ABSTRACT

This research is conducted to examine the effect of ownership structure on fraudulent financial reporting. The ownership structures studied are managerial, institutional, foreign, family, and state-owned enterprise (SOE). Agency theory expresses problems between owners and agents. Agents as company managers have the ability to commit fraud if there is a visible incentive. The owner as the principal has the power to supervise and prevent fraud. Fraudulent financial reporting as the most detrimental case of fraud is used as this research topic.

This study uses a documentation method that utilizes the annual reports of companies listed on the IDX in the financial and banking sectors during the 2020-2022 period. Based on purposive sampling, a sample of 231 companies was obtained. Firm ownership structure and fraudulent financial reporting, as measured using the Beneish M-Score model, were analyzed by linear regression. This study uses control variables to control the research scope in the form of company size, leverage, and board independence.

The results show that there is a significant positive effect between managerial ownership and fraudulent financial reporting. However, institutional, foreign, family and SOE ownership do not have a significant effect on fraudulent financial reporting. The results on managerial ownership show that managers tend to try to maintain their position as top management. This encourages them to manipulate financial reports so that their financial report shows a healthy company performance.

Keywords : *ownership structure, managerial ownership, institutional ownership, foreign ownership, family ownership, state-owned enterprise, fraudulent financial reporting.*