



The effect of the fraud hexagon on Financial statement fraud in the finance sector companies Listed on the Indonesian stock exchange from 2020 -2023

Bertha Elvy Napitupulu¹, Muhammad Diva², Oktavia Marpaung³,
Frisca L. Siagian⁴, Rudy Hedianton Saragih⁵, Luky Yunia Wennadi⁶

¹ FISH Universitas Audi Indonesia

^{2,3,4,5} Sekolah Tinggi Ilmu Ekonomi Jayakarta, Jakarta, Indonesia

⁶ FEB Universitas Katolik Indonesia Atma Jaya, Jakarta, Indonesia

Scopus id :

Bertha Elvy Napitupulu¹: <https://www.scopus.com/authid/detail.uri?authorId=57446570200>

Oktavia Marpaung³: <https://www.scopus.com/authid/detail.uri?authorId=58965438800>

Email address:

bertha.napitupulu27@gmail.com, oktavia.jykt@gmail.com, friscalgs@gmail.com,
rudyhed@gmail.com, yunia.panjaitan@atmajaya.ac.id

*Correspondence : bertha.napitupulu27@gmail.com

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Financial statements are documents that present a company's financial information and serve as the basis for evaluating the company's performance and financial stability. Financial statements contain information regarding the company's management performance and reflect the company's condition over a given business period. Every company strives to produce financial statements that are accurate, relevant, and reliable so as to demonstrate that its operations are running smoothly. Fraud is committed to manipulate financial statements so that they appear sound, relevant, and reliable. Financial statement fraud can be caused by various factors. Theories regarding the causes of financial statement fraud have evolved from the fraud triangle, fraud diamond, fraud pentagon, and fraud hexagon, where the factors are pressure, opportunity, rationalization, capability, arrogance, and collusion.

This study aims to analyze the influence of the fraud hexagon—comprising pressure, opportunity, rationalization, capability, arrogance, and collusion—on financial statement fraud in financing sector companies listed on the Indonesia Stock Exchange during the 2020–2023 period.



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The results of the study indicate that none of the factors in the fraud hexagon had an effect on financial statement fraud at financing sector companies listed on the Indonesia Stock Exchange during the 2020–2023 period.

Keywords: Fraud Hexagon, Pressure, Opportunity, Rationalization, Capability, Arrogance, Collusion

I. BACKGROUND

In the world of business and finance, financial statements are important documents that present an entity's financial information and serve as the basis for evaluating a company's performance and financial stability. Internally, financial statements form the basis for decision-making, while externally, they reflect the company's performance and condition. Financial statements contain information regarding the company's management performance and show the company's condition over a given business period. The relevance and reliability of data in financial statements are crucial in the preparation of financial statements to prevent both material and nonmaterial errors.

Every company wants to produce sound financial statements that reflect the healthy operation of its business. This can put pressure on companies to consistently issue financial statements that show the highest possible profits, so that it can be said the company is performing well. This pressure can drive companies to commit fraud by manipulating financial statement information, thereby causing losses for many parties [1]. Deceptive acts committed to manipulate financial statements are referred to as fraud. Conflicts of interest between company management and users of financial statement information can lead to fraud in financial statements. Fraud is committed by both domestic and international companies. According to 2019 data from the Association of Certified Fraud Examiners (ACFE), the banking and financial services industry suffered the greatest losses due to fraud, at 41.4%.

Financial statement fraud can be caused by various factors. According to Donald R. Cressey (1953), the causes of fraud are based on three main factors: pressure, opportunity, and rationalization—known as the fraud triangle theory [2]. This fraud triangle theory was updated by Wolfe & Hermanson (2004) by adding capability as a fourth element, known as the fraud diamond. Crowe (2011) added arrogance as the fifth element, known as the “fraud pentagon.” Then, in 2019, Vousinas added a sixth element—the most recent addition to the previous elements—namely collusion, known as the “fraud hexagon.”

Prevention and detection of financial statement fraud are necessary to minimize instances of fraud. The fraud hexagon theory is one method for detecting fraud in financial statements. The fraud hexagon theory, which is an extension of previous theories, incorporates the element of collusion in addition to the elements of pressure, opportunity, rationalization, capability, and arrogance. Financial pressure drives individuals to commit fraud. In the Statement on Auditing



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Standards (SAS No. 99), there are four common conditions related to pressure that can lead to fraud. These conditions are financial stability, external pressure, personal financial need, and financial targets. Opportunities can arise due to weak systems, procedures, and internal controls, which can provide opportunities for fraudsters to commit fraud. Opportunities for fraud in financial reporting can fall into three categories: the nature of the industry, ineffective monitoring, audit quality, and organizational structure. Rationalization is the act of justifying a fraudulent act. An auditor is usually aware of indications of fraudulent activity. This prompts management to replace the auditor in order to cover up traces of fraud in the financial statements. They do not want their actions to be discovered, so they rationalize the manipulation that has taken place. This action is taken to ensure they remain safe and free from punishment [3]. Capability refers to a person's ability to commit fraud in order to achieve a desired goal. Wolfe & Hermanson (2004) explain that changes in the board of directors result from conflicts of interest [4]. Arrogance is a greedy attitude exhibited by people who believe that internal controls do not apply to them personally [5]. The number of photos of the Chief Executive Officer (CEO) featured in a company's annual report can reflect the CEO's level of arrogance or sense of superiority [6]. Collusion is a concerted agreement between two or more people to manipulate a situation for the benefit of one party, with the aim of taking actions that serve an improper purpose. According to Sari and Nugroho (2021), collusion can be measured by the existence of cooperation with government projects, as securing such cooperation prompts companies to present favorable financial performance in order to be approved for participation in government projects [7]. To that end, the "pressure" element can be illustrated by financial targets; the "opportunity" element by the nature of the industry; the "rationalization" element by a change in auditor; the "capability" element by a change in leadership; the "arrogance" element is represented by the frequent appearance of the CEO's photo, and the "collusion" element is represented by the company's involvement in government projects.

This study generally aims to analyze the influence of the fraud hexagon on financial statement fraud. Specifically, the objective of this study is to determine the influence of pressure, opportunity, rationalization, capability, arrogance, and collusion on financial statement fraud, both individually and simultaneously. Fraudulent acts have the potential to undermine a company's credibility and reduce investor loyalty toward the company.

II. LITERATURE REVIEW

According to PSAK 1[8], financial statements are a structured presentation of an entity's financial position and financial performance. The purpose of financial statements is to provide information regarding the entity's financial position, financial performance, and cash flows that is useful to the majority of financial statement users in making economic decisions. Financial statements also demonstrate management's accountability for the use of the resources entrusted to them. To achieve these objectives, financial statements present information about the entity, including assets, liabilities, equity, revenue and expenses—including gains and losses—contributions to and distributions from owners, and cash flows.



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2.1 Agency Theory

Agency theory refers to a contractual relationship between members of a company—namely, the principal (owner) and the agent. In agency theory, management seeks to maximize its own welfare by minimizing various agency costs. The principal (owner) and the agent may have differing interests. Conflicts of interest between the principal and the agent lead to a lack of mutual trust, as the agent will act in their own self-interest rather than maximizing the principal's interests. This situation creates a significant opportunity for the agent to engage in fraud. Fraud occurs due to human nature, which is characterized by self-interest, limited ability to perceive the future (bounded rationality), and a tendency to avoid risk (risk aversion). Self-interest is related to factors such as pressure, ability, and arrogance. Risk aversion is related to factors such as opportunity and rationalization [3].

2.2 Fraud

Fraud is dishonesty. Fraud refers to acts of deception, trickery, cunning, deceit, and other dishonest actions committed by an individual or entity that may result in undue benefit to that individual or another party [9]. According to the Indonesian Institute of Certified Public Accountants (IAI), fraud is the intentional misstatement or omission of amounts or disclosures in financial statements. Financial statement fraud can be defined as fraud committed by management in the form of material misstatements in financial statements that can cause harm to investors and creditors.

There are several types of fraud theories. The first is the fraud triangle, which identifies three elements that lead to fraud: pressure, opportunity, and rationalization. The second theory is the fraud diamond, which is an extension of the fraud triangle that adds the element of capability. This second theory was further developed into the fraud pentagon, adding a fifth element: arrogance. The most recent development is the fraud hexagon theory, which adds a sixth element: collusion.

Pressure is one of the factors that drives a person to commit fraud. Pressure in the workplace can arise when a party—whether an employee or management—wishes to conceal fraudulent acts they have committed due to financial or non-financial (economic) pressures. Financial targets, financial stability, and external pressure are some of the conditions that cause a person to feel pressured, thereby driving them to commit fraud.

Opportunities may arise due to a lack of proper controls, creating the possibility of committing fraud undetected. Opportunities may also arise due to ineffective management oversight, abuse of authority, and weak internal controls [10]. Opportunities in financial statements may arise under three conditions: the nature of the industry, ineffective monitoring, and organizational structure.

Rationalization is the act of justifying ethical values before committing fraud. Rationalization is caused by external factors, namely pressure from the environment to rationalize fraudulent actions. If there is a change in auditors across several financial reporting periods, there





may be reasons on the part of company management that led to that change. A change in auditors is an effort by company management to conceal fraud. If a company frequently changes auditors, this may indicate that the company is attempting to conceal fraudulent practices within the industry [11].

Capability refers to a fraudster's ability to commit fraud without being detected by those in control. A change in the board of directors is one factor that can indicate a person's capability to commit fraud. The board of directors is the management level that holds authority and responsibility for the company's interests. One of the company's efforts to improve performance in the previous year was to replace the board of directors.

Arrogance can manifest as a sense of being superior or more important than others, or as the display of power in an unpleasant manner. Arrogance can also take the form of haughtiness or a sense of superiority on the part of a top executive—such as a CEO—who feels they are above the law, company rules, or internal controls. Arrogance can lead to fraud in financial statements. One indicator of arrogance is the frequency with which the CEO appears in photos. The large number of photos of the CEO featured in a company's annual report may reflect the CEO's level of arrogance or sense of superiority [6].

Collusion is an agreement or collaboration between two or more individuals to commit a criminal act or fraud, and it constitutes a form of misconduct. Many cases of fraud and white-collar crime occur as a result of collusion (Vousinas 2019). One way to detect collusion within an entity is through agreements or collaborations with the government. In this context, collaboration on government projects refers to a binding partnership between a company and a government project. The larger the scale of collaboration on government projects, the greater the company's financial revenue, which can motivate agents to seek personal gain by manipulating financial reports to misrepresent the actual figures [12].

Financial statement fraud is a practice carried out to deceive users of financial statements through intentional misstatements, omissions, and misrepresentations in financial statements [9]. Financial statement fraud is committed intentionally to deceive investors and creditors by inflating asset values and recognizing revenue, as well as by understating liabilities and underreporting operating and production costs [13]. Financial statement fraud can occur in several ways, such as altering accounting records from their original form, altering or substituting supporting documents used as the basis for financial statement presentation, intentionally omitting or misrepresenting transactions, events, and other important information, as well as the intentional misapplication of classifications, amounts, disclosures, or methods of presentation [14]. Both intentional and unintentional errors in financial statements can result in inaccuracies, misrepresentations, and even noncompliance with established accounting principles in the information presented.

2.3 Theoretical Framework and Hypotheses

Several previous studies support this research. Research by Natasya Oktaviana (2022) revealed that financial targets—as one element of the fraud hexagon—have a negative effect on

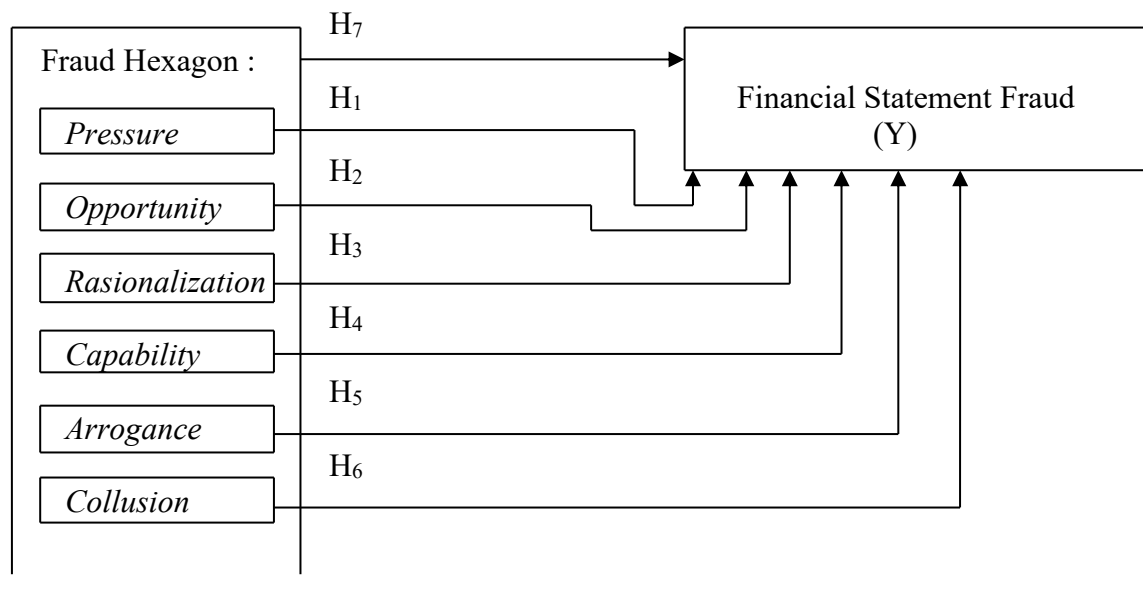


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fraudulent financial reporting, while other elements in the fraud hexagon, such as financial stability, external pressure, ineffective monitoring, nature of the industry, change of auditor, total accrual ratio, CEO's education, frequency of CEO's photos, and state-owned enterprises, have no effect [15]. Research by Febrianto and Suryandari (2022) found that financial targets and industry characteristics have a positive effect on financial statement fraud, while CEO duality has a negative effect on financial statement fraud. Meanwhile, external pressure, changes in the board of directors, and collusion have no effect on financial statement fraud [16]. A study by Didi Setyono et al. (2023), which examined the use of the fraud hexagon in detecting financial statement fraud, found that the nature of the industry and a change in auditors have a positive effect on financial statement fraud; however, financial targets, changes in the board of directors, collusion, and the number of CEO roles do not affect financial statement fraud [17].

Based on the background, literature review and previous studies, the following conceptual framework was developed:



Picture 2.1 Conceptual Framework

Hypotheses:

H₁: Pressure has a positive and significant effect on financial statement fraud.

H₂: Opportunity has a positive and significant effect on financial statement fraud.

H₃: Rationalization has a positive and significant effect on financial statement fraud.

H₄: Capability has a positive and significant effect on financial statement fraud.



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H5: Arrogance has a positive and significant effect on financial statement fraud.

H6: Collusion has a positive and significant effect on financial statement fraud.

H7: Pressure, Opportunity, Rationalization, Capability, Arrogance, and Collusion simultaneously influence financial statement fraud (Fraud Hexagon influence financial statement fraud)

III. RESEARCH METHODOLOGY

This study is quantitative in nature, as it will use numerical data that will be processed and the results analyzed. This study is also a correlational study, as it will examine the relationship between the fraud hexagon and financial statement misstatements. The population of this study consists of companies classified in the financing sector. The data are secondary data, specifically data obtained from the Indonesia Stock Exchange (IDX) for companies in the financing sector for the years 2020–2023. To determine the sample, a non-probability sampling technique was used, specifically purposive sampling, based on specific criteria: companies in the financing sector listed on the Indonesia Stock Exchange (IDX) for the 2020–2023 period, which published financial reports continuously during the 2020–2023 period and had those reports audited. These financing sector companies use the rupiah as their currency and did not incur losses during the 2020–2023 period. The necessary variables for the 2020–2023 period are fully available for these financing sector companies.

The variables used consist of independent variable X and dependent variable Y. The independent variable X consists of X_1 = pressure, X_2 = opportunity, X_3 = rationalization, X_4 = capability, X_5 = arrogance, and X_6 = collusion, which are elements of the fraud hexagon. The dependent variable Y is financial statement fraud. The measurements of the variables used are as follows. Variable X_1 = pressure measured against the financial target is a profit target that must be achieved in proportion to the effort expended to generate that profit; profit is measured by ROA (Return on Assets), which is the ratio of net income to total assets. Variable X_2 = opportunity, as measured by the ideal state of the industry (nature of industry = NOI), which represents a company's ideal conditions within its industry environment. It is measured using the NOI formula: $\text{NOI} = (\text{Receivables}/\text{Sales}) - (\text{Receivables } t-1/\text{Sales } t-1)$, where Receivables are the company's accounts receivable in the current period and Receivables $t-1$ are the company's accounts receivable in the previous period. Sales is the company's sales in the current period, and Sales $t-1$ is the company's sales in the previous period. Variable X_3 = rationalization, measured by auditor turnover, where auditor turnover may indicate the presence of concealed fraud. Auditor turnover is represented as a dummy variable with a value of 1 if an auditor change occurred during the 2020–2023 period, and a value of 0 if no auditor change occurred during the 2020–2023 period. Variable X_4 = capability, as seen from changes in the board of directors during the observed period; changes in the board of directors are one of the efforts made by companies to improve corporate performance. Changes in the board of directors are expressed as a dummy variable with a value of



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1 if a change in the board of directors occurred during the 2020–2023 period and a value of 0 if no such change occurred during that period. Variable X_5 = arrogance, as measured by the number of photos of the CEO included in the company's financial statements; this indicates the CEO's level of arrogance. This variable is calculated as the ratio or comparison between the number of CEO photos and the total number of photos in the company's financial statements. Variable X_6 = collusion, as measured by collaboration on government projects, represents a binding collaborative relationship between the company and government projects; it is a dummy variable with a value of 1 if the company is involved in collaboration on government projects and a value of 0 if the company is not involved in such collaboration. The dependent variable Y represents financial statement fraud as indicated by the restatement of financial statements, which signifies the presence of financial statement fraud at a company [6]. Variable Y is a dummy variable that takes the value 1 if financial statements are restated and 0 if they are not.

The data used in this study is secondary data, obtained from the IDX website, specifically the financial statements of companies in the financing sector for the 2020–2023 period. Data analysis was conducted using logistic regression, given that the dependent variable Y is a dummy variable. The steps involved in the logistic regression analysis are as follows:

1. Test the model's suitability using the Hosmer and Lemeshow test to determine whether the hypothesized research model fits the data. If the significance value is > 0.05 , the research model is considered to fit the data.
2. Test the regression model as a whole, or assess the model's suitability, using the -2LL (-2 Log Likelihood) value. If there is a decrease in the -2LL value from block 0 to block 1, the model is suitable for use.
3. The coefficient of determination, R^2 . 100%, is indicated by the Nagelkerke R-squared value, which represents the extent to which the independent variable X influences the dependent variable Y.
4. The regression model, as shown by the regression equation

$$Y = A + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6 + e$$

Where Y is a dummy variable, taking the value 1 if financial statements are restated and 0 if they are not. Restatement of financial statements indicates the presence of fraud in the financial statements; thus, B_i (with $i = 1, 2, 3, 4, 5, 6$) are the regression coefficients indicating the magnitude of change in financial statement fraud when the independent variable X_i changes by one unit.

5. Hypothesis testing is divided into partial tests (using the Wald test) and simultaneous tests (using the omnibus test). In the Wald test, if the p-value is < 0.05 or the calculated χ^2 value is $>$ the critical χ^2 value, then the independent variable X has a significant effect on the dependent variable Y; otherwise, it has no effect. In the omnibus test, if the significance value is < 0.05 or the calculated χ^2 value is $>$ the table χ^2 value, then the independent variables X collectively have a significant effect on the dependent variable Y; otherwise, they have no effect.



IV. RESULTS AND DISCUSSION

The population of this study consists of financing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. Using purposive sampling, 14 companies were selected for the 4-year period, resulting in a total of 56 data points for analysis. This study used six independent variables: X_1 = pressure, X_2 = opportunity, X_3 = rationalization, X_4 = capability, X_5 = arrogance, X_6 = collusion; and one dependent variable, Y = financial statement fraud. The dependent variable Y is a dummy variable with a value of 1 for companies that restated their financial statements and 0 for those that did not; therefore, the data analysis employs logistic regression.

1. Model goodness-of-fit test or Hosmer and Lemeshow test

The model goodness-of-fit test was conducted to determine whether the hypothesized model fits the data, with the following hypotheses:

H_0 : The research model fits the data.

H_1 : The research model does not fit the data.

The results of the data analysis are shown in the following table:

Table 4.1 Hosmer and Lemeshow test

Step	Chi-square	df	Sig.
1	2.667	7	0.914

At a significance level of $\alpha = 0.05$ and degrees of freedom = 7, the critical χ^2 value is 14.07, while the calculated χ^2 value from the data analysis is 2.667 with a p-value of 0.914. It can be seen that the calculated χ^2 is less than the critical χ^2 and the p-value is greater than 0.05, which means that H_0 can be accepted—that is, the research model fits the data. The analysis process can continue.

2. Testing the Overall Regression Model

Using the -2LL (-2 Log Likelihood) value, compare the -2LL values for Block 0 and Block 1. If there is a decrease in the -2LL value from Block 0 to Block 1, then the regression model is considered valid for use. The results of the data analysis for the -2LL values are as follows:

Table 4.2 -2LL Values

Block 0

Iteration		-2Log likelihood	Coefficients
			Constant
Step 0	1	36.233	-1.643
	2	33.796	-2.179
	3	33.699	-2.314
	4	33.699	-2.322



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	5	33.699	-2.322
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Block 1

Iteration		-2 Log likelihood	Coefficients						
			Constant	ROA	NOI	AUDCH ANGE	DCHAN GE	CEOPIC	COL
Step1	1	32.734	-0.826	-0.737	0.210	-0.657	0.434	-2.926	-0.473
	2	26.674	-0.333	-1.089	0.558	-1.666	0.786	-7.179	-1.199
	3	24.528	0.345	-1.319	0.993	-2.969	1.040	-11.552	-2.118
	4	23.934	0.640	-1.945	1.243	-4.178	1.191	-13.708	-3.045
	5	23.766	0.694	-2.188	1.295	-5.234	1.227	-14.137	-4.028
	6	23.707	0.696	-2.204	1.298	-6.243	1.229	-14.156	-5.030
	7	23.686	0.696	-2.205	1.298	-7.245	1.229	-14.156	-6.031
	8	23.678	0.696	-2.205	1.298	-8.246	1.229	-14.156	-7.032
	9	23.675	0.696	-2.205	1.298	-9.247	1.229	-14.156	-8.032
	10	23.674	0.696	-2.205	1.298	-10.247	1.229	-14.156	-9.032
	11	23.673	0.696	-2.205	1.298	-11.247	1.229	-14.156	-10.032
	12	23.673	0.696	-2.205	1.298	-12.247	1.229	-14.156	-11.032
	13	23.673	0.696	-2.205	1.298	-13.247	1.229	-14.156	-12.032
	14	23.673	0.696	-2.205	1.298	-14.247	1.229	-14.156	-13.032
	15	23.673	0.696	-2.205	1.298	-15.247	1.229	-14.156	-14.032

In block 0, the -2LL value is 33.699, and in block 1, the -2LL value is 23.673. There is a decrease in the -2LL value from block 0 to block 1, which indicates that the regression model is suitable for use.

3. Coefficient of Determination

In logistic regression analysis, the coefficient of determination R^2 can be seen from the Nagelkerke R-squared value. The results of the data analysis for the Nagelkerke R-squared are shown in the following table:

Table 4.3 Coefficient of Determination

ModelSummary



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Step	-2 Loglikelihood	Cox&Snell R Square	Nagelkerke R Square
1	23.673 ^a	0.164	0.363

The Nagelkerke R-squared value is 0.363, so the coefficient of determination is $R^2 = 36.3\%$, which means that the contribution of pressure, opportunity, rationalization, capability, arrogance, and collusion to financial statement fraud is 36.3%, while the remaining 63.7% is influenced by other variables. In general, it can be said that the contribution of the fraud hexagon to financial statement fraud is 36.3%, while the remaining 63.7% is influenced by other variables.

4. Regression Model

For the logistic regression equation, adjustments have been made similar to those in the multiple linear regression model. The results of the data analysis are presented in the following table:

Table 4.4 Regression model and Wald test

B			S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	ROA	-2.205	22.862	0.009	1	0.923	0.110
	NOI	1.298	1.446	0.806	1	0.369	3.662
	AUDCHANGE	-20.247	16174.683	0.000	1	0.999	0.000
	DCHANGE	1.229	1.145	1.154	1	0.283	3.419
	CEOPIC	-14.156	9.163	2.386	1	0.122	0.000
	COL	-19.032	9802.957	0.000	1	0.998	0.000
	Constant	0.696	2.012	0.120	1	0.729	2.006

Based on Table 4.4, the regression line equation is as follows:

$$Y = 0.696 - 2.205X_1 + 1.298X_2 - 20.247X_3 + 1.229X_4 - 14.156X_5 - 19.032X_6$$

Y = financial statement discrepancies measured by restatements of financial statements

X₁ = pressure measured by financial targets, namely profit or ROA

X₂ = opportunity measured by the ideal state of an industry, namely NOI

X₃ = rationalization measured by auditor changes, namely AUDCHANGE

X₄ = capability measured by changes in the board of directors, namely DCHANGE

X₅ = arrogance, measured by the number of CEO photos (CEOPIC)

X₆ = collusion, measured by the existence of cooperation with government projects (COL)

The meaning of the regression equation is as follows:



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1. If the financial target or ROA increases by 1 unit, financial statement fraud decreases by 2.205 units, assuming that NOI, AUDCHANGE, DCHANGE, CEOPIC, and COL are constant
2. If an industry's ideal conditions or NOI increase by 1 unit, financial statement fraud increases by 1.298 units, assuming ROA, AUDCHANGE, DCHANGE, CEOPIC, and COL are constant.
3. If there is a change in auditors, financial statement fraud decreases by 20.247 units, assuming ROA, NOI, DCHANGE, CEOPIC, and COL are constant.
4. When there is a change in the board of directors, financial statement fraud increases by 1,229 units, with ROA, NOI, AUDCHANGE, CEOPIC, and COL held constant
5. When the number of CEO photos increases by 1 unit, financial statement fraud decreases by 14,156 units, with ROA, NOI, AUDCHANGE, DCHANGE, and COL held constant
6. When there is a partnership with a government project, financial statement fraud decreases by 19,032 units, with ROA, NOI, AUDCHANGE, DCHANGE, and CEOPIC held constant.

5. Hypothesis Testing

Hypothesis testing consists of the Wald test, which is a partial test, and the omnibus test, which is a simultaneous test. The hypotheses for the Wald test consist of the following six hypotheses:

Hypothesis 1

H₀: Financial targets or ROA do not affect financial statement fraud

H₁: Financial targets or ROA affect financial statement fraud

Hypothesis 2:

H₀: The industry's ideal state (NOI) has no effect on financial statement fraud

H₁: The industry's ideal state (NOI) has an effect on financial statement fraud

Hypothesis 3:

H₀: A change in auditors has no effect on financial statement fraud

H₁: A change in auditors has an effect on financial statement fraud

Hypothesis 4:

H₀: A change in management has no effect on financial statement fraud

H₁: A change in management has an effect on financial statement fraud

Hypothesis 5:

H₀: The number of CEO photos has no effect on financial statement fraud

H₁: The number of CEO photos has an effect on financial statement fraud

Hypothesis 6:

H₀: Collaboration on government projects has no effect on financial statement fraud

H₁: Collaboration on government projects has an effect on financial statement fraud

The results of the partial test (Wald test) are presented in Table 4.4, with a significance level of 0.05 and 1 degree of freedom; the χ^2 table value is 3.84. The results show:



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1. For ROA, the calculated χ^2 value is $0.009 < \text{the table } \chi^2 \text{ value}$, and the significance level (sig) is $0.923 > 0.05$; therefore, H_0 is accepted, meaning that financial targets (ROA) have no effect on financial statement fraud
2. For NOI, the calculated χ^2 value is $0.009 < \text{the table } \chi^2 \text{ value}$, and the significance level is $0.923 > 0.05$; therefore, H_0 is accepted, meaning that the industry's ideal conditions (NOI) have no effect on financial statement fraud.
3. For auditor changes, the calculated χ^2 value is $0.000 < \text{the table } \chi^2 \text{ value}$, and the significance level is $0.999 > 0.05$; therefore, H_0 is accepted, meaning that auditor changes have no effect on financial statement fraud.
4. For changes in the board of directors, $\chi^2 \text{ calculated} = 1.154 < \chi^2 \text{ table}$; the significance value is $0.283 > 0.05$, so H_0 is accepted—that is, changes in the board of directors have no effect on financial statement fraud.
5. For the number of CEO photos, $\chi^2 \text{ calculated} = 2.386 < \chi^2 \text{ table}$, $p\text{-value} = 0.122 > 0.05$; therefore, H_0 is accepted, meaning that the number of CEO photos has no effect on financial statement fraud.
6. For collaboration on government projects, $\chi^2 \text{ calculated} = 0.000 < \chi^2 \text{ table}$, $p\text{-value} = 0.998 > 0.05$; therefore, H_0 is accepted, meaning that collaboration on government projects has no effect on financial statement fraud.

The omnibus test, which is a simultaneous test, has the following hypotheses:

H_0 : Financial targets (ROA), the industry's ideal state (NOI), auditor turnover, board turnover, the number of CEO photos, and collaboration on government projects simultaneously have no effect on financial statement fraud

H_1 : Financial targets (ROA), industry ideal conditions (NOI), auditor turnover, board turnover, the number of CEO photos, and collaboration on government projects simultaneously have an effect on financial statement fraud.

The results of the data analysis are presented in the following table:

Table 4.5 Omnibus Test

		Chi-square	df	Sig.
Step 1	Step	10.026	6	0.124
	Block	10.026	6	0.124
	Model	10.026	6	0.124

Using a significance level of 0.05 and 6 degrees of freedom, the critical χ^2 value is 12.59. Based on Table 4.5, the calculated χ^2 value is 10.226 with a p-value of 0.124; since the calculated χ^2 value is less than the critical χ^2 value and the p-value is greater than 0.05, H_0 is accepted—meaning that financial targets (ROA), the industry's ideal state (NOI), auditor turnover, board turnover, the



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number of photos of the CEO, and collaboration on government projects do not simultaneously have an effect on financial statement fraud.

The results of this study indicate that pressure (financial targets/ROA), opportunity (ideal industry conditions/NOI), rationalization (change of auditor), capability (change of board of directors), arrogance (number of photos of the CEO), and collusion (collaboration on government projects) have no effect—either partially or simultaneously—on financial statement fraud. In other words, the fraud hexagon has no effect, either partially or simultaneously, on financial statement fraud.

Financial pressure or targets measured by ROA do not have a significant effect on financial statement fraud. Management believes that the financial targets set by company management are still reasonable and not difficult to achieve, and therefore do not lead to financial statement fraud. Research by Didi Setyono et al. shows results consistent with this study, but research by Natasya Oktaviana yields the opposite result: financial targets have a negative effect on financial statement fraud. Research by Rina Trisnawati (2025) states that financial targets measured by ROA do not influence financial statement fraud; however, when mediated by the audit committee, financial targets do influence financial statement fraud [18].

Opportunity, as measured by the nature of the industry (NOI) or the ideal state of the industry, has no effect on financial statement fraud. These results indicate that company management can still control the level of accounts receivable and ensure that cash inflows from core activities continue to flow smoothly. Differences in the nature of the industry between financing companies and other sectors mean that trade receivables cannot be used to detect fraudulent acts committed by management. This study is consistent with the research by Natasya Oktaviana and the study by Febrianto and Suryandari but contradicts the research by Didi Setyono et al.

Rationalization, as measured by auditor turnover, has no effect on financial statement fraud. These results indicate that auditor turnover is not caused by indications of financial statement fraud but rather by companies' compliance with regulations regarding the rotation of public accountants in accordance with Minister of Finance Regulation No. 186/PMK.01/2021, which stipulates that general audit services for an entity's financial statements may be provided for six consecutive fiscal years by the same public accounting firm and for three consecutive fiscal years by the same auditor for the same client. This study is consistent with the research by Natasya Oktaviana and Rina Trisnawati, but contradicts the research by Didi Setyono et al.

The finding that changes in the board of directors do not affect financial statement fraud was confirmed. Changes in the board of directors may result from the expiration of terms of office or from the replacement of directors due to a lack of competence, which leads to dissatisfaction with the board's performance. Studies by Febrianto and Suryandari, Rina Trisnawati, and Didi Setyono et al. support this conclusion.





Arrogance, as indicated by the number of CEO photos, has no effect on financial statement fraud. Typically, CEO photos in annual financial reports merely serve to present the company leader's profile. The CEO's photo in the annual report also serves as a way to introduce the company's current leader to stakeholders. This study aligns with research by Natasya Oktaviani. However, research by Rina Trisnawati actually shows that the number of CEO photos has a significant effect on financial statement fraud.

Collusion, as evidenced by cooperation with government projects, does not influence financial statement fraud. The existence of cooperative relationships with government agencies does not automatically mean that a company will always commit fraud. Cooperative relationships established within appropriate boundaries can benefit the company by providing access to loans, subsidies, or other services provided by the government. Such cooperation is part of the company's efforts to generate profits. The results of this study are consistent with the research by Febrianto and Suryandari, as well as with the research by Didi Setyono et al., which states that collusion has no effect on financial statement fraud

V. CONCLUSION

The Fraud Hexagon consists of six elements: pressure, opportunity, rationalization, capability, arrogance, and collusion. The conclusion of this study is that, individually, pressure, opportunity, rationalization, capability, arrogance, and collusion do not have an effect on financial statement fraud for companies in the financing sector listed on the IDX during the 2020–2023 period. Simultaneously, pressure, opportunity, rationalization, capability, arrogance, and collusion (the Fraud Hexagon) do not have an effect on financial statement fraud for companies in the financing sector listed on the IDX during the 2020–2023 period.

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