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The Effect of Green Intellectual Capital, External Pressure, and Effective Monitoring on Fraudulent Financial Statements

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Abstract

Introduction/Main Objectives: The purpose of this study was to examine the effect of green intellectual capital, external pressure, and effective monitoring on financial statement fraud. **Background Problems:** Financial statements are one of the business communication tools between companies and stakeholders. Therefore, it is expected that the quality of the financial statements presented by the company can meet the required rules. However, there are still frequent cases of financial statement fraud in Indonesia. **Novelty:** In this study, authors combine green intellectual capital, external pressure, and effective monitoring to determine the effect on financial statement fraud of companies operating in the banking sector listed on the Indonesia Stock Exchange during the period of 2020 – 2022. Authors used green intellectual capital whose measurements were from previous research that had referred to policy conditions in Indonesia. **Research Methods:** The sample was determined through purposive sampling, with a total of 137 final samples used after collecting data from financial reports/annual reports/sustainability reports. The data that has been collected is then analyzed using panel data regression to determine the effect of the independent variable on the dependent variable. **Finding/Results:** Based on the data processing results, green intellectual capital, including green human capital and green structural capital, external pressure, and effective monitoring does not affect financial statement fraud. Whereas, green relationship capital showed a negative effect on financial statement fraud. **Conclusion:** From this study, it can be concluded that with companies focusing on developing green relationship capital, it can reduce the potential for fraudulent financial statements.

Keywords: *External Pressure; Effective Monitoring; Financial Statement Fraud; Green intellectual capital*

JEL Classification: M40; M41

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INTRODUCTION

Financial statements describe financial performance in a period (Kasmir, 2019) that consists of a Balance Sheet (Statement of Financial Position), Income Statement (Statement of Profit or Loss and Other Comprehensive Income), Statement of Changes in Equity, Cash Flow Statement, and Notes to Financial Statements (IFAS, 2022). The characteristics of good financial statements are relevant, reliable, comparable, and understandable (Hans, 2016). Relevant means the information provided in financial statements can influence decision making. Reliable means that the financial statements are presented in accordance with applicable regulations, standards and guidelines, and the information contained therein can be trusted.

In reality, financial reports that should be presented properly are often found not to meet the required standards and quality. This is evidenced by the rampant cases of financial statement fraud in Indonesia. In 2023, PT Waskita Karya (Persero) Tbk and PT Wijaya Karya (Persero) Tbk were suspected of manipulating and polishing the company's financial statements. Other major cases, such as PT Jiwasraya in 2020, which was proven to have posted fictitious profits since 2006, this case caused state losses of IDR 16.81 trillion. In 2019, PT Garuda Indonesia was also alleged to have polished its financial performance in 2018. In 2018, Garuda Indonesia recorded a net profit of US$809 thousand, up significantly from 2017 which recorded a loss of US$216.6 million.

Based on the publication of the Report to the Nations in 2022 by the Association of Certified Fraud Examiners (ACFE), the number of fraud cases in 16 Asia Pacific countries reached 194 cases, including Indonesia with 23 cases. 11% of the total fraud cases in Asia Pacific countries are fraud on financial statements. The implications of fraud on financial statements are the greatest among other forms of fraud, causing losses of US$593 thousand. Overall, the industry with the largest fraud cases is the banking and financial services industry, which amounted to 351 cases.

Fraud Diamond Theory (FDT) developed by David T. Wolfe and Dana R. Hermanson (2004) states that fraud is caused by 4 (four) things, namely pressure, opportunity, rationalization, and ability. Previously, research was conducted by Nasir et al. (2018) which found that financial statement fraud has a positive relationship with the proportion of the board of directors in the company. Companies that commit fraud tend to elect an independent board of directors, and hold board of directors and audit committee meetings more often than companies that do not commit fraud. Meanwhile, in research by Lotfi et. al (2021) which studied the relationship between intellectual capital and fraud on financial statements found that all components of intellectual capital have a negative and significant relationship with fraud on financial statements. This means that the greater the company's investment in intellectual capital, the less the possibility of fraud on financial statements.

In addition, the factors of financial statement fraud above, it is necessary to look at the intellectual capital owned by the company. By also considering issues that are often developing at this time, namely issues related to the environment. During 2020, the Ministry of Environment and Forestry received 1,426 cases of complaints regarding environmental damage that occurred throughout Indonesia. The development of concepts related to intellectual capital is increasing along with the proliferation of research that has emerged, but on the other hand, terminology and standards regarding intellectual capital are difficult to determine. (Widyaningsih, 2015).

Currently, the concept that is starting to develop is how intellectual capital can increase the competitiveness of the company while protecting the environment and sustainable performance (Yusliza et al., 2019) or commonly referred to as green intellectual capital (GIC). Environmentally friendly companies have the opportunity to achieve competitive advantage, particularly as green relational capital has a positive impact on competitive advantage (Dewi

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R. & Ananda S.U., 2024). Companies with green intellectual capital will care about the environment and society, thereby reducing fraud and increasing competitive advantage. Despite the proliferation of research on intellectual capital, the topic of green intellectual capital (GIC) has not been discussed too much. Some of related research include Chang & Chen (2012) who conducted research on the relationship between green intellectual capital and corporate social responsibility (CSR), while Ali et al. (2021) conducted research on the relationship between green intellectual capital with green human resource management and green social identity in Islamic banks, and Ali et al. (2021) conducted research on the relationship between green intellectual capital and green innovation adoption in MSMEs in Pakistan.

In this study, the authors want to determine the effect of green intellectual capital (GIC), external pressure, and effective monitoring on financial statement fraud in banking sector companies in Indonesia. This research was conducted because of research gaps from previous research results. Research of green intellectual capital on financial statement fraud, there is not much research found between the two. In research by Lotfi et. al (2021) and Musaif & Ghozali (2022), the results showed that intellectual capital has a negative effect on financial statement fraud. Meanwhile, another study by Allo E & Rachmawati S (2021) found that green intellectual capital has no effect on financial statement fraud.

The difference between this research and previous research is that in this study the authors bring together research from Lotfi A. & Saleh M. (2021) entitled The Effect of Intellectual capital on Fraud in Financial, Allo E & Rachmawati S (2021) entitled Financial Stability, External pressure, Financial Target, and Green intellectual capital that affect Fraudulent Financial Statement, and Achmad et al. (2022) entitled Detecting Fraudulent Financial Reporting Using the Fraud Hexagon Model: Evidence from the Banking Sector in Indonesia. Meanwhile, most of the previous studies used the non-financial sector as the object of research. In addition, research on the relationship between green intellectual capital and financial statement fraud is also rarely found, so it is necessary to carry out this research.

In this study, authors used green intellectual capital index measurement method which has been adjusted to the current Indonesian policy conditions referred in Dewi et al.'s research (2022). At the moment, Indonesian government focuses on vocational development in order to keep up with the development of industry 4.0. In addition, technology development through artificial intelligence has also become a major topic in recent times. Relationship term between companies and stakeholder also change overtime, where the role of stakeholders becomes broader to company decision making. The application of this measurement method to banking sector companies is a novelty in this research.

The theoretical foundations used by the author include agency theory, resource-based theory, and stakeholder theory. According to Silaban and Suryani (2020), agency theory represents the relationship between management (agent) and shareholders (stakeholders). Meanwhile, Resource Based Theory was first developed by Wernerfelt (1984) who explained that the competitive quality of an entity can be formed if the entity has professional resources that other companies do not have. Meanwhile, stakeholders themselves are parties who are interested in or related to the company, either groups or individuals, with the intention of achieving company goals (Phillips et al., 2019). The organisation of this study starts with an introduction followed by the research method and results, and a discussion in the following section. Finally, is the conclusion.

RESEARCH METHOD

In order to test the research hypothesis regarding the correlation between variables, this study applies a quantitative research approach. Referring to this, the author uses secondary data where the data source comes from financial reports, annual reports, and sustainability reports from 2020-2022 companies in the banking sector listed on the Indonesia Stock Exchange (IDX). The sample was determined through purposive sampling, then analyzed using panel data regression to determine the effect of the independent variable on the dependent variable.

Green intellectual capital is the total of intangible assets, knowledge, capabilities, and relationships that are linked to environmental sustainability issues or green innovation, both for the benefit of individuals and companies (Chen, 2008). In measuring green intellectual capital variables, the author will adopt measurements from Chen's research (2008) which have then been adopted and adjusted by several other researchers such as Dewi et al. (2022), Firmansyah (2017), Chen & Chang (2012), and Huang & Kung (2011) which have been adjusted to the development of industrial conditions in Indonesia. Green Intellectual Capital (GIC) consists of 15 indicators from 3 components, namely green human capital (GHC), green structural capital (GSC), and green relationship capital (GRC).

According to Skousen et al. (2008), external pressure refers to excessive pressure directed at the company's internal management to meet the expectations of third parties. Some examples of external pressure are creditors who demand companies to complete credit payments quickly and investors who demand returns from companies (Jaunanda & Silaban, 2020). External pressure is one of the components in Fraud Diamond Theory. Previously, in the research of Allo & Rachmawati (2022) and Ijudien (2018), it was proven that external pressure is one of the variables that has an influence on financial statement fraud. In these studies, external pressure is measured using the solvency ratio (leverage ratio) to describe the company's ability to pay obligations to creditors (external parties).

Supervision is one of the best ways for companies to minimize fraud (Khamainy et al., 2022). Effective monitoring as also one of the components in the Fraud Diamond Theory, namely Opportunity. Fraud can occur anytime and anywhere, so supervision is needed at all levels of an organization (Rachmania, 2017). Previously, effective monitoring was used in the research of Khamainy et al. (2022).

Based on the Association of Certified Fraud Examiners (ACFE), financial statement fraud is a deliberate misrepresentation, misrepresentation, or misrepresentation of an entity's financial condition to achieve the company's desired financial performance targets so that users of financial statements get a good impression of the financial performance. In measuring financial statement fraud, the authors use the DeChow F-Score Model adopting from the research of Allo & Rachmawati (2022), Saleh et al (2021), and Husnurrosyidah & Fatihah (2022).

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Table 1. Variables Measurement

Variable	Measurement	Formula	Scale	References
Green Intellectual Capital (GIC)	GIC Index	Indicators fulfilled/total indicator	Ratio	(Dewi et al, 2022)
External Pressure (EP)	Leverage Ratio	Total Debt/ Total Asset	Ratio	Allo & Rachmawati (2022), Ijudien (2018)
Effective Monitoring (EM)	Ratio of independent comissioners	Number of independent commissioners/ Number of commissioners	Ratio	Khamainy et al. (2022), Achmad et al. (2022)
Fraudulent of Financial Statements (FSCORE)	F-Score Model	Accrual Quality+Financial Performance	Ratio	Allo & Rachmawati (2022), Saleh et al (2021), and Husnurrosyidah & Fatihah (2022)

Source: data processed

The analytical method used in this research is panel data regression which is preceded by a model selection test with Chow Test and Hausman Test to determine whether the regression model used is the common effect model (cem), fixed effect model (fem), or random effect model (rem). Hypothesis testing is done using the F test and the T test. The author uses 2 regression models, where the first regression model uses green intellectual capital variables, while the second regression model details the components of green intellectual capital, namely green human capital, green structural capital, and green relationship capital. The regression model equation is formulated as follows:

$$Y = \alpha + \beta_1 GIC + \beta_2 EP + \beta_3 EM + e \quad \ldots\ldots\ldots\ldots\ldots\ldots (1)$$
$$Y = \alpha + \beta_1 GHC + \beta_2 GSC + \beta_3 GRC + \beta_4 EP + \beta_5 EM + e \ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Description:
Y: Fraudulent Financial Statements
α: Constant
βn: Coefficient Regression
GIC: Green Intellectual Capital
GHC: Green Human Capital
GSC: Green Structural Capital
GRC: Green Relationship Capital
EP: External Pressure
EM: Effective Monitoring
e: error

RESULTS AND DISCUSSION

This research is a quantitative study, where the data used is secondary data obtained from reports published by the company concerned. The purpose of this study is to examine the effect of green intellectual capital, external pressure, and effective monitoring on fraud on financial statements. This study uses the Eviews application in processing data to help carry out the analysis. Meanwhile, the sample was determined using a purposive sampling method, with the following details:

Table 2. Research Sample Criteria

Criteria	2020	2021	2022	Total
Banking companies listed in the Indonesia Stock Exchange in 2020-2022	47	47	47	141
Banking companies that did not publish a financial statement/annual report/sustainability report during 2020-2022	(1)	(2)	(1)	(4)
Total research data	46	45	46	**137**

Source: data processed

Descriptive Statistical Test aims to provide a description and description of the data so that the characteristics of a research object can be obtained. In this case, the descriptive statistical tests carried out include Mean, Median, Maximum, Minimum, and Standard Deviation. Based on the results of descriptive statistical tests, the following results were obtained:

Table 3. Descriptive Statistics Results

	N	Mean	Median	Maximum	Minimum	Std. Dev.
FSCORE	137	0.944	0.879	3.928	0.430	0.393
GIC	137	0.694	0.733	1.000	0.067	0.202
GHC	137	0.775	0.800	1.000	0.000	0.268
GSC	137	0.528	0.500	1.000	0.000	0.198
GRC	137	0.841	1.000	1.000	0.000	0.253
EP	137	0.736	0.820	0.944	0.023	0.224
EP	137	0.591	0.600	1.000	0.333	0.112

Source: data processed

Based on Table 3 above it shows that 74.45% of the samples have an f-score value below 1 (one), which means that the sample data is not indicated as fraudulent financial statements. Meanwhile, the remaining 25.55% of the sample had an F-score above 1, which means that there were indications of financial statement fraud. Meanwhile, the minimum value of f-score is 0.43, namely by PT Bank Capital Indonesia Tbk in 2020, while the maximum value of f-score is 3.93, namely PT Bank Mestika Dharma Tbk in 2022. The average level of financial statement fraud is 0.94, which means that the average company in the banking sector is not detected to commit financial statement fraud in the 2020-2022 period.

Based on table 3, if we break down the component of green intellectual capital, we will find that green relationship capital has the highest average achievement compared to other components by 0.841, followed by green human capital by 0.775, and green structural capital by 0.528. This means that banking companies have implemented corporate relations based on environmental protection in the company's business processes.

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Table 4. GICI's achievement per component

GHC		GSC		GRC	
GHC 1	0,88	**GSC 1**	0,81	**GRC 1**	0,82
GHC 2	0,77	**GSC 2**	0,85	**GRC 2**	0,84
GHC 3	0,76	**GSC 3**	0,31	**GRC 3**	0,92
GHC 4	0,77	**GSC 4**	0,88	**GRC 4**	0,79
GHC 5	0,70	**GSC 5**	0,21		
		GSC 6	0,10		

Source: Excel Data Processing Results
(note: GHC=Green Human Capital, GSC=Green Structural Capital, GRC=Green Relationship Capital)

In the GHC component, the indicator with the most achieved by companies is the GHC1 index, which is related to employee productivity and contribution to environmental protection issues in the company. This can be represented in the form of electricity, fuel oil and paper savings. Meanwhile, the least achieved index is GHC5, related to products and services that are integrated with environmental protection issues.

In the GSC component, the most achieved index is GSC4, related to the company's overall operational system that supports environmental protection issues. Meanwhile, the indicator with the lowest achievement is GSC6, related to the ratio of company investment in R&D for environmental sustainability and supporting company innovation. This may be due to the lack of disclosure in company reports regarding funds for R&D.

The last component, GRC, has achievements between indicators that are quite stable. The highest achievement is in indicator GRC3, the company's stable relationship with customers. This is a natural thing, considering the company's main focus is customer satisfaction. While the lowest achievement is in GRC4 regarding the company's relationship related to environmental protection with its strategic partners. This could be due to the limited discussion of the substance so that the relationship with policy makers is not too disclosed.

In this study, the classical assumption test includes a heteroscedasticity test and a multicollinearity test. The autocorrelation test is not carried out because the type of data used is panel data, which tends to have characteristics such as cross-sectional compared to time series. The autocorrelation test is effectively used on time series data. Therefore, the autocorrelation test is not needed in this classic assumption test.

Based on the results of the Glejser test, each independent variable of the study recorded a probability value above 0.05, so it can be concluded that there is no heteroscedasticity problem in all independent variables. In this regard, the heteroscedasticity test is fulfilled. Whereas from the multicollinearity test results, the relationship between all variables is recorded below 0.8, so it can be concluded that the independent variables do not have multicollinearity problems. In this regard, the multicollinearity test is fulfilled.

The regression analysis used a fixed effect model as a result of the model selection test that has been carried out through the Chow test and the Hausman test. Based on the cross-section chi square by 0,0002 in model 1 and 0,0000 in model 2 with cross section random 0,0041 in model 1 and 0,0384 in model 2, it is decided the model regression is fixed effect model. The following are details of the hypothesis results that have been carried out from model 1 and model 2:

Table 5. Hypothesis test results – Model 1

Model 2							
Var.	**Prediction**	**Coef.**	**Std. Error**	**T-Stat.**	**T-Tabel**		**Prob.**
					One tail	**Two tail**	
C		2,2257	0,1952	11,4039			0,0000
GIC	-	0,3790	0,1093	3,4662	0,9889	1,9778	0,0008
EP	+	-2,2007	0,1619	-13,5888	0,9889	1,9778	0,0000
EM	-	-0,1265	0,1677	-0,7544	0,9889	1,9778	0,4526
F-Statistic					11.106		
Prob. F-Statisctic					0.000		
R-Squared					0.858		
Adjusted R-Squared					0.781		

Source: data processed

Table 6. Hypothesis test results - Model 2

Var.	**Prediction**	**Coef.**	**Std. Error**	**T-Stat.**	**T-Tabel**		**Prob.**
					One tail	**Two tail**	
C		2.3473					
GHC	-	0.0352	0.0329	1.0683	0.9891	1.9782	0.2884
GSC	-	0.4794	0.0801	5.9832	0.9891	1.9782	0.0000
GRC	-	-0.1311	0.0515	-2.5414	0.9891	1.9782	0.0128
EP	+	-2.2152	0.1370	-16.1674	0.9891	1.9782	0.0000
EM	-	0.0959	0.1475	-0.6507	0.9891	1.9782	0.5169
F-Statistic					14.800		
Prob. F-Statisctic					0.000		
R-Squared					0.896		
Adjusted R-Squared					0.835		

Source: data processed

From Table 5 and 6 above, we find that the adjusted r-squared for model 1 and model 7 is 78.1 and 83.5%, that means the proportion of the influence of independent variables including green human capital, green structural capital, green relationship capital, external pressure, and effective monitoring is 78.1% in model 1 and 83.5% in model 2 on the dependent variable, financial statement fraud. Meanwhile, the remaining percentage that affects the dependent variable, which is 21.9% and 16.5%, is influenced by other variables not tested in this study.

Based on the F-test above, we obtained a probability F-statistic of 0.000 or smaller than 0.05 both in model 1 and model 2. Thus, it can be concluded that green intellectual capital, external pressure, and effective monitoring simultaneously have a significant effect on financial statement fraud.

The t-test aims to test the effect of the independent variable on the dependent variable. In this case, the significance level is 0.05 or 5% and the data frame (df) is 133 in model 1 and

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131 in model 2. Based on the t-test results in the table above, several points can be obtained as follows:

H_1: Green Intellectual Capital had a negative effect on Financial Statement Fraud.

In accordance with the tests that have been carried out above, it is known that t-table 1.9778 and obtained the value of t-stats 3.4662 so that t-table < t-stats, with a positive coefficient, and a probability value of 0.0008 (<0.05), so it can be concluded that GIC affects financial statement fraud but does not have a negative relationship so that H_1 is rejected.

The results of this study are in line with the results of previous studies, namely Allo & Rachmawati (2021). This results also match with Afrilia & Surifah's research (2023) that stated intellectual capital has no influence on financial statement integrity.

Green intellectual capital can be classified as intangible assets of the company (Gunawan, 2013). However, intellectual capital cannot be categorized as an intangible asset in the balance sheet of financial statements because it cannot meet the criteria for intangible asset elements, namely identifiability, the existence of control resources, and the existence of future economic benefits (Sudarno, 2015). This can be one of the factors that influence the results of this study where indirectly green intellectual capital has no effect on financial statement fraud. With the concept of green intellectual capital still unfamiliar in Indonesia, many companies have not disclosed the implementation of green intellectual capital in the company's financial statements, so that the performance of green intellectual capital cannot be measured properly.

The research is not in accordance with agency theory which describes the relationship between two parties, which is likened to a company where there are shareholders as company owners and management as company managers. Both parties need to move in harmony, but still according to their respective duties and principles. This is, of course, to minimise the conflict that occurs. This research has not been able to prove the Resource-Based Theory, which states that a company can achieve competitive advantage by utilising resources to be able to direct the company to be sustainable continuously (Barney, 1986). From this study's results, we can conclude that if a company invests in green intellectual capital, it will not affect the potential of financial statement fraud.

$H_{1.1}$: Green Human Capital had a negative effect on Financial Statement Fraud.

In this regression model, we used the component in the model so that we could see the impact separately. The table above shows that the t-table 1.978 and t-stat 1.068. It means that t-table > t-stat with a positive coefficient and a probability value 0.288 (>0.05), which means $H_{1.1}$ is rejected and green human capital had no negative effect on financial statement fraud. The results of this study are in line with the results of research from Allo & Rachmawati (2021) and Claudia & Dewi (2022), which state that there is no negative effect on financial statement fraud.

Green human capital provides differentiated value by utilising human resources through knowledge, experience, abilities, skills, creativity, and commitment to environmental sustainability issues. To implement green human capital in the company, it needed green human resource management. Green Human Resources Management is a specific practice that focuses on a program that tends to be significant in trying to turn employees who previously worked normally into green or pro-environment employees (Zientara & Zamojska, 2018). Green human resources management also showed a significant influence on employee commitment (Ali et al., 2022), then can affect the quality of financial statements.

Although the research results are not in line with agency theory, we can still see that the relationship and role between principals and agents are very important. From the result above, it indicates that the company in the banking sector in Indonesia is still not focused on developing human resource capital (HR) that is aligned with environmental protection, so the results obtained do not support the hypothesis. This can be an important improvement for the company in the future. Human resource management is very important, because it will affect substantial things such as the quality of company performance.

$H_{1.2}$: Green Structural Capital had a negative effect on Financial Statement Fraud.

In accordance with the tests that have been carried out above. it is known that t-table 1.978 and obtained the value of t-stats 5.983 so that t-stat > t-table with a positive coefficient. as well as a probability value of 0.000 (<0.05). so it can be concluded that green structural capital affects financial statement fraud but does not have a negative relationship so that $H_{1.2}$ is rejected. The results of this analysis are in accordance with Allo & Rachmawati (2021) and Claudia & Dewi (2022).

Structural Capital here can refer to the organisational and management structure that exists in the company. Green structural capital is the ability, knowledge, and commitment of the organisation to manage the resources owned by the company in relation to environmental protection issues (Dewi et al., 2021). Based on research from Wahida (2021), it is found that organisational commitment has a positive and significant impact on work ability and performance in preparing financial reports in regional apparatus organisations. If the company committed to implement a good and qualified financial statement, then the potential of fraud can be minimised.

The results of this study can be due to several factors, one of which is that the company's management system has not thoroughly implemented the integration of environmental protection in the banking sector in Indonesia. This research is not in line with resource-based theory, where human resources that are utilised properly will support the accelerated performance of employees who can minimise financial statement fraud. In addition, the subtle division of tasks causes an ambiguous meaning of the implementation of green structural capital. Therefore, it is important to clearly disclose the performance and implementation mainly related to environmental protection.

$H_{1.3}$: Green Relationship Capital had a negative effect on Financial Statement Fraud.

T-stats from the test above showed -2.541 or t-stats > t-table 1.978 with negative coefficient and probability value 0.0128 (<0.05), it can be concluded that green relationship capital has a negative effect on fraudulent financial statements, so that $H_{1.3}$ is accepted. Unlike the previous GIC component, green relationship capital has a negative effect on fraudulent financial statements. This means that by improving the company's relationship with its partners, it can help to minimise the potential for fraudulent financial'statements.

The results of this study are in line with previous studies su'h as Lotfi & Saleh (2021) and Jaya et al. (2021). Based on Dzomonda (2020) study, that find stakeholder engagement had a positive effect on financial performance. In the research of Soewarno N & Tjahjadi B (2020), it is explained that relationship capital affects company performance.

From stakeholder theory, we can describe companies that maintain good relations with their stakeholders can maintain company performance. Green relationship capital relates to the

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company's relationship with active partners related to environmental management in the company's business (Chen, 2008). That means a good working relationship affects good company performance, so that the potential for fraud can also be reduced. The relationship between stakeholders is quite well disclosed in the company's annual report in the banking sector, making it easy for the author to assess the application of green relationship capital.

H_4: External Pressure had a negative effect on Financial Statement Fraud.

From the tests above, we obtained t-stats 16.1674 so that t-stats> t table with a negative coefficient. and a probability value of 0.000 (<0.05), so it can be concluded that external pressure has an effect on fraudulent financial statements but does not have a positive relationship so that H_2 is rejected.

These results are in line with previous research, namely Allo & Rachmawati (2022), Faradiza (2019), Ijudien (2018), and Siswantoro (2020). External pressure is represented by the number of obligations that need to be borne by the company. However, this research provides a new view, that a high level of leverage does not automatically increase financial statement fraud. It should also be noted that the condition of Covid-19 in the period 2020-2021 can affect the results of this study, where the level of liabilities and assets of the company can change significantly which then affects the company's leverage level.

In addition, this result is also in accordance with stakeholder theory which states that a business entity will try to maintain support and recognition from stakeholders. Basically, a high level of debt will be a pressure if the company is unable to pay its debts, but this does not affect the company if it can manage its debt properly. In addition, the existence of other financing alternatives such as through the issuance of shares, makes the level of leverage less pressure on the company.

H_5: Effective Monitoring had a negative effect on Financial Statement Fraud.

Based on the table above, the t-stats for effective monitoring is 0.6507 or t-table > t-stats with a positive coefficient and probability value 0.517 (>0.05), which means H_3 was rejected, effective monitoring had no negative effect on fraudulent financial statements.

The results of this study are in accordance with previous research namely, Achmad et al. (2022) & Rachmania (2017), which state that effective monitoring has no negative effect on financial statement fraud. Also, the previous research by Probohudono et al. (2022), it shows that the independent members of the board of commissioners do not affect financial statement fraud. Effective monitoring is proxied by the number of independent commissioners to the total commissioners. The results of this study may be due to the proxy of effective monitoring not being sufficient to represent the level of effective supervision in a company. The number of independent commissioners cannot really increase the effectiveness of corporate supervision. This is because the supervisory role of independent commissioners is not accompanied by great authority, where the decisions of independent commissioners can still be intervened by the company owner.

From the perspective of stakeholder theory, which states that maintaining relationships with partners will maintain the company's performance in a sustainable manner, the relationship between the company and the supervisor must be well maintained, in the sense that the supervisor must maintain its independence, so that ideal supervision can be realised.

CONCLUSION

This study aims to examine the effect of Green intellectual capital, External pressure, and Effective monitoring on Financial Statement Fraud in the banking sector listed on the Indonesia Stock Exchange (IDX) for the period 2020-2022. Data sources are obtained from financial reports, annual reports, sustainability reports, and other reports published by the company. The total sample tested was 137 samples (better use observation), then processed using the EViews application.

Based on the results of data testing that has been carried out, only green relationship capital has an impact on financial statement fraud. Meanwhile, green human capital, green structural capital, external pressure, and effective monitoring are not proven to influence fraudulent financial statements. The results in this study are influenced by many factors and limitations. The method of measuring financial statement fraud tends to be implemented for companies in the manufacturing sector, so that, in collecting data, assumptions are needed to adjust existing measurements. Another factor is that the disclosure of green intellectual capital in banking sector companies in Indonesia is not yet comprehensive, thus affecting the author's assessment of green intellectual capital performance. Also, the period used in this study was 2020-2022 where which was when the beginning of the Covid-19 pandemic occurred, so that most of the financial performance of the sample companies was affected by the incident.

Apart from all the limitations faced, it is hoped that this research can contribute to providing information in the form of theoretical and empirical studies regarding the relationship between green intellectual capital, external pressure, and effective monitoring of fraud on financial statements in companies in Indonesia. The results of this study are expected to help companies in making decisions to achieve company goals, as well as assisting investors in assessing companies they will invest in, both in terms of implementing green intellectual capital, debt management, implementing supervision, and improving the quality of financial reports.

Future research is expected to use different measurement methods for fraudulent financial statements, such as Altman Z-Score, Beneish M-Score, and Springate, in research by Pertiwi et al. (2023). Adding other variables such as corporate governance in Azwin et al (2019) and social capital in the research of Salehi et al. (2022). Adding research periods such as the last 5 years, so that sample data can be more relevant. Also, adding other research sectors so that the results of the research can be more universally applied. Further, obtaining research data through surveys may be useful to complement the findings from the annual report (Rosli et al., 2015; Said et al., 2020).

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