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ANALYSIS OF THE EFFECT OF PERSONAL FINANCIAL NEED, CORPORATE GOVERNANCE, ECONOMIC INSTABILITY AND FINANCIAL TARGETS ON POTENTIAL FINANCIAL SHENANIGANS RISKS

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Abstract
Financial report are a form of communication between companies and stakeholders. Financial shenanigans are action that deliberately damage the reported financial performance and financial condition of a company. This research uses secondary data with quantitative methods, with the type of data in the form of company documents, namely financial reports, balance sheets and profit and los reports for retail sector companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange. The sample research method used was purposive sampling. Personal financial need has a positive effect on the potential risk of financial shenanigans, corporate governance and financial target has a negative effect on the potential risk of financial shenanigans, and economic instability has not effect on the potential risk of financial shenanigans. Future research are expected to be able to use different research methodes from previous research, with the aim of finding out how the independent variable influences the dependent variable.

Keywords: Personal Financial Need, Corporate Governance, Economic Instability, Financial Target, Financial Shenanigans

1. Introduction

Financial statements are a form of communication between companies and stakeholders (Yesiariani & Rahayu, 2017) This causes financial statements to be presented correctly so that they can be used by interested parties in making decisions. In recent years, many investors have been let down by companies due to increased manipulation of financial statements. This practice has been widely carried out by large-scale companies and small-scale companies around the world (Sharma & Dey, 2018). Manipulation of financial statements carried out by companies is one of the main threats to business in a country (Zainudin & Hashim, 2016).

One of the success functions that is important for the success of the company in achieving its goals is the condition of the company's financial management. Therefore, the company must pay special attention to financial progress in order to achieve company goals. According to (Riyanto, 2010) financial management as the entire activity of the company concerned with the business of obtaining the necessary funds with minimal costs and the most favorable conditions and using these funds as economically as possible. Financial managers need to make the right decisions in determining company goals and in efforts to achieve these goals. The decision taken must be with the principle of maximizing the value of the company, which is synonymous with maximizing profits, and minimizing the level of risk.

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Based on Statement of Financial Accounting (SFAC) No. 1 states that information about profits contained in the company's financial statements is an important concern for users of financial statements in assessing performance and assessing the company's earning power in the future. So to attract investors, managers often commit fraud by changing the profit figure to be larger so that the company's condition looks good and more attractive.

Fraud or fraud can be interpreted as a deviation and unlawful acts carried out deliberately with certain purposes such as committing fraud. Based on the results of a survey conducted by (Association of Certified Fraud Examining (ACFE), 2021), it was revealed that company managers are the position that most often commit fraud in Indonesia, which is 40.3%. In addition to Indonesia, Malaysia is also not spared from financial statement fraud. According to a survey by Price Waterhouse Coopers (2020), the number of fraud cases in Malaysia is still very high. The percentage of fraud cases increased from 41% in 2018 to 43% in 2020. In addition, according to ACFE 2020, it was recorded that fraud cases in the retail industry occurred 82 times. (Wati et al., 2023).

The retail industry is one of the strategic industries in Indonesia. This industry provides the second largest contribution in Gross Domestic Product (GDP) from year to year after the processing industry. This industry is also able to absorb a lot of workers. Based on the Indonesian Retail Companies Association (Aprindo) quoted in the position paper of the Indonesian Business Competition Supervisory Commission (KPPU) revealed that the retail sector managed to absorb 18.9 million workers or ranked second after the agricultural sector which was able to absorb 41.8 million people. Large employment has led to reduced unemployment in Indonesia. Likewise in Malaysia, the retail industry is one of the sectors that contributes the most to gross domestic product GDP). (Asmianti et al., 2019).

Based on data reported by CEIC, the retail business is currently declining, Malaysia's retail sales growth was reported at 22.6% at the end of 2022. Malaysian retail sales growth data averaged 9.2% from 2014 to 2022, with 112 observations.as well as retail sales growth in Indonesia which continues to decline, reported at 0.6% at the end of 2022. Data on Indonesia's retail sales growth with an average of 7.9% from 2011 to 2022, with 149 observations.

Financial statement fraud can bring profits and losses to business people. The benefits obtained for business people are by exaggerating business results so that they can look good in the eyes of the public while the losses can harm the public so that it is difficult to make decisions on financial statements. According to the (Ikatan Akuntan Indonesia, 2012) states, fraud is: "Any accounting action as (1) Misstatement arising from fraud in financial reporting is a misstatement or intentional omission of amounts or disclosures in reporting to deceive users of financial statements, (2) Misstatements arising from improper treatment of assets (often referred to as misuse or embezzlement) related to asset theft entities that result in financial statements not being presented in accordance with generally accepted accounting principles in Indonesia".

According to Theory Cresey (1953) there are three general characteristics that become the basis for fraud events or known as fraud, namely opportunity, pressure, and rationalization called the fraud triangle. (Association of Certified Fraud Examining (ACFE), 2021) divides fraud cases into three types of acts:

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a. Asset Misappropriation
Fraud is defined as misuse or theft of assets and assets of the company or other parties related to the company. This is the easiest form of fraud to detect because of its measurable nature.

b. Fraudulent Statements
This crime is generally committed by officials or executives of companies or government agencies to cover up their true financial condition. The trick, by engineering transaction data or financial statements in the presentation of financial statements to make a profit.

c. Corruption
This action is common in countries where law enforcement is still weak and governance is not good. This type of fraud often cannot be detected because the unscrupulous people work together to enjoy benefits. These include abuse of authority, bribery, unauthorized acceptance, and economic extortion.

One of the fraud cases that occur in companies in Indonesia is PT. Global Retail Solutions subsidiary of PT. Envy Technologies Indonesia Tbk. Related figures are consolidated into the financial statements. PT Envy Technologies Indonesia Tbk. It is known that PT. Solusindo Global Retail did not compile the financial statements (Sandria, 2021). The Indonesia Stock Exchange (IDX) questioned the financial statements to PT Envy Technologies Indonesia Tbk which responded that the report had been approved by the previous management. The company is also clarifying with an independent auditor at the time. Finally, IDX decided to temporarily suspend trading of PT Envy Technologies Indonesia Tbk as of December 1, 2020.

According to (Schilit, 2002), the concealment or distribution of corporate financial performance reports by management is called financial shenanigans. Based on the research of (Mohammed & Ala, 2015) on 50 companies in the United Arab Emirates (UAE), several reasons were found that caused financial shenanigans, namely to meet the personal interests of management, to show better company performance and or less likely management will be caught.

Financial shenanigans are actions that deliberately damage the financial performance and financial condition of the reported company (Mohammed & Ala, 2015). Financial shenanigans are done to trick investors about the company's true performance and financial position (Jamieson et al., 2019). The practice of financial shenanigans can deceive investors because investors make decisions through financial statements published by companies (Mohammed & Ala, 2015).

Financial shenanigans are part of fraud. However, research on this topic is still rarely found in Indonesia, while research on the topic of fraud in Indonesia is many and often carried out. The most important characteristic of the occurrence of financial shenanigans can be detected by presenting figures in the company's balance sheet and income statement (Jamieson et al., 2019). In addition, to prove the occurrence of financial shenanigans, it is necessary to research the narrative contained in footnotes, quarterly earnings announcements, and other elements published by management.

One of the factors that can cause fraud is personal financial needs. Personal financial needs are conditions where the company's finances are also influenced by the financial condition of the company's management (Wardhani & Farida, 2021). In general, there are three general conditions that always exist when fraud occurs. The three conditions are pressure, opportunity, and rationalization, hereinafter referred to as fraud triangle

Managers or directors of companies get pressure to cheat financial statements when their personal financial situation is threatened because of the company's financial reputation.

The second factor that can encourage fraud is economic instability that encourages individuals or groups to commit fraud on financial statements. Economic instability is part of a country's economic problems, the economy is not continuously always stable from every period, as well as the development of new retail sectors that create competition between companies In this case, company managers are pressured to commit financial statement fraud when economic conditions, industries, and operating unit conditions threaten the financial stability or profitability of the company.

The third factor that can encourage fraud in financial statements is corporate governance, If the company implements good and appropriate governance so that it can be used to regulate and control the company to create added value for stakeholders. Companies can minimize the occurrence fraud by implementing basic principles corporate governance.

The fourth factor that can trigger fraud in financial statements is the financial target. Financial targets exert excessive pressure on management to achieve financial targets set by directors or management (Listyaningrum et al., 2017). Individuals within the company strive to increase sales so as to achieve financial targets. However, these targets are difficult to achieve, which encourages individuals to use other ways to achieve them, namely manipulating data in financial statements.

This study is a development of previous research conducted by (Wati, 2022) entitled "Analysis of the influence of personal financial need, corporate governance and economic instability on the potential risk of financial shenanigans During the COVID-19 pandemic." The difference between this study and (Wati, 2022) research lies in the addition of the variables studied, namely financial targets, and the sample studied where this study only focuses on companies from the retail sector listed on the Indonesia Stock Exchange and Bursa Malaysia in the 2020-2022 period. The purpose of this research is to determine the influence of Personal Financial Need, Corporate Governance, Economic Instability and Financial Targets Against Potential Risks of Financial Shenanigans.

2. Theoretical Background

2.1 Agency Theory

Jansen and Meckling's Agency Theory (Revika, 2019) consists of shareholders as principals and management as agent. Management can be a party held by shareholders in order to provide the best service for the benefit of shareholders. The management is empowered to make decisions in improving shareholder welfare. (Anissya, et al in (Revika, 2019)). Agency theory shows that the importance of division between company management and shareholders. The goal is to build effectiveness and efficiency by hiring professionals to manage the company.

Incomplete information received by the principal causes inability to supervise all actions taken by the agent. The agent can do something different from what the principal wants, because the agent has different preferences from the principal, or it could be because the agent intends to cheat the principal. This can cause the principal to find it difficult to trace what the agent actually does in running the company according to what the principal wants. The higher the asymmetric information between the agent and the principal will encourage profit management actions taken by the agent.

Based on the description above, it can be concluded that agency problems between principals and agents can cause accounting fraud that can mislead and harm interested

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parties. The absence of effective supervision from the principal can open opportunities for agents to commit fraud by lying to investors through a series of fraudulent actions through creative accounting.

2.2 Cheating

According to (C. Albrecht & Conan Albrecht., 2008) cheating is any kind of means that can be devised by human ingenuity, and used by one individual to gain an advantage over another by wrong means and suppression of truth, and includes all surprises, deceit, cunning, or concealment and any unjust means that cause others to be deceived. To be more specific, (Albrecht et al., 2006) break it down into seven elements, namely as follows: 1. Representation, 2. About something material, 3. Wrong, 4. Intentionally or carelessly, 5. Believed, 6. Practiced by the victim, 7. So as to harm the victim.

Schematically, the Association of Certified Fraud Examiners (Association of Certified Fraud Examining (ACFE), 2021) describes occupational fraud in the form of a fraud tree and divides it into three types:

a. Corruption
   (Tuanakotta, 2010) explained that there are four forms of corruption according to the fraud tree, namely conflicts of interest, bribery, illegal gratuities, extortion (economic extortion).
b. Asset Misappropriation
   Misuse of assets or embezzlement of assets is an act of theft or illegal taking carried out by someone who has the authority to manage or supervise assets.
c. Financial Statement Fraud This fraud, as the name implies, is carried out in making financial statements. This fraud takes the form of misstatements or material omissions in the company's financial statement information that aims to influence users of the information in making economic decisions. Misstatements made in the form of misstatements, either in the form of overstatements or understatements.

2.3 Financial Shenanigans

Financial shenanigans are fraudulent behaviors or actions that are used about the actual performance or financial position of a company. Financial crime can be closely related to financial statement fraud (Jamieson et al., 2019). Financial statement fraud or commonly called fraud is a deliberate misrepresentation of a company's financial position by misrepresenting or omitting amounts or deliberately disclosing amounts in financial statements to mislead users of financial statements (Association of Certified Fraud Examining (ACFE), 2021). Therefore, on the one hand, financial crimes are fraudulent behavior because they misrepresent the true performance and financial position of a company. Investors judge company executives harshly when they fail to meet earnings expectations when reporting quarterly reports.

According to (Christian et al., 2021), the technique of financial shenanigans can be done more than once which can cause losses to management, companies and have an impact on society. Financial shenanigans can manipulate investors, because of the decisions made by investors through the financial statements presented. Accuracy and sensitivity are needed in accounting gimmick efforts because they will carry out financial statement analysis actions so that they can find out whether they experience financial shenanigans. Variables are measured using a nominal scale.

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$$TAC_{it} = NI_{it} - CFO_{it}$$

(Jones, 1991 in (Kurniawati, 2021))

Information :
TACit : Total company accruals in the period year t
NIit : Net Profit of company i in year period t
CFOit : Operating Cash Flow of company i in year period t

a. Next, Total Accrual (TA) is estimated by Ordinary Least Square as follows:

$$TAC_{it}/A_{it-1} = \beta_1(1/A_{it-1}) + \beta_2(\Delta Rev_{it}/A_{it-1}) + \beta_3(PPE_{it}/A_{it-1}) + \varepsilon$$

b. With the regression coefficient as in the formula above, Non Discretionary Accruals (NDA) is determined by the following formula:

$$NAD_{it}/A_{it-1} = \beta_1(1/A_{it-1}) + \beta_2(\Delta Rev_{it}/A_{it-1} - \Delta Rec_{it}/A_{it-1}) + \beta_3(PPE_{it}/A_{it-1})$$

c. Lastly, Discretionary Accruals (DA) as a measure of financial chaos is determined by the following formula:

$$DA_{it} = TA_{it} / A_{it} - NDA_{it}$$

Information
DAit : Discretionary accruals of company i in year t
NDAit : Non Discretionary Accruals of company i in year t
TACit : Total accruals of company i in year t
NIit : Net profit of company i in year t
CFOit : Operating cash flow of company i in year t
Ait-1 : Total assets of company i in the previous year t-1
E : Error
ΣRECit E : Company i's receivables in year t minus receivables in year t-1
ΣREVit : Company i's income in year t minus income from the previous year t-1.
PELit : Fixed assets of company i in year t

2.4 Personal Financial Need

Personal financial need is a condition where company finances are influenced by the personal financial conditions of company executives (Setiawati & Baningrum, 2018) Therefore, personal financial need is proxied by the percentage of insider shareholding. Variables are measured using a nominal scale.

$$OSHIP = \frac{\text{Total Managerial Shares}}{\text{Total Common Shares Outstanding}}$$

(Skousen et al., 2009)

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2.5 Corporate Governance

According to the Cadbury Committee of the United Kingdom in (Sudarmanto & Susanti, 2021) corporate governance is a system that regulates the relationship between company management, shareholders, creditors, government, employees and internal and external stakeholders relating to rights and their obligations. Governance refers specifically to the set of rules, controls, policies, and resolutions implemented to direct corporate behavior. Variables are measured using a nominal scale.

$$\boxed{\mathrm{AC} = \sum \textit{Audit Committee}}$$

(Debby et al., 2014)

2.6 Economic Instability

Economic instability is a situation that shows the company's financial condition is unstable. SAS (Statement on Auditing Standards) No. 99 (AICPA, 2002) explains that managers face pressure to commit financial report fraud when their financial stability or profitability is threatened by economic conditions, the industry and the condition of the operating entity. This form of financial statement fraud committed by management is related to the growth of company assets. Therefore, economic instability is proxied by the percentage change in total assets (Skousen et al., 2009). Variables are measured using a nominal scale.

$$\boxed{ROE = \frac{\text{Earning After Tax}}{\text{Shareholders}'Equity} x\ 100\%}$$

(Skousen et al., 2009)

2.7 Financial Target

SAS No. 99 (AICPA, 2002) explains that financial targets are the risk of excessive pressure on management to achieve financial targets set by directors or management, including goals for receiving incentives from sales and profits. In this research, financial targets are measured based on ROA. (Skousen et al., 2009) said that return on assets (ROA) is often used in assessing manager performance and in determining bonuses, wage increases, etc. Variables are measured using a nominal scale.

$$\boxed{ROA = \frac{\text{Net Income before extraordinary item}}{\text{Total Asset}} x100\%}$$

(Skousen et al., 2009)

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2.8 Conceptual Framework

An overview of the framework of thought in this research is presented as follows:

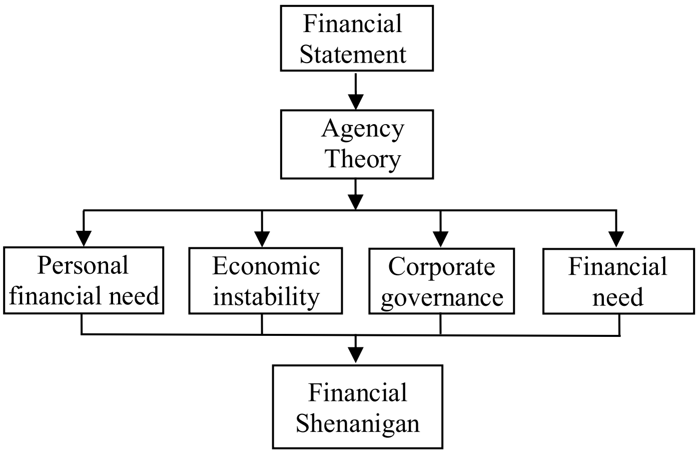

Figure 1. Conceptual Framework
Source: Processed by author, (2023)

2.9 Hypothesis Formulation

H1: Personal financial has a positive effect on financial shenanigans
H2: Corporate governance has a negative effect on financial shenanigans.
H3: Economic instability has a positive effect on financial shenanigans.
H4: Financial targets has a negative effect on financial shenanigans.

3. Methods

This research uses secondary data with quantitative methods. The population in this study are retail companies listed on the Indonesia Stock Exchange and Malaysia Stock Exchange for the 2020-2022 period. The sample research method used is purposive sampling. Criteria-based purposive sampling is used to select samples: (1). Companies listed on the Indonesian Stock Exchange and Malaysian Stock Exchange which include retail for the 2020-2022 period, (2). Companies that have financial reports ending in December 2020-2022, (3). Availability of financial reports published during 2020-2022.

The data in this research was processed using IBM SPSS Statistics 25 through processing stages, namely descriptive statistical tests, classical assumption tests, hypothesis tests, and multiple linear regression analysis. In this study, hypothesis tests were carried out both partially and simultaneously. Multiple linear analysis is used to test the influence of the independent variable on the dependent variable. The multiple linear regression model in this research is a follow:

$$\boxed{Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + e}$$

Information:

Y : Financial Shenanigans
α : Constant Regression Coefficient
β : Product Regression Coefficient
X1 : Personal Financial Need
X2 : Corporate Governance
X3 : Economic Instability
X4 : Financial Target

4. Results and Discussion

4.1 Multiple Regression Analysis

The test was performed using a multiple linear regression test with a = 5%. The test results are presented in table 1 as follows:

Table 1. Results Multiple Linear Regression Test
Coefficient of Retail Companies on Indonesia and Malaysia Stock Exchange

Model		Unstandardized Coefficients		Standardize Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.717	.526		10.865	.000
	Personal financial need	5.196	1.589	.073	3.271	.002
	Corporate governance	-2.359	.154	-1.192	-15.275	.000
	Economic Instability	-.235	.407	-.013	-.578	.565
	Financial target	.423	.147	.225	2.873	.005

Source: Data processed SPSS (2023)

The Regression Model based on the results of the analysis in table 1 above is :

Financial Shenanigans = 5.717 + 5.196 PFN - 2.359 CG - 0.235 EI + 0.423 FT + e

Explanations that can be given regarding the regression model formed are:

a. The constant value with a positive sign of 5,717 means that it is influenced by personal financial need, corporate governance and economic instability. So the financial shenanigans will increase by 5,717.
b. The personal financial need has a coefficient value of 5.196 which means that for every 1% increase in personal financial need, the financial shenanigans variable will decrease by 5.196.
c. The corporate governance has a coefficient value of -2,359 which means that for every 1% increase in corporate governance, the financial shenanigans variable will increase by -2,359.
d. The economic instability has a coefficient value of -0.235 which means that for every increase in economic instability of 1%, the economic instability will decrease by -0.235.
e. The financial target has a coefficient value of 0.423 which means that for every 1% increase in economic instability, the economic instability will increase by 0.423.

4.2 Hypothesis Test

4.2.1 Coefficient of Determination (R^2) Test

The following are the results of the coefficient of determination (R2) test :

Table 2. Results of the Coefficient of Determination Test
Model Summary of Retail Companies on the Indonesia and Malaysia Stock Exchange

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.943[a]	.889	.883	2.46776

Source: Data processed SPSS (2023)

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Based on table 2 above, it shows the result that the magnitude of the coefficient of determination is 0.883 or 88.3%. This means that the potential financial shenanigans can be explained by personal financial need, corporate governance and economic instability by 88.3% and the remaining 11.7% explained by other variables not included in the study.

4.2.2 Statisical t Test (Partial)

The t test is used to test each of them so that it can be known how far the influence of each independent variable on the dependent variable in a regression model.

Table 3. Results t Test (Partial)

Coefficients of Retail Companies on Indonesia and Malaysia Stock Exchange

Model		Unstandardized Coefficients		Standardize Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.717	.526		10.865	.000
	Personal financial need	5.196	1.589	.073	3.271	.002
	Corporate governance	-2.359	.154	-1.192	-15.275	.000
	Economic Instability	-.235	.407	-.013	-.578	.565
	Financial target	.423	.147	.225	2.873	.005

Source: Data processed SPSS (2023)

Based on table 3 above, the Ttable value of 1,994 can be explained as follows:

a. The results of the test of the effect of personal financial need (X1) on financial shenanigans (Y) obtained a calculated value of 3,271 and a sig value of 0.02. Then it can be concluded that the value of Tcalculate < Ttabel and the value of sig > 0.05. So it can be interpreted that personal financial need has a significant effect on financial shenanigans (accepted hypothesis).
b. The results of the test of the effect of corporate governance (X2) on the potential risk of Financial Shenanigans (Y) obtained a calculated value of -15,275 and a sig value of 0.00. Then it can be concluded that the value of Tcalculate > Ttabel and the value of sig < 0.05. So it can be interpreted that corporate governance has a significant effect on financial shenanigans (hypothesis accepted).
c. The results of the effect of economic instability (X3) on the potential risk of Financial Shenanigans (Y) obtained a calculated value of -578 and a sig value of 0.565. Then the data concludes that the Tcalculate value < Ttabel and the sig value > 0.05. So it can be interpreted that economic instability has no significant effect on financial shenanigans (hypothesis rejected).
d. The results of the test of the effect of economic instability (X3) on the potential risk of Financial Shenanigans (Y) obtained a calculated value of 2,873 sig value of 0.00. Then the data concludes that the Tcalculate value > Ttabel and the sig value < 0.05. So it can be interpreted that the financial target has a significant effect on financial shenanigans (hypothesis accepted)

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4.2.3 Statistical F Test (Simultaneous)

The F test aims to test whether the independent variables simultaneously have an influence on the dependent variable.

Table 4. Results F Test (Simultaneous)
ANOVA Retail Companies on Indonesia and Malaysia Stock Exchange

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	3712.327	4	928.082	482.215	.000
	Residual	134.724	70	1.925		
	Total	3847.051	74			

Source: Data processed SPSS (2023)

Based on the results of simultaneous tests of Personal Financial Need (X1), Corporate Governance (X2), Economic Instability (X3) and Financial Target (X4) on the potential risk of Financial Shenanigans (Y) obtained a sig value of 0.00, a F calculate value of 482,215 and an Ftable value of 2.50. Then it can be concluded that the Fcalculate value > Ftable and the sig value <0.05. So that the independent variables, namely personal financial need, corporate governance, economic instability and Financial Target have a significant effect together (simultaneously) on the dependent variable, namely financial shenanigans.

4.3 Discussion

The discussion of each independent variable against the dependent variable is as follows:

4.3.1 The Effect Of Personal Financial Need On The Potential Risk Of Financial Shenanigans.

The variable personal financial need, which is proxied by insider shareholding, explains that the result is accepted. The personal financial need variable has a positive effect on the potential risk of financial shenanigans. This personal financial need variable uses a proxy for stock ownership by company insiders. This can be interpreted that insider shareholding is very low. This shows that in a company, the ownership of the company that controls the running of the company and the ownership of the company's directors as supervisors of the company are clearly separated. Not enough ability to manage a company and run financial shenanigans financial shenanigans (Mekarsari, 2018 in (Wardhani & Farida, 2021)). The results of this study are not in accordance with signal theory which explains that the ownership of shares of a company affects the company's financial position. consequently, executives strive to publish the best information about the company to reduce corporate asymmetry (S.A Ross, 1997 in (Wardhani & Farida, 2021)).

4.3.2 The Influence Of Corporate Governance On The Potential Risk Of Financial Shenanigans.

Corporate governance variables are proxied by the number of audit committees, obtaining that the results are accepted. Corporate governance variables negatively affect the potential risk of financial shenanigans. Corporate governance in this study is proxied with the audit committee and the results affect the potential risk of financial shenanigans. Agency theory predicts that CG is a very important part of managing an organization.

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Therefore, the operation of an organization must be controlled and regulated in such a way as to ensure that the operation of an organization is carried out in accordance with the relevant rules and instructions.

4.3.3 The Effect Of Economic Instability On The Potential Risk Of Financial Shenanigans.

The variable of economic instability is proxied with the profitability ratio, namely ROE (Return On Equity), the test results that the results are rejected. This variable of economic instability uses a proxy profitability ratio, namely ROE (Return On Equity) and the results do not affect the potential risk of financial shenanigans. Economic instability is proxied by using the company's ability to provide benefits for capital owners by showing the net income presented in the annual financial statements on a sample of companies. For shareholders who invest their funds in the company in addition to equity, this ROE is a measure of how much he will get in return for the capital invested. The results of this study are not in line with signal theory which shows that economic instability causes companies to try to display company conditions as well as possible without information asymmetries that have the potential to cause financial shenanigans (S. A. Ross, 1977 in (Wardhani & Farida, 2021)).

4.3.4 The Effect Of Financial Target On The Potential Risk Of Financial Shenanigans.

The variable of economic instability is proxied with the profitability ratio, namely ROA (Return On Assets), the test results that the results are accepted. The Financial Target negatively affects the potential risk of financial shenanigans. Because if the target set by the company can be achieved properly, then the possibility of fraud will be smaller. This financial need variable uses a proxy profitability ratio, namely ROA (Return On Assets) and the results affect the potential risk of financial shenanigans.

4.3.5 The Simultaneous Effect Of Personal Financial Need, Corporate Governance, Economic Instability And Financial Targets On The Potential Risk Of Financial Shenanigans.

The variables of personal financial need, corporate governance, economic instability and financial targets simultaneously against financial shenanigans from the test results show that the results are accepted. This is indicated by the significance value of $0.00 < 0.05$ and the value of Fcalculate (482.215) > Ftable (2.50) and the magnitude of the coefficient of determination is 0.883 or 88.3%. This means that the potential financial shenanigans (dependent variables) can be explained by personal financial need, corporate governance and economic instability (independent variables) by 88.3% and the remaining 11.7% explained by other variables not included in the study.

5. Conclusion

Based on this study, with multiple linear regression analysis and assumed hypotheses, the following conclusions can be obtained:

a. Personal Financial Need positively affects the potential risk of Financial Shenanigans.
b. Corporate Governance negatively affects the potential risk of occurrence Financial Shenanigans.
c. Economic instability have not affects the potential risk of Financial Shenanigans.
d. Financial targets negatively affect the potential risk of occurrence Financial Shenanigans.

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