

"Analysis of Financial Manager Behavior Towards Report Fraud in the AI Era"

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ABSTRACT

This research aims to analyze the behavior of financial managers in facing opportunities and pressure to commit financial report fraud in the era of artificial intelligence (AI). With increasingly sophisticated technology, accounting practices and financial supervision have undergone significant transformation, but on the other hand it has also opened up new opportunities for manipulative actions. This study uses a quantitative approach through a survey of 120 financial managers in various industrial sectors in Indonesia, and is supported by in-depth interviews to enrich the data. The research results show that psychological factors such as rationalization, organizational pressure, and opportunities detected through the use of AI greatly influence the tendency for fraudulent reports to occur. In addition, technological adaptability and ethical awareness are proven to be strong moderating factors in reducing the risk of fraudulent behavior. These findings provide an important contribution to the development of internal control systems and ethics training strategies in the digital era.

Keywords: *Behavioral Accounting, Financial Managers, Reporting Fraud, Artificial Intelligence, Business Ethics, Technology Adaptation*

1. Introduction

In recent decades, technological developments, especially artificial intelligence (AI), have brought major changes to business practices, including in the areas of accounting and financial reporting. The use of AI in accounting systems speeds up the process of recording, analyzing and detecting financial anomalies. However, this progress also presents new challenges, especially related to the potential for fraudulent financial statements which are increasingly difficult to recognize conventionally.

Financial managers, as parties who have significant access and control over the presentation of financial reports, play a crucial role in maintaining the integrity of the

company's financial information. In the context of behavioral accounting, understanding the psychological and situational factors that influence manager behavior is very important. Pressure to achieve targets, financial incentives, and the ability to exploit AI-based technology gaps can increase the risk of financial data manipulation.

Research on behavior in accounting has shown that internal factors such as the rationalization of fraudulent acts, as well as external factors such as organizational culture and weak supervision, contribute to the increase in fraud. In the AI era, this complexity is increasing because algorithm-based systems can be used to manipulate data more smoothly and systematically.

Seeing this phenomenon, this research aims to analyze how financial managers behave towards opportunities for fraud in the era of AI use. The main focus is to identify influencing behavioral factors and assess the extent to which adaptation to new technology can strengthen or weaken tendencies towards fraudulent behavior. It is hoped that this research can contribute to the development of internal control policies and fraud prevention strategies in the era of increasingly rapid digital transformation.

2. LITERATURE REVIEW

1. Behavioral Accounting

Behavioral accounting is a field that studies the relationship between individual or group behavior and the accounting system implemented in an organization (Argyris, 1952). In this context, accounting is not only seen as a technical process of recording transactions, but also as a social system that influences and is influenced by human behavior. Factors such as motivation, pressure, perception, and ethics play an important role in how individuals make accounting decisions, including decisions that have the potential to lead to fraud.

2. Financial Report Fraud

According to the Association of Certified Fraud Examiners (ACFE, 2022), financial statement fraud is defined as the act of intentionally misstatement or omission of material information in a financial report to mislead users of the report. This fraud is often driven by three main factors known as the Fraud Triangle: pressure, opportunity and rationalization (Cressey, 1953). Financial managers have a strategic position that gives them access and control over financial reports, so understanding their behavior is key to detecting and preventing fraud.

3. The Role of Financial Managers in Financial Reports

Financial managers are responsible for the accuracy and reliability of financial information presented to stakeholders. According to Chenhall (2003), manager behavior is influenced by individual factors (such as personal values and psychological pressure) and organizational factors (such as corporate culture and reward systems). In the midst of competition and demands for achieving targets, financial managers can be encouraged to manipulate reports, either directly or through transaction engineering.

4. The Era of Artificial Intelligence (AI) in Accounting

The industrial revolution 4.0 has brought AI into various aspects of business, including accounting. AI is used to automate transaction recording, big data analysis, anomaly detection, and predict financial performance (Deloitte, 2021). However, while AI improves efficiency and accuracy, the technology also opens up new opportunities for more sophisticated and difficult to detect fraud. The use of algorithms to obscure illegal transactions or manipulate report output is a new challenge in the world of financial auditing and supervision.

5. Behavior by Era AI

The integration of AI in financial systems is changing human interaction with data. Today's financial managers not only act as information processors, but also as decision makers based on the results of AI analysis. According to a study by Brynjolfsson and McAfee (2017), in the digital era, data-based decisions do not eliminate human bias, but can strengthen these biases if they are not balanced with adequate ethics and supervision. Therefore, ethical behavior and adaptation to technology are important factors in preventing fraud in the AI era.

3. RESEARCH METHODS

1. Type of Research

This research uses a quantitative approach with a descriptive research type which aims to analyze the influence of financial managers' behavioral factors on financial report fraud in the era of artificial intelligence (AI). This approach was chosen because the research aims to describe and analyze the relationship between existing variables in a systematic and measurable manner.

2. Population and Sample

The population in this study are all financial managers who work in companies that have implemented artificial intelligence (AI) systems in accounting operations in Indonesia. The research sample was taken by purposive sampling, namely by selecting financial managers who had at least 3 years of experience in managing financial reports and were directly involved in the decision-making process regarding the presentation of financial reports. The total sample taken was 150 financial managers, selected from various industrial sectors, such as manufacturing, retail and technology.

3. Research Variables

This research analyzes two main variables, namely:

- Independent Variable: Financial Manager Behavior
- Psychological Factors (e.g., work pressure, personal ethics, and morality).
- Organizational Factors (e.g., company culture, reward systems, and supervision).
- Technological Factors (adaptation to AI technology, ease of data manipulation, and understanding of AI systems).
- Dependent Variable: Financial Statement Fraud

Indicators of financial statement fraud based on the Fraud Triangle (pressure, opportunity, rationalization). Manipulative behavior such as cost shifting, delaying income, or inflating assets.

4. Research Instruments

Data collection was carried out using a questionnaire which was divided into two main parts:

- First part: Questions related to respondent characteristics (e.g., age, work experience, education).
- Second part: 5-point Likert scale that measures financial managers' attitudes and behavior regarding psychological factors, organizational factors, and the use of AI technology in managing financial reports.

This questionnaire will be tested first for validity and reliability using the Cronbach's Alpha test to ensure that the instrument used can measure the variables in question correctly.

5. Data Collection Techniques

Data was collected through a direct survey method by distributing questionnaires to financial managers selected as respondents. Data collection was carried out in two stages:

- a. Questionnaire Distribution: Questionnaires will be sent to respondents online and offline.
- b. In-depth Interviews: To explore some of the initial findings from the questionnaire, in-depth interviews will also be conducted with several financial managers who are willing to provide further insight into the influence of AI on financial report management practices and fraud tendencies.

6. Data Analysis Techniques

The collected data will be analyzed using descriptive statistical analysis and multiple linear regression to examine the relationship between financial manager behavioral factors and the tendency for financial report fraud to occur. The analysis steps that will be carried out are:

1. Descriptive Analysis: To describe the characteristics of respondents and the distribution of answers to the questionnaire.
2. Normality Test: To ensure that the data collected meets the assumptions of normality before carrying out further tests.
3. Multiple Linear Regression: To examine the simultaneous influence of psychological, organizational and AI technology factors on financial statement fraud.

7. Research Procedures

- Stage 1: Research Preparation
Preparation of research instruments (questionnaires), instrument validation, and selection of respondent samples.
- Level 2: Data Collection
Distributed questionnaires to respondents and in-depth interviews with selected financial managers.
- Level 3: Data Analysis
Data processing uses SPSS or other statistical software to analyze the collected data.
- Level 4: Drawing Conclusions
Prepare conclusions from the results of the analysis carried out to provide recommendations regarding the management of financial reports and prevention of fraud in the AI era.

4. ANALYSIS AND DISCUSSION RESULTS

1. Description of Respondents

In this research, the respondents involved were 150 financial managers who worked in companies that had implemented artificial intelligence (AI) technology in their financial systems. The majority of respondents have more than 5 years of work experience in the financial sector, with educational levels varying from undergraduate to postgraduate. Based on demographic characteristics, the majority of respondents were in manufacturing and retail sector companies.

2. Descriptive Analysis

The results of the descriptive analysis show that the majority of financial managers understand the importance of integrity in presenting financial reports. However, most also admit that the AI technology implemented in their companies allows data processing quickly and efficiently, which can make it easier to detect errors or manipulate data. Several managers revealed that the pressure to meet company performance targets sometimes pushed them to consider manipulating financial reports.

3. Normality Test

Before carrying out multiple linear regression analysis, a normality test was carried out on the data collected. The normality test results show that most of the data distribution is normal, making it possible to use multiple linear regression analysis to analyze the relationship between variables.

4. Multiple Linear Regression Analysis

The results of multiple linear regression analysis reveal that the behavior of financial managers has a significant effect on financial report fraud, both directly and through interaction with AI technology. The three main factors tested were psychological factors (work pressure, morality), organizational factors (company culture, reward system), and technological factors (ease of data manipulation with AI, adaptation to AI).

Psychological Factors:

Psychological factors, such as pressure to meet performance targets and market uncertainty, have a significant influence on fraud tendencies. Respondents who feel financially stressed or threatened are more likely to commit fraud to hide the company's financial weaknesses. Beta coefficient: 0.62 ($p < 0.05$), indicating a significant influence between work pressure and the tendency to fraudulent financial statements.

Organizational Factors:

A company culture that emphasizes short-term results and a lack of a strong monitoring system increases the opportunities for fraud. Financial managers who work in companies with a culture that emphasizes achieving targets are more likely to manipulate reports to meet management expectations.

Beta coefficient: 0.47 ($p < 0.05$), indicating that organizational factors also play a significant role in fraudulent financial statement behavior.

Technology Factor (AI):

The growing use of AI makes it easier to process and analyze financial data. However, if it is not balanced with good supervision, AI can also be used for report manipulation purposes. The results of the analysis show that financial managers who do not have sufficient understanding of AI tend to commit fraud more easily, because systems that are not well understood provide opportunities for exploitation. Beta coefficient: 0.54 ($p < 0.05$), indicating a significant influence of the use of AI on financial statement fraud.

5. Discussion

Based on the results of the analysis, there is a significant relationship between the behavior of financial managers and the occurrence of financial report fraud, which is influenced by psychological factors, organizational factors, and the use of AI technology. The psychological pressure faced by financial managers, especially related to achieving targets and company performance, has been proven to be the main driver of fraud. This is in line with the Fraud Triangle theory which states that pressure can encourage individuals to carry out unethical actions if they feel that it will reduce the threat to their position.

Organizational factors also play an important role in the occurrence of fraudulent financial statements. A corporate culture that emphasizes achieving short-term results without regard to transparent processes can create a climate where fraud is considered a legitimate solution. Lack of supervision and weak internal control systems increase opportunities for managers to manipulate financial reports.

Finally, the use of AI in financial management has a double impact. On the one hand, AI can speed up data analysis and improve operational efficiency. However, on the other hand, AI that is not well understood or closely monitored can become a tool for data manipulation. This emphasizes the importance of adequate training and education for financial managers

regarding the technology used in their companies.

6. Practical Implications

This research suggests that companies should pay more attention to the psychological well-being and integrity of financial managers. In addition, companies need to review organizational culture and reward systems to ensure that achieving targets does not force financial managers to commit fraud. Finally, companies need to ensure that the AI systems implemented are provided with strict oversight and adequate training for their users, to prevent misuse of the technology.

5. CONCLUSION

This research aims to analyze the influence of financial managers' behavioral factors on financial report fraud in the era of artificial intelligence (AI). Based on the results of data analysis, several important things can be concluded:

- a. **Financial Manager Behavior Has a Significant Influence on Financial Report Fraud:**
Psychological factors, organizational factors, and the use of AI technology have a significant influence on the tendency of financial managers to commit fraud in presenting financial reports.
- b. **Job Pressure Increases Cheating:**
Financial managers who feel pressure to achieve high performance targets are more likely to commit fraud as a form of rationalization for the conditions they face. This pressure is the dominant factor that increases the opportunity for fraudulent financial statements to occur.
- c. **Organizational Culture that Emphasizes Achieving Short-Term Targets:**
A company culture that is oriented towards achieving targets without paying attention to transparent processes also contributes to the tendency for fraud. Companies with inadequate reward systems can exacerbate this situation.
- d. **Use of AI Technology:**
Although AI can help speed up the financial data processing process, without sufficient understanding and supervision, this technology can also be used to manipulate reports. Lack of training for financial managers regarding the use of AI systems also increases the potential for fraud.

SUGGESTION

Based on the conclusions above, several suggestions that can be given to companies and other stakeholders are:

- **Improving Internal Supervision and Control:**
Companies need to strengthen internal supervision to prevent fraud, especially in the financial management section. Implementing a tighter control system and regular internal audits can help reduce opportunities for financial managers to manipulate reports.
- **Reducing Work Pressure on Financial Managers:**
Companies should strive to reduce excessive pressure on financial managers, particularly related to achieving unrealistic performance targets. Setting targets that are more realistic and based on long-term achievements can reduce psychological pressure that can encourage fraud.
- **Building a Strong Ethical Culture in the Organization:**
To prevent fraud, it is important for companies to build an organizational culture that emphasizes ethics, integrity and transparency. A reward system that is fair and based on correct processes needs to be implemented so that managers feel appreciated for

legitimate efforts, not just the end result.

- **Training and Education on the Use of AI Technology:**
As AI technology is increasingly becoming an important part of accounting operations, companies must provide sufficient training to financial managers on the use of the AI systems they implement. In addition, training on the ethical use of technology and its impact on financial decisions should be carried out regularly.
- **The Importance of Strengthening Professional Ethics in the Digital Era:**
Financial managers need to be taught that although artificial intelligence can make their work easier, decisions made based on AI must still take into account ethical values and professionalism. Technology implementation must remain within a strict supervisory and ethical framework to prevent misuse that could harm the company and other stakeholders.

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