

The Influence of Fraud Hexagon Perspective on Fraudulent Financial Statement: Evidence of Indonesia

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Abstract— The purpose of this study was to analyze the influence of fraud hexagon theory on fraudulent financial statements that includes six components: pressure, opportunity, rationalization, capability, arrogance and collusion. The indicators are proxied through external pressure, financial target, nature of industry, total accruals to total assets, change of director, political connections and frequent number of CEO's picture. In this research, the dependent variable is measured using the Beneish M-Score. The population of this research are energy companies that were listed on the Indonesia Stock Exchange between 2020–2022. The sampling method used was purposive sampling technique and obtained a sample of 37 companies with 111 data. The type of data used is secondary data from annual company report. The research hypothesis was tested using Logistic Regression Analysis with SPSS 26. The results of this research indicate that external pressure, financial target, nature of industry and total accruals to total asset have significant positive effects on fraudulent financial statement. Political connection has significant negative effect on fraudulent financial statement. Change in director and frequent number of CEO's picture has no effect on fraudulent financial statement. Further researchers are advised to increase the research area and time for more accurate results.

Keywords— *Beneish M-Score model; Fraud Hexagon; Fraudulent Financial Statement*

I. INTRODUCTION

It is not uncommon to come across deliberate acts of fraud or inadvertent errors in the field of accounting. The Association of Certified Fraud Examiners (ACFE) has identified three primary categories of fraud: asset misappropriation, corruption, and fraudulent financial reporting. Financial statement fraud is particularly prevalent in the fields of business and economics. This type of fraud involves significant misrepresentations in financial statements by management, which mislead and disadvantage stakeholders, including company owners, investors, and creditors. Intentional inaccuracies in financial information disclosures are often made for various strategic reasons, such as enhancing performance metrics or meeting sales targets. Such deceptive practices undermine the integrity of financial reporting and can have severe repercussions for decision-makers relying on this information. Ensuring the accuracy and honesty of financial statements is therefore crucial for maintaining trust and stability in economic and business activities.

A release from the Association of Certified Fraud Examiners (ACFE), titled "Asia-Pacific Occupational Fraud 2024: A Report to the Nations," indicates that Indonesia ranks 6th in the region with 25 recorded cases out of 183 total cases across the Asia-Pacific. The report further reveals that 6% of these cases involve fraudulent financial statements [1]. This ranking highlights the significant issue of occupational fraud within Indonesia, drawing attention to the need for stronger internal controls and better oversight mechanisms. The presence of fraudulent financial statements, although a smaller percentage, still represents a critical threat to the integrity of financial reporting and business transparency in the region. Addressing these concerns is essential to foster a trustworthy economic environment and protect stakeholders' interests.

Several factors contribute to fraudulent financial statements. In 1953, Cressey introduced the fraud triangle theory, comprising three elements: pressure, opportunity, and rationalization. This framework was later expanded by Wolfe and Hermanson in 2004, who added a fourth component, capability, thus creating the fraud diamond theory. In 2011, Crowe further enhanced this model into the fraud pentagon theory by incorporating a fifth element, arrogance. Finally, in 2019, Vousinas refined these theories into the fraud hexagon theory, which includes six components: pressure, opportunity, rationalization, capability, arrogance,

and collusion. The addition of the collusion component provides a more comprehensive approach to identifying fraud in financial statements. The continuous evolution of fraud theories reflects the increasing complexity of fraudulent activities and the need for more detailed analytical frameworks. Each enhancement of the original fraud triangle has aimed to capture additional dimensions of fraudulent behavior, making the identification and prevention of fraud more effective. The fraud hexagon theory, by including collusion, acknowledges that fraud often involves multiple individuals working together, thus providing a more robust tool for detecting fraudulent financial statements.

Addressing the research gap in previous studies is crucial for advancing our understanding of fraud detection. Inconsistencies in past findings highlight the need for further investigation into how the fraud hexagon theory can be applied effectively, particularly in specific industries. For example, analyzing its impact on detecting fraudulent financial statements in energy companies can provide valuable insights and help develop more targeted anti-fraud strategies. Energy companies, with their complex financial structures and significant economic impact, present unique challenges for fraud detection. Applying the fraud hexagon theory to this sector can help identify specific risk factors and patterns of fraudulent behavior. This targeted analysis not only enhances the detection and prevention of fraud in energy companies but also contributes to the broader field of forensic accounting and fraud examination, ensuring more reliable and transparent financial reporting across various industries.

The higher the proportion of a company's debt relative to its total assets, the greater the pressure on management to engage in fraudulent financial reporting. This pressure arises because a high debt-to-asset ratio can indicate financial instability, making it more challenging for the company to secure additional funding or meet its financial obligations. As a result, management may feel compelled to manipulate financial statements to present a more favourable financial position, thereby misleading stakeholders. This tendency towards fraudulent behavior under financial pressure underscores the importance of robust internal controls and vigilant oversight mechanisms within companies. By implementing stringent financial monitoring and establishing a culture of ethical conduct, organizations can mitigate the risk of fraud and ensure more accurate and reliable financial reporting. Additionally, stakeholders must remain vigilant and scrutinize financial statements carefully, particularly in companies with high debt levels, to detect any signs of manipulation or irregularities. [2]. The use of this proxy aligns with the findings of Tessa & Harto (2016), who demonstrated its effectiveness in their research. Consistency with prior studies not only validates the proxy's reliability but also enhances the robustness of current research methodologies. This alignment underscores the importance of building upon established academic work to advance understanding in the field. Furthermore, using a well-documented proxy helps ensure that the research results are comparable and credible, facilitating more meaningful insights and practical applications in fraud detection. [3], This demonstrates that external pressure indeed impacts fraudulent financial statements. According to the theory's explanation, when companies face significant external pressures, such as high debt levels or market expectations, management is more likely to commit fraud to present a more favourable financial position. Consequently, the research hypothesis is formulated to explore the relationship between external pressure and the likelihood of fraudulent financial reporting, aiming to provide empirical evidence supporting the theoretical framework. This hypothesis underscores the critical need for effective monitoring and regulatory measures to mitigate the risks associated with external pressures on financial reporting integrity.

H1: External pressure has an effect on fraudulent financial statements.

Pressure to meet financial targets can drive managers to manipulate the presentation of financial reports to align the company's financial statements with these predetermined goals. Such pressure often stems from internal expectations, investor demands, or market competition, leading to unethical practices aimed at portraying a more favourable financial position. This manipulation not only distorts the true financial health of the company but also undermines stakeholder trust and can result in significant legal and financial consequences. Therefore, understanding the impact of financial target pressures is crucial for developing strategies to prevent fraudulent reporting and ensure transparency and accuracy in financial disclosures [4]. The use of this proxy is consistent with the research conducted by Kusumosari & Solikhah (2021), demonstrating its applicability and reliability in studying fraudulent financial reporting. Building on their findings, this study aims to further validate the proxy's effectiveness in detecting financial statement manipulation. By aligning with established research, the current study enhances its methodological rigor and contributes to the growing body of literature on fraud detection. This consistency also facilitates the comparison of results across different studies, promoting a deeper understanding of the factors influencing fraudulent financial behavior.[5] and Widarti (2015) [6]. This demonstrates that the pressure to meet financial targets indeed affects the likelihood of fraudulent financial statements. When companies face stringent financial targets, managers may resort to manipulating financial reports to align with these goals. This behavior is driven by the desire to meet investor expectations, secure bonuses, or maintain the company's

market position, leading to significant misrepresentations in financial disclosures. Understanding this dynamic is crucial for developing robust anti-fraud measures and ensuring the integrity of financial reporting. The research hypothesis is developed to investigate the influence of financial target pressures on the prevalence of fraudulent financial reporting in accordance with the theoretical framework. The objective of this hypothesis is to empirically validate the theory by analyzing real-world data and identifying patterns of fraudulent behavior that are associated with financial target pressures. The study aims to improve strategies for detecting and preventing financial statement fraud and contribute to the broader field of forensic accounting by testing this hypothesis.

H2: The effectiveness of a financial target on a fraudulent financial statement.

The nature of the industry denotes the inherent circumstances within an organization that present favourable conditions for third parties to potentially engage in fraudulent activities. These conditions may include lax regulatory oversight, complex financial structures, high transaction volumes, or rapid technological advancements, all of which can create loopholes and vulnerabilities that malicious actors may exploit. Understanding the nature of the industry is crucial for implementing effective fraud prevention measures tailored to address specific risks and challenges within different sectors. By identifying and mitigating these vulnerabilities, organizations can enhance their resilience against fraudulent activities and safeguard their financial integrity and reputation [7]. Estimation disclosures, such as those concerning inventory obsolescence and bad debts, can create opportunities for management to engage in manipulation, such as extending or shortening an asset's economic life. These disclosures involve subjective judgments and assumptions that can be influenced to portray a more favourable financial picture or to meet specific financial targets. Therefore, ensuring transparency and accuracy in estimation processes is crucial for maintaining the reliability of financial statements and fostering trust among stakeholders. Effective oversight and internal controls are essential in mitigating the risk of manipulation in such critical financial disclosures [8]. The use of this proxy is consistent with previous research done by Sari & Nugroho (2020) [9] and Warsidi, Pramuka & Suhartinah (2018) [10]. This confirms that the nature of the industry significantly impacts the occurrence of fraudulent financial statements. According to the theory's premise, certain industries inherently possess characteristics or conditions that increase the susceptibility to financial misconduct. These may include high competition, complex supply chains, regulatory loopholes, or frequent technological advancements, all of which can provide fertile ground for fraudulent activities to occur. The research hypothesis derived from this theory seeks to empirically examine how specific industry traits influence the likelihood and methods of fraudulent financial reporting. By exploring these relationships, the study aims to provide insights that can inform industry-specific strategies for fraud detection and prevention, thereby enhancing financial transparency and integrity within various sectors.

H3: Nature of industry has an effect on fraudulent financial statement.

Rationalization suggests that the use of accrual accounting provides management with the flexibility to manipulate financial statements. This flexibility arises because the accrual principle allows transactions to be recorded when they occur, not necessarily when cash exchanges hands, which can be subjective and open to interpretation. Managers may justify their actions by arguing that such accrual adjustments align with the company's long-term strategy or enhance decision-making by providing a clearer financial picture. However, this same discretion can also be exploited to inflate revenues, understate expenses, or misrepresent financial performance to deceive stakeholders. Therefore, while accrual accounting is essential for reflecting economic events accurately, it requires robust oversight and ethical governance to prevent misuse and ensure the reliability of financial reporting.[7]. The use of this proxy is consistent with previous research done by Hadi, Kirana & Wijayanti (2021) [11] and Kusumosari & Solikhah (2021) [5], which proves that nature of industry does effect fraudulent financial statement.

H4: Total accruals to total assets has an effect on fraudulent financial statement.

As the proportion of director replacements in a company rises, the likelihood of encountering fraudulent financial statements also increases. Additionally, this trend highlights the importance of establishing robust internal controls and governance mechanisms to mitigate the risk of financial fraud. Consistent and thorough oversight, along with clear ethical guidelines, can help maintain the integrity of financial reporting even during periods of significant leadership changes. [12]. The use of this proxy is consistent with previous research done by Larum, Zuhroh & Subiyantoro (2021) [13] and Jannah, Andreas & Rasuli (2021) [14], which proves that changes in directors do affect fraudulent financial statements. The relationship between director turnover and the occurrence of fraudulent financial statements suggests that companies should prioritize stability and continuity in their leadership teams. This approach can help reduce the risk of fraud and maintain the trust of stakeholders.

H5: Change in director has an effect on fraudulent financial statement.

Politically connected businesses are less likely to engage in fraud or to be subjected to enforcement actions. This correlation may be attributed to the enhanced scrutiny and oversight that politically connected firms typically experience, which can serve as a deterrent against fraudulent activities. Furthermore, these businesses often have better access to information and resources that help them comply with regulations and maintain transparency in their operations [15]. The use of this proxy is consistent with previous research done by Hartanto (2023) [16]. Additionally, the impact of political connections on financial reporting highlights the importance of vigilance and unbiased oversight in regulatory practices. Ensuring that companies are held to consistent standards, irrespective of their political affiliations, is crucial for maintaining the integrity of financial markets and fostering fair competition.

H6: Political connection has an effect on fraudulent financial statement.

As the annual report's number of images increases, the CEO's desire to demonstrate their status and position increases. This increased arrogance may result in the CEO engaging in unlawful activities to preserve their position. Additionally, this behavior emphasizes the necessity of robust governance and accountability measures within organizations. Companies can reduce the risks associated with excessive self-promotion and guarantee that leadership actions are in the best interest of the organization and its stakeholders by fostering a culture of ethical conduct and humility [3]. The use of this proxy is consistent with previous research done by Aulia & Zulaeha (2024) [17] and Octani, Dwiharyadi & Djefris (2022) [18], which demonstrates that the fraudulent financial statements are influenced by the CEO's frequent appearances. According to the theory's explanation, the research hypothesis is as follows: Additionally, this discovery underscores the potential influence of a CEO's image management on the financial integrity of the organization. These measures can mitigate the adverse effects of a CEO's excessive emphasis on personal image.

H7: Frequent number of CEO's picture has an effect on fraudulent financial statement.

II. RESEARCH METHODS

The Indonesia Stock Exchange constitutes the unit of analysis for this investigation. The Indonesia Stock Exchange-listed energy companies that comprise the population from 2020 to 2022. The researcher implemented the purposive sampling method to establish the criteria for the data used in the study. It was necessary for the company to publish comprehensive audited financial statements, avoid delisting from the IDX, and use USD as the currency in the consolidated financial statements. A total of 37 energy sector companies met the predetermined criteria. There were a total of 111 observation data points obtained from the 37 companies. The primary sources of data used in this investigation are the annual reports of companies that are accessible on the IDX website. This study employs Logistic Regression Analysis to assess the research hypothesis and employs a fictitious variable as the dependent variable. This investigation utilized SPSS 26 as the data processing instrument.

Additionally, the purposive sampling method ensures that the selected companies provide a comprehensive view of the energy sector's financial practices during the specified period. This targeted approach helps in understanding the specific impact of financial reporting standards and practices among companies with similar operational and financial characteristics. Furthermore, by using Logistic Regression Analysis, the research can effectively assess the relationships between the variables and draw meaningful conclusions about the factors influencing financial statement fraud. The use of SPSS 26 for data processing ensures accuracy and reliability in the statistical analysis, providing robust support for the research findings.

Table 1. Research Samples.

Sample Criteria	Number
1 Energy companies listed on the Indonesia Stock Exchange between 2020 – 2022	83
2 The company published an audited annual report between 2020 – 2022	(24)
3 The currency used by the company in the consolidated financial statements is USD	(22)
Number of samples	37
Total observations for 3 years (2020 – 2022)	111

Source: Data processed by the author (2024)

2.1 Dependent Variable

The dependent variable in this investigation is fraudulent financial statements. The Beneish M-score model is the model that is used to detect deception in financial statements. In 1990, Professor Messod Beneish introduced the Beneish M-score for the first time. The model incorporates eight financial ratios to determine the presence of deception. The Beneish M-score model's formula is as follows: Additionally, the Beneish M-score model has been widely recognized for its ability to identify companies that may be manipulating their earnings. The framework it offers for the analysis of financial data and the identification of irregularities that indicate fraudulent activities is robust as a result of its implementation in this research. Furthermore, the Beneish M-score model facilitates a quantitative and methodical approach to fraud detection. By analyzing specific financial ratios, the research can identify anomalies that conventional auditing methods may overlook. This enhances the overall reliability and accuracy of the findings, thereby offering valuable insights to the field of forensic accounting and financial analysis [19]:

$$MSCORE = -4.84 + .920*DSRI + .528*GMI + .404*AQI + .892*SGI + .115*DEPI - .172*SGAI + 4.679*ACCRUALS - .327*LEVI$$

The company is manipulating its financial statements if the value returned from the calculation exceeds -2.22. In contrast, the company is not manipulating its financial statements if the value is less than -2.22. In the development of well-informed decisions and the execution of strategies to prevent and mitigate financial misconduct, this information can be essential.

Table 2. Financial Ratio Beneish M-Score.

Financial Ratio	Measurement
Days Sales in Receivable Index (DSRI)	$DSRI = \frac{\frac{Receivables_t}{Sales_t}}{\frac{Receivables_{t-1}}{Sales_{t-1}}}$
Gross Margin Index (GMI)	$GMI = \frac{\frac{Gross Profit_t}{Sales_t}}{\frac{Gross Profit_{t-1}}{Sales_{t-1}}}$
Asset Quality Index (AQI)	$AQI = \frac{\frac{1 - (Current Assets_t + Fixed Assets_t)}{Total Assets_t}}{\frac{1 - (Current Assets_{t-1} + Fixed Assets_{t-1})}{Total Assets_{t-1}}}$
Sales Growth Index (SGI)	$SGI = \frac{Sales_t}{Sales_{t-1}}$
Depreciation Index (DEPI)	$DEPI = \frac{\frac{Depreciation_{t-1}}{(Depreciation_{t-1} + Fixed Assets_{t-1})}}{\frac{Depreciation_t}{(Depreciation_t + Fixed Assets_t)}}$
Sales General and Administrative Expenses Index (SGAI)	$SGAI = \frac{\frac{Sales, General, Administrative Expense_t}{Sales_t}}{\frac{Sales, General, Administrative Expense_{t-1}}{Sales_{t-1}}}$
Total Accruals to Total Assets (TATA)	$TATA = \frac{Net Income_t - Cash Flow from Operational Activities_t}{Total Assets_t}$
Leverage Index (LVGI)	$LVGI = \frac{\frac{Total Debts_t}{Total Assets_t}}{\frac{Total Debts_{t-1}}{Total Assets_{t-1}}}$

Source: Beneish (2012)

2.2 Independent Variable

Pressure, represented by External Pressure and assessed through the Leverage ratio, indicates that under external pressures, management may seek to borrow funds from multiple sources to maintain competitiveness in business operations. A company with a high leverage ratio is deemed to have heightened credit risk and substantial debt. Consequently, creditors may exhibit greater caution in extending loans to such companies when they perceive elevated credit risks. [20]. According to this, the research uses a formula as follows:

$$LEV = \frac{\text{Total Debts}}{\text{Total Assets}}$$

Pressure, represented by Financial Target and measured through the Return on Asset (ROA) ratio, reflects that managers are incentivized to achieve financial goals as evaluated by their performance and potential bonus amounts tied to ROA. The pressure arises from the expectation that a high ROA signifies strong profitability, making the organization more attractive to investors due to its perceived ability to generate substantial earnings. [21]. Moreover, a higher ROA signifies improved profit margins and more efficient asset utilization within the organization. Based on this premise, the research employs the following formula: This approach allows for a quantitative assessment of profitability and operational efficiency, providing insights into the financial health and performance of the company.:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

Opportunity, measured by the Nature of Industry ratio, pertains to specific financial accounts like bad debt allowances and obsolete inventory, which companies estimate and report in their financial statements. This factor underscores the variability in accounting practices across industries, influencing how financial data is presented and interpreted. [20]. Estimating uncollectible receivables for bad debts requires subjective judgment [22]. Because the valuation of these accounts relies on subjective judgment, management may exploit them as tools to manipulate the financial statements. [23]. According to this, the research uses a formula as follows:

$$NOI = \frac{\text{Receivable}_{(t)}}{\text{Sales}_{(t)}} - \frac{\text{Receivable}_{(t-1)}}{\text{Sales}_{(t-1)}}$$

Rationalization, represented by the Total Accruals to Total Assets ratio, reflects how management applies accrual principles in financial reporting. Understanding this ratio provides insight into how management interprets and applies accounting rules to portray financial performance. High accruals relative to assets can indicate aggressive accounting practices where earnings are potentially inflated through accruals rather than cash transactions. [24]. The accrual principle can be manipulated to alter reported profit figures, potentially signaling fraudulent practices in financial reporting. Understanding the misuse of accruals provides insight into how financial statements can be distorted to mask underlying financial weaknesses or inflate apparent profitability. By adjusting accruals, which are non-cash transactions recorded as revenues or expenses before they are actually realized, management can influence reported earnings. [25]. According to this, the research uses a formula as follows:

$$TATA = \frac{\text{Total Accruals}}{\text{Total Assets}}$$

This dynamic underscores the importance of effective leadership continuity and governance practices in safeguarding against fraudulent practices and maintaining organizational transparency. Capability, represented by changes in directorship roles, indicates that individuals in positions such as division heads, CEOs, and other directors may use their authority to commit fraud, leveraging their influence and expertise to facilitate deceptive actions. Directors and senior executives hold significant sway over organizational operations and decision-making processes. [12]. The corporation's actions to replace directors who may have been aware of the company's fraudulent activities are evident in changes made to the board of directors. [4]. According to this, the research uses a formula as follows:

Dummy variable: coded “1” if there is a replacement of director, coded “0” if there is no replacement.

Collusion, represented by political connections, refers to the relationship between a company and political entities. Political connections can provide various advantages to a company, including access to government contracts, regulatory favors, and favorable policies. The influence exerted by political connections can potentially affect corporate governance, decision-making processes, and even regulatory oversight. [26], a business associated with high-ranking politicians' families, business associates, or a politically linked board of directors [27], or can be defined as a state-owned company and a politically connected board of directors [15]. Politically connected businesses are less likely to commit fraud or to be the target of enforcement action [15]. According to this, the research uses a formula as follows:

Dummy variable: coded “1” if at least one of the commissioner or director member was a former member of the political party or was a former political figure, coded “0” if at no one of the commissioner or director member was a former member of the the political party or was a former political figure.

Arrogance, proxied through frequent number of CEO’s picture. A CEO who expresses a high degree of arrogance and superiority may believe that internal controls do not apply to him due to his status and

position, which might end up in fraud [18]. Because he is afraid of losing that status or position, a CEO is typically more willing to reveal to the public his position and status within the company [22]. According to this, the research uses a formula as follows:

CEOPIC = Number of CEO photos displayed in the annual report

III. RESULT AND DISCUSSION

Table 3. Descriptive Statistics.

	N	Minimum	Maximum	Mean	Std. Deviation
LEV	111	,0480	,9613	,485095	,2244380
ROA	111	-,3836	,6163	,080474	,1668964
NOI	111	,0722	3,7921	1,054440	,5427263
TATA	111	-,4546	,2612	-,071338	,0901030
DCHANGE	111	0	1	,50	,502
PC	111	0	1	,38	,487
CEOPIC	111	0	23	7,18	3,838
FRAUD	111	0	1	,32	,467
Valid N (listwise)	111				

Source: SPSS Software Descriptive Statistics Output (2024)

The descriptive statistics for entire sample consist 37 energy sector companies or 111 observation data show that the average M-Score value is 0.32, External Pressure (LEV) is 0.49, Financial Target (ROA) is 0.08, Nature of Industry (NOI) is 1.05, Total Accruals to Total Assets (TATA) is -0.07, Change in Director (DCHANGE) is 0.50, Political Connection (PC) is 0.38 and Frequent Number of CEO's Picture (CEOPIC) is 7,18.

Table 4. Multicollinearity Test.

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
LEV	,671	1,491
ROA	,685	1,460
NOI	,922	1,085
TATA	,812	1,232
DCHANGE	,861	1,162
PC	,896	1,116
CEOPIC	,811	1,233

Source: SPSS Software Multicollinearity Test Output (2024)

Five outliers were identified and removed to ensure the logistic regression model's robustness, as the initial analysis showed non-normal distribution of results. Subsequently, the final sample for the research comprised 106 data points.

The Variance Inflation Factor (VIF) and tolerance values were employed to evaluate the presence of multicollinearity among the variables. The following variables were analyzed: External Pressure (LEV) with a VIF of 1.491 and a tolerance of 0.671, Financial Target (ROA) with a VIF of 1.460 and a tolerance of 0.685, Nature of Industry (NOI) with a VIF of 1.085 and a tolerance of 0.922, Total Accruals to Total Assets (TATA) with a VIF of 1.232 and a tolerance of 0.812, Change in Director (DCHANGE) with a VIF of 1.162 and a tolerance of 0.861, Political Connection (PC) with a VIF of 1.116 and a tolerance of 0.896, and Frequent Number of CEO's Picture (CEOPIC) with a VIF of 0.811 and a tolerance of 1.233. These values corroborate the absence of multicollinearity, as all variables have VIF values below 10 and tolerance values above 0.1 (or 10%). This analysis guarantees that each variable contributes to the regression model independently, without excessively influencing the other, thereby corroborating the reliability of the study's findings.

Table 5. Hosmer and Lemeshow Test.

Step	Chi-Square	dF	Sig.
1	7,810	8	,452

Source: SPSS Software Logistic Regression Output (2024)

According to the results of the Hosmer and Lemeshow test, the Chi-square value was 788, which was statistically significant at the 0.999 level. There is a high degree of confidence in the model's ability to suit the data. The chi-square value of 788 in the calculation is less than the critical chi-square value from the table ($7.810 < 10.645$), which confirms that the model is appropriate for further analysis and adequately matches the data. The Hosmer and Lemeshow test is a frequently employed method in logistic regression to evaluate the extent to which the model's predicted probabilities correspond to the observed outcomes. A result that is non-significant ($p > 0.05$) would indicate that the model is well-suited to the data, indicating that there is no significant difference between the predicted probabilities and the observed outcomes. In this instance, the test offers compelling evidence that the model's predictions are in close alignment with the actual observations, with a significance level of 0.999. These results substantiate the logistic regression model's dependability in examining the correlations between the independent variables and the probability of fraudulent financial statements. The data's robustness in fitting the model implies that it can accurately predict and comprehend the factors that contribute to financial statement fraud within the specified context.

Table 6. Overall Fit Model Test.

Iteration		-2 Log	Coefficients							
		Likelihood	Constant	LEV	ROA	NOI	TATA	DCHANGE	PC	CEOPIC
Step 1	1	92,109	-2,828	1,482	2,167	1,229	6,104	,067	-,402	,052
	2	80,834	-4,775	2,856	4,915	2,204	10,738	,195	-,910	,076
	3	78,317	-6,356	3,942	6,802	2,988	13,900	,272	-1,263	,102
	4	78,125	-6,969	4,352	7,454	3,286	15,068	,293	-1,377	,113
	5	78,124	-7,029	4,392	7,514	3,314	15,187	,295	-1,387	,115
	6	78,124	-7,029	4,392	7,514	3,315	15,187	,295	-1,388	,115
	7	78,124	-7,029	4,392	7,514	3,315	15,187	,295	-1,388	,115

Source: SPSS Software Logistic Regression Output (2024)

According to the results of the Overall Fit Model test, the -2 Log Likelihood has decreased to 78.124. The Chi Square Table comparison ($78.124 < 122.108$) indicates that the model satisfies the test criteria with the inclusion of variable X. The -2 Log Likelihood is a performance metric in logistic regression that assesses the model's fit to the observed data. A lower -2 Log Likelihood value suggests that the model provides a more adequate fit to the data. The model's fit has been improved by the incorporation of variable X, as demonstrated by the decrease in -2 Log Likelihood from its previous value. This improvement suggests that variable X significantly contributes to the model's explanation of the variation in the dependent variable (e.g., fraudulent financial statements). In its current configuration, which includes variable X, the Chi Square Table comparison further substantiates the model's statistical significance and its suitability for further analysis and interpretation.

Table 7. Nagelkerke R Square Test.

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	78,124	,378	,536

Source: SPSS Software Logistic Regression Output (2024)

Based on the Nagelkerke R² test results, it can be observed that the independent variables collectively explain 53.6% of the variation in the dependent variable, which is equivalent to 0.536. Logistic regression uses the Nagelkerke R² as a metric to evaluate how well the independent variables explain the variance in the dependent variable. Based on the analysis, a value of 0.536 indicates that the independent variables in the model account for 53.6% of the variability in the probability of fraudulent financial statements. This finding highlights the significant impact of various factors on the occurrence of fraudulent financial statements. These factors include the nature of the industry, external pressure, financial targets, total accruals to total assets, changes in directorship, political connections, and the frequency of CEO's pictures. It

highlights the significance of these factors in comprehending and forecasting fraudulent behavior in the realm of financial reporting.

Table 8. Hypothesis Testing (t-Test).

		B	S.E.	Wald	dF	Sig.	Exp(B)
Step 1	LEV	4,392	1,820	5,827	1	,016	80,840
	ROA	7,514	2,557	8,637	1	,003	1834,239
	NOI	3,315	,919	13,011	1	,000	27,510
	TATA	15,188	4,798	10,019	1	,002	3945248,595
	DCHANGE	,295	,622	,225	1	,636	1,343
	PC	-1,388	,692	4,025	1	,045	,250
	CEOPIC	,115	,088	1,687	1	,194	1,122
	Constant	-7,029	1,946	13,050	1	,000	,001

Source: SPSS Software Descriptive Statistics Output (2024)

Assessing the individual effects of LEV, ROA, NOI, TATA, DCHANGE, PC, and CEOPIC is the primary objective of the t-test. Based on the t-test results, it is evident that LEV, ROA, NOI, and TATA exhibit a positive coefficient (B) value and a significant value below 0.05. It is evident that fraudulent financial statements significantly boost LEV, ROA, NOI, and TATA. On the other hand, the coefficient value (B) for PC is negative and the significance value is less than 0.05, indicating a significant negative impact on fraudulent financial statements. The values of DCHANGE and CEOPIC are not significant, indicating that they do not have any impact on fraudulent financial statements. These findings highlight the wide-ranging impacts of the variables on the manipulation of financial statements. Certain financial indicators have been found to be associated with an increased risk of fraudulent activities. These factors may contribute to an increased probability of financial statement manipulation.

On the other hand, the negative consequences of political connections indicate that organizations with political affiliations are less inclined to participate in fraudulent reporting. Based on this study, it appears that changes in directors (DCHANGE) and the frequency of CEO's pictures (CEOPIC) do not have a significant impact on financial statement fraud. This research provides a deep understanding of the intricacies involved in financial reporting practices.

The Effect of Pressure Proxied by External Pressure on Fraudulent Financial Statement

Based on the hypothesis tests, the regression coefficient (B) for External Pressure (LEV) is 4.392, with a significance value of 0.016. This significance value is below the threshold of 0.05, indicating a statistically significant relationship. External pressure, such as the influence of a financial analyst, can have a significant positive effect on fraudulent financial statements, as research suggests. Based on the analysis, it is evident that external factors play a significant role in driving management to resort to financial statement deception. Perceiving a company as having substantial debt and a high credit risk is often influenced by external factors. As a financial analyst, it's important to note that the company's elevated credit risk could lead to creditors being more cautious about extending credit. This, unfortunately, may also increase the likelihood of fraudulent financial statements. Furthermore, in order to improve the perception of financial stability and the ability to meet debt obligations, management might be tempted to manipulate financial data. The goal of this maneuver is to obtain the necessary funding and maintain the trust of stakeholders by improving our financial standing. Understanding this relationship requires acknowledging the significant impact of external financial pressures on corporate behavior and the reliability of financial reporting...[18]. which demonstrated that external pressure has a significant positive effect on fraudulent financial statements. However, it contradicts the research carried out by Warsidi, Pramuka & Suhartinah (2018) [3], which declared that external pressure has a substantial positive impact on fraudulent financial statements, but this finding is consistent with other research conducted by Warsidi, Pramuka, and Suhartinah (2018). [10] which declared that fraudulent financial statements are significantly influenced by external pressure.

The Effect of Pressure Proxied by Financial Target on Fraudulent Financial Statement

The hypothesis tests indicate that the regression coefficient (B) of Financial Target (ROA) is 7.514, with a significance value of 0.003, which is less than the threshold of 0.05. This suggests that the Financial Target (ROA) has a substantial positive impact on fraudulent financial statements. These findings indicate that management is motivated to engage in financial statement falsification by the pursuit of high financial objectives, as demonstrated by ROA. The establishment of high financial objectives may result in managers experiencing significant pressure to achieve these objectives and maintain rigorous performance evaluations.

Financial data manipulation may be necessary for managers to present a more favorable financial position in order to achieve these objectives. This is a result of the constant use of ROA to assess managerial performance and determine bonuses, promotions, and other forms of compensation. Additionally, the objective of this manipulation is to establish personal and professional advantages that are associated with performance metrics. This underscores the significance of corporate governance objectives that are both proportionate and practical. It is essential to ensure that financial objectives are attainable without promoting unscrupulous behavior in order to safeguard the interests of stakeholders and preserve the integrity of financial reporting. In order to comprehend this relationship, it is crucial to establish a corporate environment that prioritizes transparency in financial practices and ethical behavior [10]. A high ROA value suggests that the company has the potential to generate substantial profits in order to attract additional investors. [21]. This result is consistent with previous research done by Kusumosari & Solikhah (2021) [5] and Widarti (2015) [6], which declared that the financial target has a substantial positive impact on fraudulent financial statements, but this is in accordance with other research conducted by Setiawati and Baningrum (2018)) [20] which declared that financial target has a significant negative effect on fraudulent financial statement.

The Effect of Opportunity Proxied by Nature of Industry on Fraudulent Financial Statement

The regression coefficient (B) of 3.315 and a significance value of 0.000, which is less than 0.05, are evident from the results of the hypothesis tests. This suggests that the Nature of Industry (NOI) has a substantial positive impact on fraudulent financial statements. The results of this study indicate that management is more likely to commit financial statement fraud when the Nature of Industry (NOI) is high. Significant subjective judgment is frequently required to ascertain estimated account balances in industries that exhibit high NOI. This subjectivity presents an opportunity for management to manipulate these accounts, thereby distorting the financial statements. In certain industries, the use of subjective estimates can facilitate fraudulent activities by allowing management to manipulate these estimates to present a more favorable financial position. The significance of meticulous auditing and supervision in industries with high levels of subjectivity in financial reporting is emphasized by the understanding of the impact of industry characteristics on the likelihood of financial statement fraud. This can help safeguard the interests of stakeholders and guarantee the accuracy and reliability of financial statements. [23]. This result is consistent with previous research done by Sari & Nugroho (2020) [9] and Warsidi, Pramuka & Suhartinah (2018) [10] which declared that nature of industry has a significant positive effect on fraudulent financial statement, but in consistent with other researchdone by Suparmini, Ariyanto & Wistawan (2020) [28] which declared that nature of industry has a significant negative effect on fraudulent financial statement.

The Effect of Rationalization Proxied by Total Accruals to Total Assets on Fraudulent Financial Statement

Based on the hypothesis tests, the regression coefficient (B) for Total Accruals to Total Assets (TATA) is 15.188, with a significance value of 0.002, indicating statistical significance. It is evident that Total Accruals to Total Assets (TATA) play a significant role in influencing fraudulent financial statements. Based on the findings of this investigation, it appears that a high ratio of Total Accruals to Total Assets (TATA) could potentially motivate management to engage in financial statement fraud. Management has significant authority granted by the accrual principle, which is closely tied to decision-making, as shown by the high TATA values. The aggregate accruals result from rationalizations that involve discretionary decisions and subjective evaluations, similar to how a financial analyst would approach their work.

It is clear that there is a possibility for management to manipulate financial data by taking advantage of accruals, as seen in the significant positive effect of TATA on fraudulent financial statements. This manipulation often seeks to portray a more positive financial situation than what is truly the case. Understanding the link between accruals and financial statement fraud highlights the need for thorough auditing and supervision processes to safeguard the accuracy of financial reporting and minimize the potential risks stemming from managerial discretion in accrual accounting. In addition, the inclusion of accruals in financial statement manipulation can aid in the creation of more efficient policies and controls for detecting and preventing fraud. Having this awareness can improve the reliability of financial statements, which in turn safeguards the interests of stakeholders and maintains market confidence. Twenty-four. Hadi, Kirana, and Wijayanti (2021) [11] and Kusumosari & Solikhah (2021) have conducted research that is consistent with this outcome.) [5] which declared that total accruals to total assets has a significant positive effect on fraudulent financial statement, but in consistent with other researchdone by Faradiza (2019) [29] which declared that total accruals to total assets has no effect on fraudulent financial statement.

The Effect of Capability Proxied by Change in Director on Fraudulent Financial Statement

The regression coefficient (B) of 0.295 and the significance value of 0.636, which are both greater than 0. The results of the hypothesis tests clearly indicate the presence of 05. Based on the analysis, it appears

that a change in director (DCHANGE) has minimal effect on fraudulent financial statements. These findings suggest that changes in the board of directors do not influence management's decision to manipulate financial statements. When new directors are appointed, the main goal is often to enhance performance by bringing in individuals who align better with the company's vision and mission and have exceptional skills. In addition, the appointment of highly skilled and qualified individuals to the board of directors demonstrates strong communication between the principals and agents. The goal of this process is to ensure that the organization operates and grows in line with its established vision and mission. Highlighting the importance of recruiting directors who can make a positive impact on the company's growth and uphold ethical standards emphasizes the crucial role of strong leadership and governance in mitigating the risk of financial statement fraud. In addition, the lack of a significant impact on fraudulent activities resulting from changes in directors suggests that factors beyond board composition may have a greater influence on fraudulent financial reporting. This understanding can help companies and regulators focus on the most important areas to enhance corporate governance and ensure the accuracy of financial reporting [11]. This result is consistent with previous research done by Hartadi (2022) [30] and Rianggi & Novita (2023) [7] which declared that change in director has no effect on fraudulent financial statement, but inconsistent with other research done by Larum, Zuhroh & Subiyantoro (2021) [13] and Jannah, Andreas & Rasuli (2021) [14] which declared that change in director has a significant positive effect on fraudulent financial statement.

The Effect of Collusion Proxied by Political Connection on Fraudulent Financial Statement

According to the results of the hypothesis tests, it is clear that there is a regression coefficient (B) of -1.388 and a significance value of 0.045, which is less than 0.05. It is evident that a financial analyst has observed a noteworthy adverse impact of Political Connection on deceptive financial statements. Based on the findings, it appears that having influential political connections can decrease the probability of financial statement fraud by management. Companies that have political connections are generally less prone to engaging in fraudulent activities or facing legal consequences because of their influential status. Businesses with political connections tend to demonstrate higher levels of compliance and lower instances of fraud. This is because they face increased scrutiny and are held to higher standards in order to uphold their reputation and maintain their political ties. This finding is consistent with prior research conducted by Hartanto (2023) [16], which also showed that political connections have a notable adverse impact on deceptive financial statements. On the other hand, the findings of Kusumosari & Solikhah (2021) contradict this result. The difference underscores the intricate connection between political affiliations and fraudulent financial statements, indicating that different factors, such as the strength and type of political connections, may have varying effects on the results. Understanding the protective role of political connections in preventing financial statement fraud can provide valuable insights for improving governance practices. Companies can utilize their political connections to improve transparency and accountability, thus minimizing the potential for fraudulent activities. In addition, regulators and policymakers should take into account the impact of political connections when developing oversight and enforcement strategies to maintain the integrity of financial reporting in various situations. [5] which declared that political connection has a significant positive effect on fraudulent financial statement.

The Effect of Arrogance Proxied by Frequent Number of CEO's Picture on Fraudulent Financial Statement

The regression coefficient (B) of 0.115 and the significance value of 0.194 (greater than 0.05) of the Frequent Number of CEO's Picture (CEOPIC) are evident from the results of the hypothesis tests. This implies that the frequency of CEO pictures (CEOPIC) does not have a substantial impact on the creation of fraudulent financial statements. These findings indicate that the frequency of a CEO's image does not influence management's decision to perpetrate financial statement fraud. Primarily, the quantity of CEO photographs displayed serves as an introduction to the public and investors, with the objective of acquainting them with the CEO in charge. Furthermore, these photographs serve to demonstrate the accountability and transparency of company officials in a variety of activities. This discovery is consistent with previously conducted research by Hartadi (2022) and Setiawati & Baningrum (2018) [20], which also determined that the frequent display of CEO photographs does not have a substantial effect on fraudulent financial reporting. The notion that visual representation of leadership is more about communication and transparency than an indicator of fraudulent intent is further substantiated by the consistency of these results across various studies. Additionally, by comprehending that the frequency of CEO photos does not contribute to financial statement fraud, companies can concentrate on more relevant factors that influence fraud. It underscores the significance of authentic transparency and effective communication with stakeholders, as opposed to merely visual representation. This understanding has the potential to inform future research and corporate governance practices in order to identify and mitigate the true causes of financial statement fraud. Furthermore, companies may continue to employ CEO photos as a means of fostering trust and connection

with the public and investors, as it does not innately elevate the likelihood of fraudulent activities. This method can fortify the bond between a company and its stakeholders, cultivating a culture of transparency and accountability.[30] which declared that frequent number of CEO's picture has no effect on fraudulent financial statement, but in consistent with other research done by Aulia & Zulaeha (2024) [17] and Octani, Dwiharyadi & Djefris (2022) [18] which declared that frequent number of CEO's picture has a significant positive effect on fraudulent financial statement.

IV. CONCLUSION

The objective of this study was to examine the influence of fraud hexagon theory on fraudulent Financial statements in energy sector corporations classified on the IDX from 2020 to 2022. For this analysis, we used proxy variables such as the frequency of CEO images, the character of the industry, the total accruals to total assets, the change of director, and the financial target. The findings of this investigation may result in the following conclusions: (1) Various factors such as external pressure, financial targets, industry dynamics, and the ratio of total accruals to total assets significantly raise the probability of fraudulent financial statements. Political connections significantly decrease the probability of fraudulent financial statements. (3) The frequency of CEO portraits or changes in directorships has no impact on the probability of fraudulent financial statements. Here are some of the many limitations of this investigation: (1) The research findings cannot be applied to a wider population as the study only focuses on energy sector companies listed on the IDX. (2) The research period utilized in this study spans only three years, which is comparatively shorter than the research period employed in other studies. (3) This study utilizes seven independent variables, including external pressure, financial targets, nature of industry, total accruals to total assets, change of director, political connections, and frequent number of CEO's pictures. On the other hand, there are many other factors that can represent the components of the fraud hexagon. Based on this research, the following suggestions have been made for further investigation: (1) To avoid the occurrence of deceptive financial statements due to external pressures, financial goals, industry dynamics, and accruals to assets ratio, it is crucial for companies to strengthen their internal control systems and oversight. Users of financial statements should be cautious when dealing with highly profitable and efficiently run businesses, as there is a chance that fraudulent financial statements may have been produced. (3) Further research should broaden the scope of the study and extend the time period to yield more accurate findings. In addition, incorporating additional variables that can serve as substitutes for the elements of the fraud hexagon may offer a more thorough comprehension of the factors that impact deceitful financial statements.

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