Jurnal Akuntansi, Perpajakan dan Auditing, Vol. 3, No. 1, April 2022, hal 137-161

JURNAL AKUNTANSI, PERPAJAKAN DAN AUDITING

http://pub.unj.ac.id/journal/index.php/japa

DOI: http://doi.org/XX.XXXX/Jurnal Akuntansi, Perpajakan, dan Auditing/XX.X.XX

FINANCIAL STATEMENT ANALYSIS OF FRAUD WITH HEXAGON THEORY FRAUD APPROACH

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Abstract

This research was conducted to find the effect of shareshexagon theory that consisted of stimulus, capability, collusion, opportunity, rationalization, and ego on financial statement fraud. The data used in this research is secondary data in the annual reports obtained through the Indonesia Stock Exchange (IDX) website. The population of this research is the banking listed on IDX in 2018 – 2020. The sample selection in this research used a purposive sampling technique and resulted in 47 companies as the sample of research. This Research use quantitative methods. The analytical technique used are descriptive statistical and multiple linear regression. The results of this study indicated that collusion negatively affects financial statement fraud. Rationalization has a positive effect on financial statement fraud. Meanwhile, stimulus, capability, opportunity, and ego has no effect on financial statement fraud.

Keywords: *Financial statement fraud, Fraud Hexagon Theory, Stimulus, Capability, Collusion, Opportunity, Rationalization, Ego*

Abstrak

Penelitian ini dilakukan untuk melihat adanya pengaruh dari fraud hexagon theory yang terdiri dari stimulus, *capability*, *collusion*, *opportunity*, *rationalization* dan ego terhadap *financial statement fraud*. Data yang digunakan dalam penelitian ini merupakan data sekunder berupa laporan tahunan yang didapat melalui website Bursa Efek Indonesia (BEI). Populasi dalam penelitian ini adalah perusahaan sektor perbankan yang terdaftar di BEI tahun 2018 – 2020. Pemilihan sampel dalam penelitian ini menggunakan teknik *purposive sampling* dan menghasilkan 47 perusahaan sebagai sampel yang diteliti. Penelitian ini menggunakan metode kuantitatif. Teknik analisis yang digunakan adalah analisis statistik deskriptif dan analisis regresi linier berganda. Hasil dari penelitian ini menunjukkan bahwa *collusion* berpengaruh negatif terhadap *financial statement fraud*. Rationalization berpengaruh positif terhadap *financial statement fraud*. Sedangkan, *stimulus, capability, opportunity* dan ego tidak berpengaruh terhadap *financial statement fraud*.

Kata Kunci: *Financial statement fraud, Fraud Hexagon Theory, Stimulus, Capability, Collusion, Opportunity, Rationalization*, Ego

How to Cite:
Akbar, R. N., Zakaria, A., & Prihatni, R., (2022). *Financial Statement Analysis of Fraud with Hexagon Theory Fraud Approach*. Jurnal Akuntansi, Perpajakan, dan Auditing, Vol. 3, No. 1, hal 137-161. https://doi.org/xx.xxxxx/JAPA/xxxxx.

INTRODUCTION

Financial statements are reports prepared by companies over a certain time to inform users of financial statements about the financial condition, performance, and results of operations of the company (Ratnasari & Solikhah, 2019), (Siddiq et al., 2017). Financial reports are also a company communication tool with external parties that inform investors and creditors about the company's financial position and performance over a certain time, while internal parties are the basis for decision making (Apriliana & Agustina, 2017), (Putriasih, Herawati, et al, 2016). Thus, the financial statements become a benchmark in seeing the company's performance that is useful for users of financial statements.

The importance of information in financial statements encourages management to do everything in its power to ensure that financial statements are presented consistently and look good, thus creating a risk of *fraud* (Oktafiana et al., 2019). This is a phenomenon that cannot be avoided from the existence of fraud. This phenomenon does not escape happening in Indonesia, even in a larger area (Yesiariani & Rahayu, 2017). This is evidenced by the emergence of fraud perpetrators who not only affect the upper class, but also the lower class (Aprilia, 2017).

Association of Certified *Fraud* Examiners (ACFE), (2020) defines *fraud* as a deliberate violation of the law by making false and false shares for personal or collective gain and presenting them to other parties. Based on data submitted by Report to The Nation 2020, there are three main types of *fraud*, namely asset *misappropriation*, corruption, and financial *statement fraud*. The types of fraud are presented in more detail in Figure 1.

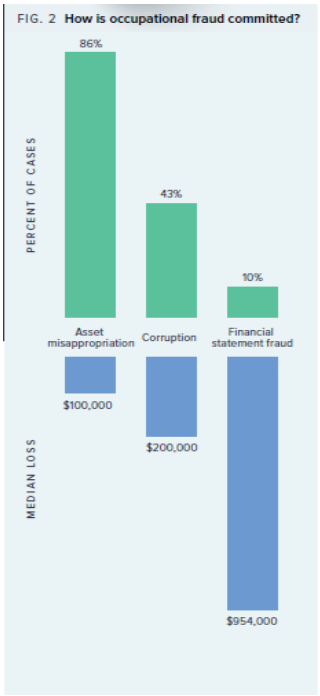

Figure 1. Cate*go*ries of Occupational *Fraud*

Source: *Report to The Nation*, (2020)

Based on Figure 1, cases of financial *statement fraud are* the rarest cases, only 10 % compared to asset misappropriations of 86% and corruptions *of* 43%. However, financial statement fraud was the biggest cause of losses with an average loss value of US$ 954,000. Referring to the Auditing Standards (SA) section 316 "Consideration of Fraud in the Audit of Financial Statements" states that *financial statement fraud* is a deliberate modification or omission of amounts or disclosures in financial statements to deceive financial statements users. Fraud in a company's business normally takes about three to six years and by the time the fraud cases are uncovered, several evidence have been destroyed or distorted (Omar et al., 2017).

The practice of fraudulent financial statements can harm many parties because the information contained in the financial statements does not match the actual state of the company. Various cases of fraudulent financial statements occur in various sectors of the company. One of the cases of

manipulation of financial statements that occurred in Indonesia was the case of PT Bank Bukopin Tbk (BBKP) which was revealed in 2018, Bank Bukopin was proven to have manipulated financial statements by modifying credit card data. Modification of credit card data at Bank Bukopin has been carried out for the previous 5 years with more than 100,000 modified credit cards. With this modification, Bank Bukopin has succeeded in increasing its credit position and commission-based income. What's more, this case has escaped various scrutiny and audits over the years. This case was discovered by Bukopin internally. Bukopin's management boldly revised its financial statements from 2015, 2016, and 2017. Bank Bukopin revised its net profit in 2016 from Rp 1.08 trillion to Rp 183.56 billion, the share of fee and commission income which is the income from credit cards was the largest decrease. In addition to credit card modifications, Bank Bukopin also revised the financing of its subsidiary, Bank Syariah Bukopin (BSB) regarding the addition of the allowance for impairment losses on certain debtors, which resulted in the cost of allowance for impairment losses on financial assets being revised up from Rp 649.05 billion to Rp 797. .65 billion. As a result, the shared burden increased by Rp. 148.6 billion (Banjarnahor, 2018). Cases of financial statement fraud in the banking sector that have been described previously, in line with a survey conducted by the Association of Certified *Fraud* Examiners (ACFE) in 2020

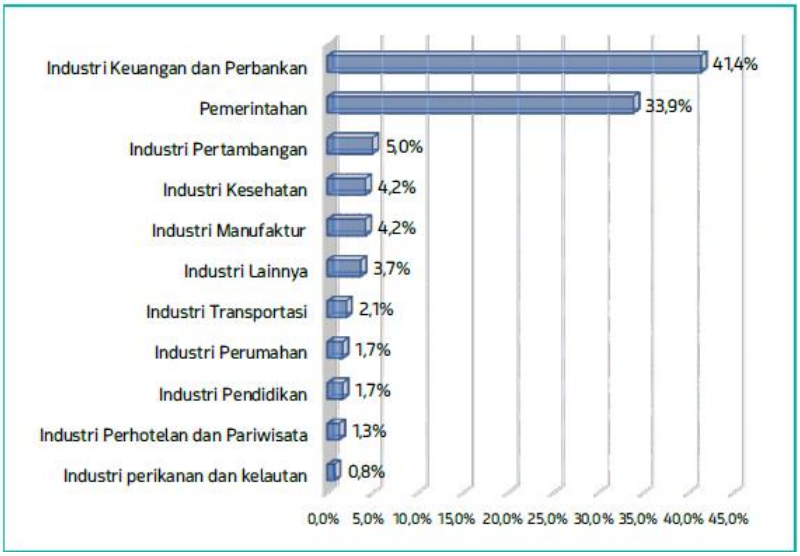

Figure 2 *Industry of Victim Organization*

Source: Data processed by researchers, (2021)

Based on Figure 1.4 shows data that the sector Banking is the highest sector that commits fraudulent financial statements. There were 386 cases discovered in 2020 with an average loss of $100,000. The types of fraud that generally occur in banking companies are corruption by 40%, cash on hand by 18%, and *financial statement fraud* by 10%.

The rise of economic crime cases that occur in the business world requires auditors to know the factors that can detect fraud in the business world. Knowledge of *fraud* from time to time can be found in previous research to provide insight into the practice of fraudulent financial statements. One of the most famous studies, the study conducted by Cressey in 1953 raised *three* factors that could influence the occurrence of *fraud*, namely pressure, opportunity, and rationalization. Theory *Fraud* Triangle theory *fraud* does not stop there. Theory *fraud* is growing. In 2004, Wolfe and Hermanson developed the theory created by Cressey. In the study, Wolfe and Hermanson added another factor that seems to affect *fraud*. The factor is capability/ability. Wolfe and Hermanson call this theory the *Fraud* Diamond Theory. According to this theory, the main role in *fraud* is personality and individual ability (competency). Someone who cannot commit fraud means that someone does not have the skills or abilities to commit fraud. In 2011, Crowe was also involved in the development of *fraud*. After conducting research, Crowe (2011) determined the element of arrogance as an influencing factor in *fraud*. By adding the arrogance factor to the *Fraud* Diamond Theory, this theory is called the *Fraud* Pentagon Theory which consists of five components, namely, pressure, *opportunity*, *rationalization*, competence, and arrogance. Theory *Fraud* was developed back in 2019 by Georgious Vousinas. Vousinas added *collusion*. Vousinas calls this theory the *Fraud* Hexagon

Theory or SCCORE Model, which consists of *stimulus* (pressure), *capability*, *collusion*, *opportunity*, *rationalization,* and *ego.*

The variables of the *Fraud* Hexagon Theory cannot be studied just like that, so it requires variable proxies. Faradiza (2019), states the success of a good business is often measured by its profitability, which encourages management to commit *to* financial statements. This factor causes managers in the company to give their best so that they can achieve the financial targets that have been set by the company (Skousen et al., 2011). Research conducted by (Yesiariani & Rahayu, 2017) states that financial targets have a negative effect on *financial statement fraud*. However, this is contrary to research conducted by (Hidayah & Saptarini, 2019), (Faradiza, 2019) and (Setiawati & Baningrum, 2018) state that financial targets have a positive effect on *financial statement fraud*.

The following factor, Capability, is represented by Change in Director. According to (Wolfe & Hermanson, 2004), capability (capability) is a person's ability to commit fraud; if a person is unable to perpetrate fraud, it is because they lack the necessary knowledge or skills. The company's attempt to enhance the performance of the previous directors by a change in the makeup of the board of directors or the appointment of new, competent directors (Setiawati & Baningrum, 2018). A change in directors could also be a sign of corporate politics or a cover for fraud. Therefore, the likelihood of a corporation committing financial statement fraud increases as the frequency of director changes increases. 2019 (Hidayah & Saptarini).

Political connections serve as a stand-in for the following factor. Collusion, according to Vousinas (2019), is a dishonest mentality and conduct between two or more persons that is founded on an agreement or agreement. Individual groups of people from separate companies, employees in one company, or both at the same time are all examples of collusion.

According to Sari & Nugroho (2020), the nature of the industry serves as a proxy for the next variable, Opportunity (opportunity), because it provides the best business conditions for the sector. Certain accounts, including those for bad debts and obsolete goods, are included in financial statements, and businesses can estimate their balances for these accounts. Since the firm has the ability to establish the balance, it stands to reason that the company can alter the balance without arousing suspicion.

Rationalization is the third variable, and according to Aprilia (2017), it is represented by the Total Accrual Ratio. According to Aprilia (2017), managers may rationalize fraud when they believe it is morally justified. Management justifies their dishonesty because they do not want it to be exposed. To protect them and spare them from punishment, this measure is taken. Rationalization is linked to the company's subjective evaluation. The accrual value of the company provides a clear indication of subjective evaluation and corporate decision-making (Skousen et al., 2011). Because management decision-making has a significant impact on financial statement rationalization, adequate total accruals have an effect on financial statement fraud. According to research published in 2017 by Yesiariani & Rahayu and 2016 by Putriasih et al., the total accrual ratio has a protective effect against financial statement fraud. On the other hand, research led by (Triyanto, 2019) claims that financial statement fraud is unaffected by the total accrual ratio.

According to (Damayani et al., 2019), the final variable, Ego, which is proxied by the number of CEO photos, ego is a sense of superiority or greed felt by people who think that personal internal control is not practiced. The number of CEO images explains how the ego or dominance of the CEO may be shown by the quantity displayed in a company's annual report. By leveraging and abusing their power, someone with a low sense of self might cause financial statement fraud (Siddiq et al., 2017).

Researcher interest in the fraud hexagon theory for studying financial statement fraud was spurred by the many findings investigated by earlier researchers connected to the factors in the theory that affect financial statement fraud. In order to better understand how financial statement fraud occurs, the researcher looks at the effects of a number of variables, including stimulus, capability, collusion, opportunity, rationalization, and ego.

THEORY REVIEW

Theory of Agency

Jensen & Meckling (1976) introduced agency theory, which states that agency relationships develop when the shareholder (principal) enters into a cooperative contract with the management to employ and delegate their responsibility in decision-making (agent). As the contract's agent, management must be accountable for the work performed for the shareholders (principals). If the principle and agent share the same objective of maximizing the company's value, then the agent will operate in accordance with the Stakeholder Theory's authority.

Stakeholders are groups or individuals who influence or can be influenced by the activities a company does to attain its aims (Freeman, 1984). The primary stakeholder groups include customers, local communities, labor, shareholders, and distributors. Other stakeholder groups include the general public, the media, academia, commercial organizations, trade associations, creditors, the government, policymakers, and regulators. According to stakeholder theory, businesses must prioritize the interests of their stakeholders over their own when engaging in business activities. The contract governing the agency relationship stipulates that one or more parties serve as agents for another (principals)

Fraud

The Association of Certified Fraud Examiners (ACFE) defines fraud as the intentional violation of the law by making false and erroneous reports for personal or collective gain and submitting them to other parties.

The Fraud Tree Association of Certified Fraud Crimes is referred to as "Fraud Tree." Fraud Tree is a fraud mapping that consists of three principal branches, as well as branches and sub-branches. According to Godfrey et al. (2010), the three main branches of the fraud tree are corruption, asset misappropriation, and financial statement fraud. In Dian (2018), the signal theory explains that financial statements are frequently used to monitor transactions occurring within a company and to provide signals about the company's condition. Investors and creditors can take this signal either negatively or positively.

Theory of Fraud Triangle

In 1953, Cressey Donald established the Fraud Triangle Theory, the first fraud theory. Pressure, Opportunity, and Rationalization, according to the findings of Cressey's research, are the three primary factors that lead to fraudulent behavior.

Theory of Fraud Diamond

By adding an element capacity to the fraud triangle hypothesis in 2004, David T. Wolfe and Hermanson created the fraud diamond theory. In order for a person to conduct fraud, he or she must be capable of comprehending and identifying chances to do so (Wolfe & Hermanson, 2004). According to research conducted by Wolfe & Hermanson (2004), fraud involving billions of dollars is not possible unless the perpetrator possesses the requisite skills, justifications, and opportunities. Nonetheless, the individual must be able to recognize and capitalize on chances.

False Pentagon Hypothesis

In 2011, Crowe Howarth presented Fraud Pentagon Theory. Crowe modified the fraud diamond theory by adding an element of hubris and replacing the element of capability with competence. Consequently, this theory is comprised of five components: pressure, opportunity, rationalization, competence, and hubris. According to study conducted by Crowe (2011), arrogance is the nature/behavior of superiority over authority and the belief that internal assessments and business policies do not apply to him.

Hexagonal Theory of Fraud

In 2019 In his study titled "Advancing theory of fraud: the SCORE model," Georgios L. Vousinas of the National Technical University of Athens, Greece, proposed a new feature called "collusion." It comprises of stimuli (pressure), capability (capability), cooperation (collusion), opportunity (opportunity), rationalization (rationalization), and ego, if it is compiled.

The element added to the *fraud* hexagon theory is *collusion*, meaning that collusion is a form of cooperation carried out by groups of individuals with parties outside the company, or fellow employees within the organization. When collusion fraud occurs, employees who have never committed fraud will be carried away by the company environment that committed the fraud. Thus, the corporate environment that commits fraud will be enlarged and will become a corporate culture that will be difficult to eliminate. According to (S. P. Sari & Nugroho, 2020) collusion is a form of agreement or contract made between two or more people, to deceive third parties and take their rights.

Financial Statement Fraud

Auditing Standards (SA) section 316, "Consideration of Fraud in the Audit of Financial Statements," defines financial statement fraud as the intentional change or omission of numbers or disclosures in financial statements with the intent to mislead financial statement users. Financial statement fraud can have an impact on a company's insolvency, and the manner in which employees within the company commit the fraud range from adhering to Financial Accounting Standards (SAK) to engaging in unlawful operations or aggressive earnings management (Septriyani & Handayani, 2018). Financial statement fraud may also involve the manipulation of many accounts in the financial statements, such as inflating assets, earnings, and income while reducing obligations, expenses, and losses (Ratnasari & Solikhah, 2019).

Stimulus

Stimulus is a pressure that is aroused if a company's performance falls below the average of its peers in the industry. This shows that the company is not in a stable financial position (Skousen et al., 2011). This occurs owing to a lack of ability to maximize owned assets and inefficient use of investment capital. According to Auditing Standards (SA) Section 316 on Considerations of Fraud in an Audit of Financial Statements, fraud frequently entails coercion or encouragement to commit fraud. For instance, financial reporting fraud may be done when management is under pressure to meet unreasonable profit goals. This pressure can fall into two categories of egori misstatements: those resulting from fraud in financial reporting and those resulting from the inappropriate treatment of assets (often referred to as misuse or embezzlement).

Capability

According to Wolfe and Hermanson (2004), the capability of individuals to commit fraud is what motivates them to seek out and take advantage of opportunities to conduct fraud. Capability can also be construed as a person's ability to commit fraud; someone who is incapable of committing fraud lacks the necessary skills and talents. Due to the individual's position and intelligence in identifying organizational system flaws, the individual's capabilities can pose a significant threat. Individuals are capable of committing white-collar crimes. Collusion fraud can pose a substantial threat to a company (Ristianingsih, 2017)

Collusion

The term collusion is derived from the Latin word collusio, which indicates cooperation, conspiracy, or agreement to engage in immoral conduct (Desviana et al., 2020). According to Vousinas (2019), collusion is a fraudulent agreement between two or more parties in which one side commits an illegal act, such as deceiving the other. Employees who are members of the organization, a group of persons from various organizations and countries, or members of criminal groups may be involved in collusion. When workers or employees and external parties engage in cooperation, fraud will continue to increase and be tough to halt. When fraud occurs, honest employees will be exposed to a dishonest setting, and a fraudulent culture will develop. According to Auditing Standards (SA) Section 316 on Fraud Considerations in an Audit of Financial Statements, fraud can also be concealed through collusion between management, staff, or third parties. For instance, misleading evidence that activity controls have been adequately implemented may be submitted to the auditor through collaboration. The auditor may also get fraudulent confirmations from outside parties in conjunction with management. Collusion might convince the auditor that the evidence is credible, despite the fact that it is untrue.

Opportunity

According to Desviana et al. (2020), an opportunity is one that is freely utilized by actors in carrying out their acts. This is owing to a lack of internal control, discipline, information availability, and apathy. In the meantime, according to Tuanakotta (2012), opportunity refers to all potential instances of fraud. This arises owing to lax internal control, abuse of authority, and lack of oversight.

Rationalization

Rationalization is the reason that fraud perpetrators use for their conduct. The perpetrators of fraud will employ several strategies to conceal their fraudulent activities (Skousen et al., 2011). On the other hand, according to Aprilia (2017), rationalization is a concept that occurs in the minds of managers when they commit fraud because they view the behavior as natural.

Ego

Ego (arrogance) is the nature or quality of feeling superior to one's own rights and believing that internal control and business policies do not apply to oneself (Crowe, 2011). According to Aprilia (2017), arrogant is a lack of conscience, which is the nature of superiority, or the presence of hubris and arrogance in a person who believes internal control cannot harm him**.**

Theoretical Framework and Hypotheses

This research was conducted to see the effect of the independent variables *stimulus* (X1), *capability* (X2), *collusion* (X3), *opportunity* (X4), *rationalization* (X5) and *ego* (X6) on *financial statement fraud* (Y). To understand the relationship between the six independent variables and the dependent variable in this study, the theoretical framework of this study is presented in Figure 2 below.

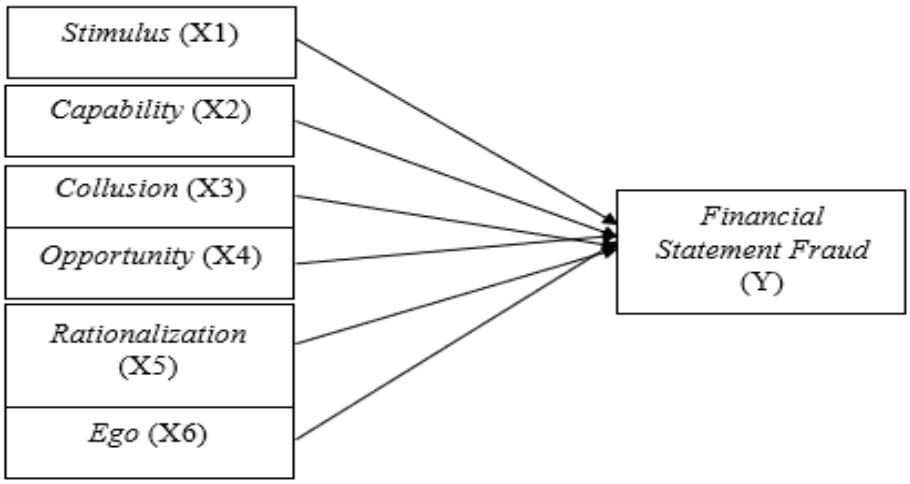

Figure 3 Conceptual Framework

Source: Data processed by the author, (2021)

Effect Inducement of Financial Statement Fraud

If a company's performance falls below the average performance of comparable industries, pressure will be increased (Skousen et al. 2011). This condition indicates that the company is not in a stable state due to its inability to maximize its assets and inefficient use of investment cash. According to stakeholder theory, a firm requires the support of stakeholders and must meet their expectations. This implies that the corporation will be encouraged to commit financial statement fraud in order to meet the expectations of stakeholders regarding the company's financial statement performance. The corporation desires to maintain a stable financial situation so that stakeholder appraisals of the company's value remain favorable.

This study will measure the level of stimulus based on financial objectives. Financial target is a danger that results from intense pressure on management to reach financial objectives based on the requirements of management or directors, which are incorporated in the calculation of bonuses and incentives to be earned. This study's financial objective was determined using Return on assets (ROA).

H_1: *Stimulus* Hermanson *Financial Statement Fraud*

Effects *Capability* of *Financial Statement Fraud*

According to Wolfe and Hermanson (2004), the capability of individuals to commit fraud is what motivates them to seek out and take advantage of opportunities to conduct fraud. Capability can also be viewed as a person's ability to commit fraud, whereas someone who is incapable of committing fraud lacks the necessary skills and talents.

A person's capabilities can pose a grave threat. Those in a position and with the intelligence to recognize organizational system deficiencies can take advantage of this. According to studies conducted by Wolfe and Hermanson (2004), billion-dollar fraud is unachievable without the proper personnel and skills.

This study will assess competency based on the replacement of a director. The corporation is attempting to enhance the performance of the previous directors by altering the membership of the board of directors or by recruiting new, more qualified directors. Change of directors is related to agency theory, in that the board of directors, as an agent, has more information and greater skill than the principal, causing information asymmetry. At least the principal's knowledge can be used by the agent to perpetrate fraud.

According to research by Faradiza (2019), the change of directors affects the incidence of financial statement fraud. Changes in the board of directors may indicate fraud. Fraud can arise and develop due to company culture and guidance from senior management and the board of directors, so managers will engage in unethical behavior because they feel their acts are not illegal and that they would be rewarded with incentives for following out orders from superiors.

H_2: *Capability* Effect *Financial Statement Fraud*

Effects *Collusion on* of *Financial Statement Fraud*

Collusion can also be interpreted as a false agreement between two or more people, where there are parties who take bad actions, such as deceiving other parties. The parties involved in collusion can be employees who are members of the organization, a group of people belonging to various organizations and jurisdictions or members of criminal organizations. When collusion occurs between employees, or between employees and external parties, fraud will continue to grow and will be difficult to stop. When fraud begins to occur, honest employees will be led to a dishonest environment and a fraudulent environment will be formed.

This study will use political connections to measure *collusion*. Political connection is a close relationship between politicians or the government (Purwoto, 2011). Companies that have strong political connections tend to pay less attention to the quality of the information presented in their company's financial statements (Chaney et al., 2011). The political connection has something to do with agency theory, namely the existence of convenience or privileges owned by the company. This allows management to take advantage of these conditions by committing fraudulent financial statements by means of manipulation. The manipulation that is carried out is closely related to the differences in the goals of the agent and the principal, where the agents want their own prosperity in getting the maximum profit. With the convenience or privileges of the government or politicians, agents can use them to commit fraud. This happens because the information known to management is not conveyed to the principal.

Research conducted by Matangkin et al. (2018) and S. P. Sari & Nugroho (2020) which state that companies that have strong political connections have the potential to take advantage of these conditions to commit acts of collusion. With this power, it is possible to commit fraudulent financial statements by means of manipulation.

H_3: *Collusion* Effect *Financial Statement Fraud*

Effects *Opportunity* of *Financial Statement Fraud*

Collusion can also be defined as a deceitful agreement between two or more persons, in which one or more participants commit illegal acts, such as deceiving others. Employees who are members of the organization, a group of persons from various organizations and countries, or members of criminal groups may be involved in collusion. When workers or employees and external parties engage in cooperation, fraud will continue to increase and be tough to halt. When fraud occurs, honest personnel will be drawn to a dishonest setting, resulting in the formation of a fraudulent environment.

This study will quantify collusion using political relationships. Political link refers to a close bond between politicians or the government (Purwoto, 2011). Companies with significant political ties typically pay less attention to the accuracy of the information disclosed in their financial statements (Chaney et al., 2011). The political relationship is related to agency theory, namely the company's ownership of advantages or privileges. This enables management to take advantage of these conditions by manipulating financial statements to commit fraud. The manipulation that is carried out is closely tied to the disparity between the interests of the agent and the principal, in which the agent seeks to maximize his or her personal profit. Agents can conduct fraud by utilizing the government's or politicians' perks or advantages. This occurs because management-held information is not shared with the principal.

According to research undertaken by Matangkin et al. (2018) and S. P. Sari & Nugroho (2020), corporations with significant political connections may take advantage of these settings to engage in collusion. With this authority, it is feasible to commit financial statement fraud through manipulation.

H_4: *Opportunity* Affects *Financial Statement Fraud*

Effects *Rationalization* Statement *Fraud*

When management commits fraud, the concept of rationalization occurs in their minds because they believe the act is natural (Aprilia, 2017). According to Siddiq et al. (2017), rationalization is an attitude of justification for fraudulent acts that have been committed. Fraudulent acts are carried out on the basis of rationalization, which means that the conduct is not a violation. Fraudsters may employ the rationalization of subjective judgments as a sort of justification (Skousen et al., 2011). The company's accrued value can reflect subjective evaluation and decision-making.

The accrual basis is the basis for compiling the agreed-upon financial statements since it is deemed more reasonable and equitable (Septriyani & Handayani, 2018). Due to the fact that the accrual principle can alter the number of profits made, it might be an indicator of fraudulent activity in the financial accounts. The accrual basis included in the financial statements affords managers the ability to enhance the financial statements because the accrual principle is tied to management decision making. The management believes they can justify their activities since the principal has granted them trust.

Rationalization is related to agency theory, namely the disparity between principal and agent interests. The objective of management's rationalization is to adjust the financial statements. The change of the financial accounts is necessitated by the agent's desire to offer the most accurate financial statements, so that the company's performance appears favorable and can influence the decision-making process. The research begun by Septriyani & Handayani (2018) indicates that the ratio of a company's total accruals influences financial statement fraud. The ratio of the company's total accruals can be used to describe management's justification for applying the accrual principle. The ratio of a company's total accruals can be used to explain the earnings management described in its financial statements. Positive research findings indicate that efforts are being made to boost the company's worth. The rise in profit that results from management's optimistic approach to reporting its performance, namely by recognizing future money as current income. In contrast, Faradiza (2019) and Purba & Putra (2017) found that rationalization has little impact on financial statement fraud. Rationalization cannot demonstrate the probability of financial reporting fraud.

H_5: *Rationalization* Influence *Financial Statement Fraud*

Effects *Ego* of *Financial Statement Fraud*

Ego (Arrogance) is a lack of conscience that causes superiority or pride and arrogance in someone who believes that internal control cannot affect him (Crowe, 2011). Arrogance and arrogance arise because he believes that he is capable of committing fraud and existing controls cannot have an impact on him. Thus, fraud perpetrators tend to think freely to commit fraud without fear of punishment and sanctions that will befall them (Cahyaningtyas & Achsin, 2018).

The form of arrogance can be seen through the *frequent number of CEO's picture* contained in the company's annual report. The nature of arrogance seen from the many images of CEOs is related to agency theory, namely the existence of a contractual relationship that causes agents such as CEOs to get high bonuses from the principal. With these rewards, it can encourage CEOs to prioritize their

own interests. This condition is suspected to be exploited because the CEO feels himself immune to the company's internal control, so that the CEO who has a high level of arrogance will do everything possible including by manipulating financial statements so that the company's performance looks good, so that the CEO is trusted by the company to continue in that position.

Research conducted by Vivianita & Indudewi (2018) shows that the *frequent number of CEO's picture* has an effect on *financial statement fraud*. These results explain that the number of CEO photos contained in the company's annual report, such as profiles, CEO reports, GMS meetings, sports activities, CSR activities shows the level of CEO arrogance to be known by the public who reads the annual report. This arrogance will cause the CEO to commit fraudulent financial statements so that financial stability, dividends for shareholders will increase, and company profits will increase. This action is allegedly done so that his image is getting better in the eyes of investors.

H_6: *Ego* Affects *Financial Statement Fraud*

METHOD

The unit of analysis used in this study is a company listed on the Indonesia Stock Exchange. The population used is banking sector companies listed on the Indonesia Stock Exchange from 2016 – 2019. Based on the criteria determined by the researcher, there are 47 banking sector companies that have met the specified criteria. Of the 47 companies used as samples, 141 total observation data were produced. The tool used in data processing for this research is SPSS.

Table 1. Calculation of the Number of Research Samples

No.	Information	Number
1	banking company listed on the Indonesia Stock Exchange in 2018 - 2020	49
2	banking companies *delisted* during the research period	(2)
Number of samples		**47**
Total observations for 3 years (2018-2020)		**141**

Source: Data processed by the author, (2021)

The dependent variable in this study is *financial statement fraud* using a modified Jones earnings management proxy. The use of this proxy is in line with research conducted by Faradiza (2019), Ratnasari & Solikhah (2019), and Yesiariani & Rahayu (2019). The calculation of Jones modified earnings management is as follows:

1. Calculating Total Accrual (TAC)
   $TAC = NI_{it} - CFO_{it}$
   Furthermore, the total accrual (TA) is estimated with the Ordinary Least Square as follows: $\frac{TA_{it}}{A_{it-1}} = \beta_1 \left[\frac{1}{A_{it}-1}\right] + \beta_2 \left[\frac{REV_{it}}{A_{it}-1}\right] + \beta_3 \left[\frac{PPE_{it}}{A_{it}-1}\right] + \varepsilon$
1. With the regression coefficient as described above, *nondiscretionary accruals* (NDA) are determined by the following formula: $NDA_{it} = \beta_1 \left[\frac{1}{A_{it}-1}\right] + \beta_2 \left[\frac{REV_{it}}{A_{it}-1} - \frac{REC_{it}}{PPE_{-1}}\right] + \beta_3 \left[\frac{it_{it}}{A_{it}-1}\right]$
2. Then, *discretionary accruals* (DA) as a measure of earnings management is determined by the following formula: $DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$

Information:

DA_{it} = *Discretionary Accruals* of company i in the year period t
NDA_{it} = *Nondiscretionary* accruals of company i in period t year
TA_{it} = *Total Accrual* of company i in period t year
NI_{it} = Net profit of company i in period t
CFO_{it} = Cash flow from operating activities of company i in period t
A_{it-1} = Total Assets of company i in period year t-1
REV_{it}= company i's revenue in year t minus company i's revenue in year t-1
PPE_{it}= *property, plant and equipment* of company i in year t
REC_{it}= trade receivables of company i in year t minus company receivables i in year t-1
ε = *error*

The result of the calculation of DA which is positive indicates that the company is doing *income increasing*, while the result which is negative indicates that the company is doing business *in come decreasing*.

The independent variables in this study are as follows:

a. *Stimulus*

The measurement of the level *of stimulus* in this study uses a financial target proxy which is measured by looking at the *Return on Assets* (ROA). *Return on assets* (ROA) is used by companies to assess the performance of managers to determine wage increases, bonuses, and others. The formula for *return on assets* is as follows:

$$ROA = \frac{Net\ Profit}{Total\ Asset}$$

b. *Capability*

Measurement *capability* in this study was carried out by looking at changes in directors (*change of directors*) in line with research conducted by (Zulfa & Bayagub, 2018). The existence of a change of directors can be a sign that there are certain political interests to replace the previous board of directors (Setiawati & Baningrum, 2018). Therefore, the measurement of *capability* in this study uses a dummy variable initiated by Hidayah & Saptarini (2019), namely code 1 (one) for companies that change directors and code 0 (zero) for companies that do not change directors.

c. *Collusion*

This study uses a proxy for political connections to measure the level of *collusion* which refers to research conducted by (Matangkin et al., 2018). According to Chaney et al., (2011) companies that have strong political connections tend not to pay too much attention to the quality of the information presented in their company's financial statements. Therefore, the measurement of *collusion* using a dummy variable used by the research of Matangkin et al. (2018) the measurement of political connections uses a dummy variable, code 1 for companies with president commissioners and/or independent commissioners who have political connections and code 0 for companies with president commissioners and/or independent commissioners who do not have political connections. The criteria used to determine political connections refer to the research conducted by Matangkin et al. (2018) adopted from research from Fan et al. (2007) as follows:

1) President commissioner and/or independent commissioner hold concurrent positions as politicians affiliated with political parties.
2) President commissioner and/or independent commissioner concurrently serving as a government official.
3) President commissioner and/or independent commissioner holding concurrent positions as a military official.
4) The president commissioner and/or independent commissioner is a former government official or former military official.

d. *Opportunity*

Opportunity measured using a *nature of industry* in accordance with research conducted by (Yesiariani & Rahayu, 2017). *nature of industry* is an ideal condition for companies in the industry (Setiawati & Baningrum, 2018), (Faradiza, 2019), (Septriyani & Handayani, 2018). *Nature of industry is* measured by using the ratio of changes in accounts receivable (receivable). *Nature of industry* can be formulated as follows:

$$NOI = \frac{Receivable}{Sales} - \frac{Receivable_{(t-1)}}{Sales_{(t-1)}}$$

e. *Rationalization*

The measurement *rationalization* in this study uses a proxy for the ratio of the company's total accruals in line with research (Putriasih, Herawatti, et al., 2016), (Septriyani & Handayani, 2018), (Yesiariani & Rahayu, 2017). The ratio of the company's total accruals is obtained by dividing the total accrual value by the total value of the company's assets. The formula for measuring the company's total accrual ratio is as follows:

$$TATA = \frac{Total\ Accrual}{Total\ Asset}$$

f. *Ego*

This study uses the frequent number of Chief Executive Officer (CEO)'s picture proxy to measure the level of *ego* (arrogance) which is in line with research (Vivianita & Indudewi, 2018). *Frequent number of CEO's picture is* measured using the following formula:

$$CEOPIC = Number\ of\ CEO\ Pictures\ in\ the\ Annual\ Report$$

Analysis Techniques

Descriptive Statistical

Descriptive statistical analysis is a statistical method intended to analyze data by describing the data that has been obtained in the form of graphs, tables, to diagrams, without aiming to make general conclusions (Sugiyono, 2017). The analytical tools used in descriptive statistics are the maximum, minimum, average (*mean)* and standard deviation values.

Multiple Linear Regression Analysis

Multiple regression analysis is useful for projecting the relationship or relationship that occurs between the independent variable and the dependent variable (Ghozali, 2018). In this study, researchers used multiple linear regression analysis to examine the relationship between several independent variables and the dependent variable. The formula used by the researcher is as follows:

$$Y = +\beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 4X4 + \beta 5X5 + \beta 6X6 + \varepsilon$$

Description:

Y = Dependent variable (*Financial statement fraud)*

= Constant

= Variable coefficient

X1 = Independent variable (*Stimulus)*

X2 = Independent variable (*Capability*)

X3 = Independent variable (*Collusion*)

X4 = Independent variable (*Opportunity*)

X5 = Independent variable (*Rationalization*)

X6 = Independent variable (*Ego (Arrogance)*

= Error

Normality Test

This test is conducted to determine whether the research data carried out have a normal distribution or not (Ghozali, 2018). Data that is distributed normally or close to normal is a feature of a reliable regression model. Data that is normally distributed means that the data is evenly distributed and can represent the population. This study will use the *Kolmogorov-Smirnov test*. If the *Kolmmogorov-Smirnov* shows a result > 0.05, then the data is normally distributed. On the other hand, if the *Kolmogorov-Smirnov* value has a value <0.05, then the data is not normally distributed.

Multicollinearity Test

The multicollinearity test is a test that intends to find out whether there is a correlation between independent variables in the regression model (Ghozali, 2018). The existence of a high correlation is a sign that the regression model is good. The method used to detect multicollinearity is to look at the tolerance value or variance inflation factor (VIF). If the value of VIF <10 and tolerance> 0.1, then the regression model does not contain multicollinearity. Meanwhile, if the VIF value is > 10 and the tolerance is < 0.1, then the regression model contains multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether in the regression model there is an inequality of variance from one residual to another observation (Ghozali, 2018). If the value of the variance changes, it is called heteroscedasticity, whereas if the variance value of the residuals does not change, it is called homoscedasticity. This study will use the Glacier Test to detect heteroscedasticity. If the probability shows a value above 0.05, it can be concluded that the regression model does not have heteroscedasticity (Ghozali, 2018).

Coefficient of Determination Test

The coefficient of determination test or R-square test (R2) is useful for knowing the magnitude of the effect of the variation of the independent variable on the dependent variable in the regression model (Ghozali, 2018). The coefficient of determination test (R2) will produce a value between zero and one. The greater the value of R2 or closer to one, it means that the independent variable is able to provide almost all the information needed to explain the dependent variable. On the other hand, the smaller the value of R2, it means that the regression model used does not include all the information that explains the dependent variable on the independent variable.

T-Statistical

Test Partial Test (T-Statistical T-test) has the aim of showing how much influence the individual independent variables have in describing the variation of the dependent variable (Ghozali, 2018). The T test was run using a significance level of 0.05, which has two criteria in determining whether the independent variable has an effect on the dependent variable or not. The two criteria are as follows:

a. If the significant value of t < 0.05, then Ha is accepted and Ho is rejected. That is, partially the independent variable has a significant influence on the dependent variable.
b. If the significant value of t > 0.05 then Ha is rejected and Ho is accepted. That is, in a partial way the independent variable does not have a significant effect on the dependent variable.

F Statistical Test

The F Statistic Test has the aim of knowing how much influence the independent variable has on the dependent variable (Ghozali, 2018). The F test has two criteria as follows:

a. If the significant value of t < 0.05 then Ha is accepted and Ho is rejected. That is, partially the independent variable has a significant influence on the dependent variable.
b. If the significant value of t > 0.05 then Ha is rejected and Ho is accepted. That is, in a partial way the independent variable does not have a significant effect on the dependent variable.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics are used to describe or describe the data used. The results of the calculation of descriptive statistics provide information such as the mean (*mean*), median (*median*), maximum value (*max*), minimum value (*min*), and standard deviation which are presented in Table 2.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DACC	105	-.12	.34	.0403	.08126
ROA	105	-.04	.05	.0088	.01160
COD	105	0	1	.68	.470
POLCON	105	0	1	.63	.486
NOI	105	-3.76	28.63	1.0688	3.41822
TATA	105	-. 33	.35	-.0043	.09346
CEOPIC	105	0	14	3.94	2,575
Valid N (listwise)	105				

Source: Data processed by the author, (2021)

Based on the results of descriptive statistical analysis Table 2 shows that the maximum value in the results of descriptive analysis of *financial statement fraud* is 0.34 which means that the

company is indicated to commit *financial statement fraud* by increasing profits. While the minimum value in Table 2 is -0.12 which means that the company is indicated to commit *financial statement fraud* by reducing profits. Table 2 also shows that the *mean* of *financial statement fraud* is 0.403. The average value is smaller than the standard deviation value, which is 0.08126, which means that the data is heterogeneous and has a wide distribution of data.

Based on the results of descriptive statistical analysis, Table 2 shows that the maximum value of the *stimulus* is 0.05. The minimum *stimulus* is -0.04. The average value of the *stimulus* is 0.0088, this value is smaller than the standard deviation value of 0.01160 which means that the data is heterogeneous and has a wide distribution of data.

Based on the results of descriptive statistical analysis, Table 2 shows that the maximum value of the *capability* is 1. The minimum value of *capability* is 0. The average value of *capability* is 0.68, this value is greater than the standard deviation value of 0.470 which means that the data has a wide distribution. good and homogeneous.

Based on the results of descriptive statistical analysis, Table 2 shows that the maximum value of the *collusion* is 1. The minimum value of *collusion* is 0. The average value of *collusion* is 0.63, this value is greater than the standard deviation value of 0.486, which means the data is well distributed and is homogeneous

Based on the results of descriptive statistical analysis Table 2 shows that the maximum value of the *opportunity* is 28.63. The minimum *opportunity* is -3.76. The average value of the *opportunity* is 1.0688, this value is smaller than the standard deviation of 3.41822 which means that the data is heterogeneous and has a good data distribution.

Based on the results of descriptive statistical analysis, Table 2 shows that the maximum value of the *rationalization* is 0.35. The minimum value for *rationalization* is -0.33. The average value of the *rationalization* is -0.0043, this value is smaller than the standard deviation of 0.9346, which means that the data is heterogeneous and has a wide distribution of data.

Based on the results of descriptive statistical analysis, Table 2 shows that the maximum value of the *ego* is 14. The minimum value of *ego* is 0. The average value of the *ego* is 3.94, this value is greater than the standard deviation value of 2.575 which indicates that there is no diversity data and have a good distribution of data.

Normality Test

Normality test is used to determine whether in a regression model, the independent variable, the dependent variable or both have a normal or abnormal distribution. A reliable regression model is a regression model that has data that are normally distributed or close to normal. The following is a data normality test using the Kolmogorov-Smirnov test on the residual values obtained, attached in Table 3.

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		105
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.06907412
Most Extreme Differences	Absolute	.076
	Positive	.076
	Negative	-.042
Test Statistic		.076
Asymp. Sig. (2-tailed)		.164[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: SPSS 25 (2021) Processing Results

Based on the results from Table 3 in testing using the Kolmogorov-Smirnov method seen that the value of *Asymp.Sig.* (*2-tailed*) of 0.164. This means that all the tested data are normally

distributed and suitable for use because of the *Asymp.Sig value.* (*2-tailed*) is greater than 0.05.

Multicollinearity Test

The multicollinearity test is used to test whether the regression model has a correlation between independent variables (Ghozali, 2018). A good regression model is a regression model that does not contain multicollinearity, this is obtained if the VIF value is < 10 and the *Tolerance* > 0.1. The following is a multicollinearity test presented in Table 4.

Table 4. Multicollinearity Test Results

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
(Constant)	.043	.018		2.362	.020		
ROA	1.213	.641	.173	1.894	.061	.882	1.134
COD	.009	.016	.054	.569	.571	.825	1.212
POLCON	-.032	.015	-.194	-2.111	.037	.876	1.142
NOI	.004	.002	.161	1.790	.077	.914	1.094
TATA	.313	.083	.360	3.756	.000	.805	1.243
CEOPIC	.000	.003	-.013	-.147	.883	.983	1.017

a. Dependent Variable: DACC

Source: SPSS 25 Processing Results (2021)

Based on Table 4 it can be seen that the *tolerance* of all independent variables has a value higher than 0.10 and the VIF value has a value lower than 10. *stimulus* (X1 ROA) has a *tolerance* 0.882 > 0.100 and a VIF value of 1.134 < 10,000.variable *The capability* (X2 COD) has a *tolerance* 0.825 > 0.100 and a VIF value of 1.212 < 10,000.variable *0.876* (X3 POLCON) has a tolerance value of > 0.100 and a VIF value of 1.142 < 10,000.variable *The opportunity* (X4 NOI) has a *tolerance* 0.914 > 0.100 and a VIF value of 1.094 < 10,000.variable *rationalization* (X5 TATA) has a *tolerance* of 0.805 and a VIF value of 1.243 < 10,000.variable *ego* (*arrogance*) (X6 CEOPIC) has a *tolerance* 0.983 > 0.100 and a VIF value of 1.017 < 10,000. Thus, it can be concluded that there is no multicollinearity in the regression model.

Heteroscedasticity Test

The purpose of this test is to test whether the regression model used has an inequality *variance* from one residual to another observation. A reliable regression model is a regression model that does not occur heteroscedasticity (Ghozali, 2018). The heteroscedasticity test has various test methods that can be used, such as the glacier test, park test, white test or *scatterplot* (Ghozali, 2018). In this study, the test used was the glacier test. The regression model can be said to not contain heteroscedasticity if the significant value is > 0.05. The following is the heteroscedasticity test contained in Table 5.

Table 5. Glacier Test Results

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
(Constant)	.058	.011		5.220	.000		
ROA	-.057	.393	-.015	-.146	.884	.882	1.134
COD	.008	.010	.083	.761	.448	.825	1.212
POLCON	-.015	.009	-.171	-1.613	.110	.876	1.142
NOI	.001	.001	.057	.548	.585	.914	1.094
TATA	-.030	.051	-.066	-.598	.552	.805	1.243
CEOPIC	2.075E-6	.002	.000	.001	.999	.983	1.017

a. Dependent Variable: Abs_Res

Source: SPSS 25 (2021) Processing Results

Based on Table 5 Glacier Test, it can be seen that the significance value of all independent variables, namely *stimulus* (X1 ROA), *capability* (X2 COD), *collusion* (X3 POLCON), *opportunity* (X4 NOI), *rationalization* (X5 TATA) and *ego* (arrogance) (X6 CEOPIC) have a significance value greater than 0.05. So, it can be concluded that there is no heteroscedasticity in the regression model.

Multiple Linear Regression Analysis

Multiple linear regression analysis is useful for analyzing the influence of independent variables in the study consisting of *stimulus, capability, collusion, opportunity, rationalization,* and *ego* (*arrogance*) variables on the dependent variable, namely *financial statement fraud*

. Table 6. Multiple Linear Regression Test

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
(Constant)	.043	.018		2.362	.020		
ROA	1.213	.641	.173	1.894	.061	.882	1.134
COD	.009	.016	.054	.569	.571	.825	1.212
POLCON	-.032	.015	-.194	-2.111	.037	.876	1.142
NOI	.004	.002	.161	1.790	.077	.914	1.094
TATA	.313	.083	.360	3.756	.000	.805	1.243
CEOPIC	.000	.003	-.013	-.147	.883	.983	1.017

a. Dependent Variable: DACC

Source : SPSS 25 (2021) Processing Results

Based on Table 6, the results of the multiple linear regression equation in this study are as follows:

$$Y = 0{,}43 + 1{,}213.X1 + 0{,}009.X2 – 0{,}032.X3 + 0{,}004.X4 + 0{,}313.X5 + 0{,}000.X6 + \varepsilon$$

The multiple linear regression equation can be explained as follows:

1. The constant value is 0.43 which can be interpreted that if all independent variables are considered constant at 0, then *financial statement fraud* will increase by 0.43.
2. Coefficient value is *stimulus* 1.231 with a positive value. This shows that for every *stimulus* 1x *financial statement fraud* will increase by 1.231 assuming the other variables are constant.
3. Coefficient value is *capability* 0.009 with a positive value. This shows that for every *capability* 1x *financial statement fraud* will increase by 0.009 with the assumption that the other variables are constant.
4. Coefficient value is *collusion* 0.032 with a negative value. This shows that for every *financial* 1x increase in the collusion variable, the *statement fraud* will decrease by 0.032 with the assumption that the other variables are constant.
5. Coefficient value is *opportunity* 0.004 with a positive value. This shows that for every *opportunity* 1x *financial statement fraud* will increase by 0.004 assuming the other variables are constant.
6. Coefficient is *rationalization* 0.313 with a positive value. This shows that for every *rationalization* 1x *financial statement fraud* will increase by 0.313 assuming the other variables are constant.
7. Coefficient value is *ego* 0.000 with a positive value. This shows that for every *ego* 1x *financial statement fraud* does not increase or decrease.

Coefficient of Determination Test (R2)

The coefficient of determination test or R-*square* (R2) is useful to determine the magnitude of the effect of the variation of the independent variable on the dependent variable in the regression model. (Ghozali, 2018). The following are the results of the coefficient of determination test for the variable Y and X which can be seen in Table 7.

Table 7. Results of the Coefficient of Determination Test (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change
1	.527[a]	.277	.233	.07116	.277

a. Predictors: (Constant), CEOPIC, ROA, COD, NOI, POLCON, TATA

b. Dependent Variable: DACC

Source: SPSS 25 (2021) Processing Results

Based on Table 7, the adjusted R square is 0.233. This means that the independent variable can explain the movement pattern of the dependent variable by 23.3% while the remaining 76.7% is explained by other independent variables.

T-Statistical Test

Partial Test or T-Test has the aim of showing how much influence the individual independent variables have in describing the variation of the dependent variable (Ghozali, 2018).

The results of the statistical test can be seen in Table 8.

Table 8. Results of the Coefficient of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change
1	.527[a]	.277	.233	.07116	.277

a. Predictors: (Constant), CEOPIC, ROA, COD, NOI, POLCON, TATA

b. Dependent Variable: DACC

Source: SPSS 25 (2021) Processing Results

Based on Table 8 the results of the t-statistical test show the results of the study as follows:

1. *Stimulus*

   Sig. for the effect of X1 on Y of 0.061> 0.05 and the value of t count 1.894 < t table 1.987, so it can be concluded **that H1 is not accepted which means that there is no effect of X1 on Y.**
2. *Capability*

   Sig. for the effect of X2 on Y of 0.569 > 0.05 and the t value of 0.569 < t table of 1.987, so it can be concluded that **H2 is not accepted which means that there is no effect of X2 on Y**
3. *Collusion*

   Sig value. for the effect of X3 on Y of 0.037 <0.05 and the value of t count -2.111 < t table 1.987, so it can be concluded that **H3 is accepted which means there is an effect of X3 on Y.**
4. *Opportunity*

   Sig. for the effect of X4 on Y of 0.077 > 0.05 and the value of t count 1.790 < t table 1.987, so it can be concluded that **H4 is not accepted which means there is no effect of X4 on Y.**
5. *Rationalization*

   Sig. for the effect of X5 on Y of 0.000 <0.05 and the value of t count 3.756 > t table 1.987, so it can be concluded **that H5 is accepted which means there is an effect of X5 on Y.**
6. *Ego* (Arrogance)

   Sig. for the effect of X6 on Y of 0.883 > 0.05 and the value of t count -0.147 < t table 1.987, so it can be concluded that **H6 is not accepted which means that there is no effect of X6 on Y.**

F Statistic Test

The F Statistic Test has the aim of knowing how much the influence of the independent variable simultaneously (simultaneously) on the dependent variable (Ghozali, 2018). The statistical test results can be seen in Table 9.

Table 9. F Statistical Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.191	6	.032	6.272	.000[b]
	Residual	.496	98	.005		
	Total	.687	104			

a. Dependent Variable: DACC

b. Predictors: (Constant), CEOPIC, ROA, COD, NOI, POLCON, TATA

Source: SPSS 25 (2021) Processing Results

Based on Table 9 that the calculated F value is 6.272 while the F table is 2.19, so F arithmetic > F table and significance at the 0.000 level at the 0.05 level. This means that the independent variables consisting of *stimulus*, *capability*, *collusion*, *opportunity*, *rationalization*, and *ego* (arrogance) have a significant effect on the dependent variable of *financial statement fraud*.

Discussion

1. Effect *Stimulus* of *Financial Statement Fraud*

   According to the findings of this study, the stimulus has no influence on financial statement fraud. Since the probability value of the stimulus exceeds the value of Sig. 0.05, the results of this investigation do not support the hypothesized relationship. The hypothesis that the stimulus has an effect on financial statement fraud is therefore rejected.

   Stimulus is quantified by Return on assets and is proxied by financial targets (ROA). The absence of ROA on financial statement fraud may result from the manager's belief that the ROA target is not a factor that can induce him to commit financial statement fraud, and the manager's belief that he is capable of achieving the ROA target. The increase and reduction in ROA value can be caused by a variety of factors. A low ROA can be the result of a crisis, the emergence of new market trends, or the inability of a business to adapt. On the other hand, a high ROA can be obtained by the improvement of the information system, the recruitment of dependable employees, and the implementation of the board's correct problem-solving procedures. Thus, the effectiveness of using ROA to detect financial statement fraud is diminished.

   This study's findings are consistent with SP Sari and Nugroho's (2020) conclusion that ROA has no effect on financial statement fraud. The financial objective, as represented by the return on assets, has no bearing on financial statement fraud. This proxy has no effect because the manager believes that the return on assets may still be reached at a satisfactory level. However, the results of this study contradict Faradiza's (2019) research, which indicates that ROA influences financial statement fraud. The primary impetus for perpetrating fraud is the culture of performance targets imposed by the leadership. This suggests that organizations with poor performance have a tendency to commit fraud in order to conceal their poor performance.

2. The Effect *Capability* of *Financial Statement Fraud*

   The findings of this study's hypothesis testing reveal that the capability has no effect on financial statement fraud. Since the capability's probability value is greater than the significance value of 0.05, the outcomes of this study do not support the hypothesis that guided its design. Therefore, it cannot be recognized that capability influences financial statement fraud. This indicates that the company's change of directors cannot provide evidence of financial statement deception. Companies that change directors do so because the company needs a leader who can help it survive and thrive in the business world. As a result, the role of the board of directors in making decisions and formulating policies that will benefit the company is crucial, resulting in a change of directors.

   This study's findings are consistent with those of SP Sari & Nugroho (2020), Ratnasari & Solikhah (2019), and Septriyani & Handayani (2018), who concluded that the change of

directors has no impact on financial statement fraud. The purpose of the company's director replacement is to attract more competent directors than before. Considered more effective to improve the company's performance so that it can attract investors is the replacement of less qualified board members.

This contradicts the findings of Faradiza's (2019) research, which indicates that the change of directors influences financial statement fraud. This is due to the fact that a change in directors is indicative of fraud. Due to corporate culture and directions from senior management and the board of directors, fraud can start and develop, causing managers to engage in unethical behavior because they feel their acts are not illegal and will be rewarded with bonuses for following out orders from superiors. The more the frequency with which a corporation replaces its board of directors, the greater the likelihood that it would conduct financial statement fraud.

3. The Effect *Collusion* of *Financial Statement Fraud*

The findings of this study's hypothesis testing indicate that collusion has a considerable detrimental impact on financial statement fraud. The value of the probability of collusion is less than Sig. 0.05, hence the results of this investigation are consistent with the premise of this study.

Political connections serve as a proxy for collusion, which is tested by determining whether the president commissioner/independent commissioner has political connections. Research findings indicating a negative relationship between political connections and financial statement fraud imply that all companies with political links will have a lower risk of financial statement fraud. This is reportedly owing to the company's conveniences, such as the existence of a cooperation contract with the government or particular agencies and the simplicity with which the company can be promoted. With these facilities, which can occur if a corporation has political connections, the company's performance, financial position, and income will indirectly improve, hence decreasing the likelihood of financial statement fraud. Thus, it may be stated that the company's political connections will minimize the likelihood of financial statement fraud.

This study's findings are consistent with those of Matangkin et al. (2018) and SP Sari & Nugroho (2020), who found that political connections influence financial statement fraud. Companies with political connections will readily obtain government cooperation and participation in the project, therefore they have the capacity to commit acts of collusion under these conditions. However, the findings of this study contradict Sabrina et al(2020) .'s conclusion that political links have little bearing on financial statement fraud. The political connections of top-level managers are not a motivating factor for corporations to commit financial statement fraud. The lack of evidence showing the company's presence of a political connection factor is indicative of financial statement fraud.

4. The influence *opportunity* statement *fraud*

This study's hypothesis testing reveals that the opportunity has little bearing on financial statement fraud. Variable opportunity is bigger than the significance level of 0.05, hence the outcomes of this investigation do not support the formulated hypothesis. Thus, the theory that opportunity influences financial statement fraud is refuted.

Opportunity is approximated by industry characteristics and measured by accounts receivable on the financial statements. This lack of influence may be due to the fact that the sample in this study is a bank with a big average receivable value and an annual rise in order to fulfill the obligations and functions of a bank to channel credit to the general public. The ineffectiveness of the industry demonstrates that subjective evaluation of specific accounts is an inherent aspect of a business's operations and hence cannot be considered a loophole for financial statement fraud. The company's management must adhere to the PSAK regulations and recommendations, particularly PSAK 60, "Financial Instruments: Disclosure."

This study's findings are consistent with those of Setiawati & Baningrum (2018) and Yesiariani & Rahayu (2017), who concluded that the type of the industry had no bearing on

financial statement fraud. This is due to the fact that the average value of changes in the company's receivables from the prior year has no impact on the company's cash turnover. The ratio of changes in accounts receivable does not prompt managers to commit financial statement fraud since the amount of trade receivables possessed by the company does not diminish the amount of cash that the company can utilize for operational activities.

5. Effect *Rationalization* of *Financial Statement Fraud*

The findings of this study's hypothesis testing indicate that rationalization has a considerable favorable impact on financial statement fraud. Since the likelihood value of the rationalization is less than Sig. 0.05, the results of this investigation are consistent with the hypothesis given in this study. This explanation is explained in accordance with agency theory, which posits that the principle and the agent have different interests. Management uses rationalization since it has been entrusted as an agent by the principle. The manager's rationalization takes the form of manipulation and alteration, with the agent attempting to offer the best possible financial statements so that the company's performance value appears favorable. This is because the principal and the agent have competing interests. On the other hand, the principal will incur a loss as a result of the potential impact of the alterations on decision-making through financial statements.

This study's findings are consistent with those of Putriasih, Herawati, et al. (2016) and Septriyani and Handayani (2018), who found that rationalization influences financial statement fraud. Rationalization is filled with subjective company evaluations. The subjective evaluation and decision-making of the firm will be represented in the accrual value of the company. Because the accrual principle is tied to management decision making, the accrual value included in the financial statements might be a loophole for managers to alter the financial statements. Therefore, the bigger the overall accrual ratio, the greater the likelihood of financial statement fraud. In contrast, Faradiza (2019) and Purba & Putra (2017) found that rationalization has little impact on financial statement fraud. Rationalization cannot demonstrate the probability of financial reporting fraud.

6. The Effect *Rationalization* of *Financial Statement Fraud*

This study's hypothesis testing indicates that the variable ego (arrogance) has no effect on financial statement fraud. Since the significance level for the variable ego (arrogance) is larger than 0.05, the results of this study do not support the original hypothesis. The concept that ego (arrogance) influences financial statement fraud is therefore not recognized. This suggests that the number of CEO photographs displayed in an organization's annual report has no bearing on the likelihood of financial statement fraud. The presence of the CEO's headshot is a kind of company transparency that identifies who sits on the company's board of directors. This is a type of accountability for the CEO's performance within the period specified by the Extraordinary General Meeting of Shareholders (EGMS). The appearance of the CEO's portrait is also intended to foster investor confidence, since these investors will better understand who holds the company's highest position.

This study's findings concur with those of Zulfa & Bayagub (2018) and Setiawati & Baningrum (2018), who concluded that the frequency of CEO photographs has no effect on financial statement fraud. This is due to the fact that the number of CEO photographs displayed in the annual report cannot be used as a measure of CEO arrogance. The more firm CEOs there are, the more ideas are used to operate the business. If the proposal can be useful to both parties, then it can be helpful to the organization as a whole, preventing any financial statement fraud. The results of this study, however, contradict the findings of Vivianita & Indudewi (2018) and Apriliana & Agustin (2017), who suggest that a big number of CEO photos can imply a high level of hubris on the part of the CEO. Because of the CEO's arrogance and sense of superiority, a higher level of arrogance might spark financial statement fraud. The CEO believes that he will not be identified by internal control due to his position and authority.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of hypothesis testing and research objectives, the conclusions that can be drawn are taken as follows:

1. *Stimulus* has no effect on *financial statement fraud*.
2. *Capability* has no effect on *financial statement fraud*.
3. *Collusion* has a negative effect on *financial statement fraud*.
4. *Opportunity* has no effect on *financial statement fraud*
5. *Rationalization* has a positive effect on *financial statement fraud*
6. *Ego* has no effect on *financial statement fraud*.

Suggestions

The following suggestions can be given by researchers:

1. Future researchers are expected to be able to use other proxies in explaining the independent variables and add other independent variables to increase the variation results so that they can examine other factors that can affect the occurrence of *financial statement fraud*. 2.
2. The population collection in this study only focuses on the banking sector listed on the Indonesia Stock Exchange (IDX). Other researchers are expected to take other sectors to see how the results are obtained from other sectors.
3. The period used in this study is only 3 years, namely 2018 - 2020. Further research is faced with adding or updating the observation period in order to get more accurate results.
4. Further researchers are expected to use other proxies or add other proxies to measure the collusion variable *in* theory *fraud* by using the interview method to get more accurate results.

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