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Analysis of Fraudulent Financial Reporting With Fraud Hexagon Theory in Financial Sector Companies Listed on the Indonesia Stock Exchange (IDX) In 2017-2021

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Abstract: *The financial sector in Indonesia is the sector most vulnerable to fraudulent financial reporting. This study aims to find out how the influence of the fraud hexagon theory component on financial statement fraud in Financial Sector Companies in Indonesia. The population in this study is all companies in the financial sector listed on the Indonesia Stock Exchange (IDX). The samples in this study were determined using the purposive sampling method, which is the selection of samples according to certain criteria set based on the objectives of the study. The use of this technique aims to make it easier to get data that suits research needs. This research was conducted on financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021 with a total population of 92 companies. The dependent variables in this study were measured by dummy variables, then the hypothesis test tool used logistic regression analysis. Logistic regression is a statistical method for modeling category-based response variables on one or more predictors of change, the results show that stimulus, capability, collusion affect fraudulent financial reporting. Meanwhile, opportunities, rationalization and ego have no influence on indications that management has committed fraudulent actions in financial statements.*

Keywords: Fraudulent Financial Reporting, Fraud Hexagon Theory, Agency Theory

I. INTRODUCTION

Financial statements are a medium used to communicate the company's performance, financial condition, and the results of the company's operations in a certain period to stakeholders including internal and external parties and are used as a basis for making rational decisions about the future of the company (Ratnasari & Solikhah, 2019). Financial performance serves as a measure to understand how a company's financial resources are used(Maryani et al., 2022). The importance of the information contained in the financial statements for stakeholders, the report must be presented properly and accountable. This condition encourages management to manipulate the company's financial statements when the company's goals are not achieved to protect the company's poor performance and attract investors. Fraud occurs when someone violates a law or other rule to achieve their goal (Maryani et al., 2022). This dishonest behavior is well known among the general public and is common in the business world. PWC's Global Economic Crime and Fraud Survey states that nearly 70% of organizations that experience fraud report that the fraud was committed by external and internal parties or collusion between external and internal parties. Fraudulent practices by manipulating financial statements are known as financial statement fraud. Based on a survey conducted by ACFE Indonesia in 2019, it is explained that fraud that occurs in Indonesia consists of corruption, misuse of state assets/assets and companies, and fraud in financial statements. Based on the survey, data was obtained which showed that the percentage of financial statement fraud that occurred in Indonesia was 6.7%. Data shows that the financial and banking sectors in Indonesia have a percentage of 41.4% as the sectors most vulnerable to fraud. Indonesia's financial and banking sectors are the most disadvantaged sectors due to financial statement fraud. With many cases of fraud in financial statements, it indicates a decrease in the integrity of auditors in examining financial statements which causes a decrease in the value of the company. This study aims to find out how the influence of the fraud hexagon theory component on financial statement fraud in Financial Sector Companies in Indonesia.

II. THEORETICAL BACKGROUND AND REVIEW LITERATURE

2.1 Agency theory

Two agency theory concepts underlie the occurrence of fraud (Ali, 2020): (1) information asymmetry exists between the principal and the agent and (2) the principal and the agent have different interests. In the case of a business, the owner (principal) provides funds or capital, accepts some risks, and involves management (agents) to perform certain tasks. The determination of the contract that is most efficient in regulating the relationship between the principal and the agent with three assumptions (Eisenhardt, 1989) : assumptions about human nature, assumptions about organization, and assumptions about information. Assumptions about human nature reveal that humans have a desire to benefit themselves (self-interest), have bounded rationality, and always care about danger (risk averse).Organizational assumptions explain that there is a conflict of goals between members of the organization, efficiency as a criterion for effectiveness, and the presence of information asymmetry between principals and agents. Assumptions about information state that information is a commodity that can be purchased. According to(Jensen & Meckling, 1976), the occurrence of information asymmetry causes adverse selection and/or moral hazard. Adverse selection is caused by precontracting activities that increase the possibility of fraud due to difficulty in detection(Ali, 2020).This results from managers knowing more about the circumstances and prospects of the company and not being conveyed to investors which could influence the decisions to be taken by shareholders. Meanwhile, moral hazard is caused by post-contract activity, when agents make decisions without fully addressing the consequences of their actions. Moral hazard occurs when there is insufficient information due to actions and behaviors that cannot be observed or carried out by the agent after signing the contract.

2.2 Fraud Hexagon Theory

Fraud theory was first developed by Cressey (1953) and is known as Fraud Triangle Theory. According to Cressey's research, the three main factors that influence decision making are pressure, opportunity, and rationalization. Fraud theory further developed with the emergence of fraud diamond theory developed by Wolfe & Hermanson (2004), this theory added a capability component. According to Wolfe & Hermanson (2004) adding a fourth element to the fraud triangle can improve fraud detection and prevention.In addition to pressure, opportunity and rationalization, fraud diamonds consider an individual's ability to determine whether fraud will actually occur even in the presence of three other elements. The next theoretical development is the fraud pentagon theory developed by Crowe (2011) and is a refinement of the previous theory by adding components of competence and arrogance. Competence in this theory has the same meaning and intention as capability in fraud diamond theory developed by Wolfe & Hermanson (2004).Competence is the ability of a candidate to manage internal control, develop concealment strategies, and control social situations. Ego (arrogance) is the attitude of superiority or greed of people who believe that internal control does not apply personally. The biggest theory about cheating was again developed by Vousinas (2019), namely fraud hexagon theory. According to Vousinas (2019), collusion is a collaboration carried out by the company's internal with external parties, as well as cooperation carried out by company employees. Dishonest environments encourage individuals to take part in cheating that occurs. As a result, cheating becomes a culture that will be difficult to get rid of.This refers to dishonest attitudes and behaviors between two or more individuals in reaching an agreement (Nadziliyah & Primasari, 2022).Once there is collusion between employees, or between employees and external parties, fraud is much more difficult to stop and this. Once fraud begins, honest employees can then be pulled in as a culture of dishonesty develops within the organizational environment. Fraudsters also often force others to commit or hide fraud. A person who has a persuasive personality will easily invite his environment to participate in cheating and take advantage of the ability he has to take the position of the other party. Collusion can also occur inadvertently as a result of fraudsters taking advantage of other people's positions and exploiting believers as fraud spreads throughout the organization.

2.3 Hypothesis Formation

Within the contextual framework articulated, enveloping fraud risk, internal control and the reduction of opportunity for fraud, the following hypotheses are postulated:

2.3.1 Effect of Financial Targets on Financial Statement Fraud

Financial targets are the risk of strong pressure on management to achieve goals. Financial targets are closely related to the company's financial performance, one of which is to assess the level of profit obtained by the company. Financial performance can be measured by ROA (Return on Asset), the higher the company's ROA target, the more

vulnerable the company is to carry out profit management which is a form of financial statement fraud (Marheni & Suryati, 2021).
H1: financial targets affect fraudulent financial statements

2.3.2 Effect of Change In Director on Financial Statement Fraud

Capability is measured using change in directors. A change of directors does not always have a good impact on the company. A change in the board of directors can be an effort by the company to improve the performance of the previous board of directors by changing the composition of the board of directors or recruiting new directors who are considered more competent than the previous directors. Changes are generally related to elements of political interests and the interests of certain parties as a result of the target set by the company being too high or the existence of agreements that will cause conflicts of interest (Sari & Lestari, 2020).
H2: Change in director affects fraudulent financial statement

2.3.3 The Effect of Collusion on Financial Statement Fraud

Collusion is a deviant act committed by two or more people by working together to achieve their goals that only benefit their side. The agreement entered into by the party usually involves the granting of a certain amount of property such as money, property, or other facilities to facilitate their affairs
H3: Collusion affects fraudulent financial statements

2.3.4 Effect of Nature of Industry on Financial Statement Fraud

Nature of industry is the ideal state of a company. The interpretation of this can be seen from the company's accounts receivable. Accounts receivable cannot be separated from the accounts of uncollectible receivables reserves that are judgmental in nature. So that this can create an opportunity to cheat financial statements. According to research conducted by Pasaribu & Kharisma (2021) shows that the nature of industry has a significant influence on indications of financial statement fraud.
H4: Nature of industry affects fraudulent financial statements

2.3.5 Effect of Change in Auditor on Financial Statement Fraud

The change of auditors carried out by the company cannot be used to detect fraud committed by management in preparing financial statements. The management of companies that commit fraud will more often change auditors (Septriani & Desi Handayani, 2018).
H5: Change in Auditor has no effect on fraudulent financial statement

2.3.6 Effect of Frequent number of CEO's pictures on Financial Statement Fraud

The ego is defined as the attitude of a person who feels capable of cheating, this personality arises as a result of excessive management interests (Christian et al., 2021). People who do not want to lose their reputation or position of authority can commit fraud for ego reasons. This pressure can be a powerful motivator for people to commit dishonest acts to maintain their ego(Vousinas, 2019).
H6: Frequent number of CEO's pictures affects fraudulent financial statements

III.RESEARCH METHOD

3.1 Sample and Procedure

The population in this study is all companies in the financial sector listed on the Indonesia Stock Exchange (IDX). The samples in this study were determined using the purposive sampling method, which is the selection of samples according to certain criteria set based on the objectives of the study. The use of this technique aims to make it easier to obtain data that suits research needs. This research was conducted on financial sector companies listed on the Indonesia Stock Exchange (IDX) in 2017-2021 with a total population of 92 companies. The total sample used in this study was 385 research data

3.2 Dependent Variables

The dependent variable in this study is financial statement fraud. This financial statement fraud is proxied by the re-presentation of financial statements (restatement). The re-presentation of financial statements is measured by dummy variables, code 1 if the company presents financial statements again and code 0 if the company does not re-present financial statements (Fransiska & Sinaga, 2022; Kristiana & Hatta, 2022).

3.3 Independent Variables

The independent variables in this study used six components of fraud hexagon, namely stimulus, capability, collusion, opportunity, rationalization, and ego. The six components cannot be directly studied so a proxy is needed to measure these components. Financial targets can be proxied with an indication of ROA(Amin, 2018). ROA is a measure of a company's ability to generate profits using the assets it owns.

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

Change In Director may be an effort by the company to get rid of directors who are considered to know the fraud committed by the company and changes in directors are considered to require adaptation time so that initial performance is not optimal. The turnover of directors can be measured using a dummy valiabel(Aulia Haqq & Budiwitjaksono, 2020; Ratnasari & Solikhah, 2019). CHANGE = dummy variable for change of directors, where code 1 if there is a change of directors and code 0 if there is no change of directors.Collusion is the existence of cooperation between one party and another party to take advantage of a third party. Dummy variables are used as a measurement of collusion where code 1 if there is cooperation between companies and government projects during the research period and code 0 if the opposite (Sagala & Siagian, 2021; Vousinas, 2019).Opportunity can be measured by the Nature of Industry which is the ideal state of a company which is measured through the company's receivables account contained in the financial statements(Octani, et al., 2021)

$$NI = \frac{Receivable}{Sales} - \frac{Receivable_{t-1}}{Sales_{t-1}}$$

Change in Auditor can be considered as an effort by company management to eliminate traces of fraud (Faradiza, 2018). Rationalization can be proxied by the change of KAP as measured by dummy variables, if there is a change in KAP in the research period it is worth 1, if there is no change in KAP then it is worth 0(Sagala & Siagian, 2021; Wicaksono & Suryandari, 2021).Ego is proxied by frequent number of CEO's pictures, which is the number of photos of the CEO that appear in the company's annual report(Aulia Haqq & Budiwitjaksono, 2020; Sagala & Siagian, 2021; Yulianti et al., 2019)

3.4 Measures

Because the dependent variable in this study is a dummy variable, the hypothesis test tool uses logistic regression analysis. Logistic regression is a statistical method for modeling category-based response variables on one or more predictors of change, which can be category or continuum variables (Fransiska&Sinaga, 2022). The logistic regression method used to test the hypothesis is as follows:

$$FFR = \beta0 + \beta1ROA + \beta2DCHANGE + \beta3COL + \beta4NI + \beta5CIA + \beta6CEOPIC + e$$

β0	: Constant regression coefficient
β1ROA	: Target financial regression coefficient
β2DCHANGE	: Regression coefficient change in director
β3COL	: Collusion regression coefficient
β4NI	: Regression coefficient of nature of industry
β5CIA	: Regression coefficient change in auditor
β6CEOPIC	: Regression coefficient frequent number of CEO's picture

IV. RESULT AND FINDINGS

4.1 Analysis and Descriptive Statistics

Descriptive statistical analysis is used to measure data by looking at the average value (mean), minimum value, maximum value, and standard deviation of the dependent variable and independent variable in the study. The dependent variable in this study is fraudulent financial reporting which is proxied by restatement. Independent variables in the study can be measured by return on assets, change in director, collusion, nature of industry, change in auditor, frequent number of ceo's pictures. Here are the results of the descriptive statistical test on the study:

Table 1: Analysis Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Restatement	385	,00	1,00	,0571	,23242
Return on Asset	385	-68,24	40,71	,6227	8,10230
Change in Director	385	,00	1,00	,5506	,49808
Collusion	385	,00	1,00	,2727	,44594
Nature of Industry	385	-43,21	43,22	,0419	3,69229
Change in Auditor	385	,00	1,00	,1792	,38404
Frequent Number of CEO's Picture	385	,00	9,00	2,4156	1,18970
Valid N (listwise)	385				

The dependent variable in this study is financial statement fraud which is proxied through financial restatement and measured using dummy variables. In Indonesia, financial statement fraud in financial companies averaged 0.0571 from 2017-2021. Financial statement fraud has a standard deviation of 0.23242. This score is higher than the average score, which indicates that information about financial statement fraud is spread unevenly. The ROA value in financial companies in Indonesia has an average of 0.6227. The ROA value has a standard deviation of 8.1023. This score is higher than the average score, which shows that the ROA value in financial sector companies in Indonesia is not evenly distributed.Change in Director, with an average turnover of directors in Indonesia in 2017-2021 of 0.5506, from the entire analysis unit there were 55.06% of companies that changed directors in the research period. With a standard deviation of 0.4981. The standard deviation value on the capability variable is lower than the average value, which indicates that the distribution of research data variables does not have a large enough gap or the data is evenly distributed.The average collusion value in financial companies in Indonesia is 0.2727 with a standard deviation value of 0.4460. Based on the results of descriptive statistical analysis, the average value of nature of industry is 0.419. The standard deviation value of the nature of industry is 3.6922. The average turnover of auditors in Indonesia is 0.1792 or 12.92% of financial companies in Indonesia make changes to external auditors in 2017-2021. The standard deviation of the change in auditor variable is 0.3840 which indicates the distribution of research data with low deviations and is homogeneous, so there is no significant difference in the data analysis unit. Frequent number of CEO's pictures showed that the average value was 2.4156 with a standard deviation value of 1.1897. The standard deviation number is smaller than the average indicating the presence of a low distribution of data with deviations. The lower the spread value, the more homogeneous the variation in data values, and there is no too large variance between one data and another.

4.2 Logistic Regression

To predict the likelihood of financial reporting fraud, logistic regression is used to predict discrete outcomes of dichotomous dependent variables. Logistic regression is considered more flexible because it does not have to meet the criteria requirements of predictor variables, namely normal distribution, linear connections, and the assumption of the same variance(Suh et al., 2019). The dependent variable in this study is a binary variable that shows whether financial statement fraud occurred (1) or not (0) in the financial sector in Indonesia in the last five years.

4.2.1 Overall Model Fit Results

Table 2: Overall Model Fit

Iteration History

Iteration	-2 Log likelihood
Step 0	168,655
Step 1	130,434

Overall model fit is used to measure the feasibility of the model on logistic regression.The feasibility test results showed that the initial -2Log likelihood value (block number = 0) before being put into an independent variable, which was 168.655 and after the independent variable was entered the value of -2 Log Likelihood (Block number 1) was 130.434. This value indicates a decrease in the value of -2LL (-2 Log Likelihood) in Block 0 and Block 1 by 38.221. This indicates that the hypothesized model is fit with the data, so the addition of independent variables to the model shows that the regression model is getting better.

4.2.2 Coefficient of Determination Test Results (Nagelkereke's R Square)

Table 3: Nagelkerke's R Square

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	130,434[a]	,095	,266

a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.

Based on table 3, the results of the analysis show that the value of Cox & Snell R Square is 0.095 and the value of Nagelkerke R Square is 0.266. Nagelkerke R Square's value of 0.266 indicates that the independent variable was able to explain the variation of the dependent variable in detecting financial statement fraud of 26.6%, while the remaining 73.4% was explained by other variables that were not included in the research model.

4.2.3 Test Hosmer and Lemeshow's Goodness of Fit

Table 4: Hosmer and Lemeshow Test

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	1,226	8	,996

Table 4 shows that the results of the Hosmer and Lemeshow Test Goodness of Fit test analysis obtained a chi square value of 1.226 with a significance level of 0.996. Where 0.996 ≥ 0.05 which indicates that H0 is accepted. This indicates that there are no statistically significant differences between the model and the data, which suggests that the regression model in this study is feasible and capable of predicting observation values.

4.2.4 Wald Test Results

The wald test is a parametric statistical test that can be used to determine the actual value based on the sample estimate when the relationship between data items can be described as a statistical model with the parameter estimation of the sample. The Wald test in logistic regression analysis is used to determine the degree of significance of each independent variable against the dependent variable.

Table 5: Variables in the Equation

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B) Lower	Upper
Step 1[a]	Return on Asset	,105	,037	8,204	1	,004	1,110	1,034	1,193
	Change in Director	2,193	,798	7,552	1	,006	8,965	1,876	42,845
	Collusion	1,049	,492	4,543	1	,033	2,853	1,088	7,484
	Nature of Industry	-,049	,141	,123	1	,726	,952	,723	1,254
	Change in Auditor	-18,583	4399,735	,000	1	,997	,000	,000	.
	Frequent Number of CEO's Picture	,342	,191	3,207	1	,073	1,407	,968	2,046
	Constant	-5,831	,983	35,150	1	,000	,003		

a. Variable(s) entered on step 1: Return on Asset, Change in Director, Collusion, Nature of Industry, Change in Auditor, Frequent Number of CEO's Picture.

1. H1: financial targets affect fraudulent financial statements
   Based on the results of logistic regression analysis, a Wald test value of 8.204 was obtained with a significance level of 0.05 and df = 1 with a financial target significance value of 0.004. A significance value of 0.004 ≤ 0.05 indicates that the financial targets affect the fraudulent financial statement and H1 is accepted
2. H2: Change in director affects fraudulent financial statement
   Based on the results of logistic regression analysis, a Wald test value of 7.552 with a significance level of 0.05 and df = 1 was obtained with a change in director significance value of 0.006. A significance value of 0.006 ≤ 0.05 indicates that change in director affects fraudulent financial statements and H2 is accepted
3. H3: Collusion affects fraudulent financial statements
   Based on the results of logistic regression analysis, a Wald test value of 4.543 was obtained with a significance level of 0.05 and df = 1 with a collusion significance value of 0.033. A significance value of 0.033 ≤ 0.05 indicates that collusion affects fraudulent financial statements and H3 is accepted
4. H4: Nature of industry affects fraudulent financial statement.
   Based on the results of logistic regression analysis, a Wald test value of 0.123 with a significance level of 0.05 and df = 1 was obtained with a nature of industry significance value of 0.726. A significance value of 0.726 ≤ 0.05 indicates that the nature of industry has no effect on fraudulent financial statements and H4 is rejected
5. H5: Change in Auditor has no effect on fraudulent financial statement
   Based on the results of logistic regression analysis, a Wald test value of 0.000 was obtained with a significance level of 0.05 and df = 1 with a change in auditor significance value of 0.997. A significance value of 0.997 ≤ 0.05 indicates that the change in auditor has no effect on fraudulent financial statements and H5 is rejected
6. H6: Frequent number of CEO's pictures affects fraudulent financial statement
   Based on the results of logistic regression analysis, a Wald test value of 3.207 was obtained with a significance level of 0.05 and df = 1 with a frequent number significance value of CEO's pictures of 0.073. A significance value of 0.073 ≤ 0.05 indicates that the frequent number of CEO's pictures has no effect on fraudulent financial statements and H6 is rejected.

4.2.5 Logistic Regression Model

This study used logistic regression analysis to test the effect of independent variables on dependent variables.

Based on the results of the logistic regression analysis shown in table 5, the logistic regression equation can be formulated as follows:

$$FFR= -5.831 + 0.105ROA + 2.193DCHANGE + 1.049COL - 0.049NI - 18.583CIA + 0.342CEOPIC + e$$

Based on the regression equation, the influence of independent variables on dependent variables can be analyzed, as follows:

1. The value of the constant (α) is -5.831, meaning that if the independent value of the variable is fixed (constant), then the value of the Restatement is also fixed (constant).

2. The results of the logistic regression analysis show that assuming other independent variables are constant, the coefficient of the return on asset variable is 0.105 which indicates that the return on assets has a positive influence on the occurrence of fraudulent financial reporting. An odds ratio of 1.110 means that every one percent increase in return on assets can increase the probability of fraudulent financial reporting by 1,110 times.
3. The results of the logistic regression analysis show that assuming other independent variables are constant, the coefficient of the change in director variable is 2.193 which indicates that change in director has a positive influence on the occurrence of fraudulent financial reporting. The odds ratio of 8.965 means that a one percent increase in change in directors can increase the probability of fraudulent financial reporting by 8,965 times.
4. The results of the logistic regression analysis show that assuming other independent variables are constant, the coefficient of the collusion variable is 1.049 which indicates that collusion has a positive influence on the occurrence of fraudulent financial reporting. An odds ratio of 2.853 means that a one percent increase in collusion can increase the probability of fraudulent financial reporting by 2,853 times.
5. The results of the logistic regression analysis show that assuming other independent variables are constant, the coefficient of the nature of industry variable is -0.049 which indicates that the nature of industry has a negative influence on the occurrence of fraudulent financial reporting. An odds ratio of 0.952 means that a one percent increase in the nature of industry can reduce or decrease the risk of fraud financial reporting by 0.952 times.
6. The results of the logistic regression analysis show that assuming other independent variables are constant, the coefficient of the change in auditor variable is -18.583 which indicates that the change in auditor has a negative influence on the occurrence of fraudulent financial reporting.
7. The results of the logistic regression analysis show that assuming other independent variables are constant, the coefficient of the frequent number of CEO's pictures variable is 0.342 which indicates that the frequent number of CEO's pictures has a positive influence on the occurrence of fraudulent financial reporting. An odds ratio of 1.407 means that a one percent increase in the frequent number of CEO's pictures can increase the probability of fraudulent financial reporting by 1,047 times.

V. DISCUSSION

5.1 Effect of Financial Targets on Financial Statement Fraud

After applying logistic regression analysis to test the effect of financial tergets on fraudulent financial reporting, it was found that financial tergets variables had a positive influence on fraudulent financial reporting. The larger the financial target set, the more likely the manager is to commit fraud on the entity's financial statements. The higher the ROA desired by the company, the more likely the level of manipulation of the amount of profit in the financial account by the company. Based on the theory of cheating, it can be concluded that the company may have signs of cheating by increasing profits or maintaining a stable portion of profit in the financial statements. This can be due to the pressure experienced by managers in their performance where they are required to always maintain the financial targets that have been set by the company. The findings of this study correspond to agency theory, which argues that agents should be responsible for all the work done for the principal. So that the pressure to be able to account for performance in order to obtain a company's profit that remains on target, can attract investors' attention to the company. If the planned profit goal is not met or brings low income, it will encourage management to manipulate, increasing the likelihood that the financial statements will be presented incorrectly. This is in accordance with the research of Amin (2018) and Supri et al. (2018) which revealed that financial targets that are proxied with returns on assets have a positive impact on fraudulent financial reporting.

5.2 Effect of Change In Director on Financial Statement Fraud

After applying logistic regression analysis to test the effect of change in director on fraudulent financial reporting, it was found that the change in director variable had a positive influence on fraudulent financial reporting.The company may change its board of directors or appoint new directors who are considered more competent than the previous directors in an effort to improve the performance of the previous directors. Meanwhile, on the other hand, the change of directors may be an effort by the company to eliminate directors who are considered to know the company's fraud, and it is estimated that it will take some adjustment time, so that the first performance is not optimal. This is not in line with research Sari & Lestari (2020) which argues that the change of directors is carried out to improve the performance of competent companies compared to the previous directors. However, research by Evana et al. (2019) shows that change in director affects the existence of fraudulent financial reporting, this is in line with this researcher.

5.3 The Effect of Collusion on Financial Statement Fraud

After applying logistic regression analysis to test the effect of collusion on fraudulent financial reporting, it was found that collusion variables had a positive influence on fraudulent financial reporting. Collusion according to Vousinas (2019) is an agreement between two or more parties in which one party commits an illegal act, such as deceiving the other party. Employees of the organization, a group of people from other organizations and countries, or members of criminal organizations can be involved in collusion. When workers or employees collaborate with others, fraud will continue to grow and become increasingly difficult to eradicate. Cooperation with government projects with large project values can encourage companies and governments to collude in fraud and corruption. Management who commits corruption with the government will file false financial statements to cover up their actions. This will result in agency difficulties caused by knowledge asymmetry, which is driven by moral hazard factors, where all management activities are not fully supervised by shareholders, thus allowing management to carry out adverse actions. This finding is in line with research conducted by Vousinas (2019) and Apsari & Suhartini (2021) which states that collusion is one of the driving factors for management to carry out fraudulent financial reporting. Collusion plays an important role in determining the factors that lead to fraud. However, the results of this study are inversely proportional to the research conducted by Akbar et al. (2022) which states that collusion is not one of the driving factors for fraudulent financial reporting.

5.4 Effect of Nature of Industry on Financial Statement Fraud

The results of this study reject the hypothesis of the nature of industry based on fraudulent financial reporting. Nature of industry is an ideal state for companies in the same industry. In this study, the nature of industry is proxied by the ratio of receivables owned by the company. Indications of poor cash turnover can be seen from the increase in the amount of receivables compared to the previous year.This allows management to estimate and evaluate accounts subjectively. In evaluating uncollectible receivables, receivables require subjective consideration. An increase in the amount of receivables from the previous year may indicate that the company's cash turnover is poor. A significant volume of receivables of the enterprise will most likely limit the amount of cash used for operating activities. This is in line with research conducted by Yanti & Munari (2021). However, this is not in line with Marliani (2019) who argues that the nature of industry has a positive impact on the occurrence of fraudulent financial reporting.

5.5 Effect of Change in Auditor on Financial Statement Fraud

After applying logistic regression analysis to test the effect of change in auditors on fraudulent financial reporting, it was found that the change in auditor variable had a negative influence on fraudulent financial reporting. Changes in auditors do not affect the company to commit fraud in the financial statements. One of the methods to increase the independence of the KAP is to replace the KAP. Dissatisfaction with the views of auditors creates tensions in the relationship between management and KAP, resulting in the change of KAP. After getting an unwanted audit opinion, the manager has a tendency to change his KAP. company managers are looking for a KAP that complies with reporting and accounting regulations. This is in line with research conducted by Achmad et al. (2022) who agree that change in auditors does not affect companies to carry out fraudulent financial reporting.

5.6 Effect of Frequent number of CEO's picture on Financial Statement Fraud

After applying logistic regression analysis to test the effect of the frequent number of CEO's picture on fraudulent financial reporting, it was found that the frequent number of CEO's picture variable had no influence on fraudulent financial reporting. Because the photo of the CEO in the financial statements is intended to introduce to stakeholders or users of financial statements who are the CEOs of the company. In addition, the purpose of inclusion of the photo of the CEO in the financial statements is to indicate the actions and results of the company, which indicates that the CEO is engaged in the operation of the company. Thus, financial users and the general public can analyze the accountability and tenacity of the CEO's report in leading the company. The frequent number of CEO's pictures that appears in the annual report is not an indication of the arrogance and authority of the CEO, but rather serves to introduce the current CEO to the company. The photo of the CEO published by the firm cannot show the arrogance of the CEO, because some companies do not show off the photo of the CEO, or if they do, it is just to provide an introduction to the CEO profile. This is not in line with the research conducted by Rimadanti et al. (2022). In line with research conducted by Sagala&Siagian (2021) which states that the number of CEO photos on financial statements has no effect on acts of arrogance.

VI. Conclusion

The purpose of this study is to empirically show the effect of stimulus as measured by financial targets, capability (change in director), collusion, opportunity (nature of industry), rationalization (change in auditors), and Ego (frequent number of CEO's picture) on fraudulent financial reporting in financial sector companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021. Financial trends have a positive influence on fraudulent financial reporting. The higher the financial goals set, the more likely the manager is to cheat the financial statements of the entity. Change in director has a positive influence on fraudulent financial reporting. Change in director is one of the company's efforts to eliminate directors who are considered to know the company's fraud, and it is estimated that it will take adjustment time, so that the first performance is not optimal. Collusion has a positive influence on fraudulent financial reporting. According to the results of the study, collusion represented by collaboration between companies and government projects has an impact on fraudulent financial reporting. The nature of industry does not rely on fraudulent financial reporting. The nature of industry in this study is proxied by the percentage of receivables owned by the company. Change in auditors has no effect on the occurrence of fraudulent financial reporting. Changes in auditors and public accountants are carried out to improve the effectiveness of external auditors and the quality of the company's financial statements in order to attract the attention of stakeholders. Frequent number of CEO's picture has no influence on fraudulent financial reporting. In addition, the photo of the CEO in the financial statements is aimed at showing the company's activities and results, which indicates that the CEO is active in the company's operations. As a result, financial users and the general public can assess and report on the CEO's performance in directing the company.

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