

-RESEARCH ARTICLE-

ANALYSING THE ORGANIZATIONAL PRESSURE AS MEDIATORS BETWEEN THE GOVERNMENT STABILITY AND FINANCIAL STATEMENT FRAUD: EVIDENCE FROM INDONESIA

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—Abstract—

The prevention and mitigation of financial statement fraud have emerged as a critical concern that demands attention in order to enhance governmental performance. Consequently, this area necessitates the concentrated efforts of researchers. This article aims to analyse the influence of government stability on the inclination to adopt international accounting standards (IAS) and the impact of corporate governance pressure. Additionally, it investigates the effects of adopting IAS and corporate governance pressure on the occurrence of financial statement fraud in the context of Indonesia. This study also examines the mediating influence of pressure to adopt International Accounting Standards (IAS) and pressure of corporate governance on the relationship between government stability and financial statement fraud. The research collects data from government officials through the administration of surveys and subsequently employs smart-PLS to analyse the gathered data. The findings of the study suggest that the stability of the government has a favourable influence on the inclination to adopt International Accounting Standards (IAS) and the emphasis on corporate governance. Additionally, the results reveal that the inclination to adopt IAS and the

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emphasis on corporate governance have an adverse effect on the occurrence of financial statement fraud. The results also revealed that pressure to adopt IAS and pressure of corporate governance significantly mediate between government stability and financial statement fraud. The study guides the policymakers in developing policies related to reduce financial statement fraud by adopting IAS and corporate governance.

Keywords: Financial Statement Fraud, Pressure to Adopt International Accounting Standards, Pressure of Corporate Governance, Government Stability

INTRODUCTION

Financial statement fraud is a significant issue within the realm of corporate governance and financial reporting. According to [Putri and Asmara \(2023\)](#), this phenomenon has negative consequences such as undermining financial market integrity, eroding investor trust, and causing significant economic impacts. Comprehending the root causes of financial statement fraud is crucial for academics and practitioners alike in order to develop efficient strategies for prevention and investigation. The relationship between government stability, organisational pressure, and financial statement fraud is a significant area of research in this context. [Wahyuni-TD, Haron, and Fernando \(2021\)](#) have observed an increasing scholarly focus on the correlation between government and corporate conduct in recent times. Governments play a crucial role in establishing the regulatory framework for business operations. Government stability and good governance are commonly seen as advantageous for a robust economic climate, while instability and poor governance can create conditions that are conducive to fraudulent activities ([Muktiyanto et al., 2019](#)). This research aims to examine the intricate connections between government stability, organisational pressure, and financial statement fraud, specifically in the context of Indonesia.

Indonesia's diverse tropical environment and rapidly growing economy make it an appealing setting for our study. The unique socio-political context, which includes democratic pluralism and a complex system of government, offers an ideal environment for exploring the various relationships central to this research. Indonesia has experienced significant economic growth in recent decades, which has led to increased domestic and international investment ([Basri & Hill, 2020](#)). The evolving business landscape necessitates corresponding adaptations in corporate governance and financial reporting challenges ([Brennan, Subramaniam, & Van Staden, 2019](#)). This study aims to investigate the moderating role of organisational pressure in the association between government stability and financial statement fraud in Indonesian enterprises. This study aims to evaluate the influence of government stability on the occurrence of financial statement fraud, examine the effect of organisational pressure on the likelihood of financial statement fraud, and ascertain whether organisational pressure mediates the relationship between government stability and financial statement fraud.

The stability of a government can significantly influence the business environment of a country. [Gouin et al. \(2019\)](#), [Ruslan et al. \(2023\)](#), and [Safrida et al. \(2023\)](#) found that a stable government promotes consistent and predictable regulatory frameworks, fostering an environment conducive to ethical corporate practices. Government instability can result in regulatory enforcement that is ambiguous and inconsistent. This can create an environment where opportunistic behaviours, like financial statement fraud, can thrive ([Jannils, 2021](#)). [Khan, Sharif, Golpîra, and Kumar \(2019\)](#) established a correlation between political stability and economic development, indicating that governments with greater stability tend to experience higher levels of economic growth. The relationship between government stability and financial statement fraud in rising economies like Indonesia has not been thoroughly investigated. Organisational pressure in this study pertains to the internal factors and dynamics within a company that can potentially lead to fraudulent financial reporting.

Examples of these include the pressure to adopt international accounting standards and the pressure of corporate governance. Pressures may arise from various sources, such as competition, corporate objectives, and financial market expectations ([Md Nasir & Hashim, 2021](#); [Siregar et al., 2023](#); [Tambunan, Siregar, Wijaya, & Pratama, 2023](#); [Utami, Indrianto, & Pratama, 2019](#)). This study seeks to examine the relationship between government stability and financial statement fraud, specifically focusing on the role of organisational pressure as a mediator. This study suggests that the relationship between government stability and financial statement fraud is mediated by organisational pressure. A stable government is anticipated to create an environment where corporations encounter fewer internal obstacles to engaging in fraudulent reporting ([Lubis, Kumar, Ikbar, & Muneer, 2015](#); [Pratami, Feriyanto, Sriyana, & Pratama, 2022](#); [Susilawati, Lubis, Kesuma, & Pratama, 2022](#)).

Empirical studies examining the relationship between government stability and corporate behaviour in the Indonesian context are scarce, despite the growing recognition of the significance of this connection. This study aims to provide empirical evidence from a diverse and dynamic emerging economy to address this research gap. Previous research has acknowledged the significance of organisational pressure in shaping business behaviour. However, there is a limited number of studies that thoroughly examine its mediating effect specifically in the context of financial statement fraud. This study addresses a research gap by investigating the role of organisational pressure in mediating the association between government stability and financial statement fraud. This contributes to a more comprehensive understanding of the underlying mechanisms involved.

Additionally, this research sheds light on the dynamics of emerging economies, a topic that is often overlooked in comparison to research focused on industrialised economies. This study examines the interplay between political and organisational factors in driving

financial statement fraud, offering a comprehensive understanding of this phenomenon. This research holds significant theoretical and practical implications. This study contributes to the existing literature on the correlation between political stability, corporate conduct, and financial disclosure. This study focuses on Indonesia and examines the unique challenges and opportunities that enterprises encounter in a growing economy with a dynamic political landscape. Additionally, the research findings can inform policymakers, regulatory authorities, and company executives in Indonesia and other emerging economies about the significance of stable governance in creating a business environment that is transparent and reliable.

Moreover, recognising organisational pressure as a mediator underscores the significance of corporations adopting stringent internal control measures to mitigate the risk of financial statement fraud. The subsequent sections of this study will explore the pertinent literature, outline the research methodology, and perform a comprehensive empirical analysis to evaluate the proposed hypotheses. Our objective is to enhance understanding of the intricate connections among government stability, organisational pressure, and financial statement fraud in the Indonesian context through our endeavours.

LITERATURE REVIEW

One study has found a significant positive correlation between the stability of the Indonesian government and the pressure to adopt international accounting standards. [Uzar \(2020\)](#) argues that a stable political climate is essential for a healthy economy. The presence of a stable regulatory framework instils confidence in both investors and businesses, as it reduces the likelihood of sudden policy changes. According to [Gouin et al. \(2019\)](#) and [Nu'man et al. \(2020\)](#), a stable government in Indonesia has facilitated the strong economic growth and flourishing of businesses in the country. Stability promotes an environment where businesses can effectively strategize for the future, as they can rely on the regulatory framework to remain relatively stable and avoid significant alterations. Indonesia's efforts to enhance its global market presence necessitate the adoption of international accounting standards, making them both desirable and mandatory ([El-Helaly, Ntim, & Soliman, 2020](#); [Marbun, Effendi, Lubis, & Pratama, 2020](#)). Standards such as the International Financial Reporting Standards (IFRS) are globally recognised and play a crucial role in promoting consistent and transparent issuance of financial statements. Standardising financial reporting promotes cross-border investment and trade. Political stability is crucial for promoting the acceptance of these standards in this context ([Atrizka & Pratama, 2022](#); [Saragih et al., 2020](#)).

[Polzer, Adhikari, Nguyen, and Gårseth-Nesbakk \(2023\)](#) observe a positive relationship between government stability and the effectiveness of regulatory mechanisms. Long-standing governments are better equipped to consistently implement and maintain policies.

Uniformity is crucial in accounting standards as it ensures the consistent application of these standards, which is essential for ensuring the comparability and reliability of financial information. [Gouin et al. \(2019\)](#) argue that a stable government is more capable of investing in regulatory agencies responsible for reviewing financial reporting, leading to enhanced implementation of international accounting standards. Furthermore, the implementation of global accounting standards enhances the transparency and reliability of financial reporting on a global scale ([Tawiah, 2019](#)). Companies must disclose relevant financial information regarding their financial position, performance, and cash flows. Transparency promotes trust among stakeholders, including investors, creditors, and the general public ([El-Helaly, Ntim, & Soliman, 2020](#); [Ruslan et al., 2023](#)). Businesses are under growing pressure to adopt these standards in a politically stable environment, where regulatory agencies can effectively enforce compliance.

As a result, a stable government is critical in driving the adoption of international accounting standards, resulting in a more stable and internationally competitive financial industry in Indonesia. Therefore, we make a hypothesis that,

H1: *Government stability has a positive relation with pressure to adopt IAS.*

On the other hand, Indonesia's government stability positively influences the demand for robust corporate governance practices ([Almagtome, Khaghaany, & Önce, 2020](#)). According to [Wang, Zhao, Jiang, and Li \(2022\)](#), a stable government cultivates investor and business confidence, creating a conducive environment for economic growth. Stable governance in Indonesia fosters responsibility, transparency, and adherence to the rule of law within its diverse socio-political landscape. Consequently, there is an increase in aspirations and expectations for effective corporate governance within domestic enterprises. Stable governments are more inclined to establish and maintain consistent regulatory frameworks ([Gouin et al., 2019](#)). The ability to anticipate the regulatory environment is crucial for businesses to confidently plan and operate. Moreover, a stable government is more capable of consistently implementing corporate governance standards. Consistency in laws and regulations instills confidence in investors and stakeholders, as it provides them with a reliable framework to rely upon.

[Almagtome, Khaghaany, and Önce \(2020\)](#) found that a stable government enhances the efficacy of regulatory agencies responsible for overseeing corporate governance practises. These entities are more capable of fulfilling their duties due to their immunity from the potential disruptions and uncertainties arising from political instability. This facilitates more effective implementation of corporate governance standards, guaranteeing adherence to optimal procedures in aspects such as board structure, financial disclosure, and internal oversight. Furthermore, a stable governance system is more inclined to allocate resources towards developing the legal and institutional framework necessary for effective corporate governance ([Lu & Wang, 2021](#)). This entails establishing independent regulatory agencies, enacting and enforcing corporate

governance laws, and providing training and resources to professionals in the sector. According to [Md Nasir and Hashim \(2021\)](#), these measures help to create a more conducive climate for firms to adopt and sustain good corporate governance standards. As a result, government stability in Indonesia is critical to creating an environment supportive to strong corporate governance practices. Therefore, we make another hypothesis that,

H2: *Government stability has a positive relation with pressure of corporate governance.*

There is a clear negative correlation between the incidence of financial statement fraud in Indonesia and the pressure to conform to international accounting standards ([Md Nasir & Hashim, 2021](#)). Adopting universally recognised accounting standards, such as the International Financial Reporting Standards (IFRS), promotes accurate and transparent financial reporting. To ensure the accuracy of financial statements in reflecting a company's operational realities, these standards impose stringent obligations on businesses ([Pratama, Adam, & Kamardin, 2019](#); [Wahyuni-TD, Haron, & Fernando, 2021](#)). Indonesian companies are compelled to establish robust internal control systems and adhere to more stringent reporting guidelines as they align themselves with international accounting standards ([Bananuka et al., 2019](#)). Enhanced monitoring and accountability measures serve to deter fraudulent activities and discourage the manipulation of financial data for deceptive purposes ([Rostami & Rezaei, 2022](#)).

Furthermore, the adoption of international accounting standards enhances the comparability of financial statements across different domestic and foreign entities ([Muraina & Dandago, 2020](#); [Pratamaa, Che-Adamb, & Kamardinc, 2020](#)). The comparability of financial information enables stakeholders, such as creditors, investors, and regulatory agencies, to evaluate a company's financial performance and status with increased confidence ([Lu & Wang, 2021](#)). Consequently, the increased transparency and reliability of financial information led to reduced opportunities for fraudulent activity, as anomalies and discrepancies are more easily detected and investigated. According to [Lu and Wang \(2021\)](#), the adoption of international accounting standards can contribute to the enhancement of a company's credibility and reputation among investors and the broader financial community. This adoption signifies a commitment to adhering to the highest standards in financial reporting. Organisations are motivated to safeguard their reputational capital due to its significant value, thereby discouraging them from engaging in the submission of fraudulent financial statements. The pressure to adopt international accounting standards effectively discourages financial statement fraud in Indonesia. Therefore, we make a hypothesis that,

H3: *Pressure to adopt IAS has a negative relation with financial statement fraud.*

[Rostami and Rezaei \(2022\)](#) found a negative correlation between the presence of financial statement fraud in Indonesia and the implementation of effective corporate

governance practices. Effective corporate governance practices serve as a deterrent to fraudulent behaviour (Kyerem & Ausloos, 2021). These practices encompass stringent oversight, transparent reporting, and autonomous board frameworks. Financial statement manipulation is less prevalent in environments where there is a strong emphasis on and strict adherence to corporate governance. Businesses that adhere to good governance practises are more likely to have robust internal controls, thereby reducing the likelihood of undetected fraudulent activity. A robust corporate governance system promotes an organization's culture of responsibility and ethical behaviour (Arslan & Alqatan, 2020). Culture influences the behaviour of stakeholders, employees, and management within the corporate ecosystem.

In an environment characterised by a strong emphasis on moral conduct and regulatory compliance, individuals are more likely to prioritise these values. Consequently, this reduces the motivations for engaging in financial statement fraud. In the study conducted by Wang, Zhao, Jiang, and Li (2022), it was found that the implementation of efficient corporate governance practises has a positive impact on disclosure and transparency. This, in turn, ensures that a company's financial statements accurately reflect its performance and financial condition. The increased probability of detecting and scrutinising any efforts to manipulate financial data creates a deterrent effect on potential perpetrators, thereby discouraging misconduct. In addition, a company that possesses a strong reputation for corporate governance may attract reputable investors and partners, thereby serving as an additional deterrent against unethical conduct (Almagtome, Khaghaany, & Önce, 2020). Hence, it can be asserted that in the context of Indonesia, the imperative to uphold robust corporate governance practises serves as a formidable deterrent against instances of financial statement fraud. Consequently, we propose the formulation of a hypothesis,

H4: *Pressure of corporate governance has a negative relation with financial statement fraud.*

The study done by Bananuka et al. (2019) emphasizes the significance of the influence that the pressure to adopt international accounting standards exerts on the relationship between government stability and financial statement fraud in Indonesia. A stable political regime establishes the foundation for consistent regulatory frameworks, thereby intensifying the imperative for businesses to conform to international accounting standards. Governments characterised by stability are more inclined to formulate and implement policies aimed at fostering the acceptance and implementation of global standards (Polzer, Adhikari, Nguyen, & Gårseth-Nesbakk, 2023). Because of this predictability, corporations are under tremendous pressure to create robust internal control procedures and adhere to stringent reporting criteria. As a result, the risk of financial statement fraud is greatly reduced.

In addition, Eng, Lin, and Neiva de Figueiredo (2019) argue that the adoption of international accounting standards enhances the transparency and comparability of

financial reporting. Furthermore, the inclusion of international accounting standards signifies a dedication to adhering to the most exemplary methodologies in the realm of financial reporting (Albu, Albu, & Gray, 2020). The dedication to this endeavour has the potential to enhance the standing and credibility of a corporation, resulting in the accumulation of reputational assets that can serve as a deterrent against engaging in fraudulent financial practices. The positive reputation of a company enhances its market standing, thereby reducing the likelihood of its involvement in deceptive behaviours. Therefore, we say that,

H5: *Pressure to adopt IAS works as a mediator between government stability and financial statement fraud.*

Bananuka et al. (2019) discovered that strong corporate governance practises play a significant role in mediating the connection between government stability and financial statement fraud in Indonesia. A stable government establishes a solid basis for the establishment of consistent regulatory frameworks, which in turn facilitates the development of effective corporate governance. Stable governments are more inclined to enact and enforce regulations that facilitate the implementation of effective corporate governance practises (Lu & Wang, 2021). Due to the stable environment, corporations face the imperative to establish robust oversight protocols, transparent reporting methods, and autonomous board frameworks. These factors synergistically contribute to the creation of an environment that is more resistant to the occurrence of fraudulent activities in financial statements.

Good corporate governance practices foster a culture of responsibility and ethical behaviour within organisations (Saha et al., 2020). This culture permeates the corporate environment, exerting influence on management, employees, and stakeholders. The motivation to engage in financial statement fraud is significantly reduced in such a context. Tursunbayeva, Pagliari, Di Lauro, and Antonelli (2022) found that individuals tend to prioritise ethical behaviour and regulatory compliance, which decreases the likelihood of engaging in fraudulent operations. Strong corporate governance enhances transparency and disclosure, thereby accurately reflecting a company's financial condition and performance in its financial statements (Almagtome, Khaghaany, & Önce, 2020). Transparency serves as a deterrent to potential wrongdoers, as it increases the likelihood of detecting and scrutinising any attempts to manipulate financial data. Therefore, we say that,

H6: *Pressure of corporate governance works as a mediator between government stability and financial statement fraud.*

RESEARCH METHODS

This article analyses the influence of government stability on the adoption of

International Accounting Standards (IAS) and corporate governance practices. It also explores the impact of adopting IAS and corporate governance on financial statement fraud. Additionally, the study investigates the mediating role of the pressure to adopt IAS and corporate governance in the relationship between government stability and financial statement fraud. The study collects survey data from government officials. The surveys in this study draw questions from previous literature. For instance, the five questions on government stability are derived from [Dai, Ahmed, Pata, and Ahmad \(2023\)](#). The six questions on pressure to adopt IAS are extracted from [Al-Nasrawi and Thabit \(2020\)](#). The five questions on pressure of corporate governance are adopted from [Almagtome, Khaghaany, and Önce \(2020\)](#). Lastly, the six questions on financial statement fraud are adopted from [Antawirya et al. \(2019\)](#).

The study selected government officials as participants. The surveys were administered to government officials through in-person visits to their offices. Furthermore, the researchers employed purposive sampling to select the government official. Out of the 511 surveys distributed, only 291 valid responses were received, indicating a response rate of approximately 56.95%. Additionally, the data is analysed using smart-PLS in this study. According to [Hair Jr, Howard, and Nitzl \(2020\)](#), the smart-PLS is widely regarded as the most effective tool for analysing primary data, particularly when dealing with large datasets. The study employed one independent variable, government stability (GS), along with two mediating variables, pressure to adopt International Accounting Standards (PAIAS) and pressure of corporate governance (PCG). The dependent variable in the study was financial statement fraud (FSF). The constructs are depicted in [Figure 1](#).

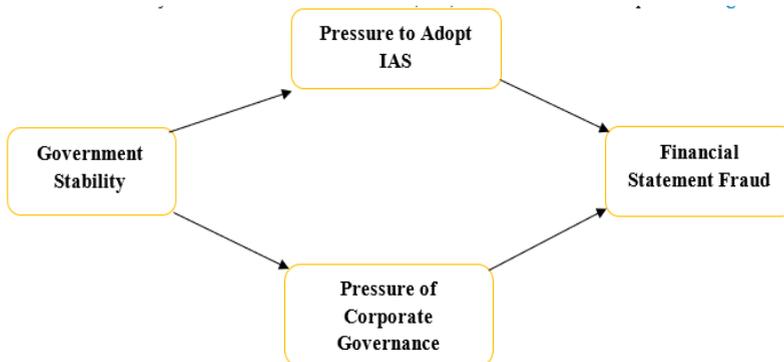


Figure 1: Theoretical model

RESEARCH FINDINGS

This study examines the convergent validity by assessing the correlation between items. The examination involved assessing factor loadings and average variance extracted (AVE), which yielded values greater than 0.50. Furthermore, the study also assessed the construct's reliability using composite reliability (CR) and Alpha coefficients, which

yielded values exceeding 0.70. These findings revealed a strong correlation among the items. The outcomes are listed in [Table 1](#).

Table 1: Convergent validity

Constructs	Items	Loadings	Alpha	CR	AVE
Pressure of Corporate Governance	PCG1	0.877	0.806	0.863	0.560
	PCG2	0.774			
	PCG3	0.698			
	PCG4	0.683			
	PCG5	0.693			
Financial Statement Fraud	FSF1	0.765	0.802	0.858	0.504
	FSF2	0.722			
	FSF3	0.805			
	FSF4	0.640			
	FSF5	0.631			
	FSF6	0.681			
Government Stability	GS1	0.718	0.844	0.890	0.618
	GS2	0.738			
	GS3	0.798			
	GS4	0.822			
	GS5	0.847			
Pressure to Adopt IAS	PAIAS1	0.895	0.898	0.923	0.669
	PAIAS2	0.671			
	PAIAS3	0.743			
	PAIAS4	0.931			
	PAIAS5	0.760			
	PAIAS6	0.876			

This study aims to establish convergent validity by evaluating the correlation between items. The examination assessed factor loadings and average variance extracted (AVE), which exceeded 0.50. In addition, the study evaluated the reliability of the construct using composite reliability (CR) and Alpha coefficients, which both exceeded the threshold of 0.70. The results indicated a significant correlation between the items. The results are presented in [Table 1](#).

Table 2: Fornell Larcker

	FSF	GS	PAIAS	PCG
FSF	0.710			
GS	0.690	0.786		
PAIAS	0.603	0.666	0.818	
PCG	0.622	0.749	0.452	0.748

Table 3: Cross-losings

	FSF	GS	PAIAS	PCG
FSF1	0.765	0.535	0.415	0.451
FSF2	0.722	0.371	0.446	0.357
FSF3	0.805	0.426	0.314	0.411
FSF4	0.640	0.529	0.503	0.389
FSF5	0.631	0.405	0.373	0.314
FSF6	0.681	0.593	0.464	0.625
GS1	0.452	0.718	0.328	0.750
GS2	0.533	0.738	0.403	0.798
GS3	0.547	0.798	0.642	0.440
GS4	0.585	0.822	0.615	0.415
GS5	0.591	0.847	0.643	0.491
PAIAS1	0.464	0.503	0.895	0.326
PAIAS2	0.476	0.556	0.671	0.417
PAIAS3	0.589	0.667	0.743	0.427
PAIAS4	0.503	0.531	0.931	0.366
PAIAS5	0.432	0.430	0.760	0.290
PAIAS6	0.425	0.497	0.876	0.339
PCG1	0.641	0.698	0.429	0.877
PCG2	0.586	0.543	0.360	0.774
PCG3	0.332	0.632	0.283	0.698
PCG4	0.299	0.381	0.238	0.683
PCG5	0.359	0.479	0.343	0.693

The study examines the discriminant validity by assessing the correlation between variables. The Heterotrait Monotrait (HTMT) ratio was used for examination, and the results indicated values below 0.90. The results revealed a weak correlation among the variables. [Table 4](#) presents the mentioned outcomes.

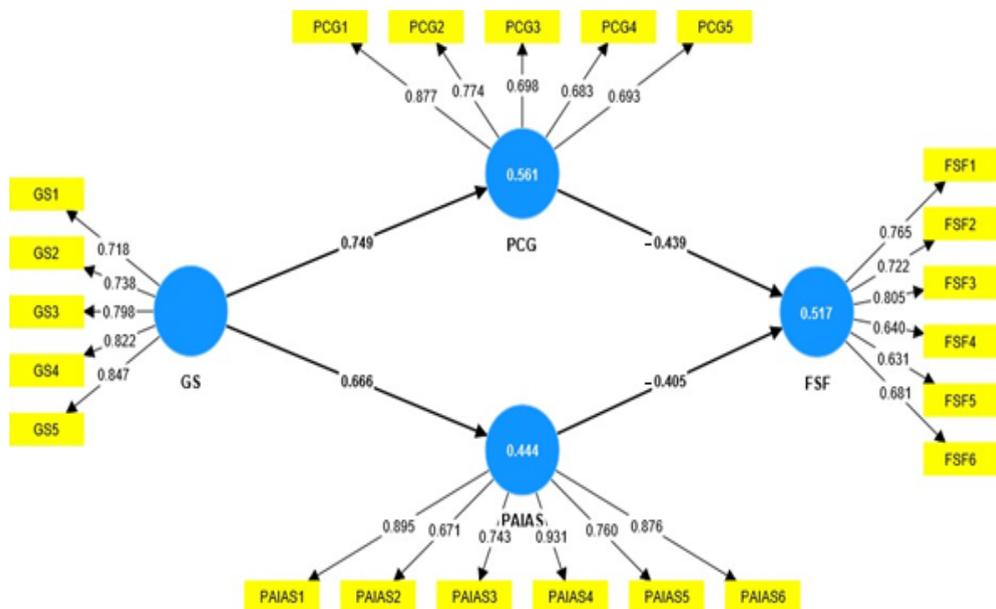


Figure 2: Measurement assessment model

Table 4: Heterotrait Monotrait ratio

	FSF	GS	PAIAS	PCG
FSF				
GS	0.815			
PAIAS	0.684	0.754		
PCG	0.707	0.870	0.509	

The results suggest that government stability positively influences the pressure to adopt International Accounting Standards (IAS) and the pressure of corporate governance. These findings support hypotheses H1 and H2. The study findings indicate that both the pressure to adopt International Accounting Standards (IAS) and the pressure of corporate governance have a detrimental effect on financial statement fraud. This supports the acceptance of hypotheses H3 and H4. The results indicate that both the pressure to adopt International Accounting Standards (IAS) and the pressure of corporate governance play a significant role in mediating the relationship between government stability and financial statement fraud. This supports the acceptance of hypotheses H5 and H6. The outcomes are presented in Table 5.

Table 5: Path analysis

Relationships	Beta	Standard deviation	T statistics	P values
GS -> PAIAS	0.666	0.039	16.969	0.000
GS -> PCG	0.749	0.027	28.051	0.000
PAIAS -> FSF	-0.405	0.044	-9.242	0.000
PCG -> FSF	-0.439	0.043	-10.267	0.000
GS -> PCG -> FSF	-0.328	0.037	-8.860	0.000
GS -> PAIAS -> FSF	-0.270	0.035	-7.819	0.000

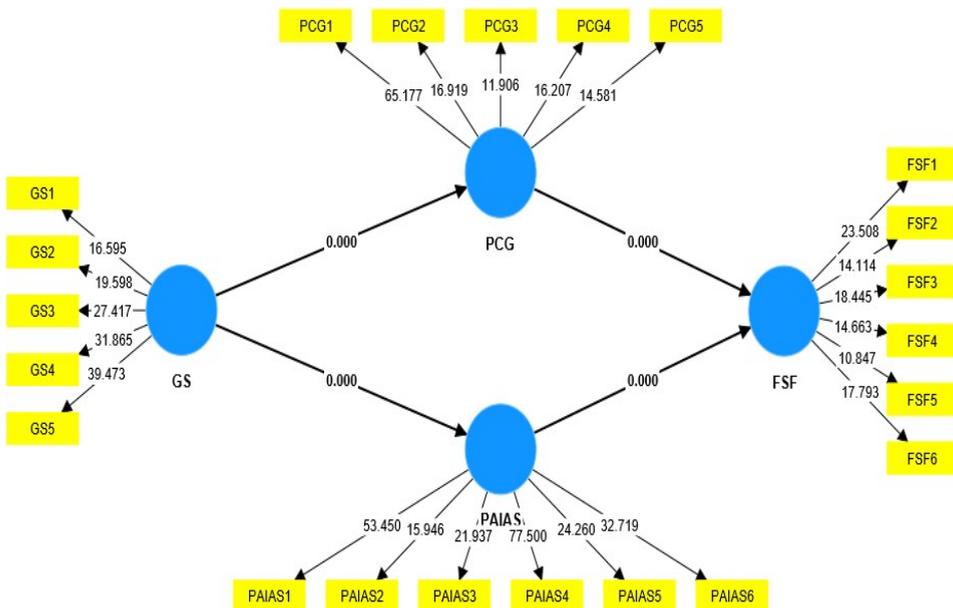


Figure 3: Structural assessment model

DISCUSSIONS

The findings indicate a positive correlation between government stability and the pressure to adopt International Accounting Standards (IAS). These findings are consistent with the findings of [Mohsin et al. \(2021\)](#). According to a previous study, when a government maintains stable ruling authority, it enables effective legal oversight of commercial entities by ensuring consistent application of financial policies. Companies are under pressure to adopt International Accounting Standards (IAS) in this scenario. [Adams and Abhayawansa \(2022\)](#) provide support for the notion that a stable government can effectively implement International Accounting Standards (IAS) through its financial policy. The findings indicate a positive correlation between government stability and the pressure of corporate governance. These findings align with the research conducted by [Chansuchai and Phawitpiriyakliti \(2020\)](#), suggesting that a strong government has the ability to develop and enforce strategies for regulating economic enterprises. Corporate governance can be implemented in the presence of a stable government. [Abdelbadie and Salama \(2019\)](#) provide evidence that government stability is positively associated with increased pressure to implement corporate governance.

The study findings indicate a positive correlation between the pressure to adopt International Accounting Standards (IAS) and the occurrence of financial statement fraud. These findings are consistent with the findings of [Oyewobi and Salawu \(2019\)](#), who emphasise that the implementation of International Accounting Standards (IAS) can effectively mitigate financial statement fraud under pressure. These findings are consistent with the research conducted by [Ellili \(2022\)](#), which suggests that firms experiencing pressure to adopt and implement International Accounting Standards (IAS) are able to mitigate financial statement fraud. The study's findings indicate a positive correlation between corporate governance pressure and financial statement fraud. These findings align with the research conducted by [Nasir, Ali, and Ahmed \(2019\)](#), which suggests that companies that face pressure to adopt corporate governance practises are more likely to decrease instances of financial statement fraud. [Parinduri, Pratiwi, and Purwaningtyas \(2019\)](#) provide support for the notion that corporate governance can effectively mitigate financial statement fraud.

The study found that the influence of government stability on financial statement fraud is significantly affected by the pressure to adopt International Accounting Standards (IAS). These findings are consistent with the study conducted by [Dewi, Azam, and Yusoff \(2019\)](#), which examines the correlation between government stability and IAS. Government stability is positively associated with the adoption of International Accounting Standards (IAS), leading to a decrease in instances of financial statement fraud. The findings of [Mosteanu and Faccia \(2020\)](#) provide support for the notion that the pressure to adopt International Accounting Standards (IAS) is connected to both government stability and the occurrence of

financial statement fraud. The study found that corporate governance pressure plays a significant moderating role in the relationship between government stability and financial statement fraud. These findings are consistent with the research conducted by [A'yunin, Ulupui, and Nindito \(2019\)](#), which suggests that government stability leads to heightened corporate governance pressure and decreased instances of financial statement fraud. [Kaawaase, Nairuba, Akankunda, and Bananuka \(2021\)](#) provide support for the findings that corporate governance pressure establishes a connection between government stability and financial statement fraud.

IMPLICATIONS

This study provides guidelines for academics and researchers, as it contributes to the existing economic literature. This study primarily investigates financial statement fraud within a company. This study examines the influence of government stability on the pressure to adopt International Accounting Standards (IAS), corporate governance pressures, and instances of financial statement fraud. This study aims to examine the mediating effects of pressure to adopt International Accounting Standards (IAS) and pressure of corporate governance on the relationship between government stability and financial statement fraud, thereby contributing to the existing literature. This study examines the relationship between government stability, pressure to adopt International Accounting Standards (IAS), pressure of corporate governance, and financial statement fraud in Indonesia.

This article holds significant importance for medium and large companies as it provides insights into how government and corporate management can effectively address financial statement fraud within organisations. The study suggests that government stability should be ensured through collaboration between government entities and the public in order to exert pressure on companies to adopt International Accounting Standards (IAS) such as International Financial Reporting Standards (IFRS). The study suggests that establishing stability in the ruling government and overall government structure is crucial for ensuring effective implementation of corporate governance in organisations.

This article proposes that companies, particularly accountants, should be encouraged to adopt International Accounting Standards (IAS) in order to potentially decrease instances of financial statement fraud. There is a suggestion that companies' management should face pressure to implement corporate governance in order to mitigate the risk of financial statement fraud. Additionally, the study indicates that government stability and policy consistency are crucial factors. The implementation of International Accounting Standards (IAS) would create a sense of accountability for companies and enable effective monitoring of financial statement fraud. It also implies the necessity of governmental stability and coherence in its policies. Implementing corporate governance can exert pressure on companies and help control instances of

financial statement fraud. The study assists policymakers in formulating policies to mitigate financial statement fraud through the implementation of International Accounting Standards (IAS) and corporate governance practices.

CONCLUSION

This study examines the impact of government stability on financial statement fraud. The study aims to examine the influence of government stability on the pressure to adopt International Accounting Standards (IAS) and corporate governance, as well as its role in relation to the pressure to adopt IAS, corporate governance, and financial statement fraud. Quantitative data were collected from Indonesia using structured questionnaires administered through surveys. The research findings indicate a positive correlation between government stability and the pressure to adopt International Accounting Standards (IAS) as well as corporate governance. The study found that a stable and effective government has a strong ability to exercise control over economic enterprises.

The adoption of International Accounting Standards (IAS) and the implementation of corporate governance practises exert pressure on firms. If a government encourages organisations to adopt International Accounting Standards (IAS) and there is also a focus on corporate governance, it can help in detecting and controlling financial statement fraud. The findings also validate the mediating influence of government stability in the relationship between the pressure to adopt International Accounting Standards (IAS), corporate governance pressure, and financial statement fraud. Government stability increases the impetus to adopt International Accounting Standards (IAS) and corporate governance practises, which serve to mitigate financial statement fraud.

LIMITATIONS

This study focuses solely on the impact of government stability on the occurrence of financial statement fraud. Additional factors such as financial conditions, organisational culture, auditing systems, and environmental regulation can also contribute significantly to the reduction of financial fraud. Future researchers should consider additional factors to conduct a comprehensive study. This study investigates the impact of government stability on the occurrence of financial statement fraud in the Indonesian economy. Authors should examine the interrelationships between various factors in multiple economies in future literature.

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