FFR

According to Ayem and Astuti (2019) the financial target (ROA) has a positive influence on FFR. The results of this study are in line with agency theory which explains that management as an agent is required to generate company profits which increase every year. This condition causes pressure on management that triggers management to manipulate financial reports. Riandari and Rahmawati (2019) also stated that pressure has a positive effect on FFR. In terms of foreign ownership, Taduga and Nofal (2019) explained that foreign parties care about agency problems because they can hinder the achievement of company goals. The relationship between shareholders and management can be controlled through the presence of foreign ownership in the company. Syamsudin et al. (2017) also

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explained that foreign ownership in companies encourages a much better governance system by strengthening internal systems to protect outside parties so it will encourage transparency in financial reporting.

H_{12} : Foreign Ownership weakens the positive influence of Pressure on FFR.

Research Framework

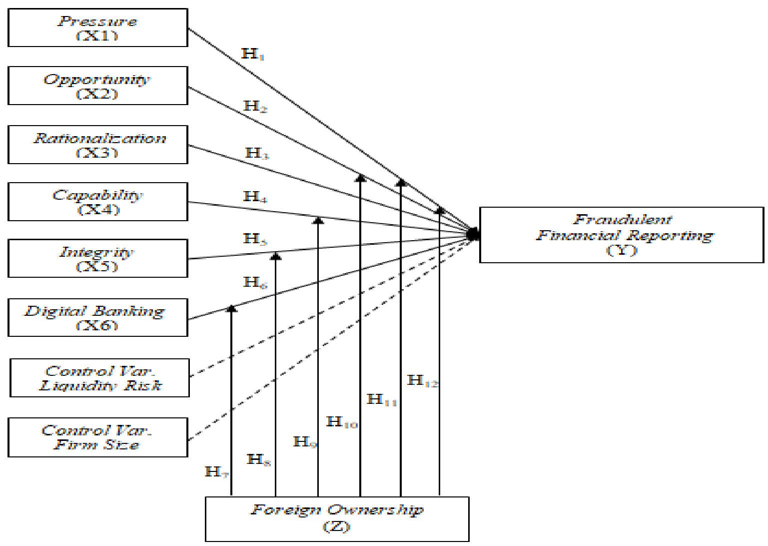

Figure 1. Research Framework
Source : Researcher Analysis

Research Method

This study uses quantitative method. Data analysis method used in this study is panel data regression method. According to Ghozali (2016) panel data is a combination of time series data and cross-section data. Testing was assisted with the statistical tool Statistical Package for the Social Science (SPSS) version of IBM SPSS Statistics 19.

Population and Sample

This study uses quantitative methods with secondary data. The population used in this study is 45 banking companies listed on the Indonesia Stock Exchange (IDX) in the research period 2016-2020.

Data Collection Method

The sampling method used in this study is purposive sampling. The purposive sampling criterias is as follows :

1. Banks listed on the IDX have published an annual report (within five years of the study period) on IDX and/ or the official website of each bank as many as 225.
2. Banks with foreign ownership and provide digital banking services as many as 185.

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3. Banks that provide complete data related to research in the period 2016 – 2020 as many as 110.

Based on the purposive sampling criterias and after deducting 10 outlier datas, this study collected 100 sample datas.

Conceptual and Operational Definitions of Variables

Pressure (Financial Target)

Financial target is the risk of excessive pressure when pursuing financial targets within the company (AICPA, 2002). Barus et al. (2021) defined the financial target as an unstable company's financial condition. The formula to measure financial targets is as follows (Simaremare et al., 2019):

$$\textit{Return on Assets (ROA)} = \frac{\textit{Net Income Before Extraordinary Items t}}{\textit{Total Assets t}}$$

Opportunity (Ineffective Monitoring)

Companies that have a weak internal control system will provide opportunities for someone to commit fraud to manipulate the company's financial statements. Opportunity in this study is measured by ineffective monitoring (Simaremare et al., 2019). The formula is as follows :

$$BDOUT = \frac{\textit{Total Independent Commissioners}}{\textit{Total Board of Commissioners}}$$

Rationalization (Auditor Changes)

Rationalization is a condition in which fraud perpetrators seek a justification for their actions. In this study, rationalization is measured by A-CHANGE, using a dummy for the presence or absence of auditor changes during the study period, 1 for auditor turnover and 0 for the absence of auditor changes (Achmad et al., 2018).

Capability (Change of Directors)

Capability is an ability to find weaknesses or gaps to commit fraud. This study uses change of directors (D-CHANGE) to measure capability (Simaremare et al., 2019). D-CHANGE uses dummy for the presence or absence of director change, 1 for changes of directors in the research period, and 0 if there is no changes of directors in that period.

Integrity (MBR)

Integrity is a quality, character, or condition that shows the unity of honesty, hard work and competence (Siahaan et al., 2019). The conservatism index is used in this study as a proxy for integrity. This index is measured by Beaver and Ryan (2000) model. The formula is also used by Indrasti (2020) :

$$\textit{Market to Book Ratio (MBR)} = \frac{\textit{Stock Market Price}}{\textit{Book Value Shares}}$$

Digital Banking

This study measures digital banking with the digital banking index (Susanti, 2019). This measurement is based on the top 10 lists of delivery channels or digital

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banking services listed in POJK Number 12/POJK.03/2018 concerning electronic banking services: automated teller machine, cash deposit machine, electronic data capture, phone banking, sms banking, internet banking, mobile banking, e-money, banking branch, and e-payment.

$$\textit{Digital Banking Index} = \frac{\textit{Score obtained}}{\textit{Max score}}$$

Liquidity Risk

This study uses liquidity risk as the control variable. Liquidity risk is a company's risk in paying off its short-term obligations. Liquidity risk is measured by dividing assets by liabilities (Mardianto and Tiono, 2019).

$$\textit{Liquidity Risk} = \frac{\textit{Current Asset}}{\textit{Current Liability}}$$

Firm Size

Firm size as the second control variable in this study, shows the ownership of the company's assets as well as the complexity of the management managing the company. This study measures firm size with the natural logarithm (Ln) of the company's total assets (Mardianto and Tiono, 2019).

$$\textit{Firm Size} = \textit{Ln (Total Asset)}$$

Foreign Ownership

Measurement of foreign ownership in this study divides outstanding shares by foreign ownership (Pratomo and Neida, 2020).

$$\textit{Foreign Ownership} = \frac{\textit{Total Foreign Ownership}}{\textit{Total Outstanding Shares}}$$

Fraudulent Financial Reporting (M-SCORE)

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FFR can be interpreted as a misstatement that is intentionally made, including in the form of an error in the amount or disclosure of financial statements, to deceive its users (Annisya et al., 2016). The measurement of FFR in this study uses the Beneish model (Ferica et al.,2019). Beneish model stated that m-score >-2.22 means the company commits FFR (Beneish, 2012).

$$\textit{M-Score} = -4.84 + 0.920*DSRI + 0.528*GMI + 0.404*AQI + 0.892*SGI + 0.11*DEPI - 0.172*SGAI + 4.679*TATA - 0.327*LEVI$$

a. *Days' Sales in Receivable Index (DSRI)*

$$DSRI = \frac{(\textit{Account Receivable } t / \textit{Sales } t)}{(\textit{Account Receivable } t-1 / \textit{Sales } t-1)}$$

b. *Gross Margin Index (GMI)*

$$GMI = \frac{(\textit{Sales } t\text{-}1 - \textit{COGS } t\text{-}1)}{\textit{Sales } t\text{-}1\ (\textit{Sales } t - \textit{COGS } t) / \textit{Sales } t}$$

c. *Asset Quantity Index (AQI)*

$$AQI = \frac{(1 - ((\textit{Current Asset } t + \textit{PPE } t) / \textit{Total Asset } t))}{(1 - ((\textit{Current Asset } t\text{-}1 + \textit{PPE } t\text{-}1) / \textit{Total Asset } t\text{-}1))}$$

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d. *Sales Growth Index (SGI)*

$$SGI = \frac{Sales\ t}{Sales\ t{-}1}$$

e. *Depreciation Index (DEPI)*

$$DEPI = \frac{(Depreciation\ t\text{-}1\ /\ (Depreciation\ t\text{-}1 + PPE\ t\text{-}1))}{(Depreciation\ t\ /\ (Depreciation\ t + PPE\ t))}$$

f. *Sales, General and Administrative Expenses Index (SGAI)*

$$SGAI = \frac{(SGA\ expenses\ t\ /\ Sales\ t)}{(SGA\ expenses\ t{-}1\ /\ Sales\ t{-}1)}$$

g. *Total Accruals to Total Assets Index (TATA)*

$$TATA = \frac{(Change\ in\ WorkingCapital\ t - Change\ inCash\ t - Change\ in\ TaxPayable\ t - Depr\&Amor\ Exp\ t)}{Total\ Assets\ t}$$

h. *Leverage Index (LEVI)*

$$LEVI = \frac{(LTD\ t + Current\ Liabilities\ t)\ /\ Total\ Assets\ t)}{(LTD\ t\text{-}1 + Current\ Liabilities\ t\text{-}1)\ /\ Total\ Assets\ t\text{-}1)}$$

Analysis Method

Descriptive Statistics

The results of descriptive statistics of 100 samples as described in table 1 state that: (1) FFR has average of -2.678609 and standard deviation of 0.8722063; (2) Pressure has average of -0.203803 and standard deviation of 0.8842246; (3) Opportunity has average of 0.590018 which means that the banking sample in this study has complied with the minimum number of independent commissioners in banking regulated by POJK No. 55/POJK.03/2016 that more than 50% of the total members of the board of commissioners. Opportunity has standard deviation of 0.1216736; (4) Rationalization has average of 0.15 and standard deviation of 0.359; (5) Capability has average of 0.64 and standard deviation of 0.482; (6) Integrity has average of 1.420549 and standard deviation of 1.0424020; (7) Digital banking has average of 0.8920 which means that the banking samples in this study have at least 8 of 10 types of delivery channel services that listed in POJK No. 12/POJK.03/2018. Digital Banking has standard deviation of 0.1323296; (8) Liquidity risk has average of 0.626424 and standard deviation of 0.5882542; (9) Firm size has average and standard deviation of 247141521321407.88 and 404010056892313.44.

Table 1. Descriptive Statistics Results

	N	Mean	Std. Deviation
FFR	100	-2,678609	,8722063
Pressure	100	-,203803	,8842246
Opportunity	100	,590018	,1216736
Rationalization	100	,15	,359
Capability	100	,64	,482
Integrity	100	1,420549	1,0424020
Digital Banking	100	,892000	,1323296
Liquidity Risk	100	,626424	,5882542
Firm Size	100	247141521321407,88	404010056892313,440

Source: Analysis results (2021)

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Estimation Model

The Chow test as described in table 2 is used to determine the next step in the research, whether to use common effect or fixed effect model.

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.041608	(19,72)	0.4276
Cross-section Chi-square	24.284315	19	0.1855

Source: Analysis results (2021)

Based on the test results in table 3, the probability value is 0.1855> 0.05, so the Common Effect Model (CEM) is selected.

Table 3. Estimation Model

Research Model	Uji Chow Probability Value Provisions	Test Result	Selected Model
Common Effect Model	>0,05	0,1855	CEM
Fixed Effect Model	<0,05		

Source: Analysis results (2021)

Classic Assumption Test

This research has passed the classical assumption test. The statistical test of normality in table 4 states that the value of Sig (2-tailed) is 0.738 which is > 0.05. So the datas in this study are normally distributed.

Table 4. One Sample Kolmogorov Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,30681290
Most Extreme Differences	Absolute	,068
	Positive	,068
	Negative	-,065
Kolmogorov-Smirnov Z		,684
Asymp. Sig. (2-tailed)		,738

Source: Analysis results (2021)

Multicollinearity Analysis

The multicollinearity test results in table 5 state that all of VIF values is <0.05, so it can be concluded that datas in this study do not have a multicollinearity problem. Based on the the test results in table 5, the formula of regression analysis (t-test) is as follows :

$$LN(ABS\_FFR) = 0{,}940 + 0{,}146PR - 0{,}301OPP + 0{,}027RAT - 0{,}047CAP + 0{,}054INT + 0{,}075DIGI + 0{,}053LIQ + 0{,}003SIZE$$

Autocorrelation Analysis

The results of autocorrelation analysis as described in table 6 compared with data in table 7 state that the value of DW > dU which is 2.210 > 1.82619. So the datas in this study do not occur auto correlation problems.

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Table 5. Multicollinearity Test

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
(Constant)	,940	,503		1,870	,065		
PR	,146	,042	,385	3,480	,001	,755	1,324
OPP	-,301	,297	-,116	-1,014	,313	,709	1,411
RAT	,027	,093	,029	,291	,772	,921	1,086
CAP	-,047	,071	-,067	-,661	,510	,886	1,129
INT	,054	,034	,167	1,584	,117	,832	1,202
DIGI	,075	,322	,030	,233	,816	,571	1,751
LIQ	,053	,062	,093	,855	,395	,779	1,284
SIZE	,003	,011	,030	,236	,814	,561	1,783

Source: Analysis results (2021)

Table 6. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change	DW
1	,401[a]	,161	,087	,32002	,161	2,178	8	91	,036	2,210

Source: Analysis results (2021)

Table 7. Durbin Watson Table

T=6 to 100,	K=2 to 21	(K <= T-4)	K includes intercept
T	**K**	**dL**	**dU**
100.	8.	1.52793	1.82619

Source : http://www.stanford.edu

Heteroscedasticity Test

The results in table 8 state that all independent variables have Sig >0.05, so this study does not have heteroscedasticity problems.

Tabel 8. Uji Heteroskedastisitas

Model	Unstdard. Coef. B	Unstdard. Coef. Std. Err.	Stdard. Coef. Beta	t	Sig.	Correlations Zero order	Correlations Partial	Correlations Part	Collinearity Statists Tolerance	Collinearity Statists VIF
1(Const)	,118	,065		1,806	,074					
PR	,008	,005	,175	1,561	,122	,082	,161	,152	,755	1,324
OPP	-,060	,038	-,181	-1,566	,121	-,032	-,162	-,153	,709	1,411
RAT	,017	,012	,140	1,378	,172	,168	,143	,134	,921	1,086
CAP	-,014	,009	-,160	-1,544	,126	-,172	-,160	-,151	,886	1,129
INT	,007	,004	,173	1,619	,109	,113	,167	,158	,832	1,202
DIGI	-,025	,042	-,078	-,605	,547	-,030	-,063	-,059	,571	1,751
LIQ	,011	,008	,155	1,398	,165	,175	,145	,136	,779	1,284
SIZE	-,002	,001	-,143	-1,097	,276	-,100	-,114	-,107	,561	1,783

Source: Analysis results (2021)

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Result and Discussion

Simultaneous Test

The results of simultaneous analysis are described in table 9, as follows :

Table 9. F-Test

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,784	8	,223	2,178	,036[a]
	Residual	9,319	91	,102		
	Total	11,103	99			

Source: Analysis results (2021)

Moderated Regression Analysis (MRA)

The results of MRA are described in table 10, as follows :

Table 10. MRA

Coefficients

Model	Unstandardized B	Unstandardized Std. Error	Standardized Beta	t	Sig.
DIGI	-,056	,093	-,061	-,602	,548
INT	-,030	,094	-,033	-,319	,751
CAP	-,033	,095	-,036	-,345	,731
RAT	-,048	,094	-,052	-,512	,610
OPP	-,039	,098	-,042	-,394	,695
PR	,043	,091	,047	,475	,636
DIGI*ASING	,517	,680	,521	,761	,448
INT*ASING	,047	,093	,097	,502	,617
CAP*ASING	,043	,196	,051	,220	,827
RAT*ASING	,010	,290	,008	,034	,973
OPP*ASING	1,100	,912	,643	1,206	,231
PR*ASING	1,398	,346	3,388	4,044	,000

Source: Analysis results (2021)

Based on the results of table 9 found that pressure, opportunity, rationalization, capability, integrity, digital banking, liquidity risk and firm size, simultaneously affecting the occurrence of FFR. This means, as unity, all fraud star dimensions, digital banking, and the two control variables have effect on the occurrence of FFR.

The results of MRA as described in table 10 state that : (1) There is a positive effect of pressure (financial target) on FFR. This is in line with study conducted by Siahaan et al. (2019) which stated that bigger pressure faced by management in pursuing the company's financial targets will also occur bigger FFR. Umar (2020) also stated that a higher financial target that is beyond the management's ability create a pressure that can trigger management to make all kinds of efforts, including manipulation of financial statements. This is in line with the agency theory that assumes an economic rationality in the relationship between the principal and the agent will encourage the agent to beautify the financial statements to achieve performance targets.

(2) Opportunity does not affect FFR. These result is consistent with studies conducted by Simaremare et al. (2019), Ferica (2019) and Pasaribu et a.l (2020). Ineffective monitoring has no effect on FFR because the appointment of independent commissioners is not only done to prevent FFR, but rather to comply

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with existing regulations. The appointment of the board of commissioners can also be done only to fulfill good corporate governance (Mardianto and Tiono, 2019). Shareholders tend to be more concerned with monitoring the performance of the directors than the board of commissioners. This is in line with the explanation in the agency theory, that the principal with his interest in increasing profit will give more focus on monitoring directors performance as agents who run the company on behalf of the principal.

(3) Rationalization does not affect FFR. Vivianita and Indudewi (2018) stated that auditor turnover does not affect the occurrence of FFR because fraud will still be carried out by perpetrators, regardless of whether or not there is a change of auditors within the company. Meanwhile, according to Pasaribu et al. (2020) auditor changes can be made by companies because of dissatisfaction with the work of the previous period. This result is also supported by research conducted by Annisya et al. (2016) and Widyatama and Setiawati (2020), that the old auditors and replacement auditors, big four and non-big four auditors, have the same role in auditing financial statements, to determine whether it is free from material misstatement, either error or fraud. Meanwhile, according to agency theory, the principal will choose a competent auditor, well-named, objective, and professional in the hope that quality audit results will be obtained for the company's sustainable success.

(4) Capability does not affect FFR. This is supported by Simaremare et al. (2019) and Pasaribu et al. (2020) who stated that the change of directors does not affect the occurrence of FFR because shareholders tend to increase the company's performance from year to year so that a replacement is determined to more competent directors, through the general meeting of shareholders (GMS). Meanwhile, according to agency theory, principals have economic rationality for the interest to obtain larger dividends every year. Principals tend to want the best board of directors to manage their company to achieve an increase in company profits every year (Pasaribu et al., 2020).

(5) Integrity does not affect FFR. This study is one of the first researches that examines integrity as a fraud star dimension by using secondary data.This study also uses a conservative index, the market to book ratio (MBR) as a measurement of the integrity variable. Based on the results of this study, fraud will still occur without being affected by the size of the company's MBR. Although partially MBR cannot directly influence the occurrence of fraud, integrity is one of the fraud star dimensions that simultaneously affects the occurrence of FFR. Lack of integrity is the most basic thing behind the occurrence of fraud in Indonesian banking behind many regulations issued by the government. Umar (2016) stated that lack of integrity is the last dimension of fraud star which is very important and determines a person's reason for committing fraud.

(6) Digital Banking does not affect FFR. The presence or the absence of digital banking services does not affect the occurrence of FFR. Meanwhile according to Othman (2020) digital technology is a double-edged sword. The presence of digitalization has two impacts, positive and negative. Based on agency theory, the adoption of digital technology in banking can cause a conflict of interest. The principal will try to reduce costs and consider the adoption of digital

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banking as an increase in the company's costs. Meanwhile, agents or management consider the adoption of digital banking as a technology investment that will facilitate the performance of daily banking operations. According to agency theory, the adoption of digital technology can cause a conflict of interest where the principal with the concept of cost savings considers digitalization as a waste. On the other hand, agents or management want the benefits of digital investments that offer the effectiveness and efficiency of banking operations.

(7) This study results state that foreign ownership does not moderate the relationship between digital banking and FFR. This result is consistent with the results of the partial regression test which shows that digital banking does not affect FFR. This result is also supported by Wibowo and Herawati (2019) who stated that there is no influence between foreign ownership on earnings management practices as a measurement of FFR.

(8) Foreign Ownership does not moderate the relationship of integrity to FFR. This result is consistent with the partial test result that found Integrity does not affect FFR. Although partially integrity does not affect the occurrence of FFR, integrity is part of the fraud star dimensions which simultaneously affects the occurrence of FFR. Umar (2016) stated that integrity is the last dimension of the fraud star that determines a person not to commit fraud. Integrity must be adhered to and should not be ignored, because integrity is inherent in many professional rules and codes of ethics. On the other hand, the presence of foreign ownership in banking companies is not only considered to be able to reduce the number of FFR through a neater supervision and control system, but it can also increase pressure on agents through demands for higher performance which refers to global competition. Thus, the presence of Foreign Ownership cannot moderate the relationship between Integrity and FFR.

(9) Foreign ownership does not moderate the relationship between capability and FFR. This result is supported by Simaremare et al. (2019), Annisya (2016), and Pasaribu et al. (2020). Changes in the board of directors can be made by the company in the GMS to change the composition of the board of directors to be more appropriate, or to appoint a new director who is considered more competent. Foreign ownership in addition to strengthening the internal control system also increases the demand for work that is oriented to global competition. Wibowo and Herawati (2019) stated foreign ownership in a company cannot moderate the relationship between capability and FFR because the presence of foreign hands can not only tighten supervision and internal control of the company, on the other hand, it can also increase pressure through the improvement of company performance standards.

(10) Foreign ownership does not moderate the relationship between rationalization and FFR. This is in line with Kayoi and Fuad (2019) who stated that foreign ownership does not have a significant influence on the practice of corporate earnings manipulation. These results are consistent with the results of the first regression test which shows that the presence or absence of auditor turnover does not affect the occurrence of FFR. Vivianita and Indudewi (2018) also said that auditor turnover does not affect the occurrence of FFR because fraud will still be carried out without being influenced by the presence or absence of auditor changes.

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While Pasaribu et al. (2020) explained that changes in auditors can be made by companies because of dissatisfaction with the work of the previous period. Based on agency theory, principals tend to choose competent and independent auditors for the sustainable progress of the company. The presence of foreign shares in banking companies cannot moderate the relationship between rationalization and FFR.

(11) This study found that the presence of foreign shares in banking companies does not have a moderating effect. It is consistent with the result of the partial regression test, opportunity also does not affect the occurrence of FFR. Widyatama and Setiawati (2020) stated that the recruitment of independent commissioners is only to meet financial services authority (OJK) regulatory requirements so the role of independent commissioners in supervising banking companies is not optimal. These results are supported by Simaremare et al. (2019), Ferica (2019), and Pasaribu et al. (2020). They agreed that the appointment of independent commissioners was solely to comply with existing regulations. Furthermore, Mardianto and Tiono (2019) explained that the appointment of the board of commissioners could be done only to fulfill good corporate governance.

(12) Foreign ownership can strengthen the positive influence of pressure on FFR. This result is supported by Priyanto and Qibthiyyah (2020) who stated that the presence of foreign shares can spur companies to be more productive. Foreign ownership bring significant changes, both in corporate culture and in the competitive management, as well as by directing the performance barometer towards international competition. So the percentage of foreign ownership can strengthen the positive influence of pressure on FFR. According to agency theory, agents are required to as much as possible achieve the performance targets set by the principal. It causes agents to commit FFR to beautify financial statement. Moreover, performance achievement is usually accompanied by the provision of bonuses or rewards, thereby increasing pressure and encouragement to management to carry out manipulative actions in financial statements (Ayem and Astuti, 2019). Basically, every company has the same goal to attract many investors through good financial statements.

(13) Based on the results of the t-test (table 10), it can be interpreted that the presence or absence of liquidity problems in the company does not affect FFR. (14) FFR also occur without being influenced by the size of the banking company. This result is supported by Ferdinand (2020) and Riska et al. (2019) who stated small and large companies have the same opportunity to conduct FFR. This is in line with the agency theory where both principals and agents, in large and small companies, both aim to produce good financial reports that include high profits so the principal will obtain large dividends and the agent achieve performance targets. However, simultaneously this two control variables have significant effect on FFR. Dzaki and Suryani (2020) and Ferdinand (2020) stated that larger size companies will have increasingly complex complexities that encourage management or agents to do various things including FFR. According to Mardianto and Tiono (2019) liquidity risk shows the condition of the company that having difficulty paying off its short-term liabilities which can trigger management to commit FFR.

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Conclusion

Simultaneously pressure, opportunity, rationalization, capability, integrity, digital banking, liquidity risk, and firm size affect fraudulent financial reporting (FFR). Partially, pressure has a positive effect FFR. Pressure tends to put management in a forced position to manipulate financial statements to pursue performance targets. Foreign ownership can strengthen the influence of pressure on FFR. Foreign ownership can bring significant changes in the company's organization and managerial implementation. Companies with foreign shares tend to be more productive, competitive and set higher targets. Thus, the greater the percentage of foreign share ownership in banks, the more positive influence the financial target (ROA) has on FFR. Partially the market to book ratio (MBR) does not affect FFR. However, simultaneously as a fraud star dimension, it can influence the occurrence of FFR. This can be interpreted that integrity as an important element of fraud star cannot be ignored. Integrity is inherent and becomes a unified whole along with many rules and professional codes of ethics that should always be adhered to.

Limitation

The measurement of banking FFR in this study uses the m-score proxy, which is mostly negative. The sample obtained is not broad enough to be able to generalize the results of this study. There are many incomplete banking financial data related to research data which causes the sample size to be small. Measurement of independent variables in this study is still very simple. There are still other independent variables outside this study that cannot be accommodated. Data in 2020 has a downward movement pattern in several banks due to pandemic conditions that have an impact on the national economy.

Sugestions

Further event study research is expected to carry out longer research period with combination of qualitative and quantitative methods. Digital banking, rationalization, and integrity are difficult to be measured accurately if only using quantitative methods. Using a more complex proxy in measuring the dependent variable will give accurate result. For example, by adding a cyber security proxy in the measurement of digital banking variables. Using other calculated proxies in measuring FFR in future studies is also expected. For example by using the F score model and altman Z score.

Implication

This study contributes to the banking sector as it tested and proved existing theories, as well as completing the latest quantitative studies related to fraudulent financial reporting (FFR) in the banking sector. This study is also expected to be a reference in decision-making to maximize the detection and prevention of banking fraud, especially FFR. In addition, it provides information that is equipped with empirical evidence as consideration for decision-making for regulators and professional associations that issue policies for the public interest.

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