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Detection of the Effects of Hexagon Fraud Theory on Financial Statement Fraudulent

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ABSTRACT: The incidence of fraud has been increasing steadily over the years, with the most detrimental kind being financial statement fraud, leading to significant losses for both the company and the users of financial statements. The results of research provide information about the possibility of corporate fraud for the investors and the stakeholders to take better conclusions. Two very popular concepts for identifying profit manipulation in companies and understanding the motivations of fraud are the M Beneish model and fraud theory. The population used in research is 128 Financial Companies Listed on the IDX for the 2022-2023 period. The method used in this research is quantitative research method and uses logistic regression analysis in analyzing data. The results showed that financial targets and external pressures, ininfluenceive supervision, CEO tenure, Arrogance and collusion had no influence on financial reporting fraud. However, total accrual ratio has an influence on fraudulent financial statements.

Keywords: Beneish M-Score Financial Statement Fraud, Hexagon Fraud

INTRODUCTION

Financial reporting include data that provides an overview of a company's financial performance and current state. The data in financial statements is presented and compiled based on financial accounting data. Although these reports are made in accordance with strict legal requirements and strict reporting standards and are subject to external audits, there are various reasons why accounting data and financial statements can be manipulated and misused to create the desired picture of the company. Accounting fraud and manipulation of financial statements can jeopardize overall management analysis. (Luty, 2022) Fraud is a global phenomenon (Elsayed, 2017). According ACFE (2022), Fraud represents the most prevalent and costly form of financial crime globally. This is a truly international issue and plagues organizations in every region and industry. Not only in companies, fraud has become a big problem for the financial industry and the tax sector. Over the past few years, the financial and fiscal sectors have become two important forces that play a crucial role in the economy and development. Therefore, the many scandals and crimes that occur in these two sectors cause concern for the government. The reason is, many cases of fraud or fraud in the country throughout 2021-2022 have occurred recently. Since 2021–2022, the financial services sector has faced losses of IDR 123.51 trillion due to fraud (Source: OJK). In 2022, there were a total of 97 instances of fraudulent or unlawful investments, 619 instances of illicit online loans, and 62 instances of illegal pawnshops.

According to the Asia-Pacific Occupational Fraud 2022: A Report to the Nations release from the Association of Certified Fraud Examiners (ACFE), In 2022, Indonesia was rated fourth among countries with the highest number of fraud cases, totaling 23 instances. In Indonesia, the prevalent fraudulent activities are corruption, accounting for 64% of cases, followed by the misappropriation of state and corporate assets, accounting for 28.9% of cases, and financial statement fraud, accounting for 6.7% of cases. Large-scale fraud occurred to PT Asabri with state losses according to BPK (Financial Audit Agency) amounting to Rp 22.78 trillion, PT Jiwasraya Rp 16.81 trillion and the latest fraud at PT Indosurya Inti Finance, which according to Financial Transaction Reporting and Analysis Center (PPATK) causing customer losses of Rp 106 trillion. After the reform, after the Century Bank scandal, this is the most astonishing fraud in the financial services sector. The Century scandal was treated with a bailout of Rp 6.7 trillion, while Jiwasraya was cured with a bailout of Rp 22 trillion from APBN (State Revenue and Expenditure Budget). From the various scandals experienced by the country, it will have an impact on the people where the budget that should be used for the welfare of the people, is instead used to save financial institutions that are hit by fraud.

With the rampant news of fraud that has befallen the financial industry that has occurred, this sereach aimed to detect fraudulent acts in financial sector companies listed on the IDX in 2020-2023 by using the perspective of the latest Fraud Hexagon theory to detect these fraudulent acts.

Agency Theory

An agency Theory developed by (Jensen and Meckling 1976), It describes a contextual connection between principal and agent, i.e. a relationship involving two or more persons, groups or organisations. The principal is the party that has the right to make decisions for the future interests of the company and to provide responsibility to another party (agent). According to Eisenhardt (1989), There are two perspectives on the theory of agency: the principal-agent theory of agency and the positivist theory of agency. According to the research conducted by the principal agents, there are two possible problems associated with the agency: the sharing of the risk and the monitoring of the agent. These two problems are intertwined because differences in risk sharing lead to information asymmetry, which in turn makes it more difficult for principals to observe agent behavior. An ideal agreement between principal and agent is difficult to achieve due to changes in the perceived and actual sharing of risk. Positivist agency theory centers on critical governance mechanisms that limit self-serving behavior.(Bendickson dkk. 2016).

Financial Statement Fraud

The definition of accounting fraud according to International Auditing Standard No. 240 is "Deliberate actions taken by one or more persons in the management team by publishing misleading financial reports to avoid negative opinions on the stability and financial performance of a company, where those responsible for the governance of the entity, employees, or third parties, involve the use of fraud to obtain unfair advantages or illegal advantages". The Financial Services Authority (OJK), which supervises Indonesia's public enterprises, may suffer losses from financial statement fraud, which could also undermine public confidence in the agency. Consequently, preventive measures are needed to address fraud issues. The measures include the use of an innovative model called S.C.C.O.R.E., which is an acronym that stands for Stimulus, Capability, Collusion, Opportunity, Rationalization, and Ego.(Lionardi & Suhartono, n.d.)

Fraud Hexagon Theory

ACFE (Association of Certified Fraud Examiners) classifies fraudulent schemes into a major category known as the "Tree of Fraud" (*Fraud Tree*). The fraud tree categorizes fraud into three main types: financial statement fraud, corruption, and misappropriation of assets. According to Vousinas, The hexagon fraud theory, proposed in 2019, offers a comprehensive framework for understanding fraud. The theory posits that fraud may be explained by its constituent elements, namely Stimulus, Capability, Collusion, Opportunity, Rationalization, and Ego (S.C.C.O.R.E). This model is derived on the Fraud Triangle and expands upon it by introducing the Fraud Diamond.

It highlights the significance of the Ego factor in motivating individuals to engage in fraudulent activities.(Vousinas, 2019)

Figure 1: The Fraud Hexagon
Source: The S.C.O.R.E. model represents an advancement in the theory of fraud.

Hypothesis Development

H1 The Influence of Financial Targets on Financial Statement Fraud

Apriliana & Agustina, 2017 in (Wicaksono & Suryandari, 2021) said A financial objective, often known as a financial measure, refers to a predetermined level of corporate profits established by the agent. (Jensen and Meckling 1976) propose the presence of a connection between financial aims and agency theory, which elucidates the interaction between management as agents and shareholders as principals.

The corporation endeavors to attain ambitious profit targets in order to secure substantial investments from stakeholders. Consequently, setting ambitious financial goals amplifies the stress on management and incentivizes them to engage in fraudulent activities by producing misleading financial reports that do not align with the true condition of the company. Thus, The higher the financial target obtained, the more fraud is committed by management. Consequently, financial targets are quantified by means of the ratio of change in total assets, which can be employed to describe the company's asset growth ratio. The ratio in question, which assesses the effectiveness of a company in utilizing its assets to generate sales and profits, considers the variations in total assets over a certain period. This ratio also helps in knowing how influenceive the company is in managing and developing its assets to improve financial performance.

A financial target is a company's objective to generate the greatest possible profit. In this case, the profitability of the company can be quantified using the ROA (return on assets) metric.(Fitriyah and Novita 2021). ROA, or return on assets, is a financial ratio used to calculate the amount of profit that can be obtained by a company from its assets. In accordance with the fraud hexagon theory, the profit target set by the company can induce pressure, which may ultimately result in financial statement fraud. This is because the individual may feel compelled to engage in fraudulent activities in order to achieve the desired target.(Setyono et al., 2023)

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

H2 The Influence of External Pressure on Financial Statement Fraud

The term “external pressure” is employed to describe pressure originating from external sources, that is, sources external to the company. When companies struggle to pay high-risk credit debt, they experience pressure from outside sources. Lenders will not lend money to companies with higher credit risk. In competition with other businesses, they invest more funds in operational financing. Consequently, in order to be competitive, management must sustain the company's success. Additionally, companies are compelled to provide correct financial information in order to persuade outside parties that they can repay the debts they have taken out. (Skousen, Smith, and Wright 2009). A company with a higher leverage ratio may give rise to concerns among creditors regarding the viability of lending capital to the company.(Fitriyah & Novita, 2021)

A corporation is said to have a high leverage value if it has a high level of risk and a significant quantity of debt. This creates a situation in which the possibility that the business will be unable to repay its debt is a concern for the lender or other interested party. In such circumstances, the corporation will attempt to conceal this by engaging in deception, leading users of financial statements to believe that the business can make loan repayments on schedule. Consequently, corporations with high leverage figures are significantly more likely to engage in financial statement fraud.(Fatkhurrizqi & Nahar, 2021)

This is related to the concept of agency theory, which posits a divergence of interests between management and the principal. In order to facilitate business development, the principal will require the management to obtain additional capital from third parties or external sources. In order to prevent the management from feeling pressured by the principal's demands. In order to appear satisfactory and meet the demands of external parties, the company's management engages in financial statement fraud.(Dini Febriani et al., 2023)

$$LEV = \frac{Total\ Debt}{Total\ Asset}$$

H3 Influence of Ininfluenceive Monitoring on Financial Statement Fraud

An opportunity is a circumstance that allows for the perpetration of a fraud. The perpetrator believes that the fraud can be carried out undetected. It should be noted that the opportunity must be seen as real by the perpetrator, in the sense that the opportunity is not implicit. Previous studies on fraud have shown that the position and authority that a person has within the company can also provide opportunities.

Fraud opportunities can arise due to ineffective monitoring. Ineffective monitoring occurs when the supervisory role of an organization is not functioning correctly(Andrew et al., 2022). This may be attributed to the monopolistic control of management, leading to ineffective supervision of financial statements and internal controls. The ineffectiveness of the supervisory function can be attributed to the absence of internal control, which creates chances for individuals to alter financial accounts. In the supervision of the company is very closely related to the board of commissioners. Action fraud in in company could prevented with the more big ratio board of Commissioners.(Julia & Yunita, 2022)

The effectiveness of monitoring can be assessed by calculating the proportion of independent directors out of the total number of directors. There is a positive correlation between the proportion of independent directors on the board and the effectiveness of management oversight, as well as an increased probability of financial reporting fraud. (Handoko, 2021). The establishment of an independent board of commissioners external to the company will enhance the efficacy of financial statement supervision, thereby reducing the likelihood of financial statement fraud.(Wilantari & Ariyanto, 2023)

$$BDOUBT = \frac{Number\ of\ Independent\ Board\ of\ Commissioners}{Total\ Board\ of\ Commissioners}$$

H4 The Influence of Rationalization on Financial Statement Fraud

The rationalization based on research (Tugas, 2012) posits that the top management has convinced themselves that the fraudulent behavior they engage in is a worthy risk.The belief that someone can commit fraud is part of rationalization. Many scammers think of themselves as honest ordinary people rather than criminals. Some people rationalize their cheating behavior by reframing their definition of error to exclude their own actions. In accordance with research findings (Christian & Visakha, 2021) They should also provide reasons to make fraudulent actions more acceptable to them. Therefore, they can ignore values and ethics and commit wrong actions because they consider them natural or harmless.

According to Albrecht, the phenomenon of financial statement fraud can be attributed to a number of factors that motivate management to engage in fraudulent activity. One example is the total accrual ratio that can predict the likelihood of fraud. This ratio shows the subjectivity of decision-making by management which is reflected in the use of accruals in financial statements (Oktarigusta, 2017). Thus, rationalization becomes a mechanism used by individuals to justify unethical behavior, such as financial statement fraud, by providing socially acceptable reasons. (Lastanti et al., 2022). Management that commits accrual accounting fraud will increase profits by including future income in current income. This is done with the intention that his performance in the company is good.(Agustin, Yufantria, and Ameraldo 2022).

$$TATA = \frac{Profit\ Margin\ on\ Sales - \ Cashflow\ from\ Operating\ Activities}{Total\ Asset}$$

H5 The Influence of Capability on Financial Statement Fraud

Capability refers to the inherent qualities and abilities possessed by an individual that significantly influence the likelihood of fraud occurring when there is pressure, opportunity, and reasoning. It is unlikely that there will be significant instances of financial statement fraud, particularly involving billions of dollars, without the involvement of individuals with the requisite capabilities to implement the fraud. Opportunities will open doors, and incentives and justifications will lead potential fraudsters to open loopholes, but the perpetrator also needs to have the ability to get through those loopholes.

One of the capacities that encourages the management of a company to commit fraud is changing the term of office of directors. CEO tenure is the length of time a CEO stays with an organization. The longer the CEO serves, the more informed decisions he can make about the company he leads. decisions about the company he leads(Suryakusuma & Stephanus, 2023) A tenure of directors that exceeds six years has the potential to commit fraud because a long tenure can result in an adjustment period that triggers financial statement fraud. This is due to the fact that at this time, the company is typically experiencing a period of instability that has prevented the new director from meeting the principal's expectations. (Wolfe & Hermanson, 2004). A longer tenure for the CEO will result in a concentration of power, which will have an impact on the performance of the audit committee and the company's internal auditors. Given the centralized nature of power, there is a possibility that this will result in an increase in the incidence of financial statement fraud. (Wang et al., 2017).

H6 The Influence of Ego/Arrogance on Financial Statement Fraud

In accordance with Freud's theory, the ego is a component of personality that serves as a mediator between the id (lust) and the superego (moral values). The ego seeks to meet the needs of the id without interfering with the moral values of the superego. The ego also serves as human awareness of the reality of the world. E. Stotland (1977) proposes that the primary motivating factor behind white-collar crime - defined by its perpetrators as economic abuse perpetrated through a combination of fraud, deceit, and collusion - is a sense of superiority, dominance, and admiration of others.

Situngkir and Triyanto,2020 in (Achmad, Ghozali, Rahardian, et al., 2022) declaring that the likelihood of fraud can be influenced by an extremely haughty demeanor. Added by (Lionardi & Suhartono, n.d.) Internal control is also meaningless to the CEO because of his rank and position, which makes him feel superior. The growing prevalence of CEO photographs in financial statements may contribute to the perception that CEOs are more conceited. The CEO's ambition to become more well-known by flaunting his numerous positions inside the company is the reasoning. The CEO is thought to possess a haughty or conceited demeanor (Pricewaterhousecoopers 2020).

H7 The Influence of Collusion on Financial Statement Fraud

Collusion refers to the deliberate agreement between two or more individuals to deceive a third party and deprive them of their rightful entitlements. Collusion facilitates collaboration among fraudsters, resulting in the execution of an extensive fraudulent plan and inflicting significant financial damages upon the victims of fraud. Collusion is a further contributing factor that might generate fraud. (Vousinas, 2019)

According to Sari & Nugroho 2020 in (Mukhtaruddin et al., 2020) The collusion observed through the collaboration between private companies and government projects demonstrates that seeking partnerships with government projects motivates companies to strive for strong financial performance in order to secure approval for collaboration. According to (Sagala & Siagian, 2021), the government project referred to here is the acquisition of cooperation between the enterprise and the government project. The larger the scale of government project cooperation between the enterprise and the government, the larger the financial income received by the enterprise. This is supported by a study (Permata Sari & Kurniawan Nugroho, n.d.), which provides empirical evidence that the acquisition of cooperation in government projects leads to companies' efforts to participate in the project. In general, companies receive large revenues, which indicate good corporate performance and are communicated through the company's annual report.

METHOD

The author employed a quantitative research methodology in their study. Quantitative research methods are research methods that adhere to the philosophy of positivism. They are employed to study specific populations or specimens, collect data using research tools, perform quantitative/statistical data analysis, and test pre-defined hypotheses. The analysis of research data involves the utilization of the SPSS version 22 software for quantitative data analysis. Logistic regression analysis is used in research when the dependent variable is categorical or binary, rather than assuming that the independent variables follow a normal distribution.

The research focuses on financial organizations that are publicly traded on the Indonesia Stock Exchange throughout the period from 2022 to 2023. The research employs purposive sampling as the sample technique. Purposive sampling, as defined by Sugiyono (2019), is a method used to select samples based on specific criteria or considerations. Research relies on secondary data sources. The research data is sourced from audited financial statements and annual reports of financial sector companies listed on the Indonesian Stock Exchange (IDX) for the periods of 2022-2023. The official IDX website, www.idx.co.id, is used to access this information.

Table 1: Sample Determination Criteria	Total
Population: A list of financial sector companies that have been admitted to the IDX for the 2022-2023 period.	105
Does not fulfil sample criteria	
Financial Sector companies that experienced delisting during the period 2022-2023 consecutively	(8)
Incomplete data related to research variables are presented in the annual reports for the period 2022-2023 consecutively	(33)
Number of Companies in the Research Sample	64
Number of Research Periods (2022-2023)	2
The number of observations of research data in accordance with the specified criteria is 64 x 2.	128
TOTAL	**128**

Source: Author Calculation 2024

Variable Dependen

The Beneish model enables the measurement of the dependent variable, which can differentiate between companies that may be engaged in fraudulent activities and those that are not. This differentiation is achieved by identifying instances of profit manipulation through the M-score. An M - score of greater than -2.22 indicates that the Company (may) manipulate its financial statements. Conversely, an M-score below -2.22 indicates that the Company is not doing any manipulation. Using this, companies that are suspected of cheating are given a score of "1", while companies that are not are given a score of "0". (Alfarago & Mabrur, 2022) The M-Score is calculated using the following formula:

$$M - Score = -4.84 + 0.92 * DSRI + 0.52 * GMI + 0.404 * AQI + 0.892 * SGI + 0.115 * DEPI - 0.172 * SGAI + 4.679 * TATA - 0.327 * LVGI.$$

Dependent variable measurements:

1. Days Sales Receivable Index (DSRI)
   This variable is a ratio of the comparison between sales and receivables from the first year and the second year. It is used to measure whether income and receivables are in balance for two consecutive years. The following is the formula for calculating the DSRI ratio based on (Beneish, n.d.)

$$DSRI = \frac{Receivable_t / Sales_t}{Receivable_{t-1} / Sales_{t-1}}$$

2. Gross Margin Index (GMI)
   The gross margin index (GMI) is defined as the ratio of sales minus selling, general, and administrative expenses for sales in year t to the same ratio in year t-1. The formula for calculating the GMI ratio is as follows (Beneish, n.d.):

$$GMI = \frac{(Sales_{\,t-1} - \; Cost\ of\ Good\ Sold_{t-1})/Sales_{\,t-1}}{(Sales_{\,t} - \; Cost\ of\ Good\ Sold_{t})/Sales_{\,t}}$$

3. Asset Quality Index (AQI)
   The Asset Quality Index is defined as the ratio of non-currency assets, excluding property, plant, and equipment (PP&E), to the total value of assets. A higher ratio indicates a greater likelihood of cost reduction. The following is the formula for calculating the AQI ratio, as proposed by (Beneish, n.d.):

$$AQI \; = \frac{1 - \; (Current\ Asset_t \; + \; PP\&E)/Total\ Assets_t}{1 - \; (Current\ Asset_{t-1} + \; PP\&E)/Total\ Asset_{t-1}}$$

4. Sales Growth Index (SGI)
   The Sales Growth Index (SGI) is a comparison between the current year's sales and the previous year's sales. The following is the formula for calculating the SGI ratio, as proposed by (Beneish, n.d.):

$$SGI = \frac{Sales_{\,t}}{Sales_{\,t-1}}$$

5. Depreciation Index (DEPI)
   This indicator is to compare the depreciation rate of fixed assets for the previous year with the current year. The formula for calculating the DEPI ratio is as follows (Beneish, n.d.):

$$DEPI \; = \frac{Depreciation_{\,t-1} \,/\, (Depreciation_{\,t-1} + \; PP\&E_{t-1})}{Depreciation_{\,t} \,/\, (Depreciation_{\,t} \; + \; PP\&E_t)}$$

6. Sales, General and Administrative Expenses Index (SGAI)
   This indicator is designed to assess the degree to which the ratio of sales, general expenses, and administration to sales in the current year differs from that of the previous year. The formula for calculating the SGAI ratio is as follows (Beneish, n.d.):

$$SGAI \; = \frac{Sales, General\ and\ Adm. Expenset_t \;/Sales_{\,t}}{Sales, General\ and\ Adm. Expenset_{t-1} \;/Sales_{\,t-1}}$$

7. Laverage Index
   This indicator is used to quantify the rate of change in the ratio of total debt to total assets over the course of the current and prior years. The formula for calculating the LVGI ratio, as proposed by (Beneish, n.d.), is as follows:

$$LVGI = \frac{(LTD\ T + Current\ Liability_t)/Total\ Assets_t}{(LTD\ T + Current\ Liability_{t-1})/Total\ Assets_{t-1}}$$

8. Total Acrual to Total Assets (TATA)
This indicator measures the quality of sales cash flow, the extent to which sales are generated in operating cash. The formula for calculating the TATA ratio, as proposed by (Beneish, n.d.), is as follows:

$$TATA = \frac{Income\ from\ Operation_t - Cash\ flow\ Operation_t}{Total\ Assets}$$

Table 2: Independent Variable

Variable	Definisi Operasional	Variable Measurement	Skala
Frauduent Financial Reporting	Submission of Material Misrepresentat ion	Beneish Model	Ratio
Finantial Target	Kondisi Pertumbuhan Asset	$ROA = \frac{Net\ Profit\ After\ Tax}{Total\ Asset}$	Ratio
External Pressure	Pressure from third parties to management	$LEV = \frac{Total\ Debt}{Total\ Asset}$	Ratio
Ininfluenceiv e Monitoring	Ininfluenceive ness of the company's supervision system	$BDOUBT = \frac{Number\ of\ Independent\ Board\ of\ Commissioners}{Total\ Board\ of\ Commissioners}$	Ratio
Total Acrual Ratio	Total Accrual Ratio	$TATA = \frac{Profit\ Margin\ on\ Sales - Cashflow\ from\ Operating}{Total\ Asset}$	Ratio
CEO's Tenure	Term of Office of CEO	The dummy variable is given code 1 if the director has a term of office > 6 th for the 2022-20223 period, and code 0 if it is the other way around	Nomi nal
Number of pictures of the CEO	Number of CEO images that are installed	The number of images of CEO included in the annual financial report is to be determined.	Nomi nal
Cooperatio n with Governme nt project	Cooperation with the Government	The dummy variable will be coded as 1 if there is a cooperative correlation from the company and the governing council during the 2022-2023 period, and code 0 otherwise.	Nomi nal

Source: Author Calculation 2024

RESULTS AND DISCUSSION

The statistical results are presented in a descriptive manner

Table 3 : Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation
ROA	128	1,22	,01	1,22	,1757	,19458
LEV	128	1,67	,01	1,68	,5911	,26743
BDOUBT	128	,67	,33	1,00	,4951	,12178
TATA	128	,96	-,34	,62	,0463	,10755
CEOT	128	4	0	4	,34	,581
CEOPIC	128	3	0	3	1,94	,830
GOVCOOR	128	1	0	1	,17	,379
M-SCORE	128	1	0	1	,57	,497
Valid N (listwise)	128					

Source: SPSS Output, Processed by Researchers (2024)

The analysis results indicate that the mean value of the dependent variable, fraudulent financial reporting of financial sector companies, is 0.57. This suggests that the level of potential fraudulent financial reporting in these companies is relatively high. Specifically, any M-Score value > -2.22 has the potential to manipulate financial data.

The stimulus proxied by the target financial which is assessed with the total Asset Ratio has an average value of 0.1757, meaning that the Company's ability to generate profit is still quite low, which is 17.57%. The stimulus proxied by external pressure, which is assessed by the total debt ratio, has an average value of 0.5911. This suggests that, on average, the corporation maintains a financial structure that consists of 59% debt. The measure of opportunity, represented by influential monitoring, is determined by the average value of 0.4951 for the proportion of the board of commissioners. This indicates that, on average, the proportion of independent commissioners on the board is around 50%. The total accrual ratio acts as a substitute for rationalization, with an average value of 0.0463, suggesting that the company's accounting conservatism is somewhat weak. The term of office of directors of a firm, which represents their capability, has an average value of 0.34. This indicates that the majority of corporations have a relatively brief term of office. The ego, represented by the cumulative count of photographs featuring the CEO in the annual report, exhibits a relatively elevated mean value of 1.94. The collusion, facilitated through collaboration between the company and the government, has a relatively low average value of 0.17. This indicates that only a small number of sample companies engage in cooperation with the government.

Logistic Regression Analysis and Hypothesis Testing.

Assessing the Overall Model

Table 4 : Overall Model Fit Test

-2 Log initial Likelihood (Block Number 0)	174,906
-2 Log Likelihood end (Block Number 1)	125,145

Source: SPSS Output, Processed by Researchers (2024)

Table 4 indicates that the value of -2 Log initial Likelihood (Block Number 0) is 174.906, while the value of -2 Log Likelihood end (Block Number 1) is 125.145. The comparison indicates a reduction in value, which suggests that the regression model employed in this study is an appropriate model, or, alternatively, that the hypothesized model aligns with the data.

Feasibility test of Regression Model

Table 5 : Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	10,328	8	,243

Source: SPSS Output, Processed by Researchers (2024)

The Chi-square value on the Hosmer and Lameshow goodness of fit statistic, as indicated in Table 5, is 10.328 at a significant level of 0.243, which is above 0.05. It can be concluded that the regression model used in this study is suitable for further analysis, as there is no significant difference between the model and its observed value, indicating that the model fits the observed data.

Coefficient of Determinant

Table 6 : cox and smell R.Square and Nagelkerke R Square

Step	Nagelkerke R Square
1	,432

Source: SPSS Output, Processed by Researchers (2024)

Table 6 indicates that the Nagelkerke R Square value is 0.432. This indicates that the capacity of the independent variables, specifically pressure, opportunity, capability, arrogance, rationalization, and collusion within the present research sample, is capable of elucidating the dependent variable of fraudulent financial reporting by 43.2%. Consequently, the remaining 56.8% is influenced by financial statement fraud detection variables that were not employed in this study.

Classification Tables

Table 7 : Classification Plot

Observed			Predicted		
			M-SCORE		Percentage Correct
			non-Manipulator	Manipulator	
Step 1	M-SCORE	non-Manipulator	43	12	78,2
		Manipulator	18	55	75,3
	Overall Percentage				76,6

Source: SPSS Output, Processed by Researchers (2024)

The preceding table indicates that the regression model exhibits a 75.3% predictive power in identifying companies that engage in financial statement fraud. This indicates that 55 of the 67 companies in question have been found to engage in financial statement fraud. Conversely, the number of companies that were not identified as having engaged in fraudulent reporting was 78.2%. In other words, the total number of companies that do not commit financial statement fraud is 43 out of 61. The overall percentage of the results of the regression model to predict companies that commit fraud and do not commit fraud in the financial statements is 76.6%. This is almost close to 100%, which indicates that the logistic regression model is quite feasible or fit with the data.

Simultaneous Tests

Table 8 : Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
	Step	49,761	7	,000
Step 1	Block	49,761	7	,000
	Model	49,761	7	,000

Source: SPSS Output, Processed by Researchers (2024)

The results of the chi-square calculation with df = 7, as presented in the table above, indicate a chi-square value of 49.761. This value represents an overall significant level of the independent variable of 0.000, which is smaller than the required significant level of 0.05. Consequently, the simultaneous influence of the independent variables, namely pressure, opportunity, capability, rationalization, arrogance, and collusion, on the detection of fraudulent financial statements is evident.

Regression Coefficient Testing

Table 9 : Hypothesis Test Results

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	X1	-,908	1,146	,628	1	,428	,403
	X2	-,025	,881	,001	1	,978	,976
	X3	1,031	1,918	,289	1	,591	2,805
	X4	22,446	4,706	22,747	1	,000	5599447694,710
	X5	,405	,420	,929	1	,335	1,499
	X6	,144	,271	,284	1	,594	1,155
	X7	-,720	,600	1,439	1	,230	,487
	Constant	-1,008	1,207	,697	1	,404	,365

Source: SPSS Output, Processed by Researchers (2024)

Financial Target on potential financial reporting fraud

The study's findings indicate that financial statement fraud in financial sector companies during the 2022–2023 period is not influenced by external pressure. The hypothesis is rejected since there is no evidence that the sample company's financial statement fraud rate is influenced by the total asset ratio (ROA). The fraud hexagon theory, which posits that the target financial component is the primary motivation for deception, is not corroborated by these observations. There are several aspects of why this can happen. First, the average ROA ratio value is not too high, which is 17.57%, from the maximum value. The rationale is that the target set by the company is still within an acceptable range for management. Therefore, it is not possible to attain this goal, which eliminates the potential for fraudulent manipulation in the presentation of financial statements. Moreover, the rise in the company's profit cannot be deemed as evidence of fraud, as it can be attributed to various factors such as enhancing operational quality through technological advancements, recruiting talented employees, and effective management by the board of directors.

Second, this research is in line with (Sholikatun & Makaryanawati, 2023) That the high and low financial targets do not trigger fraud because the research sample has operational quality in terms of human resource potential and management policies that can increase the company's value. Based on this, it is known that financial sector companies in their annual reports hold various programs for employees such as training, workshops, seminars, and the provision of educational scholarships as a form of competency development, one of which can be used to facilitate the achievement of company goals including financial targets.

External Pressure on Potential Financial Reporting Fraud

The study findings indicate that there is no correlation between external pressure and instances of financial statement fraud in enterprises operating in the financial industry between 2022 and 2023. The hypothesis that the leverage ratio has an impact on the prevalence of fake financial statements in the sample companies has been disproven, since the evidence does not provide support for this claim. This data does not provide evidence to support the fraud hexagon theory, which posits that external pressure factors serve as the motivation for deception. The sample companies have a minimal debt ratio, which makes creditors willing to issue loans because of the low risk of default. Creditors tend to choose companies with low debt ratios because they can protect against the risk of bankruptcy. In addition, based on the capital structure policy of the sample company, it is known that the entity prioritizes financing from internal sources to support business activities and maintain low debt value. The lower the debt ratio, the greater the margin of protection that creditors receive against losses. Adding that the low leverage ratio will improve the company's financial reputation and make lenders feel more confident in providing loans with large capacity. Thus, research supports the findings (Oktavia et al., 2022) External pressure did not trigger financial statement fraud to obtain loans.

Ininfluenceive monitoring of potential financial reporting anomalies

The study found that the average proportion of boards of commissioners in financial companies with independent boards of commissioners is nearly 50%, which is a relatively high proportion compared to the total number of boards of commissioners in other companies. OJK Regulation No. 33/POJK/04/2014 states that, "a company's independent committees must be at least 30% of authorized committees". Therefore, monitoring of management activity is more influenceive in all companies that have adopted the OJK regulation on the percentage of independent commissioners. The function of the board of commissioners, which is distinct from the responsibilities of management, is not a reliable indicator of financial statement fraud. This analysis leads to the conclusion that ininfluenceive monitoring does not have a significant impact on the detection of potential financial statement fraud. The results of research are consistent with those of previous research conducted by (Sukmadilaga et al., 2022). However, this is not in line with the research conducted by (Achmad, Ghozali, & Pamungkas, 2022), which states that ininfluenceive monitoring has relevance in detecting possible financial statement fraud.

Total Accrual Ratio to potential financial reporting fraud

The study's findings suggest that rationalization will impact the occurrence of fraud in the financial statements of organizations in the financial sector from 2022 to 2023. These findings demonstrate that the overall accrual ratio has a significant impact on the likelihood of financial statement fraud occurring in the selected organization, confirming the hypothesis. These findings provide evidence for the fraud hexagon theory, which posits that rationalization considerations are the underlying cause of deception. The correlation from the total accruals to total assets ratio and financial statement fraud is influenced by rationalization. The study findings indicate a positive correlation between the magnitude of outstanding profit obligations and the likelihood of misleading financial statements. The data from the companies used as a sample indicates that the total accrual to the total asset value is only partially negative. This indicates that the company does not have a large operating cash flow and that the accrued profit is high enough to justify earnings management. Some studies have indicated that the absence of remuneration for profits can influence the behavior and financial decisions of management, thereby increasing the likelihood of financial statement fraud. Research by Dechow dan Skinner (2000) dan Gunny (2005) Identify three types of profit management methods, including fraud accounting. They show that accounting fraud is related to the choice of accounting methods that violate accounting standardsIn some cases, aggressive earnings management can increase the likelihood of fraudulent financial statements. The findings of this research are not in alignment with those of (Fouziah & Djaddang, n.d.) which says that the total accrual ratio does not affect the possibility of fraudulent financial reporting due to the implementation of anti-fraud policies within the company, which according to him is sufficient to minimize the occurrence of fraud caused by rationalization measures taken by management.

CEO Tenure on potential financial reporting fraud

The results of the study show that rationalization has no influence on financial statement fraud in financial sector companies in 2022-2023. This evidence suggests that board tenure is an insignificant factor in the occurrence of financial statement fraud. The theory is that the longer the tenure of a board member, the greater the loyalty to the company and the lower the likelihood of fraud. The results from the study agree well with those from (Lastanti et al., 2022)

Arrogance **on potential financial reporting fraud**

The hypothesis that visit changes to the CEO picture would have an impact on Budgetary Announcing Extortion was tested by examining the intermediary variable of visit changes to the CEO picture. The results demonstrated that visit changes to the CEO picture had no impact on Budgetary Announcing Extortion, thus rejecting H6. Hence, it can be inferred that the inclusion of the CEO's photograph in the annual report is not indicative of the managing director or CEO's arrogance or authority, but merely serves the purpose of introducing the president director or the individual currently holding the position of CEO to the general public. The company's activities and achievements are a clear reflection of its alignment with its vision and goal. The research findings are corroborated by Achmad, Ghozali, and Pamungkas (2022), who argue that the CEO's photograph shown by the company fails to convey the CEO's arrogance. Some organizations choose not to showcase the photograph of their CEO, or if they do, it is solely for introduction purposes. According to a study conducted by Riantika in 2021, the presence of photographs of the CEO in financial statements indicates the CEO's high standing in the company's management. This could be attributed to the CEO's cautiousness or recognition of their responsibility to fulfill their duties and uphold their reputation, thereby reducing the likelihood of engaging in fraudulent activities.

Collusion on potential financial reporting fraud

The research confirmed that project co-operation between the company and the government can lead to illegality. In order to prevent the government's cooperation from influencing the detection of financial statement fraud. The existence of stringent regulations and legislation in cooperation projects with the government serves to compel companies to comply with the rules and reduce fraud. This is demonstrated by the regulations set forth in Minister of Finance Number 741 of 1989, which require state-owned enterprises to prepare financial statements for public disclosure. Furthermore, there is effective oversight from the audit committee in monitoring the financial statement process, which is conducted through a thorough and unbiased investigation by the auditor. When it comes to handling financial data, the audit committee will provide support in thoroughly reviewing financial statements for accurate accounting. These findings are backed by research conducted by (Wicaksono and Suryandari in 2021b). On the other hand, the current study's findings do not align with the research conducted by Alfarago and Mabrur (2022), which suggested that government cooperation played a role in influencing fraudulent financial statements.

CONCLUSION

Previous instances of financial reporting fraud have prompted researchers to explore the factors that contribute to fraudulent activity. However, previous studies have yielded conflicting results. This research aims to analyze the various factors that can impact fraudulent financial reporting. It focuses on seven variables that describe each component of the fraud hexagon. One of these variables is Stimulus, which is measured through financial targets and external pressure. Opportunity, which is represented by effective supervision, Measurement of rationalization is indicated by the total accruals ratio, while capability is reflected in the tenure of directors. Arrogance can be observed through the frequency of media appearances by the CEO, while ego is demonstrated by the frequency of the CEO being pictured with others. Similar to a certified financial planner (CFP), there may be instances of collusion with government cooperation to combat fraudulent financial reporting in the financial sector companies listed on the IDX from 2022 to 2023. The analysis of the research data indicates that the financial targets and external pressures identified in research do not appear to affect the occurrence of fraudulent financial reporting. Financial reporting fraud does not appear to be influenced by ininfluenceive monitoring, the tenure of the CEO, arrogance, or collusion. Nevertheless, the total accrual ratio exerts an influence on financial statement fraud. This is because the potential for financial statement fraud increases with the value of the profit yet to be paid. Therefore, companies must be more careful in managing their finances and financial statements to avoid fraudulent acts.

Limitations experienced in research conducted on financial sector companies, which are in the regulations of the financial services authority (PJOK) NO.39/PJOK.03/2019 which regulates the implementation of anti-fraud strategies for commercial banks, the insurance sector, and the financing company sector. Thus, most companies in the financial sector, consisting of commercial banks, the insurance sector, and the financing sector, implement the anti-fraud strategy

For researchers looking to explore the same topic, it may be beneficial to consider conducting research in sectors within other industries. It can also utilize various proxies for independent variables or expand the number of independent variables that are more relevant to the industry. Additionally, it can incorporate alternative measurements for its financial statement fraud variables.

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