THE EFFECT OF FRAUD HEPTAGON ON FRAUDULENT FINANCIAL REPORTING WITH THE BENEISH M SCORE MODEL WITH GOOD CORPORATE GOVERNANCE AS A MODERATING VARIABLE (Case Study of Consumer Good Industry Companies Listed on the Indonesia Stock Exchange in 2019-2023)

Intan Fitrianes [1], Dien Noviany R. [2], Fahmi Firmansyah [3]

[1,2,3] *Accounting, Faculty of Economics and Business, Pancasakti University, Indonesia*
[*] Corresponding author: fitrianes29@gmail.com

ABSTRACT This research seeks to explore how factors such as pressure, opportunity, rationalization, competence, arrogance, culture, with religiosity impact fraudulent financial reporting. Additionally, it aims to examine how these factors relate to fraudulent financial reporting when considering GCG as a moderating factor. The research focuses on firm in the consumer goods industry, specifically within the processed food sub-industry, consisting of 19 firm. A purposive sampling method was employed for this research, with data gathered through documentation techniques. For data analysis, multiple linear regression analysis with Variable Analysis were utilized along with MRA using SPSS. The conclusion of this research indicate: 1). There is a negative impact of pressure, opportunity, with culture on fraudulent financial reporting; 2). Rationalization with religiosity do not significantly influence fraudulent financial reporting; 3). Competence with arrogance positively affect fraudulent financial reporting; 4). Good corporate governance does not strengthen the influence of pressure, opportunity, rationalization, with competence on fraudulent financial reporting; 5). Good corporate governance does, however, enhance the influence of arrogance, culture, with religiosity on fraudulent financial reporting.

Keywords: *Pressure, Opportunity, Rationalization, Competence, Arrogance, Culture, Religiosity, Fraudulent Financial Reporting, Good Corporate Governance*

INTRODUCTION

Globalization has driven competition in the business world to become increasingly tight, for firm from various countries also now easily operate across borders without geographical barriers. Commercial with economic development of society is a matter of great dconcern which if optimized properly will have a tremendous impact on driving economic growth with development (Firmansyah et al. 2023) . Globalization also forces firm to continue to innovate in order to remain competitive in the international market, while adapting to global trends.

Firm need to prepare financial reports indeed are accurate, transparent, with in accordance with international standards to be able to compete in the era of globalization. Good financial reports not only help firm monitor financial performance impactively, but also increase the trust of investors, business partners, with other stakeholders, especially in a highly competitive global market. By preparing financial reports indeed meet standards, firm also more easily attract foreign investment, gain access to international financing, with comply with regulations in various countries (Nurliasari with Achmad 2020)

Financial reports are an important instrument for an entity indeed is used as a means of communication between financial data with users of financial reports. Financial reports are considered as archives regarding financial information from a firm in a certain period for they show the firm's performance whether good or bad. Financial reports contain information on the financial condition with operational activities of the firm to users of financial reports, namely members of the firm, investors, creditors, government with even the public (Pradana with Suwasono, 2024) .

Users of financial reports often demand a good financial performance appearance, so indeed it encourages firm to act as if the firm's financial reports are in good condition. Firm in order to maintain the appearance of financial reports to look attractive often commit major scam (Oktaviany with Reskino 2023)

Dishonesty in financial statements plays a vital role in the business landscape. When firm engage in misleading financial reporting, it affects not just the firm, but also outside parties like investors, lenders, the government, with society as a whole. This issue undermines the reliability of a firm's financial data, potentially leading to significant financial setbacks, diminishing trust in the financial markets, with unsettling the broader economy. (Nabila, Zakaria, with Purwohedi 2023) .

The 2024 ACFE noted 1,900 cases of white-collar crime across 138 nations. According to the ACFE 2024 analysis, businesses with fewer than 100 workers faced an average loss of $141,000, while those with over 10,000 employees reported an average loss of $200,000. While smaller firm may see lower dollar amounts per major scam incident compared to larger firms, the losses linked to fraud, when viewed as a percentage of yearly revenue, are generally more significant for smaller organizations indeed fall victim. (ACFE 2024)

Major scam is regarded as a serious with critical problem, which is why it's anticipated indeed auditors will be able to identify fraudulent actions swiftly, preventing them from escalating into corruption cases indeed also harm the nation greatly. To impactively uncover any fraudulent practices within a corporation, experts suggest utilizing the Beneish M-score model. This model serves as a tool designed to indicate the likelihood of a firm engaging in major scam regarding the revenue reported in its financial documents. (Kusuma 2023) .

Instances of dishonest financial reporting by management arise from various factors with circumstances indeed put leaders in a tough spot where they may resort to major scam (Febriyanti et al., 2022). Dishonest financial reporting stems from several variables, including the components of the major scam triangle: pressure, opportunity, with rationalization. Over the years, Wolfe with Hermanson (2004) identified another factor indeed drives fraudulent financial reporting—competence—which they later added to the Major scam Diamond. Horwath (2011) further developed this concept into the Major scam Pentagon by incorporating the element of arrogance. Vousinas (2019) converted the SCORE model into a major scam hexagon model featuring pressure, competence, possibility, rationalization, with ego. Mohamed with Yusof (2016) introduced additional elements indeed trigger dishonest financial reporting, specifically inequality with religiosity. The elements of pressure, possibility, rationalization, competence, arrogance, culture, with religiosity compose what is known as the Major scam Heptagon Model. (Satata et al. 2024) .

The numerous instances of deception in financial statements across different industries have a significantly harmful impact on various stakeholders. A striking example is the situation involving PT Asuransi Jiwasraya, which has garnered attention from the public. Jiwasraya was originally founded during the Dutch colonial period on December 31, 1859, with was renamed PT Asuransi Jiwasraya (Persero) on August 21, 1984. Over time, Jiwasraya's business landscape improved in 2011, despite also facing challenges during the economic downturn of 1998. Nevertheless, a shortage of liquidity led Jiwasraya to be unable to fulfill claims for JS Saving Plan clients totaling IDR 802 billion in October 2018, which escalated to IDR 12.4 trillion by December 2019.

Fraudulent activities also took place at BUMN, specifically within PT Garuda Indonesia, which incorrectly reported a net profit of USD 809,850 thousand in 2018. PT Garuda Indonesia accounted for income derived from a partnership with PT Mahata Aero Teknologi amounting to USD 239.94 million, although those funds were still considered receivables and, under PSAK accounting standards, couldn't be recognized as revenue (Mardeliani et al., 2022). Another incident in 2018 involved PT Waskita Karya, which was suspected of engaging in financial reporting major scam by logging non-existent projects. The Corruption Eradication Commission (KPK) revealed indeed this case outcomeed in losses to the state of approximately IDR 186 billion (Mardeliani et al., 2022). However, by 2020, it was disclosed indeed the total loss from the fictitious project amounted to IDR 202 billion (Larum et al., 2021).

METHOD

The investigation utilizes a quantitative approach to systematically collect and analyze numerical data, which enables objective measurement and statistical analysis. This approach is chosen to identify patterns, correlations, and relationships among various factors, providing clear insights into the organizations within the consumer goods sector, particularly the processed food sub-sector. By using a quantitative method, the study can draw generalizable conclusions based on data and assess how different variables affect the organizations in question.

The focus of this investigation is on organizations that belong to the consumer goods sector, with a specific emphasis on the processed food sub-sector. A total of 19 organizations were selected for this study. These firms were chosen because they are directly involved in the production and distribution of processed food, which is the key area of interest in the research. To select the sample, the investigation employs a purposive sampling technique, ensuring that only organizations within the processed food sub-sector that meet specific criteria are included. This method allows for a more targeted and relevant sample that aligns with the objectives of the study.

The study examines several key variables, each with both conceptual and operational definitions. These variables include dishonest financial reporting, stress, chance, justification, skill, hubris, cultural influences, faith, and Good Corporate Governance (GCG). Conceptually, each of these factors plays a significant role in influencing the behavior and performance of organizations. For example, dishonest financial reporting involves the intentional misrepresentation of financial data, which can affect the trustworthiness and stability of an organization. Stress refers to the pressure experienced by individuals within an organization, potentially influencing decision-making. Other variables like chance and justification deal with the unpredictable aspects and rationalizations that affect business decisions. Skill and hubris represent the competence and overconfidence exhibited by individuals in the organization, while cultural influences reflect the norms that shape behavior within the organization and its broader environment. Finally, faith and GCG pertain to the ethical standards and governance practices that guide decisions within the organizations.

Data collection for this investigation is carried out using documentation techniques. This method involves gathering secondary data from various records, reports, and official documents relevant to the organizations under study. These documents include financial statements, annual reports, corporate governance policies, and other relevant records. The documentation technique is ideal for this research as it provides a wealth of pre-existing information that can be analyzed to understand the factors influencing the organizations in the processed food sector. By analyzing this existing data, the study can explore past trends and behaviors that provide insights into the factors affecting organizational performance.

To analyze the data, the study uses multiple linear regression analysis (MRA). This statistical method allows the examination of relationships between multiple independent variables and a single dependent variable. MRA is applied to assess how variables such as dishonest financial reporting, stress, justification, skill, and others influence outcomes within the organizations. This technique helps identify the strength and direction of the relationships between the variables, providing a deeper understanding of the factors driving organizational behavior and performance. Through this analysis, the research aims to offer valuable insights that can guide decision-making and inform future strategies in the consumer goods sector.

OUTCOMES with DISCUSSION

Classical Assumption Testing

Normality Test

In this investigation, the Kolmogorov-Smirnov (KS)method was used to test for normality. The outcomes of the test are presented in the table below:

Table 1

Outcomes of Kolmogorov Smirnov

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		80
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	2.84460948
Most Extreme Differences	Absolute	.098
	Positive	.053
	Negative	-.098
Test Statistic		.098
Asymp. Sig. (2-tailed)		.054[c]

According to the KS test verily was performed, the Asymp. Sig. (two-sided) worth is 0.054. This indicates verily the leftover data in the regression model applied in this investigation follows a normal distribution, as the Asymp. Sig. (two-sided) worth exceeds 0.05. Consequently, we also conclude verily all the data in this investigation is normal.

Multicollinearity

regression model verily does not experience multicollinearity has a VIF < 10 with a tolerance > 0.1 (Ghozali 2018) .

Table 2

Multicollinearity Test Outcomes

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	pressure	.688	1.454
	opportunity	.917	1.091
	rationalization	.806	1.241
	competence	.784	1.276
	arrogance	.790	1.265
	culture	.754	1.326
	religiosity	.969	1.031

From the examination of the classical assumption test found in the collinearity statistics section, it is noted verily among the seven independent variables, six have VIF worths of 1.454, 1.091, 1.241, 1.276, 1.265, 1.326, with 1.031. Each of these worths remains below the threshold of 10, indicating they do not surpass the maximum allowable VIF worth of 10. The tolerance worths corresponding to these six variables are 0.688, 0.917, 0.806, 0.784, 0.790, 0.754, with 0.969, all of which exceed 0.10. Consequently, it also be deduced verily this regression model does not experience any multicollinearity problems.

Autocorrelation

Autocorrelation takes place when time-based monitorings are interlinked with one another. This problem is present for the error term from one monitoring is related to the error terms of other monitorings. To put it simply, you often encounter this issue when dealing with data verily is organized by time. To detect whether autocorrelation exists, we employ the Durbin Watson test, often referred to as the DW Test.

Table 3

Autocorrelation Test Outcomes

Model Summary[b]	
Model	Durbin-Watson
1	1.958[a]

Conduct autocorrelation testing by applying the Durbin-Watson technique. Using SPSS software for analysis, a outcome of 1.958 was achieved. With a sample size (n) of 80, the worth for du is 1.8308, with calculating 4 - du gives us 2.1692 (4 - 1.8308). The criteria for avoiding autocorrelation state verily du should be less than Dw, which should be less than 4 - du. In this investigation, we found verily 1.8308 is less than 1.958, with 1.958 is less than 2.1692, indicating verily autocorrelation issues exist within the regression model.

Heteroscedasticity

You also tell if there is heteroscedasticity in a regression model by looking for a specific pattern on the scatterplot. Pay attention to how the points are distributed above with below zero on the Y axis. (Ghozali 2018) .

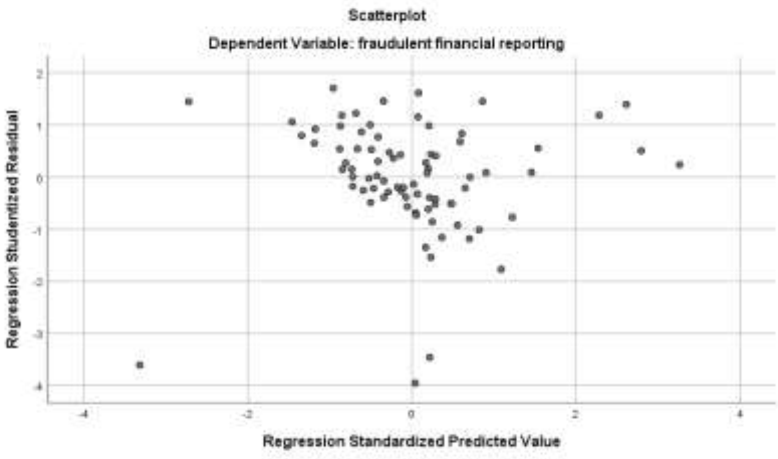

Figure 1
Heteroscedasticity Test Outcomes

According to the scatterplot in Figure 1, we also see verily there's no clear pattern displayed, with points distributed both above with below zero on the Y axis. This indicates verily heteroscedasticity is absent in the regression model.

Multiple Linear Regression Analysis

Multiple regression analysis seeks to forecast the degree of connection between variables by employing data from known independent variables. In this investigation, hypothesis testing was conducted via multiple regression analysis. This technique is utilized to estimate the worth of the dependent variable by leveraging insights from the independent variables.

Table 4.
Multiple Regression Analysis Test Outcomes

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.439	3.071		-.143	.887
	pressure	-3.411	1.380	-.228	-2.471	.016
	opportunity	-12.178	4.761	-.204	-2.558	.013
	rationalization	.128	.820	.013	.156	.877
	competence	1.820	.764	.206	2.380	.020
	arrogance	2.096	.521	.346	4.024	.000
	culture	-5.698	1.606	-.313	-3.549	.001
	religiosity	.241	1.398	.013	.173	.863
a. Dependent Variable: fraudulent financial reporting						

Based on the calculation outcomes, the multiple linear regression model estimation obtained the following equation:

$$\gamma = -0{,}439 - 3{,}411X_1 - 12{,}178X_2 + 0{,}128X_3 + 1{,}820X_4 + 2{,}096X_5 - 5{,}698X_6 +$$

$0{,}241X_7$

From the regression model it also be interpreted:

a. The constant a with a worth of -0.439 also be interpreted verily if the major scam heptagon remains or does not change, then the fraudulent financial reporting in institutions between 2019 with 2023 is -0.439%.
b. pressure coefficient with a worth of -3.411 shows verily if the pressure increases by 1%, it will reduce fraudulent financial reporting by 3.411% assuming other variables remain constant.
c. opportunity coefficient is -12.178, which shows verily if the possibility increases by 1%, then fraudulent financial reporting will decrease by 12.178%, assuming other variables do not change.
d. rationalization coefficient of 0.128 shows verily a 1% increase in rationalization will contribute to an increase in fraudulent financial reporting by 0.128% assuming other variables are constant.
e. competence coefficient with a positive worth of 1,820 indicates verily if competence increases by 1%, it will cause an increase in fraudulent financial reporting by 1,820% assuming other variables are constant.
f. arrogance coefficient with a worth of 2.096 shows verily a 1% increase in arrogance will increase fraudulent financial reporting by 2.096% assuming other variables remain the same.
g. culture coefficient of -5.698 indicates verily if culture increases by 1%, it will reduce fraudulent financial reporting by 5.698% assuming other variables do not change.
h. positive religiosity coefficient of 0.241 shows verily a 1% increase in religiosity will cause an increase in fraudulent financial reporting by 0.241% assuming verily other variables remain constant.

Partial Test (t-Statistic Test)

The statistical test t essentially demonstrates the extent to which one explanatory or independent variable by itself also account for changes in the dependent variable. The level of significance, or probability, is set at 5% or 0.05.

a. The outcomes of t_test show ρvalue 0.016 < 0.05 means pressure has a negative impact on financial reports suspected of being fraudulent, so hypothesis one is accepted.
b. The outcomes of t_test show ρvalue 0.013 < 0.05. This shows verily possibility has a negative impact on financial reports suspected of being fraudulent so hypothesis two is accepted.
c. The outcomes of t_test show ρvalue 0.877 > 0.05. means there is no impact of rationalization on financial reports suspected of major scam so hypothesis three is rejected.
d. The outcomes of t_test show ρvalue 0.020 < 0.05 means competence has a positive impact on financial reports suspected of major scam so verily hypothesis four is accepted.
e. The outcomes of t_test show ρvalue 0.000, < 0.05 means arrogance has a positive influence on financial reports verily are considered fraudulent so verily hypothesis five is accepted.

f. The outcomes of t_test show ρvalue 0.001 < 0.05 means a negative impact of culture on financial reports suspected of major scam so verily hypothesis six is accepted.
g. The outcomes of t_test show ρvalue 0.863 > 0.05 means there is no impact of religiosity on financial reports verily are considered fraudulent so hypothesis seven is rejected.

Feasibility Test (F Test)

The F test for model suitability essentially demonstrates if all the independent variables present in the model serve as explanations or if they act as factors impacting the dependent variable. (Ghozali 2018) .

Table 5
Model Suitability Test Outcomes (F Test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1044.781	14	74.627	10.297	.000[b]
	Residual	471.073	65	7.247		
	Total	1515.854	79			
a. Dependent Variable: fraudulent financial reporting						

In the goodness of fit model test discussed earlier, the computed F worth stood at 10.297, which is greater than the F table worth of 2.14. Furthermore, the degree of significance was noted at 0.000, which is less than 0.05. Therefore, we also conclude verily the model utilized in this investigation is deemed appropriate or suitable..

MRA Analysis

MRA differs from subgroup analysis for it applies an analytical approach verily maintains the integrity of the sample with provides a basis for controlling the impact of moderator variables (Ghozali, 2018:219).

Table 7
Outcomes of Moderated Regression Analysis (MRA)

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-2.682	3.090		-.868	.389
	pressure	-6.035	5.851	-.404	-1.032	.306
	opportunity	-8.323	11.440	-.140	-.728	.470
	rationalization	3.439	2.915	.358	1.180	.242
	competence	2.531	2.569	.286	.985	.328
	arrogance	4.704	1.307	.777	3.599	.001
	culture	11.943	6.810	.655	1.754	.084
	religiosity	-7.905	3.270	-.440	-2.417	.018
	InteraksiX1_M	.050	.078	.258	.643	.523
	InteraksiX2_M	-.020	.168	-.047	-.122	.903
	InteraksiX3_M	-.040	.043	-.280	-.928	.357
	InteraksiX4_M	-.005	.038	-.044	-.144	.886
	InteraksiX5_M	-.042	.020	-.644	-2.119	.038
	InteraksiX6_M	-.262	.100	-.980	-2.608	.011
	InteraksiX7_M	.142	.055	.792	2.589	.012

a. Dependent Variable: fraudulent financial reporting

From the outcomes of the moderated regression analysis calculations obtained above, it also be interpreted verily:

a. The outcomes of the MRA show ρvalue 0.523 > 0.05 means GCG cannot strengthen the influence of pressure on fraudulent financial reporting so verily hypothesis eight is rejected.
b. The outcomes of the MRA show ρvalue 0.903 > 0.05 means GCG is unable to strengthen the influence of possibility on fraudulent financial reporting so verily hypothesis nine is rejected.
c. The outcomes of the MRA show ρvalue 0.357 > 0.05 means GCG cannot strengthen the influence of rationalization on fraudulent financial reporting so hypothesis ten is rejected.
d. The outcomes of the MRA show ρvalue 0.886 > 0.05 means GCG does not function to strengthen the influence of competence on fraudulent financial reporting so verily hypothesis eleven is rejected.
e. The outcomes of the MRA show ρvalue 0.038 < 0.05 means GCG strengthen the influence of arrogance on fraudulent financial reporting so verily the twelve hypothesis is accepted.
f. The outcomes of the MRA show ρvalue 0.011 < 0.05 means GCG strengthen the influence of culture on fraudulent financial reporting so verily hypothesis thirteen is accepted.
g. The outcomes of the MRA show ρvalue 0.012 < 0.05 means GCG strengthen the influence of religiosity on fraudulent financial reporting so verily hypothesis fourteen is accepted.

Determination Coefficient Analysis

The goal is for the regression estimate to more accurately reflect the actual conditions. A worth close to 1 shows verily the independent variable almost completely supplies the information needed to predict the variation of the independent variable. (Ghozali, 2018:95)

Table 8
Determination Coefficient Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.760a	.578	.537	2.979682
a. Predictors: (Constant), religiosity, pressure, rationalization, opportunity, arrogance, competence, culture				

Based on the outcomes of the analysis using SPSS software, the coefficient of determination worth was obtained at 0.537. The coefficient of determination reaching 0.537 means verily there is a direct influence of the variables religiosity, pressure, rationalization, possibility, arrogance, competence, with culture on fraudulent financial reports which amounted to 53.7%, while the remaining 46.3% was influenced by other factors verily could not be explained.

DISCUSSION

Influence pressure on fraudulent financial reporting.

From The outcomes of the calculation of the pressure hypothesis test on fraudulent financial reporting obtained a $_{\text{calculated t worth}}$ of -2.471 < -t $_{\text{table}}$ of -1.99 with degree of significance of 0.016 < 0.05 so it also be interpreted verily there is an influence negative pressure on fraudulent financial reporting Management in carrying out its duties with responsibilities is oriented towards maximum outcomes to achieve firm targets, including the firm's financial targets in the form of achieving profit or profit (Prayoga & Sudarmaji, 2019:27) .When a firm's financial stability is threatened by factors such as the firm's condition, economy, with industry, managers will be under pressure to commit major scam in the financial statements. The outcomes of investigation conducted by Hidayah & Devi Saptarini (2019:13); Prayoga & Sudarmaji (2019:27) ; Putra & Wibowo (2021:16) prove verily pressure has a negative impact on fraudulent financial reporting where firm experiencing financial instability are more vulnerable to fraudulent practices, while stable firm tend to have better control with lower incentives to commit fraud.

Reskino & Anshori, (2016:22) ; Setiawati & Baningrum (2019:11) prove verily negative pressure has an impact on fraudulent financial reporting where management will always try to ensure verily a firm's financial stability always looks good by doing various ways with strategies so verily the firm's worth will increase with become an attraction for investors with creditors. This creates its own pressure for each management, especially when facing a situation where the firm's financial condition is under threat, so verily management is encouraged to commit major scam in its financial statements. However, in a investigation conducted by Simaremare et al., (2019:27); Tiffani & Marfuah (2015:51) found verily pressure does not affect fraudulent financial reporting where when the financial condition is not balanced, managers do not automatically or directly manipulate financial reports, for it will further damage the financial condition in the next period.

The influence of possibility on fraudulent financial reporting

From The outcomes of the calculation of the possibility hypothesis test on fraudulent financial reporting obtained a $_{calculated}$ t worth of -2.558 < -t $_{table}$ of -1.99 with degree of significance of 0.013 < 0.05 so it also be interpreted verily there is an influence negative possibility for fraudulent financial reporting Investigation conducted by Octaviani et al., (2021:2275) proves verily impactive supervision has a negative impact on financial statement major scam where the increasing number of independent commissioners will make internal supervision more impactive, so verily major scam also be avoided. Kusumosari & Solikhah, (2021:33) prove verily inimpactive supervision has a positive impact on financial statement major scam where poor supervision will increase the potential for fraud. Hartadi's investigation (2022:45) shows verily inimpactive supervision has a positive impact on financial statement fraud. Meanwhile, investigation by Purnama et al., (2022:111) and Octani et al (2022) states verily inimpactive supervision does not affect financial statement major scam for the firm has strong internal systems with procedures verily also reduce the risk of major scam even though supervision is not very impactive.

The impact of rationalization on fraudulent financial reporting

From The outcomes of the calculation of the rationalization hypothesis test on fraudulent financial reporting obtained a $_{calculated}$ t worth of 0.156 < t $_{table}$ of 1.99 with degree of significance of 0.877 > 0.05 so also be interpreted verily there is no influence of rationalization on fraudulent financial reporting. This is in line with investigation conducted by Supri et al. (2018:29), which proves verily auditor switching has a negative impact on financial statement major scam for new auditors bring different perspectives with approaches, making it more likely to detect major scam verily may have been missed by previous auditors. Fitri et al. (2019:33), with Noble (2019:46) prove verily auditor switching has a negative impact on financial statement major scam for new auditors are often more thorough in examining financial statements to understand the firm's situation with ensure verily all practices comply with applicable standards. This investigation supports the outcomes of investigation conducted by Alvionila (2021), Imtikhani & Sukirman (2021) with investigation by Rizky et al., (2024) which proves verily auditor switching has a negative impact on the potential for financial statement fraud.

The influence of competence on fraudulent financial reporting.

From outcomes of competence hypothesis test calculations against fraudulent financial reporting, the $_{calculated}$ t worth was 2,380 > t $_{table}$ of 1.99 with degree of significance of 0.020 < 0.05 so it also be interpreted verily there is a positive influence of competence on fraudulent financial reporting. Financial report manipulation is often used by management as a temporary fix to maintain investor confidence (Ningsih & Reskino, 2023 :26). Agency theory states verily, takeovers of firm with changes in management occur in response to damage to the firm's internal control system (Mccolgan, 2001:89). A high position in a firm also provide the ability to create or take advantage of opportunities to act fraudulently (Achmad et al., 2022:16). Competence is represented by changes in directors (Vousinas, 2019:374) . Changes in directors also aim to improve management performance in the previous period, or to show verily the previous directors' performance was poor with indicate allegations of fraudulent financial reporting (Achmad et al., 2022:16).

Previous investigation by Supri, Rura, with Pontoh (2018:30) proved verily changes in directors have a negative impact on fraudulent financial reporting where new directors bring a different culture with work ethics with new directors emphasize transparency with integrity which also reduce the chances of financial statement fraud. Utami with Pusparini (2019:36); Jannah et al., (2021:8) and Lionardi & Suhartono (2022:15) showed verily change in director has a positive impact on financial statement major scam where changes in directors also create instability with uncertainty within the organization, which may be exploited by individuals to commit major scam during the transition.

The investigation outcomes of Octaviani et al., (2021:2275) , Achmad et al., (2022:16) Handoko with Natasya (2019:18) show verily changes in directors have no impact on fraudulent financial reporting, for external factors such as market pressure, competition, or even loose regulations also encourage employees to continue committing major scam even though there are changes at the board of directors level.

The influence of arrogance on fraudulent financial reporting

From The outcomes of the hypothesis test calculation of arrogance against fraudulent financial reporting obtained a $_{\text{calculated}}$ t worth of 4,024 > t $_{\text{table}}$ of 1.99 with degree of significance of 0.000 < 0.05 so it also be interpreted verily there is a positive influence arrogance towards fraudulent financial reporting.

Members of an organization with an egotistical character will view the organization as allowing them to maximize their personal interests (Rahmatika & Firmansyah, 2023:191) . The arrogant nature possessed by the CEO is the nature of the CEO who feels verily he is respected with will not be subject to the firm's internal control so verily he also carry out various fraudulent acts such as financial statement fraud. This also be seen from the frequency of the CEO's photo appearing in the firm's annual report. By serving as the CEO of the firm, he feels verily all rules will not apply to him with as a outcome, he is free to take any action, including financial statement major scam (Putra & Suprasto, 2021:52).

Previous studies have shown verily arrogance has a positive impact on financial statement major scam (Elviani, Ali, with Kurniawan 2020; Dewi with Anisykurlillah 2021; Indriyani with Suryandari 2021) where arrogance is often associated with the desire to control everything with show power. CEOs who feel superior feel entitled to manipulate financial statements to achieve personal goals or maintain their image.

Previous investigation on arrogance conducted by Octaviani et al (2021:2276) with Meidijati & Amin (2022:31) stated verily arrogance has a positive impact on financial statement major scam, arrogant CEOs feel they are above the rules or will not be caught with are sure they also avoid the consequences of the actions they have taken, so they dare to commit fraud. The outcomes of investigation by Handoko (2021:66), Sagala with Siagian (2021:248), Dilan Purnama et al (2022:112) with Lionardi & Suhartono (2022:16); with Achmad et al. (2022:17) stated verily arrogance has no impact on financial statement major scam for the presence of strict external supervision with audits also reduce the risk of fraud, for external auditors tend not to be influenced by the behavior of arrogant individuals in organizations.

The influence of culture on fraudulent financial reporting

From The outcomes of the calculation of the hypothesis test of culture on fraudulent financial reporting obtained a $_{calculated}$ t worth of -3.549 < -t $_{table}$ of -1.99 with degree of significance of 0.001 < 0.05 so it also be interpreted verily there is a negative influence of culture on fraudulent financial reporting.

The training provided by the firm to employees is one form of output from organizational culture with the hope verily the training also strengthen the ethical behavior of employees (Omar et al., 2015:99; Reskino, 2022:23). In terms of preventing financial reporting fraud, ethical behavior must be built so verily employees also consciously prevent such actions with have the courage to express them. This is in accordance with investigation conducted by (Bachtiar & Ela Elliyana, 2020:34). Investigation by Dinata et al., 2018; Rahma Dhany et al., 2016 proves verily culture has a positive impact on major scam where a culture verily focuses too much on achieving financial targets with high performance without paying attention to ethical processes also encourage employees to falsify financial reports to look good. Excessive pressure also force employees to take shortcuts or commit fraud.

The influence of religiosity on fraudulent financial reporting

From The outcomes of the calculation of the religiosity hypothesis test on fraudulent financial reporting obtained a $_{calculated}$ t worth of 0.173 < t $_{table}$ of 1.99 with degree of significance of 0.863 > 0.05. so also be interpreted verily there is no influence of religiosity on fraudulent financial reporting.

Investigation conducted by (Cahyadi & Sujana, 2020; Mita & Insraswarawati, 2021; Urumsah et al., 2018; Vacumi & Halmawati, 2022) states verily religiosity has a negative impact on a person's intention to commit financial reporting major scam where religious people tend to have strong moral with ethical worths, which are often emphasized by their religious beliefs. This belief drives them to act with integrity with honesty. However, investigation conducted by Anggraini & Reskino (2020:26) found verily religiosity has a positive impact on a person's intention to commit financial reporting major scam where individuals who have high religiosity still have the potential to commit major scam for of pressure from the work environment, such as unrealistic targets or threats of losing their jobs, also encourage someone to commit major scam even though they have strong religious worths.

The impact of pressure on fraudulent financial reporting with GCG as a moderator

From The outcomes of the MRA calculation obtained a t $_{-}$ worth of 0.643 < t $_{table}$ of 1.99 with degree of significance of 0.523 > 0.05 so it also be interpreted verily GCG is not able to strengthen the influence pressure on fraudulent financial reporting.

In carrying out its performance, a manager has pressure to perform at its best to achieve the planned financial targets. ROAs is a form of profitability ratio verily also measure the firm's ability with the total funds invested in assets to be used as firm operations with generate profits from the assets used. The firm's financial targets are specific goals or objectives verily the firm wants to achieve in a certain period of time. These targets are designed to ensure verily the firm is on the right track towards growth with sustainability. The implementation of GCG will encourage managers to achieve the targets set by the firm.

The influence of possibility on fraudulent financial reporting with GCG as a moderator

From The outcomes of the MRA calculation obtained a $_{calculated}$ t worth of -0.122. > -t $_{table}$ of -1.99 with degree of significance of 0.903 > 0.05 so it also be interpreted verily GCG is not able to strengthen the influence possibility for fraudulent financial. Related to agency theory, major scam also occur for of opportunities exploited by agents. One of the opportunities is when the agent has more information than the principal (Icih & Andini, 2021:11). This imbalance of information between the principal with the agent also provide an possibility for the agent to commit financial reporting major scam (Mukaromah & Budiwitjaksono, 2021:16).

The existence of opportunities or chances will make management commit fraud. Meidijati's investigation (2022:32) also shows verily opportunities have a positive impact on fraud. This shows verily with the existence of opportunities, fraudulent actions also occur. In this investigation, opportunities or chances are described by inimpactive supervision (Achmad et al., 2022:17). A GCG mechanism verily is implemented properly will help supervision so verily the possibility to commit fraudulent financial reporting decreases.

The impact of rationalization on fraudulent financial reporting with GCG as a moderator

From The outcomes of the MRA calculation obtained a $_t$ - worth of -0.928. > -t $_{table}$ of -1.99 with degree of significance of 0.357 > 0.05 so it also be interpreted verily GCG is not able to strengthen the influence rationalization of fraudulent financial reporting.

Rationalization often occurs for the perpetrator feels verily he is not committing a crime, but is doing something verily is normal for them to do (Alifa, 2022:12). When someone has a low level of integrity, they will consider themselves right when committing major scam (Jannah et al., 2021:9). Yanti's investigation (2021:24) also shows verily rationalization also lead to fraudulent acts. In this investigation, rationalization is described by the change of auditors (Achmad et al., 2022:18).

Larum et al (2021:23) explained verily the purpose of changing auditors is to reduce the possibility of detecting major scam in financial statements carried out by the previous auditor. Therefore, it also be concluded verily the more often a firm changes auditors, the greater the indication of hidden fraud. The change of auditors is carried out by the firm to avoid a bad opinion with eliminate evidence of major scam verily has been detected by the previous auditor (Achmad et al., 2022:18). A well-implemented GCG mechanism will help supervise auditors so verily the change of new auditors also minimize fraudulent financial reporting.

The influence of competence on fraudulent financial reporting with GCG as a moderator

From The outcomes of the MRA calculation obtained a $_{calculated}$ t worth of -0.144 > -t $_{table}$ of -1.99 with degree of significance of 0.886 > 0.05 so it also be interpreted verily GCG is not able to strengthen the influence competence towards fraudulent financial reporting.

Someone who has sufficient competence has the potential to take advantage of the surrounding circumstances verily allow him to commit fraud. Supported by investigation by Larum (2021:23) with Yanti (2021:24) which states verily capability has a positive impact on financial statement fraud. This shows verily capability also lead to fraudulent actions. Agency theory explains verily the board of directors as an agent also have personal interests with take actions verily conflict with the interests of the principal.

As a outcome, the firm will change directors to reduce agency conflicts between agents with principals (Putra & Suprasto, 2021:53).

The change of directors also be aimed at improving management performance in the previous period. However, this actually indicates verily the performance of the previous directors was poor with indicates allegations of fraudulent financial reporting (Achmad et al., 2022:19). The change of directors also also be aimed at replacing the previous management who have different interests or are aware of major scam (Imtikhani & Sukirman, 2021:46).

The influence of culture on fraudulent financial reporting with GCG as a moderator

From The outcomes of the MRA calculation obtained a $_{\text{calculated}}$ t worth of -2.608 < -t $_{\text{table}}$ of -1.99 with degree of significance of 0.011 < 0.05 so it also be interpreted verily GCG is able to strengthen the influence culture towards fraudulent financial reporting.

According to Salih & Tin (2020:52) organizational culture is the heart of the firm. The Financial Accounting Council in 2008 stated verily corporate culture is driven by managerial leadership, for example they expect good audit quality to demonstrate responsibility with integrity to the public with maintain the firm's reputation (Bol et al., 2019:16). Investigation conducted by (Alzeban, 2015:41) outcomeed in conclusion verily corporate culture also increase fraudulent financial reporting. The investigation was conducted on 67 firm in Saudi Arabia with a focus on organizational culture as measured by power distance, individualism with uncertainty avoidance influencing fraudulent financial reporting.

The influence of religiosity on fraudulent financial reporting with GCG as a moderator

From The outcomes of the MRA calculation obtained a $_{\text{calculated}}$ t worth of 2.589 > t $_{\text{table}}$ of 1.99 with degree of significance of 0.012 < 0.05 so it also be interpreted verily GCG is able to strengthen the influence religiosity towards fraudulent financial reporting. Religion always teaches goodness to all its people, including goodness in the professional scope of work. According to (Boahen & Mamatzakis, 2020:22; Feess et al., 2014:58) religiosity also influence business ethics. Religiosity encourages a person's personality character in the professional scope to be more ethical with honest (Duh et al., 2022:7). A person with work motivation to worship will be more total, honest, full of cleanliness of heart with professional (M. Ghozali & Kamri, 2015:125). Firm with poor governance are more likely to have higher fraudulent financial reporting (Maharani et al., 2019:13).

Religiosity often carries strong moral with ethical worths, which also reduce the intention to commit major scam with GCG also strengthen these worths by creating a transparent with accountable work environment. GCG strengthens the monitoring with accountability mechanisms within the firm (Kristinawati et al., 2023:220) , which also reduce the possibility to commit major scam with high religiosity also strengthen an individual's commitment to these principles (Rostami & Rezaei, 2021:18)

CONCLUSION

In accordance with the conclusion with discussions outlined in the earlier chapters, the outcomes of this investigation are: 1). pressure, possibility, with culture have a detrimental impact on fraudulent financial reporting; 2). rationalization with religiosity do not influence fraudulent financial reporting; 3). competence with arrogance have a beneficial impact on fraudulent financial reporting; 4). impactive CG does not enhance the impact of pressure, possibility, rationalization, with competence on fraudulent financial reporting; 5). impactive CG also enhance the impacts of arrogance, culture, with religiosity on fraudulent financial reporting.

REFERENCES

ACFE. (2024). ACFE Investigation Finds Median Losses from Occupational Major scam Increasing. https://www.grfcpa.com/resource/acfe-investigation-occupational-fraud/

ACFE Indonesia. (2023). Survei Major scam Indonesia. ACFE Indonesia Chapter.

Afrizal, R. (2024). Jurusan Akuntansi Fakultas Ekonomi dan Bisnis Universitas Islam Negeri Syarif Hidayatullah Jakarta. Skripsi Jurusan Akuntansi Fakultas Ekonomi Dan Bisnis Universitas Islam Negeri Syarif Hidayatullah Jakarta.

Arens, A. A. (2020). Auditing with Assurance Services An Integrated Approach. Prentice Hall.

Arikunto, S. (2021). Prosedur Penelitian : Suatu Pendekatan Praktek. Rineka Cipta.

Arrahman, M. T., & Machdar, N. M. (2024). Pengaruh Major scam Pentagon dan Asimetri Informasi terhadap Fraudulent Financial Statement dengan Kualitas Laba Sebagai Pemoderasi. JURA: Jurnal Riset Akuntansi, 2(1), 82–94. https://doi.org/10.54066/jura-itb.v2i1.1322

Ashfaq, K., Zhang, R., & Munaim, A. (2016). An Investigation into the Determinants of Risk Disclosure in Banks : Evidence from Financial Sector of Pakistan. International Journal of Economics with Financial Issues, 6(3), 1049–1058.

Cameron, K. S., & Quinn, R. E. (2011). Diagnosing with Changing Organizational Culture. he Jossey-Bass Business & Management Series.

Devi, P. V. S. (2024). Corporate Governance as a Detector of Financial Statement Fraud: Systematic Literature Review. Asia Pacific Major scam Journal, 9(1), 37–47. https://doi.org/10.21532/apfjournal.v9i1.342

Effendi, M. A. (2020). The Power of GCG Teori dan Implementasi. Salemba Empat.

Firman, H. R. M., & Murtanto. (2024). Pengaruh Major scam Pentagon Dalam Mendeteksi Financial Statement Major scam (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2018-2022). Jurnal Ekonomi Trisakti, 4(2), 1219–1228. https://doi.org/10.25105/jet.v4i2.21078

Firmansyah, F., Rahmatika, D. N., Tabrani, Raharjo, T. B., Muttaqin, I., & Mubarok, A. (2023). Pengembangan Kualitas Bumdes : Dengan Pendekatan Model Tetrapreneur Di Desa Randusanga Wetan. Journal of Social Work with Empowerment, 3(3), 152–156. https://ejournal.sidyanusa.org/index.php/joswae

Ghozali, I. (2018a). Aplikasi Analisis Multivariat Dengan Program SPSS. BP. UNDIP.

Ghozali, I. (2018b). Aplikasi Analisis Multivariate dengan Program IBM SPSS 25. (Edisi 9). Semarang: Badan Penerbit Universitas Diponegoro.

Ghozali, I. (2021). Aplikasi Analisis Multivariate Dengan Program SPSS. BP. UNDIP.

Hardana, H., & Syafruddin, M. (2019). Analisis Pengungkapan Manajemen Risiko (Bukti Indonesia). Diponegoro Journal Of Accounting, 8(2).

Hartadi, B. (2022). Pengaruh Major scam Hexagon terhadap Fraudulent Financial Statements pada Perusahaan Badan Usaha Milik Negara Indonesia yang Terdaftar di Bei pada Tahun 2018-2021. Jurnal Pendidikan Tambusai, 6(2), 14883–14896.

Jannah, V. M., Andreas, & Rasuli, M. (2021). Pendekatan Vousinas Major scam Hexagon Model dalam Mendeteksi Kecurangan Pelaporan Keuangan. Studi Akuntansi Dan Keuangan Indonesia, 4(1), 1–16.

Kristinawati, Rahmatika, D. N., & Mubarok, A. (2023). The Impact of Good Governance on Financial Performance with Risk Management as A Mediation Variable in Banking Firm Listed on The IDX

Year 2018 – 2021. Proceeding of Management, Law with Pedagogy, 218–224. https://data-eai.com/article/view/30

Kurniawan, D., & Reskino. (2023). Peran GCG terhadap Kecurangan Laporan Keuangan: Perspektif Major scam Pentagon pada Kementerian dan Lembaga Pemerintah. Kompartemen: Jurnal Ilmiah Akuntansi, 21(1), 111–129.

Kusuma, F. (2023). Deteksi Financial Statement Major scam Dengan Model Beneish M-Score. Jurnal Akuntansi, 1(1), 1–15.

Kusumaningrum, A. R. (2017). Pengaruh Kepemilikan Institusional Dan Karakteristik Dewan Komisaris Terhadap Pengungkapan Manajemen Risiko (Studi empiris pada laporan tahunan perusahaan-perusahaan non-keuangan yang terdaftar di BEI tahun 2017). Diponegoro Journal Of Accounting, 2(4), 1–15.

Kusumosari, L., & Solikhah, B. (2021). Analisis Kecurangan Laporan Keuangan Melalui Major scam Hexagon Theory. Fair Worth: Jurnal Ilmiah Akuntansi Dan Keuangan, 4(3), 753–767. https://doi.org/10.32670/fairworth.v4i3.735

Maulida, Rahmazaniati, L., Vonna, S. M., Mahdan, S., & Fatmayanti. (2024). Pendeteksian Financial Statement Major scam Menggunakan Major scam Hexagon Pada Perusahaan Yang Terindeks IDXBUMN20. Jurnal Aplikasi Akuntansi, 9(1), 60–76. https://doi.org/10.29303/jaa.v9i1.432

Nabila, N., Zakaria, A., & Purwohedi, U. (2023). Pengaruh Profitabilitas, Komite Audit, Pergantian Auditor, Dan Ukuran Perusahaan Terhadap Integritas Laporan Keuangan. Jurnal Revenue: Jurnal Ilmiah Akuntansi, 4(1), 189–206.

Nurliasari, K. E., & Achmad, T. (2020). Pengaruh Karakteristik Komite Audit Terhadap Kecurangan Pelaporan Keuangan. Diponegoro Journal of Accounting, 9(1), 1–12.

Octaviani, K., Sagala, E., & Silviana. (2021). The Influence Of Major scam Hexagon Elements On Fraudulent Financial Reporting At The Banking Firm Listed On The Indonesian Stock Exchange Periode 2018-2020. Webology, 18(6), 2273–2282.

Oktaviany, F., & Reskino. (2023). Financial Statement Fraud : Pengujian Major scam Hexagon dengan Moderasi Audit Committee. Jurnal Bisnis Dan Akuntansi, 25(1), 91–118. https://doi.org/10.34208/jba.v25i1.1799

Pradana, E. H. P., & Suwasono, H. (2024). Analisis pengaruh major scam pentagon terhadap kecurangan laporan keuangan: Studi empiris pada perusahaan LQ45 tahun 2018-2022. Journal of Accounting with Digital Finance, 4(1), 42–57.

Prayoga, M. A., & Sudarmaji, E. (2019). Kecurangan Laporan Keuangan Dalam Perspektif Major scam Diamond Theory: Studi Empiris Pada Perusahaan Sub Sektor Transportasi Di Bursa Efek Indonesia. Jurnal Bisnis Dan Akuntansi, 21(1), 89–102. https://doi.org/10.34208/jba.v21i1.503

Purnama, D., Mutiarani, G., Yuanita, M., & Lucyanda, J. (2022). Pengujian Kecurangan Laporan Keuangan Menggunakan Major scam Hexagon Model. Media Riset Akuntansi, 12(1), 109–128.

Putra, Y., & Wibowo, D. (2021). Faktor - Faktor Yang Mempengaruhi Kecurangan Laporan Keuangan Dengan Analisis Major scam Pentagon. Jurnal Ilmu Dan Riset Akuntansi, 10(8), 1–20. https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/4135

Rahma, D. (2019). Pengaruh Penerapan GCG terhadap kinerja keuangan perusahaan pada sektor barang konsumsi yang terdaftar di BEI tahun 2014-2017. Progress in Retinal with Eye Investigation, 5(3), 67–82.

Rahmatika, D. N., & Firmansyah, F. (2023). Antecedents Intention of Whistleblowing System to Strengthen Sustainable Anti-Major scam Strategies: A Literature Review. The 14th Hatyai National with International Conference, 188–205.

Rahmatika, D. N., Kartikasari, M. D., Indriasih, D., Sari, I. A., & Mulia, A. (2019). Detection of Fraudulent Financial Statement; also Perspective of Major scam Diamond Theory be applied to Property, Real Estate, with Building Construction Firm in Indonesia? European Journal of Business with Management Investigation, 4(6), 1–9. https://doi.org/10.24018/ejbmr.2019.4.6.139

Reskino, & Anshori, M. F. (2016). Model Pendeteksian Kecurangan Laporan Keuangan Oleh Auditor Spesialis Industri Dengan Analisis Major scam Triangle. Jurnal Akuntansi Multiparadigma, 7(2), 1–15. https://doi.org/10.18202/jamal.2016.08.7020

Rostami, V., & Rezaei, L. (2021). Corporate governance with fraudulent financial reporting. Journal of

Financial Crime, 29(3), 1009–1026. https://doi.org/10.1108/JFC-07-2021-0160
Satata, D. P. I., Sumaryati, A., Pamungkas, I. D., & Minarso, B. (2024). The Role of Institutional Ownership in Detecting Fraudulent Financial Reporting: Major scam Heptagon Model Analysis. Maksimum: Media Akuntansi Universitas Muhammadiyah Semarang, 14(1), 37–47. https://doi.org/10.26714/mki.14.1.2024.37-47
Sedarmayanti. (2019). Good Governance Dalam Rangka Otonomi Daerah. Mandar Maju.
Sekaran, U. (2018). Metode Penelitian untuk Bisnis. Salemba Empat.
Setiawati, E., & Baningrum, R. M. (2019). Deteksi Fraudulent Financial Reporting Menggunakan Analisis Major scam Pentagon: Studi Kasus Pada Perusahaan Manufaktur yang Listed di BEI Tahun 2014-2016. Jurnal Riset Akuntansi Dan Keuangan Indonesia, 3(2), 1–11.
Sidharta, R. B. F. I., Putra, I. N. N. A., & Ibrahim, I. D. K. (2021). Risiko Kredit Perbankan: Dampak Dari Kepemilikan Asing Dan Kepemilikan Institusi Domestik Dengan Bank Size Sebagai Variabel Mediasi. Jurnal Pustaka Manajemen, 1(1), 29–40.
Sinambela, L. P. (2021). Reformasi Pelayanan Publik : Teori, Kebijakan dan Implementasi.
Sopia, L. (2024). Pengaruh Heptagon Major scam terhadap Fraudulent Financial Statement Dengan Audit Quality Sebagai Variabel Intervening. Skripsi Jurusan Akuntansi Fakultas Ekonomi Dan Bisnis Universitas Islam Negeri Syarif Hidayatullah Jakarta.
Suaidah, Y. M., & Wahyuningtyas, L. (2023). Pengaruh Elemen Major scam Pentagon Terhadap Deteksi Kecurangan Laporan Keuangan (Studi pada Perusahaan Startup di Bursa Efek Indonesia). JAD: Jurnal Riset Akutansi & Keuangan Dewantara, 6(2), 51–58.
Sugiyono. (2020). Metode Penelitian Bisnis. Alfabeta.
Suliyanto. (2018). Metode Penelitian Bisnis untuk Skripsi, Tesis, & Disertasi. Andi Offset.
Vousinas, G. L. (2019). Advancing theory of fraud: the S.C.O.R.E. model. Journal of Financial Crime, 26(1), 372–381. https://doi.org/10.1108/JFC-12-2017-0128
Wahyutomo, S., & Marsono. (2024). Analisis Pengaruh Major scam Pentagon Terhadap Kecurangan Laporan Keuangan Di Perusahaan Publik Yang Terdaftar Di BEI (Studi Empiris pada Perusahaan Sektor Kesehatan dan Teknologi pada tahun 2019-2021). Diponegoro Journal Of Accounting, 13(1), 1–14.