# The Influence of The S.C.C.O.R.E Model On Financial Statement Fraud In Lq-45 Indexed Companies With The Beneish M-Score Method

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***Abstract*— This research is conducted to analyze and obtain empirical evidence on the influence of fraud hexagon, consisting of stimulus/pressure, opportunity, rationalization, capability, arrogance, and collusion. The data used in this study is secondary data obtained from the www.idx.co.id website. With a purposive sample of 24 companies, the population in this study were companies included in the LQ-45 index from 2017 to 2021. Data analysis techniques use panel data regression analysis by using eviews 12.0. The results of the analysis show that the opportunity factor with nature of industry proxies affects the fraud of financial statements. Meanwhile, the pressure/stimulus factor with financial stability, rationalization factors with change in auditor proxies, capability factors with change of directors proxies, arrogance factors with CEO's picture proxies and collusion factors with project proxies with the government have no effect on financial statement fraud. Researchers are aware that this study has time constraints that can affect research results. The sample used in this study was only LQ-45 companies listed on the Indonesia Stock Exchange (IDX). Practical implications for investors in providing information about factors that can affect the potential for financial statement fraud against companies in the LQ-45 index, so that it can be used as a reference for investors to consider when investing in companies. Furthermore, this researcher is expected to contribute knowledge about the impact of hexagon fraud on financial statements.***

***Indexed Terms*— Fraud, Fraud Hexagon, LQ-45**

## I. INTRODUCTION

In running a business or business, financial statements are very crucial. An entrepreneur is obliged to know in detail about the contents of the financial statements, even though the company already has a very trusted accountant. Management or business owners must also master it so that the business that has been built can develop well. Because, whether or not a business can be seen in the financial statements [1]. Along with the times, the progress of the economic environment looks so fast that competition in several companies becomes tight, and encourages companies to increase value and quality to attract the attention of investors and creditors to continue investing and lending loans to keep the company running [2].

Meanwhile, Financial Accounting Concept Statement (SFAC) No 1 for financial reporting by business organizations has emphasized the purpose of corporate financial reporting, which is to provide information that is useful in the business and economic decision-making process. The importance of information in financial statements ensures that management makes every effort to prepare financial statements that show that the company is in good health [3] On the other hand, this creates motivation for management to manipulate financial statements. Management does this to provide good financial statement information, in order to produce financial statements that show that the company is in good health [4]. In this case fraud can be classified into 3 parts, namely: asset misappropriation, corruption, and financial statement fraud. It can be seen that, 1,605 cases were the highest in asset misappropriation with a loss of $1,203,000. and 150 cases were the lowest in financial statement fraud, but this case had the largest loss impact of $50,482,000 [5]. A 2022 survey by the Association of Certified Fraud Investigators (ACFE) states that every year companies regularly lose 5% of their revenue through fraud (corruption, etc.). Based on this data as well, it takes about 18 months to detect fraud. [5].

One example where PT Asuransi Jiwasraya (Tbk) experienced default on JS Saving Plan insurance policies due to long-standing fraud. Since Jiwasraya's financial statements are regularly engineered by an accountant, it is assumed that this is the case. Jiwasraya has been reporting false profits since 2006, according to BPK records. Even in 2017, Jiwasraya's financial statements included an unreasonable opinion. Jiwasraya had actually posted a profit of Rp 360.3 billion at the time. The unreasonable opinion was obtained as a result of a reserve deficit of IDR 7.7 trillion [1].

If a company commits financial statement fraud, it can damage the company's image in front of the public because a financial report as a source of information that is useful for assessing the company's future opportunities is unreliable. Therefore, efforts are needed to stop and identify fraud based on the financial statements issued by the company [6]. The increasing number of fraud cases that occur makes researchers continue to develop fraud theories and look for the causes of factors that trigger fraud. Donald R [7], tried to research with a fundamental approach called fraud triangle theory where he was the one who coined this fraud triangle. However, over time this fraud tringle continues to develop by adding one element that encourages fraudulent financial statements called fraud diamond theory. The theory was then developed into fraud pentagon theory by Crowe Howart which is also known as SCORE (Stimulus, Capability, Opportunity, Rationalization, and Ego) with the existence of one new element, namely ego. This fraud theory was later developed into a new fraud theory, namely fraud hexagon theory or also called SCCORE (Stimulus, Capability, Collusion, Opportunity, Rationalization, and Ego) [8].

Pressure proxied by Financial stability is a description of the level of financial stability of a company. The manipulation used by management is closely related to the percentage change in total assets [9]. Management often gets pressure to show that the company is capable of managing good assets, so that it can generate a lot of profit and can generate high returns to investors. Because of this, management can commit fraud by utilising financial statements to cover up the company's poor level of financial stability [10].

Research conducted by [11], uses the ratio of total asset changes (ACHANGE) as a measurement of financial stability. The results of this study prove that financial stability has a positive effect on the potential for fraudulent financial statements. So from the explanation above, this study uses the hypothesis, namely:

$H_1$: Financial Stability has a positive effect on fraudulent financial statements

Nature of industry is an ideal condition of a company in a particular industry. In the financial statements, there are certain accounts that have significant balances and are determined based on estimates, such as obsolete inventory accounts and bad debts [2].

According to [12] that accounts receivable and inventory require subjective judgement in estimating uncollectible receivables and obsolete inventory. They suggest that because of the subjective judgement in determining the value of these accounts, management can use these accounts as a tool to manipulate financial statements. Research conducted [13] and [14] shows that the nature of industry affects financial statement fraud. So from the explanation above, this study uses the hypothesis:

$H_2$ : Nature of Industry has a positive effect on fraudulent financial statements.

Change in auditor is an indicator of rationalisation. Auditor changes are often made for individuals who want to commit fraud because the company will try to erase traces of fraud found by the old auditor [15]. Rationalisation has a significant positive effect on corporate fraud because high rational thinking to justify that fraud is a natural thing automatically makes corporate fraud higher [2]. Research by [16], [15] , and [9] shows that auditor switch has a significant positive effect on corporate fraud. So from the explanation above, this study uses the hypothesis, namely:

$H_3$: Change in Auditor has a positive effect on fraudulent financial statements

Capability is the ability a person has to engage in fraud to achieve certain goals [3]. According to [17] changes in directors can be a sign of fraud, which views capability as a risk factor for fraud and a cause of fraud. The transfer of authority from the previous

director to the new director is known as a change of director. This aims to improve the effectiveness of the previous stewardship. However, a change of director may result in more opportunities for fraud as it will initially result in a stressful period [18], [19]. Certain political interests to oust directors may also be indicated by a change of directors. So from the explanation above, this study uses the hypothesis, namely:

$H_4$: Change of Director has a positive effect on fraudulent financial statements

Arrogance is an overbearing personality trait. [19] defines arrogance as an attitude of superiority or greed in which a person believes that internal controls do not apply to him. In general, arrogance arises when a person has an important role in a company and the authority to direct the direction of the company. Arrogance is a haughty trait that a person has. According to [20], arrogance is an attitude of superiority or greed that a person has that internal control does not apply to him. In general, arrogance arises because someone has an important role in a company and has the right to determine the direction of the company's movement. The frequency of CEO appearance is a factor that affects financial statement fraud. A CEO is more satisfied if he shows his position to everyone so that his position can be considered, and with arrogance and superiority they believe that any policy cannot be attributed to him because of their position [20]. Research that fraudulent financial statements are influenced by the frequent number of CEO's picture is supported by[21] and [22] . So from the explanation above, this study uses the hypothesis, namely:

$H_5$ : CEO's Picture has a positive effect on fraudulent financial statements

[8] argues that many acts of fraud and white collar-crime occur because they are caused by collusion factors, namely an agreement or cooperation that exists between two or more individuals to achieve a criminal act or fraud. Collusion can be viewed with the factor of government projects. The government project referred to here is the acquisition of cooperation between the company and the government project. The larger the scale of government project cooperation established by the company and the government, the greater the company's financial income received, so that it can encourage agents (management) for that which can encourage agents (management) to take advantage by manipulating actual financial statements. In line with [21] which states that collusion calculated by government projects has a significant effect on fraudulent financial statements. So from the explanation above, this study uses the hypothesis, namely:

$H_6$ : Collusion has a positive effect on fraudulent financial statements

## II. LITERATURE REVIEW

Agency Theory: Agency theory explains the contractual relationship between shareholders (the principal) and management (the agent). The management must be accountable for their actions to the principal. In the contractual relationship between the principal and the agent, there may be frictions or differences in interests. These differences in interests may encourage the agent to behave dishonestly and unethically, ultimately harming the shareholders. The tendency of the agent to act against the interests of the principal is likely due to the small ownership stake they hold [23].

Financial Report: The main goal of a business entity is to increase its value. The increase in the value of an entity must be accompanied by an improvement in the company's performance. One aspect that can be seen in evaluating performance is an increase in sales. All of these can be reflected in a report, which describes the financial development of the company during a certain period. This report is commonly referred to as a financial statement [24]. A financial statement is a report that contains information on the financial performance of a company during a certain period, as well as the company's position in terms of wealth, debt, and equity at a certain time. This information is used by both internal and external parties of the company. For internal parties, financial statements are useful for assessing the financial performance of the company during a recording period, which is then used as a basis for making decisions for the next business development [25].

Fraud Hexagon: Fraud is an intentional act committed by an individual, either individually or in collusion,

that harms others for the purpose of obtaining profit. According to the Association of Certified Fraud Examiners [5]. the Fraud Hexagon Model is a theory that explains why a company or a particular party commits fraud [26]. The Fraud Hexagon was developed by Vousinas (2019) by incorporating collusion as a trigger factor for fraud. Vousinas argued that the fraud triangle is largely based on individuals who do not separate themselves, but large-scale frauds in the last few decades such as Enron, Woldcom, and Parmalat all emphasize that collusion is key to many complex frauds and financial crimes [27]. The following are the dimensions of the fraud hexagon variable:

- *Financial Stability*

Financial stability is measured using the ratio of changes in total assets as a measure of financial stability (ACHANGE).

$$\text{ACHANGE} = \frac{(Total\ Assets\ (t) - Total\ Assets\ 9\ (t-1))}{Total\ Assets\ (t-1)}$$

- *Nature of Industry*

Nature of Industry is the ideal state of a company. This interpretation is reflected in the company's accounts receivable. The bad debt account cannot be separated from the judgmental reserve account. Measured using the total ratio received.

$$\text{Receivable} = \frac{Receivable\ (t)}{sales\ (t)} - \frac{Receivable\ (t-1)}{sales\ (t-1)}$$

- *Change in Auditor*

External auditor change is used to assess auditor change (AUDCHANGE). Where in this variable, using a dummy variable as a measuring tool. provide code 1 for companies that replace auditors between 2017 - 2021, and code 0 if the company does not change auditors between 2017 - 2021.

- *Change in Director*

Ability is an innate trait possessed by a person. changes in directors can cause stress Ability is an innate trait possessed by a person. changes in directors can cause a stress period that increases the risk of someone committing fraud. This study uses the change of directors to measure the capability variable. This measurement uses a dummy variable, which uses code 1 if there is a change in the company's board of directors during the 2017-2021 period and code 0 for companies that do not change directors during the 2017-2021 period.

- *CEO's Picture*

Arrogance is a haughty nature that a person has. According to Crowe (2011), arrogance is a person's greedy attitude, which implies that internal controls do not apply to him. CEO's picture is a factor that supports arrogance and has a significant positive impact on indications of fraud. So this study uses the number of CEO's picture as a measurement tool for the arrogance variable.

- Projects with the Government

Collusion is defined as an agreement between two or more parties to deceive the other party. An indication of the potential for financial statement fraud if there is cooperation with the government. So in this study, dummy variables were used to measure the Collusion variable. Measurement by giving code 1 if the company has project cooperation with the government during the study period and code 0 if the company does not have project cooperation with the government during the study period.

Beneish M-Score: Beneish (1999) suggests the Beneish M-score as one way to reveal companies committing financial statement fraud. The company will be indicated to commit financial statement fraud if Mscore has a high value, on the contrary, if M-Score shows a small value, the company is considered not to commit financial statement fraud. The company will be indicated as committing financial statement fraud if the results of the M-Score calculation show a value of M>- 2.22. The dependent variable is measured using a dummy variable. If the company commits fraud, it is given a score of 1 while companies that do not commit fraud are given a score of 0.

## III. RESEARCH METHODOLOGY

Population Determination Method: The population in this study are all companies included in the combined LQ-45 stock index listed on the Indonesia Stock Exchange (IDX) for the period 2017-2021.

Sample Determination Method: Determination of the sample in this study is to use purposive sampling technique, which is a method of selecting samples

based on certain criteria related to a number of data sources needed.

Data Analysis Method: The analysis approach in this study uses quantitative analysis. The data analysis method used in this study is the panel data method with eviews 12. This study uses secondary data obtained on the web https://www.idx.co.id/id. The data collected in this study were analyzed with the following statistical tools [4].

Descriptive Statistical Analysis: Descriptive statistics relate to methods of grouping, summarizing, and presenting data in an informative way. Descriptive statistical analysis describes the average value (mean), median, mode, standard deviation, variance, maximum, and minimum which aims to determine the distribution of data that is the research sample [28]. Descriptive statistics aim to provide an overview or description of the data from the dependent and independent variables used in the study.

Panel Data Regression Model: The analytical tool used in this research is the panel data regression model. Panel data regression is a combination of cross-sectcion data time series data.

The calculation model is as follows:

*Fraud* = α + β1 ACHANGE + β2RECEIVABLE + β3AUDCHANGE + β4DCHANGE + β5CEOPIC + β6PROPEM + e

Description:

| | |
|---|---|
| Fraud | = Financial Statement Fraud |
| Alpha | = Constant |
| β | = Regression Coefficient |
| ACHANGE | = Total Asset Change Ratio |
| ROA | = Return On Assets |
| RECEIVABLE | = Inventory Change Ratio |
| AUDCHANGE | = Auditor Change |
| DCHANGE | = Change of President Director |
| CEOPIC | = Frequency of appearance of CEO/President Director picture in Annual Report |
| PROPEM | = Project with the government |
| e | = Standard Error |

The significance of the regression weight is used to analyze the regression coefficient. This analysis is done to show the magnitude of the overall influence of one variable on another. The following conditions govern the decision to accept or reject the proposed hypothesis:

- If tcount > ttable then the null hypothesis (H0) is rejected or Ha is accepted, meaning that there is an influence between the two variables statistically.
- If tcount < ttable then the null hypothesis (H0) is accepted or Ha is rejected, meaning that there is no influence between the two variables statistically.

Hypothesis Test

T Statistical Test: The t test is used to determine how the influence of each independent variable on the dependent variable. The level of significance between the independent variable and the dependent variable, assuming that the other independent variables are constant, shows the effect. The significance level (α) for this test is 5%. The t-test fulfills the following requirements:

- Ho is rejected and Ha is accepted if the probability value is smaller than α = 5%.
- Ho is accepted and Ho is rejected if the probability value is greater than α = 5%.

Coefficient of Determination: The coefficient of determination test serves to measure the impact of financial stability, external pressure, financial targets, opportunity, rationalization, capability, arrogance, and collusion on the potential for fraudulent financial statements. The greater the R2 value (close to 1), the better the regression results. According to [5], if the value is close to one, it means that the independent variables provide almost all the information needed to predict the variation in the independent variable. The closer to 0, the independent variables as a whole cannot explain the dependent variable.

## IV. RESEARCH AND DISCUSSION

- Descriptive Statistics Results

Descriptive statistical analysis is used to provide an overview, information and description of the sample that has been determined. In the table below, a description of the research variables is presented, namely Financial Statement Fraud (Fraud) as the dependent variable, and the independent variables financial stability (ACHANGE), opportunity (RECEIVABLE), rationalization (AUDCHANGE), capability (DCHANGE), arrogance (CEOPIV), and

collusion (PROPEM). The number of LQ-45 companies is 24 companies with observation years from 2017 to 2021, so the total observation data is 120 company data (panel data).

Tabel 4. 1
Description of Research Variables

| Variable | N = 120 | | | |
|---|---|---|---|---|
| | Minimum | Maximum | Mean | Standard Deviation |
| FRAUD | 0 | 1 | 0,591667 | 0,493586 |
| ACHANGE | -0,127305 | 1,676057 | 0,111672 | 0,189086 |
| RECEIVABLE | -0,284475 | 0,379546 | 0,002289 | 0,062131 |
| AUDCHANGE | 0 | 1 | 0,341667 | 0,476257 |
| DCHANGE | 0 | 1 | 0,175000 | 0,381560 |
| CEOPIC | 1 | 6 | 2,658333 | 0,974428 |
| PROPEM | 0 | 1 | 0,750000 | 0,434828 |

Source: Data processed by researchers, 2023

Based on the results of descriptive statistical calculations of the variables of financial statement fraud, financial stability, opportunity, rationalization, capability, arrogance, and collusion, it can be explained as follows:

1. The variable of financial statement fraud calculated by Beneish M-Score with the use of dummy variables, namely value 1 for companies indicated by fraud and value 0 for companies that are not indicated by fraud, so that the lowest value (minimum) is 0 and the highest value (maximum) is 1. The average value (mean) is 0.591667 and the standard deviation is 0.493586.
2. The pressure / stimulus variable in the financial stability proxy calculated using ACHANGE (asset change ratio) has the lowest (minimum) value of -0.127305 at PT. AKR Corporindo Tbk. 2020 and the highest value (maximum) of 1.676057 at PT. Indofood CBP Sukses Makmur Tbk. 2020, average value (mean) of 0.111672 and standard deviation of 0.189086. With an average ACHANGE value of 0.111672, it can be interpreted that the company's ability to manage their assets is 11.16%.
3. The opportunity variable in the nature of industry proxy is calculated using RECEIVABLE (the ratio of changes in sales receivables) has the lowest (minimum) value of -0.284475 at PT Wijaya Karya (Persero) Tbk. Year 2021 and the highest value (maximum) of 0.379546 at PT. Wijaya Karya (Persero) Tbk. 2020, the average value (mean) of 0.002289 indicates the level of sales receivables of all companies in this research sample of 0.22%. Standard deviation of 0.062131
4. The rationalization variable in the proxy for change in auditor is calculated using AUDCHANGE (auditor change) using a dummy variable, namely value 0 for companies that do not change auditors and value 1 for companies that change auditors, so that the lowest value is 0 and the highest value is 1. The average value (mean) of 0.341667 indicates that companies that change auditors are only 34.16% of the total sample. Standard deviation of 0.476257.
5. The capability variable in the change of director proxy is calculated using DCHANGE (change of director) using a dummy variable, namely a value of 0 for companies that do not change directors and a value of 1 for companies that change directors, so that the lowest value is 0 and the highest value is 1. The average value (mean) of 0.175000 indicates that companies that change directors are only 17.5% of the total sample. Standard deviation of 0.381560.
6. The arrogance variable in the CEO's picture proxy is calculated using CEOPIC by looking at the number of CEO / president director photos displayed in the company's annual report. In the 2017-2021 period, the LQ-45 companies produced an average value of 2.658333 with the lowest value of 1 and the highest of 6. Meanwhile, the standard deviation value is 0.974428. The average value of 2.658333 which means that on average the company displays the CEO's photo in the annual financial report 2 times.
7. The collusion variable calculated by PROPEM (Government Project) using a dummy variable, namely value 0 for companies that have no

cooperation with the government and value 1 for companies that have cooperation with the government, so that the lowest value (minimum) is 0 and the highest value (maximum) is 1. The average value (mean) is 0.750000 and the standard deviation is 0.434828. The average value of 0.750000 indicates that politically connected companies are 75% of the total sample.

- Multiple Linear Regression Analysis

Multiple linear regression is used to model the relationship between the dependent variable (bound) and the independent variable (free) by involving more than one independent variable. Based on the results of calculations with eviews software version 12. Testing is done with the Fixed Effect Model using General Least Square (Weighted cross section) because it is the best model among other models, and has a better significant level. The following random effect weight model regression results are shown in table 4.2 as follows.

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0,719397 | 0,109463 | 6,572057 | 0,0000 |
| ACHANGE | -0,122556 | 0,163239 | -0.750777 | 0,4547 |
| RECEIVABLE | 0,715045 | 0,300394 | 2,380354 | 0,0194 |
| AUDCHANGE | -0,038722 | 0,032512 | -1,191021 | 0,2368 |
| DCHANGE | -0,033679 | 0,045675 | -0,737372 | 0,4628 |
| CEOPIC | -0,047396 | 0,038609 | -1,227600 | 0,2228 |
| PROPEM | 0,039252 | 0,050379 | 0,779145 | 0,4379 |

Source: Data processed by researchers, Eviews 2023

Based on the test results shown in table 4.2, it can be concluded that the multiple linear regression equation in this study is as follows:

Fraud = 0,719397 - 0,122556 ACHANGE + 0,715045 RECEIVABLE -0,038722 AUDCHANGE - 0,033679 DCHANGE - 0,047396 CEOPIC + 0,039252 PROPEM+ e

The panel data regression equation can be analyzed as follows:

1. The constant with a value of 0.719397 indicates that if all independent variables are zero (0) then fraud or financial statement fraud is 0.719397.
2. The ACHANGE coefficient of -0.122556 means that if ACHANGE increases by 1%, the financial statement fraud will decrease by -0.122556. The negative coefficient means that there is a negative relationship between ACHANGE and fraudulent financial statements or there is a negative correlation.
3. The RECEIVABLE coefficient is 0.715045, which means that if RECEIVABLE increases by 1%, the financial statement fraud will increase by 0.715045. The coefficient is positive, meaning that there is a positive relationship between RECEIVABLE and fraudulent financial statements or there is a positive correlation.
4. The AUDCHANGE coefficient of -0.038722 means that if AUDCHANGE increases by 1%, the financial statement fraud will decrease by -0.038722. The negative coefficient means that there is a negative relationship between AUDCHANGE and fraudulent financial statements or there is a negative correlation.
5. The DCHANGE coefficient of -0.033679 means that if DCHANGE increases by 1%, the financial statement fraud will decrease by -0.033679. The negative coefficient means that there is a negative relationship between DCHANGE and fraudulent financial statements or there is a negative correlation.
6. The CEOPIC coefficient of -0.047396 means that if CEOPIC increases by 1%, the financial statement fraud will decrease by -0.047396. The negative coefficient means that there is a negative relationship between CEOPIC and financial statement fraud or there is a negative correlation.
7. The PROPEM coefficient of 0.039252 means that if PROPEM increases by 1%, the financial statement fraud will increase by 0.039252. The coefficient is positive, meaning that there is a positive relationship between PROPEM and

fraudulent financial statements or there is a positive correlation.

Hypothesis Test

Hypothesis testing in this study was carried out with two tools, namely: t statistical test and coefficient of determination test (R2).

1. Statistical t-Test

The t test is used to determine whether or not there is an effect of the dependent variable (independent) on the independent variable (bound). The t test is done by comparing the statistical value (t_hitung) of each independent variable coefficient with the t_table value and calculating the probability. In finding df (n-k) in this study, namely df = 120-8 = 112. Where n = 120 which is the number of samples and k = 8 is the number of dependent variables (bound) and independent variables (free). With a df value of 112 and a significance of 0.05, the t table value is 1.65857.

| Variable | $T_{count}$ | $T_{table}$ | Prob. | Significant limit | Description |
|---|---|---|---|---|---|
| C | 6,572057 | 1,65857 | 0,0000 | 0,05 | |
| ACHANGE | -0,750777 | 1,65857 | 0,4547 | 0,05 | No significant effect |
| RECEIVABLE | 2,380354 | 1,65857 | 0,0194 | 0,05 | Significant positive effect |
| AUDCHANGE | -1,191021 | 1,65857 | 0,2368 | 0,05 | No significant effect |
| DCHANGE | -0,737372 | 1,65857 | 0,4628 | 0,05 | No significant effect |
| CEOPIC | -1,227600 | 1,65857 | 0,2228 | 0,05 | No significant effect |
| PROPEM | 0,779145 | 1,65857 | 0,4379 | 0,05 | No significant effect |

Source: Data processed by researchers, Eviews 2023

The following is an explanation of the results of hypothesis testing in this study:

1. The hypothesis in this study is $H1$ : Financial stability has a positive effect on financial statement fraud. Based on the t test results, financial stability has a t count of -0.750777 with a significance level of 0.4547. This shows that t count is smaller than t table (-0.750777 < 1.65857) with a significance value (0.4547 > 0.05). So it can be concluded that financial stability has no effect on financial statement fraud.
2. The hypothesis in this study is $H2$ : Nature of Industry has a positive effect on Financial Statement Fraud. Based on the results of the t test, Nature of Industry has a t count of 2.380354 with a significance level of 0.0194. This shows that t count is greater than t table (2.380354 > 1.65857) with a significance value (0.0194 < 0.05). So it can be concluded that Nature of Industry has a significant positive effect on financial statement fraud.
3. The hypothesis in this study is $H3$ : Change in Auditor has a positive effect on Financial Statement Fraud. Based on the t test results, Change in Auditor has a t count of -1.191021 with a significance level of 0.2368. This shows that t count is smaller than t table (-1.191021 < 1.65857) with a significance value (0.2368 > 0.05). So it can be concluded that Change in Auditor has no effect on financial statement fraud.
4. The hypothesis in this study is $H4$ : Change of Director has a positive effect on Financial Statement Fraud. Based on the results of the t test, Change of Director has a t count of -0.737372 with a significance level of 0.4628. This shows that t count is smaller than t table (-0.737372 < 1.65857) with a significance value (0.4628 > 0.05). So it can be concluded that Change of Director has no effect on financial statement fraud.
5. The hypothesis in this study is $H5$ : CEO'S Picture has a positive effect on Financial Statement Fraud. Based on the t test results, CEO'S Picture has a t count of -1.227600 with a significance level of 0.2228. This shows that t count is smaller than t

table (-1.227600 < 1.65857) with a significance value (0.2228 > 0.05). So it can be concluded that CEO'S Picture has no effect on financial statement fraud.

6. The hypothesis in this study is $H6$ : Projects with the Government have a positive effect on Financial Statement Fraud. Based on the results of the t test, the Project with the Government has a t count of 0.779145 with a significance level of 0.4379. This shows that t count is smaller than t table (0.779145 < 1.65857) with a significance value (0.4379 > 0.05). So it can be concluded that the Project with the Government has no effect on fraudulent financial statements.

2. Determination Coefficient Test

The coefficient of determination (R2 ) is used to determine how much the ability of the independent variable is in explaining the dependent variable. The coefficient of determination uses the Adjusted R-squared value in the regression equation. If the Adjusted R-squared value is higher (close to one), the stronger the relationship between the dependent variable (bound) and the dependent variable (independent).

The following table shows the results of testing the coefficient of determination (R2) using the Eviews 12 software calculation of the regression equation:

| Weighted Statistics | | | |
|---|---|---|---|
| Root MSE | 0.301262 | R-squared | 0.938266 |
| Mean dependent var | 1.199187 | Adjusted R-squared | 0.918374 |
| S.D. dependent var | 1.735843 | S.E. of regression | 0.347867 |
| Sum squared resid | 10.89103 | F-statistic | 47.16815 |
| Durbin-Watson stat | 2.105400 | Prob(F-statistic) | 0.000000 |

Source: Data processed by researchers, Eviews 2023

Based on the test results shown in the table above, it is known that the Adjusted R-squared result is 0.918374 or 91.8374%. This means that the dependent variable on financial statement fraud (fraud) calculated by Beneish M-Score can be explained by the independent variable, namely the fraud hexagon proxied by financial stability (ACHANGE), nature of industry (RECEIVABLE), change in auditor (AUDCHANGE), change of director (DCHANGE), CEO's picture (CEOPIC), and projects with the government (PROPEM) by 91.8374%. While the other 8.1626% is influenced or explained by other variables outside the regression model.

## V. DISCUSSION

- First hypothesis

From the results of testing financial stability (ACHANGE) on financial statement fraud, it is known that financial stability has no significant effect on financial statement fraud. When the company is in a stable condition, the company is considered by investors to be going up. Thus, it is related to the agent and principal where investors as principals have a desire for a high return on their investment. According to [29], when financial conditions are unstable or declining, managers do not necessarily manipulate financial statements to improve the company's prospects when financial conditions are unstable because this will actually worsen financial conditions in the future. [21] also stated that good asset management can help maintain financial stability, although this is not statistically supported. The findings of this study are supported by Permata's research [21] which found that financial stability has no effect on financial statement fraud, as well as research [29], [3] which found that financial stability has a negative effect on fraudulent financial reporting.

- Second hypothesis

From the results of testing opportunity (RECEIVABLE) on financial statement fraud, it is known that opportunity has a significant effect on financial statement fraud. Based on the test results, an increase in the company's accounts receivable in the previous year may indicate that the company's cash turnover is not good. A significant increase in accounts receivable can be a serious indicator of financial statement fraud in a company, because an increase in the company's accounts receivable will certainly reduce the amount of cash that the company can use for operational activities. Management may be encouraged to manipulate financial statements due to

lack of funds. This research is supported by [30] and [21] who found that the nature of industry variable with the RECEIVABLE proxy has an effect on financial statement fraud.

- Third hypothesis

From the test results of change in auditor (AUDCHANGE) on financial statement fraud, it is known that change in auditor has no effect on financial statement fraud. This can occur when the auditor is replaced due to the company's dissatisfaction with the previous good performance of the independent auditor based on the audit results. To improve the company's performance in the future, the company will use an independent auditor who is truly independent and objective in conducting audits. However, if the company becomes dissatisfied with the performance of auditors who cannot be intervened or influenced by the company to manipulate audit results, the possibility of fraud will increase [31], [3].

- Fourth hypothesis

From the results of testing the change of director (DCHANGE) on financial statement fraud. It is known that the change of auditors is not intended to cover up fraud against fraudulent financial statements. According to [29] this can happen because the board of commissioners will always supervise and monitor the work of the directors. As a result, directors whose performance is not optimal will be replaced by directors who are more competent and can work optimally to improve the quality of the company. The greater the ability of the directors, the greater the level of caution in their work, so that the possibility of fraud is very small. The results of this study are supported by [29] which states that auditor turnover has no significant effect on financial statement fraud.

- Fifth hypothesis

From the results of testing CEO's picture (CEOPIC) on financial statement fraud. This shows that the frequency of director photos has no effect on the occurrence of fraudulent financial statements. The number of CEO photos that appear in the company's annual report aims to introduce the CEO, where the CEO photo is a form of introduction to the leaders who serve the company to stakeholders. The results of this study are supported by [29] which states that the variable frequency of appearance of CEO images has no significant effect on financial statement fraud. However, the findings of this study are not supported by [32] which states that the frequency of appearance of CEO images has a positive and significant effect on fraudulent financial reporting.

- Sixth hypothesis

From the results of testing projects with the government (PROPEM) on fraudulent financial statements, it is known that projects with the government have no effect on fraudulent financial statements. According to [33] Although collusion is one of the factors that can influence the occurrence of fraud when working on government projects, in reality, if fraud occurs when working on government projects, the company will be blacklisted. Companies that cooperate with government projects show that they have good performance because the government is willing to propose cooperation and also shows that the selected company does not commit fraud. The results of this study are supported by [34] and [26] which state that projects with the government have no significant effect on financial statement fraud.

## CONCLUSION

Based on the results of the analysis and discussion that has been carried out in the previous chapter, it can be concluded that: Pressure / stimulus variables with proxy financial stability, capability with proxy change of directors, rationalization with proxy change of auditor arrogance and collusion with proxy projects with the government with proxy frequent number of CEO's picture has no effect on financial statement fraud. The opportunity variable with the nature of industry proxy has a significant positive effect on fraudulent financial statements.

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