
ANALYSIS OF FRAUD HEXAGON THEORY OF FINANCIAL FRAUDULENT REPORTING USING F-SCORE MODEL

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Abstract: The research purpose is to determine and analyze the effect of fraud hexagon theory (stimulus, opportunity, rationalization, capability, ego dan collusion) to fraudulent financial reporting. The importance of this research is that fraudulent financial reporting can be detected as early as possible, so that the fraudulent financial reporting can be avoided and does not cause a loss for many parties. This research was conducted in the manufacture sector companies because it is a sector that is prone to fraudulent financial reporting. The sample in this research was selected using a purposive sampling technique which was obtained as many as 59 of manufacture sector companies listed on the Indonesia Stock Exchange in 2016-2020. The data analysis technique used SEM-PLS with WarpPLS 7.0 software. The result of this research show that stimulus, opportunity, rationalization and ego have positive and significant to fraudulent financial reporting, collusion have negative and significant to fraudulent financial reporting, while the capability did not have effect to fraudulent financial reporting.

Keywords: fraudulent financial reporting, fraud hexagon theory.

INTRODUCTION

Fraud in financial reporting has a substantial and negative impact such as loss of investor confidence, damage to company reputation, potential for fines and criminal acts (Nurliasari & Achmad, 2020). One of the factors driving this fraud is the difference in interests between the principal (investor) and the agent (management). This is explained in agency theory by Jensen & Meckling (1976).

There have been many cases of fraud in financial reports in various sectors, especially in Indonesia. The results of PT Ernst & Young Indonesia's (EY) Fact-Based investigation into the new management of PT Tiga Pilar Sejahtera Food Tbk (AISA) dated March 12 2019, there were allegations of inflation occurring in the accounts receivable, inventory and fixed assets of the AISA Group (CNBC Indonesia, 2019). In addition, a number of other affiliated transactions were also not reported. The OJK is monitoring the problems currently being faced by PT Tiga Pilar Sejahtera Food Tbk because an investigation into the 2017 financial statements found allegations of overstatement by the old management of IDR 4 trillion. This investigation was carried out due to a direct request from the company's shareholders which was submitted at the Extraordinary General Meeting of Shareholders (2018). The old management in question is the manager before the EGMS (CNBC Indonesia, 2019).

The recent fraudulent financial reporting case that has been in the public spotlight in Indonesia is the PT Asuransi Jiwasraya (Persero) case. This company is the oldest and largest state-owned insurance company in Indonesia. This case was

revealed due to liquidity pressures which led to the company's inability to pay for the JS Saving Plan insurance policy (default) with indications of state losses reaching IDR 13.7 trillion (Cnnindonesia.com, 08 January 2020). So that on January 8, 2020 the Supreme Audit Agency (BPK) officially determined the scandal at Jiwasraya.

The Asia-Pacific Association of Certified Fraud Examiners (ACFE) in 2020 divided fraud cases into three, namely, asset misappropriations, corruption and financial statement fraud (ACFE, 2020).

From the 2020 Association of Certified Fraud Examiners survey, financial statement fraud is the least fraud, namely 10% compared to asset misuse and corruption. Even though the percentage of fraud was the smallest, the loss was the largest, namely US\$ 954,000 compared to the previous year's US\$ 700,000.

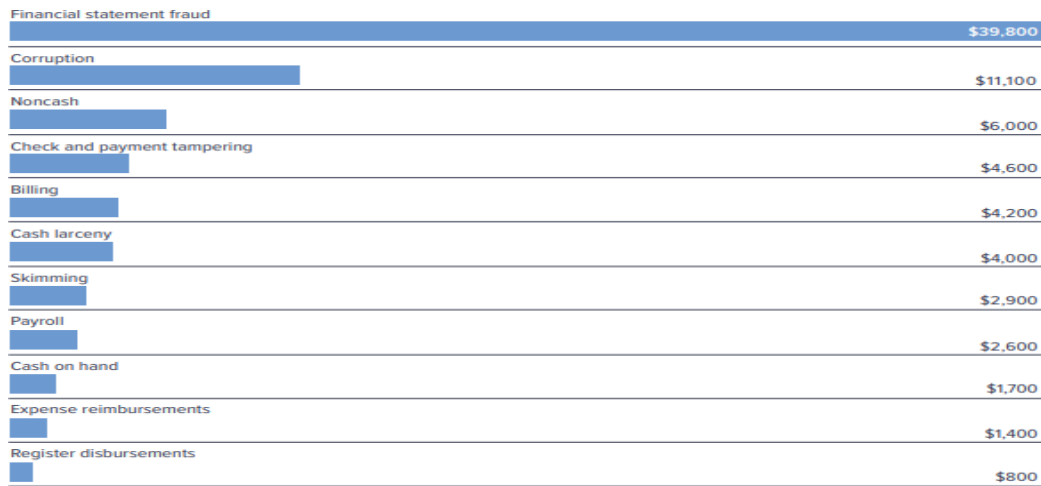


Figure 1. Velocity of Fraud Schemes

Source: Association of Certified Fraud Examiners (2020)

The results of the 2020 Association of Certified Fraud Examiners survey above conducted by ACFE 2020 show that financial statement fraud has the greatest speed of fraudulent schemes worth USD 39,800.SSS

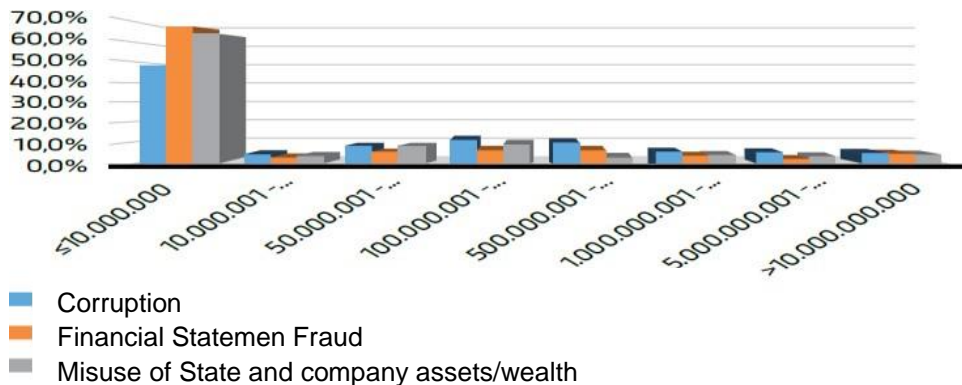


Figure 2. Losses due to fraud by type of fraud

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Source: *Fraud Indonesia* (2019)

From the 2019 Fraud Indonesia survey above, it can be seen that financial statement fraud has the least percentage, but if you look at the losses, financial report fraud has a considerable value with an average loss of over 10 billion rupiah. The small percentage of fraudulent financial statements obtained from surveys conducted in Indonesia is suspected because there are still many frauds that have not been uncovered.

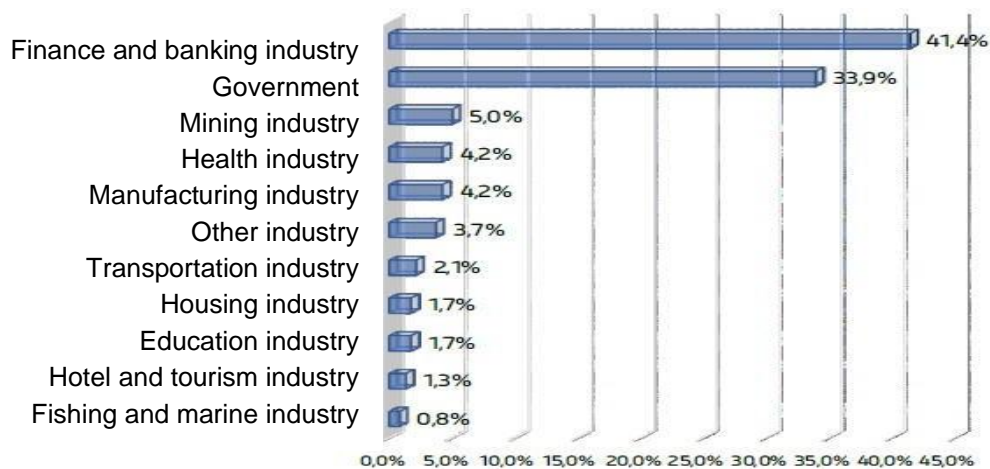


Figure 3. Industries of the victim organization

Source: Survei *Fraud Indonesia* (2019)

Based on the 2019 Fraud Indonesia survey above, it can be seen that the financial and banking industry, government, mining industry, health industry and manufacturing industry are in the top five. ACFE (2020) also shows the most common fraud schemes used for fraudulent financial reporting, namely in the construction and manufacturing industries. For organizations, acts of fraud not only cause material losses, but also lose the trust of the public so that the reputation of the organization becomes bad.

Theories about the driving factors of fraud have developed to date. Starting from the emergence of the theory put forward by Cressey (1953) known as the fraud triangle which consists of three elements (pressure, opportunity, and rationalization). Then it developed into a diamond fraud proposed by Wolfe and Hermason (2004) with the addition of a capability element. Then it developed into a pentagon fraud with the addition of elements of competence and arrogance (Crowe Howarth, 2011). Finally, Vousinas (2019) develops a theory into a fraud hexagon which consists of elements of stimulus (pressure), opportunity (opportunity), rationalization (rationalization), capability (ability), ego (arrogance) and collusion (collusion).

The difference between this research and previous research is the year of research, research subjects, and the theory of fraud used to determine fraudulent financial reporting. Researchers are motivated to conduct this research for several reasons. First, based on the results of previous research regarding the factors that

influence fraudulent financial reporting, it still shows inconsistent results, so there is still a research gap. Second, this research is based on the many cases of fraudulent financial reporting so that further studies are needed in terms of the background of a person committing fraud. Based on the background described above, the researcher is interested in testing the Vousinas hexagon theory's ability to detect fraudulent financial reporting. Georgios L, Vousinas (2019) states that theories about the driving factors of fraud need to be updated to adapt to the ever-evolving fraud cases. So that this theory is the latest theory about the driving factors of fraud and empirically research with the perspective of the hexagon theory is still rarely done.

The purpose of this research is inseparable from the formulation of the problem to be answered, so the purpose of this research is as follows:

1. To determine the effect of stimulus on fraudulent financial reporting.
2. To determine the effect of opportunity on fraudulent financial reporting.
3. To determine the effect of rationalization on fraudulent financial reporting.
4. To determine the effect of capability on fraudulent financial reporting.
5. To determine the effect of ego on fraudulent financial reporting.

Agency Theory

Conflict of interest occurs because of differences in interests between management and principals (investors). Asymmetric information occurs when principals and agents have an imbalance of information, where management knows more information about the company (Renata & Yudowati, 2020). This information imbalance occurs because management knows more information than shareholders (investors), thus providing opportunities for fraud, especially in presenting financial reports (Hanifah & Sofie, 2019).

Theory Planned Behaviour

Theory of planned behavior is basically assumed as a human being who has rationalization or as a rational being. In line with what Windasari and Juliarsa (2016) explained that this theory is a person's rational attitude when receiving information, whether he will decide to do the behavior or consider it first.

In this theory attitudes toward behavior are conceptualized as the closest actual behavior, and intentions are predicted by the additional combination of attitudes toward behavior with a high degree of accuracy, subjective norms (beliefs about the importance of other people) perceiving the behavior, or whether other people are also involved. in this behavior as well as control behavior (Judge et al., 2019).

Attribution Theory

Attribution theory is defined as a form of human behavior pioneered by Fritz Heider in 1958. Kelley (1973) in Kaplan (1986) defines attribution theory as a theory about how people make causal explanations. Heider (1958) in Kaplan (1986) compares people to scientists who try to understand the causes of events and actions around them, namely achieving cognitive mastery of their environment.

Situational causes are those that come from a situational background related to an event or that come from outside a person (external) or the environment (Luthan, 2011). Examples include chance, chance, and luck. Kelley identified four types of information for a person's attribution process, namely; consistency over time, consistency over modality, consensus, and distinctiveness (Kaplan, 1986).

Fraud

The Association of Certified Fraud Examiners (ACFE) defines fraud as an act of someone who is against the law carried out for personal or group gain (ACFE, 2020). The impact can be detrimental to others through intentional misuse of company resources (assets), both by internal and external parties (ACFE, 2020).

The Institute of Internal Auditors (IIA's) defines fraud as an illegal act characterized by deception, concealment, or a breach of trust. These actions do not rely on threats of violence or physical force. Fraud is committed by parties and organizations to obtain money, property or services, to avoid payment, or to secure personal or business gain (IIA, 2017).

Based on some of the definitions above, fraud is defined as an intentional act such as theft, corruption, conspiracy, embezzlement, theft, bribery and extortion with the aim of personal gain and gain with unethical behavior and considering the fraud committed is a natural thing.

The Association of Certified Fraud Examiners (ACFE, 2020) divides fraud into three categories:

1. **Corruption**

Corruption is difficult to detect because there is a symbiotic mutualism or mutual benefit between the two parties who commit acts of corruption. Activities that indicate acts of fraud include criminal acts such as bribery, abuse of authority, unauthorized receipts, and extortion that cause financial losses.

2. **Asset Misappropriation**

The perpetrators of this fraud use several methods to steal or misuse organizational resources for personal gain and are carried out without the permission of the company

3. **Fraudulent financial statement**

In this case the perpetrators of fraud deliberately cause material misstatement or deliberately omit important information in the company's financial statements to cover up the actual condition of the company which aims to make a profit.

Fraudulent Financial Reporting (FFR)

Fraudulent financial reporting is a misstatement of the financial condition of a company by omitting a value or disclosure in financial statements that intends to deceive users of financial statements (Wielungga et al, 2020).

Keiso in Khoirunnisa et al (2020), financial statement fraud occurs because of the internal and external environment. Internal factors can be in the form of a weak control system, bad management, as well as problems with the company's profitability and liquidity. While external factors are related to the state of the industry or the business environment as a whole.

Theories about the driving factors of fraud have developed to date. Starting from the emergence of the theory put forward by Cressey (1953) known as the fraud triangle which consists of three elements (pressure, opportunity, and rationalization). Then it developed into a diamond fraud proposed by Wolfe and Hermason (2004) with the addition of a capability element. Then it developed into a pentagon fraud with the addition of elements of competence and arrogance (Crowe Howarth, 2011). Finally,

Vousinas (2019) develops a theory into a fraud hexagon which consists of elements of pressure, opportunity, rationalization, capability, arrogance, and collusion. Fraud hexagon can be used as a detection of financial fraud *reporting but cannot be measured directly, but uses several indicators (Vousinas, 2019).*

Fraud Triangle

Fraud triangle is the first theory to explain fraud. This theory was first put forward by Donald R. Cressey in 1953 who conducted a study of 200 frauds accused of fraud (Machado & Gartner, 2017).

Fraud Diamond

Fraud diamond was proposed by Wolfe & Hermanson (2004) with the addition of a capability element. Capability is the skill possessed by employees to ignore internal controls, have strategies to hide something, and observe social conditions for personal gain (Crowe, 2011).

Fraud Pentagon

Pentagon fraud is an arrogant attitude that exists in a person, who thinks that he is capable of committing fraud (Putriyanti & Cahyati, 2020).

Fraud Hexagon

Fraud hexagon is the latest theory of fraud in detecting fraud. This theory was put forward by Vousinas from the National Technical University of Athens in 2019. The difference between this fraud theory and previous fraud theories lies in the names of the elements. In hexagon fraud, the pressure element is replaced with a stimulus that has the same meaning as described in the fraud triangle, fraud diamond and fraud pentagon. Besides that, the ego element has the same meaning as arrogance in the pentagon fraud theory.

METHODS

Based on the dominant data type that is processed in the form of numbers, this research is included in the type of research with a quantitative approach. Quantitative research is a research methodology that seeks to quantify data that usually applies certain statistics (Malhotra, 2006:161). In this study, researchers analyzed the effect of the hexagon fraud theory which consists of elements of stimulus, pressure, rationalization, capability, ego, and collusion in predicting fraudulent financial reporting.

The population in this study are manufacturing companies in the basic and chemical industry sectors listed on the Indonesia Stock Exchange for the 2016-2020 period. The sample selection technique in this study used a purposive sampling method, which used certain criteria (Sugiyono, 2019: 133).

The type of data used in this research is secondary data. The data used for all types of variables comes from annual report data published on the Indonesia Stock Exchange for the period 2016-2020 and other document sources that can be used.

The data collection method in this study uses the documentation method, which is to retrieve company data that has been published in the Indonesia Capital Market Directory (ICMD) and data can also be retrieved from www.idx.co.id, which are listed on the Indonesia Stock Exchange in the form of annual reports or annual report as well as through the website <https://sahamee.com>, and www.indopremier.com regarding the variables studied.

This study detects fraudulent financial reporting using the fraud score model or commonly known as the F-score (Dechow et. al., 2011) which is an extension of the Beneish model (1997) with the aim of developing a measure that can directly calculated from the financial statements. Previous researchers (Akbar, 2017; Rengganis et al, 2019; Nugraheni & Triatmoko, 2017; Meiryani et al, 2020) also used the F-score model as a measurement of fraudulent financial reporting. The F-Score is the sum of accrual quality and financial performance (Skousen, 2009), which can be described in the following equation:

$$F\text{-score} = \text{Accrual Quality} + \text{Financial Performance}$$

Accrual quality is proxied by RSST accruals (Richardson et al, 2005) as follows:

$$RSST \text{ Accrual} = \frac{\Delta WC + \Delta NCO + \Delta FIN}{\text{Average Total Assets}}$$

Information:

WC (Working Capital)	= (Current Asset - Current Liability)
NCO (Non Current Operating Accrual)	= (Total Assets – Current Asset - Investment and advances) – (Total Liabilities – Current Liability – LongTerm Debt)
FIN (Financial Accrual)	= Total Investment – Total Liabilities
ATS (Average Total Assets)	= (Beginning Total Assets + Ending Total Assets) : 2

Financial performance is measured by changes in accounts receivable accounts, changes in inventory accounts, changes in cash sales accounts, changes in EBIT as follows:

Financial Performance	= change on receivable + change on inventories + change on cash sales + change on earnings
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Information:

Change on receivable	= $\frac{\Delta \text{Receivable}}{\text{Average Total Assets}}$
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Change on inventories	= $\frac{\Delta \text{Inventories}}{\text{Average Total Assets}}$
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Change on cash sales	= $\frac{\Delta \text{Sales}}{\text{Sales (t)}} + \frac{\Delta \text{Receivable}}{\text{Receivable (t)}}$
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$$\text{Change on earnings} = \frac{\Delta \text{Earnings } (t)}{\text{Average Total Assets}} - \frac{\text{Earnings } (t-1)}{\text{Average Total Assets } (t-1)}$$

Companies can be predicted to commit fraud if the F-score model value is more than 1, whereas if the F-score model value is less than 1, the company cannot be predicted to commit fraud against fraudulent financial reporting (Skousen, 2009).

This study uses the fraud hexagon as an independent variable. The fraud hexagon consists of six elements, namely stimulus, opportunity, rationalization, capability, ego and collusion (Vousinas, 2019). These six elements have their respective dimensions as follows: stimulus consists of financial stability, financial targets and external pressure, opportunity consists of nature of industry and ineffective monitoring, rationalization consists of audit opinion and auditor change, capability consists of change of directors and CEO education, ego consists of frequent number of CEO pictures and company existence, collusion consists of political connections and state-owned enterprises. The dimensions of these six variables cannot be simply examined, so they require variable proxies.

Data Processing and Analysis Techniques

Data processing using WarpPLS software version 7.0. SEM-PLS was chosen in this study because the data was not normally distributed, there was a missing value, and it could work with metric scale variables, pseudo metric (ordinal), binary or dummy code variables with two categories, but only for independent variables (Sholihin and Ratmono, 2021).

This study uses a formative construct, which has the characteristic that changes in indicators cause changes in constructs (Sholihin and Ratmono, 2021). The evaluation of the measurement model in this study was carried out using two criteria, namely assessing the collinearity problem and assessing the significance and relevance of the formative indicators (Hair et al, 2017 in Sholihin and Ratmono, 2021: 51).

In this research, the evaluation of the measurement model uses the Output Indicator Weight, with the decision-making criteria, namely the weight must be significant with a p-value (p-value) < 0.05 and VIF (Variance Inflation Factor) < 2.5. If both conditions are met, then the measurement of formative latent (construct) variables is considered feasible (Sholihin and Ratmono, 2021).

RESULTS AND DISCUSSION

The first stage in the SEM-PLS analysis in this study is the evaluation of the measurement model or outer model using the output weight indicator.

Table 1: Output Indikator Weight

	X1	X2	X3	X4	X5	X6	Y	Type (as defined)	P value	VIF
X1.1	-0.416	0.000	0.000	0.000	0.000	0.000	0.000	Formative	<0.001	1.055
X1.2	-0.528	0.000	0.000	0.000	0.000	0.000	0.000	Formative	<0.001	1.131
X1.3	(-0.492)	0.000	0.000	0.000	0.000	0.000	0.000	Formative	<0.001	1.105

X2.1	0.000	-0.701	0.000	0.000	0.000	0.000	0.000	Formative	<0.001	1.000
X2.2	0.000	-0.701	0.000	0.000	0.000	0.000	0.000	Formative	<0.001	1.000
X3.1	0.000	0.000	-0.721	0.000	0.000	0.000	0.000	Formative	<0.001	1.001
X3.2	0.000	0.000	-0.721	0.000	0.000	0.000	0.000	Formative	<0.001	1.001
X4.1	0.000	0.000	0.000	-0.681	0.000	0.000	0.000	Formative	<0.001	1.006
X4.2	0.000	0.000	0.000	-0.681	0.000	0.000	0.000	Formative	<0.001	1.006
X5.1	0.000	0.000	0.000	0.000	-0.735	0.000	0.000	Formative	<0.001	1.006
X5.2	0.000	0.000	0.000	0.000	-0.735	0.000	0.000	Formative	<0.001	1.006
X6.1	0.000	0.000	0.000	0.000	0.000	-0.735	0.000	Formative	<0.001	1.006
X6.2	0.000	0.000	0.000	0.000	0.000	-0.735	0.000	Formative	<0.001	1.006
Y	0.000	0.000	0.000	0.000	0.000	0.000	-1.000	Formative	<0.001	0.000

Source: Processed data, 2023

The outer model uses the output indicator weight, in table 2 it shows that all variable indicators have a p-value <0.05 and a VIF value <2.5. Then the requirements for the measurement model have been met.

Table 2. Output Latent Variable Coefficients

Variabel	R-Squared	Adj. R-Squared	Q-Squared	Full Collinearity VIF
Stimulus (X1)				1.137
Opportunity (X2)				1.055
Rationalization (X3)				1.025
Capability (X4)	0.21	0.20	0.20	1.063
Ego (X5)				1.076
Collusion (X6)				1.178
FFR (Y)				1.106

Source: Processed data, (2023)

The value of the latent variable coefficient test results in table 3 above: Adj. r-squared is equal to 0.20, which means that fraudulent financial reporting (F-SCORE) can be explained by 20% by the variable stimulus, opportunity, rationalization, capability, ego and collusion. The predictive validity (Q-Square or Q²) is 0.20, which means that this research model has good validity, because Q²>0. The results of full collinearity VIF for stimulus variables (1.137), opportunity (1.055), rationalization (1.025), capability (1.063), ego (1.076) and collusion (1.178) show a value of less than 3.3, which means that the model is free from collinearity problems .

Table 3. Output General Result

Indikator		P-value	Kriteria
Average path coefficient (APC)	0.17	P<0.001	p<0.05
Average R-squared (ARS)	0.21	p<0.001	P<0.05
Average adjusted R-squared (AARS)	0.20	p<0.001	P<0.05
Average full collinearity VIF (AFVIF)	1.091		AFVIF< 5

Source: Processed data, (2023)

The p-value of the APC, ARS, AARS indicators in table 4 is <0.001, which is less than 0.05. The Average full collinearity VIF (AFVIF) value is 1,091 which is less than 5 (AFVIF<5). The four main indicators in testing the fit model meet the criteria, so the model in this study is feasible and meets the criteria.

Table 4. Path Coefficient

Path Coefficients						
	X1	X2	X3	X4	X5	X6
Y	0.204	-0.071	0.214	-0.086	0.193	-0.252

P-value						
	X1	X2	X3	X4	X5	X6
Y	<0.001	0.11	<0.001	0.068	<0.001	<0.001

Source: Processed data, 2023

a. Effect of Stimulus to Fraudulent Financial Reporting.

The positive direction can be seen from the positive coefficient (β) value of 0.204, which means that when the stimulus increases, the potential for fraudulent financial reporting increases. Stimulus consists of three dimensions, namely financial stability, financial targets and external pressure. So when viewed from an agency theory point of view, this positive direction explains that management as an agent gets delegation of authority from the principal, is able to carry out fraudulent financial reporting when the company is in a stable condition, high ROA ratio and high leverage ratio. The results of this study are consistent with the findings of Aghghaleh, et al (2014) which state that companies with high pressure experience many levels of fraud. Research by Akbar (2017), Christian (2019), Agusputri and Sofie (2019), Tjen et al (2020), Apriliana & Agustina (2017) found results that stimulus had an effect on fraudulent financial reporting.

b. Effect of Opportunity to Fraudulent Financial Reporting

Based on the results of the hypothesis testing, it shows that the second hypothesis is rejected, which is indicated by the p-value of 0.110 greater than sig 0.05. This means that the opportunity variable does not have a significant effect on fraudulent financial reporting. Opportunity consists of two dimensions, namely the nature of industry and ineffective monitoring. Agency theory explains that agency

relationships create opportunities for conflict of interest and asymmetric information. Management is given the authority to make decisions within the company in the interest of the principal, but in practice the decisions taken by management often conflict with the interests of the principal (Fitri et al, 2017). Therefore supervision of agents is necessary. This information imbalance occurs because management knows more information than shareholders (investors), thus providing opportunities for fraud, especially in presenting financial reports (Hanifah & Sofie, 2019). However, the findings in this study are unable to answer this theory. If there is an opportunity in a company, it is not certain that management will take this opportunity to commit fraud. This is in line with research by Akbar (2017), Tessa & Harto (2016), Mukhtaruddin et al. (2020), Yulianti et al (2019), Octani et al (2022) and Quraini (2018) which state that opportunity has no effect on fraudulent financial reporting.

c. Effect of Rationalization to Fraudulent Financial Reporting

Based on the results of the hypothesis testing, it shows that the third hypothesis is accepted, which is indicated by a p-value of <0.001 , which is smaller than sig 0.05. This means that the rationalization variable has a significant and positive influence on fraudulent financial reporting. The positive direction can be seen from the coefficient (β) which is positive at 0.214, which means that the higher the rationalization, the higher the occurrence of fraudulent financial reporting. Rationalization consists of two dimensions, namely auditor opinion and auditor turnover. the better the opinion given by the auditor, the higher the tendency for fraudulent financial reporting to occur. Changing a public accounting firm in a company will be an audit weakness because there is a change in a new public accounting firm, so the auditor at the new KAP is still new to the company. So that this will be used by the company in committing fraudulent financial statements. Theory of planned behavior is basically assumed as a human being who has rationalization or as a rational being. In line with the research of Christian (2019), Aprilia & Furqani (2021), Puspitha & Yasa (2018) and Handoko & Selly (2020) stated that rationalization has an effect on fraudulent financial reporting.

d. Effect of Capability to Fraudulent Financial Reporting

Based on the results of the hypothesis testing, it shows that the fourth hypothesis is rejected, which is indicated by the p-value of 0.068 which is greater than sig 0.05. This means that the capability variable does not have a significant effect on fraudulent financial reporting. Capability consists of two dimensions, namely the change of directors and CEO education. Change of directors has no effect on fraudulent financial reporting due to several factors, namely the company's goal to improve the performance of directors or the term of office that has been completed. The higher the ability of the directors, the higher the level of prudence in carrying out company activities, so that the possibility of committing fraudulent financial reporting is lower (Annisya et al, 2016). In line with research by Akbar (2017), Annisya et al (2016), Rukmana (2018) Handoko & Selly (2020) and Mukhtaruddin et al. (2020) states that capability has no significant effect on fraudulent financial reporting.

e. Influence of Ego to Fraudulent Financial Reporting

Based on the results of the hypothesis testing, it shows that the fifth hypothesis is accepted, which is indicated by the p-value <0.001 , which is smaller than the sig value of 0.005. This means that the ego variable has a significant and positive

influence on fraudulent financial reporting. The positive direction can be seen from the coefficient (β) which is positive at 0.193, which means that the higher the ego, the higher the occurrence of fraudulent financial reporting. Ego consists of two dimensions, namely the frequent number of CEO pictures and company existence. Yusuf (2015) also explained that many CEO photos can show the arrogance of a company leader. A high ego can raise the possibility of fraud because the CEO feels that all internal controls do not apply to him because of his status and position. The higher the existence, the higher the tendency for fraudulent financial reporting to occur. The results of this study are in line with research conducted by Aprilia & Aguatina (2017), Puspitha & Yasa (2018) and Rukmana (2018) which state that ego or arrogance has an influence on fraudulent financial reporting.

f. Effect of Collusion to Fraudulent Financial Reporting

The sixth element of the fraud hexagon theory is collusion. Based on the results of the hypothesis testing, it shows that the sixth hypothesis is accepted, indicated by the p-value <0.001 . This means that the collusion variable has a significant and negative effect on fraudulent financial reporting. The negative direction can be seen from the coefficient (β) which is negative of -0.252, which means that the higher the collusion, the lower the tendency to commit fraudulent financial reporting. Collusion consists of two dimensions, namely political connections and stated owned enterprise. Collaboration with government projects will lead to efforts for companies to participate in the project (Octaviana, 2022). Vousinas (2019) states that cooperation with the government contains a political element and is usually carried out through a tender system or projects with considerable value. If this collaboration is established, it supports the theory put forward by Vousinas (2019), namely an agreement between two or more parties that contains political elements and an opportunistic attitude called collusion. However, collusion here is not an agreement to commit fraudulent financial reporting and opportunistic behavior for unfavorable purposes. Gaio & Pinto (2018), Hady & Chariri (2022), Guedhami et al (2014) and Matangkin (2018) also show that collusion has an influence on fraudulent financial reporting.

CONCLUSION

This research can be concluded Stimulus has a positive and significant effect on fraudulent financial reporting. This means that the higher the stimulus, the greater the potential for fraudulent financial reporting. Opportunity has no effect on fraudulent financial reporting.

Rationalization has a positive and significant effect on fraudulent financial reporting. This means that the higher the rationalization, the higher the potential for fraudulent financial reporting. Capability has no effect on fraudulent financial reporting.

Ego has a positive and significant effect on fraudulent financial reporting. This means that the higher the ego, the higher the potential for fraudulent financial reporting.

Collusion has a negative and significant effect on fraudulent financial reporting. This means that the higher the collusion, the lower the potential for fraudulent financial reporting.

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