

The Effect of Social Pressures, Stock Value and Environmental Accounting on Fraudulent Financial Reporting Quality

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Research Paper

INTRODUCTION

Increasing competition and trying to grow stock value and earn more profit by retaining and attracting current investors and on the other hand, showing the good performance of the manager to the society despite the existing pressures, today's company managers have faced various challenges. The fear of the consequences of not being in harmony with others and the pressure imposed on the company and its manager by society, organization, customs, and laws forces the company to accept costs such as environmental costs, which are not very desirable for any manager. All these factors lead the manager to fraudulent financial reporting.

Today, fraudulent financial statements have negative effects on the country's economy and lead to providing incorrect information to the market, which has led to significant financial losses for individuals and companies by affecting the efficiency of the market in allocating resources. which will result in losing investors' confidence in the market. Therefore, in a business environment based on technology that is accompanied by rapid changes, there is an urgent

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need for effective methods to prevent and detect fraud and to know the factors influencing it (Segal, 2016).

So; the purpose of this research is to investigate the effect of social pressures, stock value, and environmental accounting on the quality of fraudulent financial reporting of companies admitted to the Tehran Stock Exchange.

Based on the relationship between these cases, there are two main reasons for researching this relationship; the first motivation is that the current research can provide more insight about the issue of financial reporting of companies. The second reason is the increasing importance of social pressures, equity value, and environmental accounting by investors and regulators. This research seeks to investigate the effect of social pressures, stock value, and environmental accounting on the quality of fraudulent financial reporting.

MATERIALS AND METHODS

From the point of view of what it is, the present research is quantitative, in terms of its purpose, how it is applied, and in terms of the method of gathering information, it is descriptive research of the survey type. The statistical population of this research includes the employees and investment managers of the companies admitted to the Tehran Stock Exchange. The sampling method used in this research is a systematic random method. For this purpose, a sample size of 384 people was selected using Morgan's table. Convergent validity was used to determine the validity of the questionnaire. The reliability of the questionnaire was checked with the help of Cronbach's alpha coefficient and its value was greater than 0.7, which indicates its acceptable reliability.

To analyze the data, partial least square tests were used with the help of "SmartPLS3" statistical analysis software.

RESULTS AND DISCUSSION

The research results indicate that social pressures, stock value, and environmental accounting have a positive and significant effect on the quality of fraudulent financial reporting.

The results showed that the intensity of the relationship between stock value and the quality of fraudulent financial reporting is equal to 0.58, which is acceptable because it is greater than 0.3. The t-statistic of the mentioned relationship was also obtained as 10.3, which is greater than the critical value of t at the 5% error level, i.e. 1.96, and it shows that there is a significant

relationship between the two variables of stock value and the quality of fraudulent financial reporting. On the other hand, the intensity of the relationship between social pressures and the quality of fraudulent financial reporting is equal to 0.372, which is acceptable because it is greater than 0.3. The t-statistic of the mentioned relationship is also 2.153, which is greater than the critical value of t at the 5% error level, i.e. 1.96, and it shows that there is a significant relationship between the two variables of social pressures and the quality of fraudulent financial reporting. Also, the intensity of the relationship between environmental accounting and the quality of fraudulent financial reporting is equal to 0.57, which is acceptable because it is greater than 0.3. The t statistic of the mentioned relationship is 8.8, which is higher than the critical value of t at the 5% error level, i.e. 1.96, and it shows that there is a significant relationship between the two environmental accounting variables and the quality of fraudulent financial reporting.

In line with the first hypothesis, managers should always be aware of changes in the rate of return on assets, changes in earnings per share, changes in dividends per share, changes in investment, changes in the rate of return on equity, changes in the ratio of net profit to sales, changes in growth opportunities, and changes in the operating profit ratio. Know how to sell. In examining the second research hypothesis, social pressures have a positive and significant effect on the quality of fraudulent financial reporting. This result is somewhat consistent with the findings of Barani et al. (1401). According to the research results, accountants make unethical decisions when they are exposed to the pressure of obedience. In examining the third hypothesis of the research, it can be said that environmental accounting has a positive and significant effect on the quality of fraudulent financial reporting. This result is inconsistent with the findings of Elshaer et al. (2017).

According to the results, the application of environmental accounting in the organization causes a revision of the traditional accounting system and its modification in such a way that it processes the information related to environmental costs reports it suitably, and provides it to the managers. Therefore, while modifying the current accounting criteria and standards in the country and taking into account the factors affecting fraudulent financial reporting, ways should be sought to prevent fraud and distortion of financial statements and provide correct information to the users of financial information. Factors that are sometimes ignored in establishing laws and standards can have great effects on the fate of investors.

The current research will be very useful for investors and users of financial information in Iran because the findings of this research will help them understand the importance of correct financial reports and the impact of social pressure factors, stock value, and environmental accounting on the quality of fraudulent financial reporting. So they can better analyze financial reports and invest.

Among the limitations of the current research, we can mention the following: the findings of the research are only related to the period of data collection and its validity is limited to a short period, the generalization of the results to other centers in other provinces must be done.

With caution; because issues such as individual factors, geography, people's performance, etc. affect the norms of employees, which in the present research, the analyses were done assuming that they are constant.

One of the most important limitations of research, which is one of the special features of social science research, is the existence of cross-sectional data and the influence of variables that are beyond the researcher's control and that may influence the research.

Keywords: Social Pressure, Stock Value, Environmental Accounting, Fraudulent Quality of Financial Reporting.

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