

ABSTRACT

This era of globalization, fraud in financial statements is increasing. This is influenced by unbalanced industrial conditions from a changing economic situation. As a result of changing industrial conditions, it will also trigger companies to commit fraudulent financial reporting actions such as manipulations financial statements, misappropriating assets, and other things that are not in accordance with applicable accounting standards. This is done by perpetrators of financial statement fraud for the benefit of individuals or groups or companies.

This study aims to examine the effect of the nature of industry, financial stability and political connection on indications of fraud in financial statements. This study uses secondary data in the form of annual financial reports and company financial statements that can be accessed on the Indonesia Stock Exchange website with a research period from 2018 - 2020. The sampling method using purposive sampling obtained a sample of 42 manufacturing companies listed on the Indonesia Stock Exchange. Data analysis was carried out using panel data regression and descriptive statistics processed with EViews 12.

The results of the study show that simultaneously the nature of industry, financial stability, and political connection have an effect on indications of fraud in financial statements. Partially, the nature of industry has a negative effect on indications of fraud in financial statements, financial stability has a positive effect on indications of fraud in financial statements, while political connection has no effect on indications of fraud in financial statements.

Keywords: *Financial Stability, Fraudulent Financial Statements, Nature of Industry, Political Connection.*