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The Role of Lack of Integrity as a Moderator of the Fraud Hexagone Influence on Potential Financial Statement Fraud

Anisa Yunisari[1], Einde Evana[1], Mega Metalia

[1]Master of Accounting Science, Faculty of Economics and Business, University of Lampung

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Abstract

This study uses quantitative methods to analyze the potential for financial statement fraud in banking companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2022 period. Secondary data from the annual reports of banking companies were used in the study. Data analysis methods include descriptive statistics and logistic regression. The results of the analysis show that most banking companies are not involved in financial statement fraud. Factors such as financial targets, CEO turnover, ineffective monitoring, and political connections have a significant effect on the potential for fraud. Nagelkerke's coefficient of determination suggests that the independent variable can account for about 54.8% of the variability in financial statement fraud. The significance test partially shows that all independent variables have a significant influence on the potential for financial statement fraud.

Keywords: Financial Statement Fraud, Banking, Logistic Regression, IDX

Introduction

A person's capabilities or abilities can facilitate opportunities to commit fraud, such as the replacement of the CEO / Board of Directors according to Khamainy et al. (2022) which states that the change of director aims to cover up fraud that has been committed by previous directors in a company. The ineffectiveness of insight to monitor the company's kineja can also encourage management to commit fraud, according to Andriani et al. (2022) that *effective monitoring* has an influence on financial statement fraud, especially if management intends to take inappropriate actions by exploiting weaknesses in the company's internal control system. Fraudsters will do various ways so that their cheating actions are not known.

The form of rationalization that can be done by fraudsters is rationalization of subjective judgments Arrogant nature arises because someone has an important role in a company, such as *Chief Executive Officer* (CEO) *duality* which is the dominance of CEO power or someone who occupies a position as CEO as well as a member of the board of commissioners (Sasongko et al., 2019). The CEO takes advantage of his position by committing fraud due to the low supervisory function in the company for his own interests. Thus, when a company has the duality of CEOs, there is a possibility of fraudulent acts due to the absence of a good supervisory function separate from personal interests. According to Purnaningsih et al. (2022), collusion refers to a deceptive or compact agreement between two or more people, for one party to take action against the other for some unfavorable purpose, such as to deceive third parties of their rights.

Collusive practices that occur in companies can be seen from the connections held by company officials and the concentration of ownership. Companies that have political connections will get assistance from the government in case of economic crisis and other problems (Butje & Tjondro, 2014). With the privilege of companies that have political connections for ease of borrowing funds, it encourages companies to borrow more often, it can also cause *financial*

distress for companies. *Financial distress* can be bad for the company, creating pressure that encourages companies to commit fraud.

Stakeholders need to be equipped with detection instruments that can evaluate the feasibility of a financial statement so that it can be used as a basis for decision making. The Beneish M-Score model is a prediction model for financial statement fraud – profit management, where the ratios contained in it have been proven to have the ability to predict financial statement fraud (Craja et al., 2020). The use of this model is also used in the research of Sari & Nugroho (2020)– Beneish M-Score Model, Larum et al. (2021) – Beneish M-Score Model – Beneish M-Score Model, Achmad et al. (2022) – Beneish M-Score Model, so this study uses the Beneish M-Score Model.

Various studies related to the use of *fraud* theory in detecting corporate fraud have been widely found. This research focuses on a sample of banking companies which examine how to detect financial statement fraud specifically in the banking sector. Samples that are widely used in various previous studies in Indonesia are manufacturing companies (Jannah et al., 2021), financial sector companies (Octani et al., 2022), food & beverage sub-sector companies (Sagala & Siagian, 2021), additional companies (Wicaksono & Suryandari, 2021), state-owned companies (Larum et al., 2021; Septiningrum & Mutmainah, 2022), LQ45 sector companies companies with asset facet values above IDR 30 trillion according to the 2018 consolidated audit report of the Ministry of SOEs (Ryan Aviantara, 2021). However, research by Bhavani and Amponsah (2017) proves that the model fails to detect fraud committed by Toshiba. Sari & Nugroho (2020) research conducted using samples of manufacturing companies listed on the Indonesia Stock Exchange (IDX), Dian Valentina Tumangor (2020) researchers used insurance companies listed on the Indonesia Stock Exchange (IDX), while researchers replaced the research samples with banking companies listed on the Indonesia Stock Exchange (IDX).

The rise of cases of financial statement fraud in Indonesia, especially in the financial and banking sectors which tend to be quite difficult to disclose, is the background for researchers to conduct this research. In the research to be conducted, researchers apply the theory of *fraud hexagon*. This is done because the theory is the latest theory and is a refinement of several previous theories. *Fraud hexagon* is expected to be able to detect financial statement fraud more deeply with the addition of collusion components that were not previously found in research using *pentagon fraud*, *diamond fraud* and *fraud* triangle.

Methods

This research uses quantitative methods, namely research that uses a lot of numbers ranging from collecting, interpreting data and displaying research results. Design in research conducts testing studies on hypotheses that aim to analyze, describe and obtain empirical evidence rather than variables. The data used in this study is secondary data, namely the report of KBMI banking companies listed on the Indonesia Stock Exchange (IDX) for 2019 – 2022.

The population of this study is book banking companies 1 to 4 listed on the Indonesia Stock Exchange (IDX) in 2019 - 2022. Based on the Financial Services Authority Regulation No. 12/POJK.03/2021, the Financial Services Authority has officially changed the banking grouping rules from previously commercial banks for business activities (BUKU) to KBMI (Bank Group Based on Core Capital). Samples are selected through *the purposive sampling* method, which is a sample selected based on subjective considerations of research. The criteria for banking companies that support the research process are banking companies listed on the IDX from 2019-2022 and companies that present *consecutive annual reports* during 2019-2022. The type of data taken in this study is secondary data. The data in this study was obtained

from the Indonesia Stock Exchange (www.idx.co.id) website in the form of *annual reports of* banking companies in the 2019-2022 observation period.

Data analysis techniques in this study are descriptive statistical analysis and logistic regression analysis using SPSS 25 software. The explanation and stages of data processing and analysis techniques that will be used in this study are descriptive statistics and Logistic Regression Analysis. Hypothesis testing is carried out to obtain answers from problem formulations and research hypotheses that have been expressed. This test is carried out with the stages of Partial Test (Test t) and Test Omnibus Tests of Model Coefficients (Test F).

Results and Discussion

Overview of the Research Object

The research object used in this study is book banking companies 1 to 4 listed on the Indonesia Stock Exchange (IDX) in 2019 – 2022. However, not all banking companies were sampled. Using the *purposive sampling* method, researchers have set several criteria to select banking companies listed on the Indonesia Stock Exchange (IDX). Based on these various criteria, 41 companies were obtained that could be used as research samples. From the number of sample the company then multiplied over 4 years of research which finally obtained as many as 164 total samples.

Data Analysis

Descriptive Statistics

Descriptive statistics are statistics that provide an overview or description of a data seen from the mean, maximum, minimum, mean, and standard deviation values of a predetermined sample.

The results of descriptive statistical analysis for *non-dummy* variables in this study can be seen as follows:

Table 1. Results of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Pressure (X1)	164	-.17	.06	.0045	.02541
Chance (X3)	164	.33	1.00	.5791	.16027
Rationalization (X4)	164	-.27	.74	-.0176	.11623
Lack of Integrity(Z)	164	233307.00	7989851137658.00	1203401944 4667.00	894502230438 066.00
Valid N (Istwise)	164				

Source: SPSS output, 2024

The results of descriptive statistical analysis for *dummy* variables in this study can be seen as follows:

Table 2. Capability Descriptive Statistics (X2)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	If not there is a change in CEO	125	76.2	76.2	76.2
	If there is a change in CEO	39	23.8	23.8	100.0
	Total	164	100.0	100.0	

Source: SPSS output, 2024

Table 3. Arrogance Descriptive Statistics (X5)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	If there are no dual positions held by the CEO	156	95.1	95.1	95.1
	If there are dual positions held by the CEO	8	4.9	4.9	100.0
	Total	164	100.0	100.0	

Source: SPSS output, 2024

Table 4. Descriptive Statistics of Collusion (X6)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	For companies with a president commissioner and/or independent commissioner who has no political relationship	150	91.5	91.5	91.5
	For companies with a president commissioner and/or independent commissioner who has political connections	14	8.5	8.5	100.0
	Total	164	100.0	100.0	

Table 5. Descriptive Statistics Beneish Model M-Score (Y)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Companies that do not commit fraud	116	70.7	70.7	70.7
	Companies that commit fraud	48	29.3	29.3	100.0
	Total	164	100.0	100.0	

The results obtained from the dependent variable are financial statement fraud with *the Beneish M-Score* Model where *Beneish M-Score* is a financial statement analysis technique that can be applied to detect financial statement fraud in the form of profit manipulation. The results of descriptive statistics show that as many as 116 samples out of 164 samples or 70.7% in 2019 – 2022 did not commit *fraud* or financial statement fraud, while the remaining 48 samples committed *fraud* or financial statement fraud in 2019 – 2022.

The results obtained from the first independent variable are *stimulus* variables (pressure) proxied with financial targets (*financial targets*). The results of descriptive statistics of stimulus variables (pressure) measured by *return on assets* (ROA) showed an average of 0.0045 which means that all banking companies sampled by the study have the effectiveness of overall assets in generating profits through available assets of 0.45%. The lowest value measurement result of -0.17 obtained at the Economic Welfare Bank in 2020, while for the highest value of 0.06 obtained at Bank Harda Internasional in 2022, it shows that the banking company has the effectiveness of all assets in generating profits through available assets.

The second independent variable is *capability* which is proxied into the CEO turnover variable. The change of CEO was made because of the possibility of a more competent CEO being replaced with a new CEO to cover up fraud committed by management. The results of descriptive statistics show that as many as 125 samples from 41 companies or 76.2% in 2019 – 2022 did not change CEOs, while the remaining 39 or 23.8% of samples made CEO changes in 2019 – 2022.

The third independent variable is *opportunity* which is proxied into *Ineffective monitoring*. Measurement of the Ineffective *monitoring variable* is carried out using the proportional number of the board of commissioners. Based on the results of descriptive statistical analysis, it was found that the lowest value was owned by 20 companies during 2019 – 2022 with a value of 0.33, which means that the company has a comparison between the number of boards of commissioners and the lowest number of independent board of commissioners among other companies, while the highest value is owned by 11 companies during 2019 – 2022 with a value of 1.0 or 100%.

The fourth independent variable is *rationalization* (opportunity) which is proxied with the Ratio of Total Accruals to Total Assets (TATA). Based on the results of descriptive statistical analysis, it was obtained that the lowest value obtained by Bank Ina Perdana in 2020 was -0.27, meaning that the company had the lowest total accrual. While the highest value was obtained by the International Business Bank in 2020 with a value of 0.74 which means that the total accrual in the company is the highest.

The fifth independent variable is *arrogance* (ego) which is proxied into the dualism of the position owned by the CEO. The results of descriptive statistics showed that as many as 156 samples or 95.1% did not have dualism positions owned by CEOs while the remaining 8 samples of companies had dualism positions owned by CEOs. Banking companies during the period 2019 – 2022 almost all banking companies do not have the dualism of the position held by the CEO.

The sixth independent variable is *collusion* which is proxied into the variable of political connection. The results of descriptive statistics show that as many as 150 samples are for companies with president commissioners and/or independent commissioners who do not have political relations. Meanwhile, there were 14 samples for companies with president commissioners and/or independent commissioners with political ties.

The moderating variable is *Lack of Integrity*, which is a moderation variable in this study and is seen with real profit management with *window dressing* proxies where efforts are made by

companies to beautify financial statements by manipulating financial statements to look better before publication. Based on the results of descriptive statistical analysis, it was obtained that the lowest value obtained by the International Business Bank in 2022 was 233,307, meaning that the possibility of real profit management in the company was the lowest. Meanwhile, the highest value was obtained by Bank Lampung in 2022 with a value of 7,989,851,137,658, which means that the possibility of real profit management in the company is the highest.

Logistic Regression Analysis

Logistic Regression Model

The analysis used in this study is logistic regression analysis, namely by looking at the effect of Financial *Targets*, *Change in CEO*, *Ineffective monitoring*, Ratio of Total Accruals to Total Assets (TATA), CEO *Duality,* and Political Connections as well as moderating variables, namely *Lack of Integrity* (Loss of Integrity) against financial statement fraud in banking companies listed on the IDX from 2019 – 2022. The test results are shown in the following table.

Table 6. Test Results of Logistic Regression Model

		B	S.E.	Wald	df	Sig	Exp(B)
	Pressure (X1)	126,763	84,952	2,227	1	.036	1,13E+58
	Capability (X2)	4,915	3,449	2,031	I	.015	136,282
	Chance (X3)	20,896	7,174	8,484	I	.004	118796470 2,525
	Rationalization (X4)	-27,637	15,874	3,031	I	.016	.000
	Arrogance (X5)	-20,071	16,125	1.549	I	.213	.000
	Collusion (X6)	-8,009	6,71	1,425	I	.233	.000
Step l'	Window Dressing (Z)	974	.290	11,299	I	.001	2,647
	X1*Lol	8.750	5.570	2,468	I	.012	.000
	X2*Lol	.319	215	2,189	I	.039	.727
	X3*Lol	1.138	.427	7,091	I	.008	.321
	X4*Lol	2.519	1.056	5,694	I	.017	12,417
	X5*Lol	1.243	1.030	1,457	I	.227	3,467
	X6*Lol	.478	.403	1,41	I	.235	1,613
	Constant	-17,801	4.843	13.509	I	.000	.000

Source: SPSS output, 2024

A constant of -17.801 indicates that there are no independent variables of financial targets, change *in CEO*, *ineffective monitoring*, rationalization, CEO *duality,* and political connections) and moderating variables, namely *Lack of Integrity*, then the financial statement fraud in banking companies listed on the IDX from 2019 – 2022 to -17,801. The regression coefficient of the stimulus variable (pressure) proxied with the financial target of 126,763 shows that if each stimulus (pressure) proxied with the *financial target* increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 126,763 times. The regression coefficient of *the capability* variable proxied by change *in CEO* of 4.915 shows that if each capability proxied by change *in CEO* increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 4,915 times.

The regression coefficient of *the oppurtunity* variable (opportunity) proxied by *ineffective monitoring* of 20.896 shows that if every *oppurtunity* (opportunity) proxied by *ineffective*

monitoring increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 20,896 times. The regression coefficient of *the rationalization* variable proxied with the ratio of total accruals to total assets of -27,637 shows that if each *rationalization* proxied with the ratio of total accruals to total assets increases by one unit, then the disclosure of financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will decrease by 27,637 river. The regression coefficient of *the arrogaance* variable (ego) proxied with CEO *duality* of -20.071 shows that if each *arrogaance* (ego) proxied with CEO *duality* increases by one unit, then the disclosure of financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will decrease by 20,071 times.

The regression coefficient of *the collusion* variable proxied with political connections of -8.009 shows that if *collusion* proxied with political connections increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will decrease by 7,185 times. The regression coefficient *of the Lack of Integrity* variable of 0.974 shows that if the *Lack of Integrity* increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 0.974 times. The regression coefficient of the stimulus variable (pressure) with moderated *Lack of Integrity* variable of 8,750 shows that if the stimulus variable (pressure) moderated by the *Lack of Integrity* variable increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 8,750 times.

The regression coefficient of *the capability* variable with moderated *Lack of Integrity* variable of 0.319 shows that if the *capability* variable moderated by the *Lack of Integrity* variable increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 0.319 river. The regression coefficient of *the oppurtunity* variable with moderated *Lack of Integrity* variable of 1.138 shows that if the *oppurtunity* variable moderated by the *Lack of Integrity* variable increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 1,138 river.

The regression coefficient of *the rationalization* variable with moderated *Lack of Integrity* variable of 2.519 shows that if the *rationalization* variable moderated by the *Lack of Integrity* variable increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 2,519 times. The regression coefficient of the *arrogaance* variable (ego) with moderated *Lack of Integrity* variable of 1.243 shows that if the *arrogaance* variable (ego) moderated by the *Lack of Integrity* variable increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 1,243 times. The regression coefficient of the *collusion* variable with moderated *Lack of Integrity* variable of 0.478 shows that i the *collusion* variable moderated by the *Lack of Integrity* variable increases by one unit, then financial statement fraud in banking companies listed on the IDX from 2019 – 2022 will increase by 0.478 times.

Assessing the Overall Model (Overall Model Fit)

The test was conducted by comparing the value between -2 *Log Likelihood* (-2LL) at the beginning (*Block Number* = 0) with the value of -2 *Log Likelihood* (-2LL) at the end (*Block Number* = 1). The model can be said to be good or acceptable if there is a decrease in value from the initial -2LL to the final -2LL. The result of the overall assessment of the model is that there is a decrease in the value of the initial -2LL to the final -2LL so that the regression model can be accepted because the hypothesized model is in accordance with the data. The test results are shown in the following table.

Table 7. Value *-2 Log likelihood* (-2 LL Beginning)

Iteration History[a,b,c]

Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	349.494	-.867
	2	349.268	-.927
	3	349.268	-.928

Source: SPSS output, 2024

Table 8. Value *-2 Log likelihood* (-2 LL End)

Iteration Historya,b,c,d

		-2 Log							Coefficients							
Iteration		likelihood	Constant	Tekanan (X1)	Kapabilitas (X2)	Kesempatan (X3)	Rasionalisasi (X4)	Arogansi (X5)	Kolusi (X6)	Window Dressing (Z)	X1*Lol	X2*Lol	X3*Lol	X4*Lol	X5*Lol	X6*Lol
	1	285.585	-7.985	81.249	1.542	6.825	-6.328	-8.055	-5.135	395	-5.762	-.106	-.308	.856	.513	309
	2	273.691	-13.208	120.579	3.091	13.572	-14.679	-16.743	-6.978	.694	-8.340	-203	-.691	1.596	1.047	.415
1	3	271.542	-17.442	126.398	4.521	20.420	-26.532	-19.711	-7.958	952	-8.725	-293	-1.109	2.430	1.222	.475
Step	4	271.486	-17.793	126.741	4.898	20.884	-27.605	-20.065	-8.008	.973	-8.749	-.318	-1.137	2.517	1.243	.478
	5	271.486	-17.801	126.763	4.915	20.895	-27.637	-20.071	-8.009	974	-8.750	-.319	-1.138	2.519	1.243	.478
	6	271.486	-17.801	126.763	4.915	20.896	-27.637	-20.071	-8.009	974	-8.750	-319	-1.138	2.519	1.243	478

Source: SPSS output, 2024

Table 9. Comparison of initial *-2LL* values with *final* -2LL

Block Number = 0	Block Number =1	Decrease/Increase
349.268	271.486	Decline

Source: SPSS output, 2024

The initial log likelihood at *block number* = 0, i.e. the model that only entered the constant obtained a value of 349.268. Then in the next table can be seen the final *-2LL* value with *block number* = 1 the value of *-2 log likelihood* has changed after the entry of several independent variables and moderating variables in the research model, as a result the final *-2LL* value shows a value of 271.486.

According to Ghozali (2018: 333) the reduction in value between *the initial* -2LL function *and the* value of *-2LL* in the next step (*final -2LL*) indicates that the hypothesized model fits with the data. A decrease in the value of *-2 log likelihood* indicates that this research model is a good regression model because the regression model is hypothesized to fit with data, meaning the addition of independent variables, namely Financial *Target*, *Change in CEO*, *Ineffective monitoring*, Ratio of Total Accrual to Total Assets (TATA), CEO *Duality,* and Political Connections and the moderating variable Lack *of Integrity* into the research model will improve the fit model in this study.

Regression Model Feasibility Test Results

The next analysis carried out was to assess the feasibility of binary logistic regression models. Assessing the feasibility of the regression model can be done by considering *the goodness of fit of the model* as measured by *Chi-Square* in *Hosmer and Lemeshow's* column. The Hosmer-Lemeshow test is used to test the match between *predicted probabilities* and *observed probabilities*.

If the statistical value *of Hosmer and Lemeshow's Goodness of Fit Test* is equal to or less than 0.05, then the null hypothesis is rejected which means that there is a significant difference between the model and its observation value so that *the Goodness fit model* is not good because the model cannot predict the value of the observation.

If the statistical value *of Hosmer and Lemeshow's Goodness of Fit Test* is greater than 0.05, then the null hypothesis cannot be rejected and means that the model is able to predict the value of its observations or it can be said that the model is acceptable because it matches the observational data.

Table 10. Testing the Feasibility of Regression Models

Hosmer and Lemeshow Test

Step	Chi-Square	df	Sig.
1	9.664	8	289

Source: SPSS output, 2024

From the table it can be seen that the test results of *Hosmer and Lemeshow's Test.* The test showed that the *Chi-Square value* was 9.664 with a significance of 0.289. Based on these results, the significance value is greater than 0.05 so that it can be concluded that the null hypothesis cannot be rejected and means that the model is able to predict the value of its observations or it can be said that the model is acceptable because it matches the observation data.

Coefficient of Determination (Nagelkerke R Square)

In logistic regression, *Nagelkerke's* R *Square* statistics can be used to measure the ability of logistic regression models to match or adjust data. In other words, the statistical value of *Nagelkerke's* R *Square* can be interpreted as a value that measures the ability of independent variables to explain or explain the dependent variable. The magnitude of the value of the coefficient of determination in the logistic regression model is shown by the *Nagelkerke R Square* value. The test results can be seen in the Table as follows:

Table 11. Coefficient of Determination (*Nagelkerke R Square*)

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	271.486	332	584

Source: SPSS output, 2024

Based on the results of the table above, the value *of Nagelkerke R Square* is 0.548, which means that the dependent variable (financial statement fraud) can be explained by independent variables (*Financial Target*), *Change in CEO*, Ineffective *monitoring*, Ratio of Total Accrual to Total Assets (TATA), CEO *Duality,* and Political Connection and moderating variables (*Lack of Integrity*) of 54.8%, while the remaining 45.2% can be explained by other variables outside this research model.

Research Hypothesis Testing

Partial Model Significance Test (Wald Test)

In linear regression, both simple and multiple, tests are used to test the significance of partial influences. In logistic regression, the partial influence significance test can be tested with the *Wald* test. In the Wald test*, the statistics tested are* Wald *statistics*. Decision making on hypotheses can be done using the probability value approach of the *Wald test*.

Table 12. Partial Effect Significance Test

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Pressure (X1)	126.763	84.952	2.227	1	.036|	1,13E+58
	Capability (X2)	4.915	3.449	2.031	1	015]	136.282
	Chance (X3)	20.896	7.174	8.484	1	004	. es
	Rationalization (X4)	-27.637	15.874	3.031	1	016	0
	Arrogance (X5)	-20.071	16.125	1.549	1	213	0
	Collusion (X6)	-8.009	6.71	1.425	1	233	000
	Window Dressing (Z)	974	290	11.299	1	001	2.647
	X1*Lol	8.75	5.57	2.468	1	012	0
	X2*Lol	319	215	2.189	1	039	727
	X3*Lol	1.138	427	7.091	1	008	321
	X4*Lol	2.519	1.056	5.694	1	017	12.417
	X5*Lol	1.243	1.03	1.457	1	227	3.467
	X6*Lol	AT8	403	1.41	1	235	1.613
	Constant	-17.801	4.843	13.509	1	0	0

Source: SPSS output, 2024

Based on the table above, the following results are obtained:

H1: Pressure (Financial targets) (X1) has a significant effect on Potential for Financial Statement Fraud (Y)

Based on table 4.12, the financial target (X_1) shows a significance level of 0.012 which means the significance of the α value is smaller than the provision of 5% (0.05) and the calculated t value of 2.101 which is greater than the$_{\text{table t}}$ value of 1.97519 (the attached table t value) then partially the financial target (*financial target*) (X1) has a significant effect on the potential for financial statement fraud (Y) in banking companies listed on the IDX from 2019 – 2022.

H2: Capabilities (Change In CEO) (X2) has a significant effect on Potential for Financial Statement Fraud (Y)

Based on table 4.12, Capability (*Change In CEO)* (X2) shows a significance level of 0.015 which means the significance of α value is less than the provision of 5% (0.05) and the $_{\text{calculated t value}}$ of 2.058 which is greater than the table t value of 1.97519 (table attached t value) then partially Capability (*Change In CEO*) (X2) has a significant effect on the potential for financial statement fraud (Y) in banking companies listed on the IDX from 2019 – 2022.

H3: Ineffective monitoring (Ineffective Monitoring) (X3) has a significant effect on Potential for Financial Statement Fraud (Y)

Based on table 4.12, Ineffective monitoring (X_3) shows a significance level of 0.040 which means the significance of α value is smaller than the provision of 5% (0.05) and the $_{\text{calculated t value}}$ of 4.210 which is greater than the table t value of 1.97519 (table attached t value) then partially ineffective monitoring (X_3) has a significant effect on the potential for financial statement fraud (Y) in banking companies listed on the IDX from 2019 – 2022.

H4: Rationalization (TATA) (X4) has a significant effect on Potential for Financial Statement Fraud (Y)

Based on table 4.12, Rationalization (X_4) shows a significance level of 0.000 which means the significance of α value is smaller than the provision of 5% (0.05) and the calculated t value of 30.204 which is greater than the table t value of 1.97519 (table attached t value) then partially Rationalization (X_4) has a significant effect on the potential for financial statement fraud (Y) in banking companies listed on the IDX from 2019 – 2022.

H5: Arrogance (CEO duality) (X5) has no significant effect on Potential for Financial Statement Fraud (Y)

Based on table 4.12, Arrogance (CEO *duality*) (X5) shows a significance level of 0.730 which means the significance of α value is greater than the provision of 5% (0.05) and the calculated t value of 0.119 which is smaller than the table t value of 1.97519 (attached table t value) then partially Arrogance (CEO *duality*) (X5) does not have a significant effect on the potential for financial statement fraud (Y) in banking companies listed on the IDX from 2019 – 2022.

H6: Collusion (Political Connections) (X6) has no significant effect on Potential for Financial Statement Fraud (Y)

Based on table 4.12, Collusion (Political Connection) (X_6) shows a significance level of 0.845 which means the significance of α value is greater than the provision of 5% (0.05) and the calculated t value of 0.038 which is smaller than the table t value of 1.97519 (attached table t value) then partially Collusion (Political Connection) (X_6) does not have a significant effect on the potential for financial statement fraud (Y) in banking companies listed on the IDX from 2019 – 2022.

Simultaneous testing (Omnibus)

To test whether a logistic regression model involving significant independent variables (simultaneously) is better than the previous model (simple model) in terms of matching data, compare the *Sig*. value for *Step 1 (Step)* in the Omnibus *Tests of Model Coefficients Table* against a significance level of 0.05. The value of Sig. is also called the probability value. Statistical value of *chi-square* distributed *omnibus test*.

Table 13. Test Model Significance Simultaneously

	Chi-Square	df	Sig
Step	54.021	6	000
Block	54.021	6	000
Model	54.021	6	000

Source: SPSS output, 2024

The results of the table above are known Sig values. 0.000 is less than 0.05 and the *chi-square value* (F_{count}) of 54.021 is greater than F_{table} which is 2.16 (F value table attached), hence the model involving independent variables Financial *Target (Financial Target*), Capability (*Change In CEO),* Ineffective *Monitoring*, Rationalization (TATA), CEO *Duality,* and Political Connections, simultaneously have a significant effect on the Potential for Financial Statement Fraud in Banking companies listed on the Indonesia Stock Exchange from 2019 – 2022.

Moderation Variable Testing

The following are the moderation test results from the independent variable to the dependent variable through the moderation variable:

Table 14. Moderation Variable Test Results

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Pressure (X1)	126.763	84.952	2.227	1	.036|	1,13E+58
	Capability (X2)	4.915	3.449	2.031	1	015]	136.282
	Chance (X3)	20.896	7.174	8.484	1	004	. es
	Rationalization (X4)	-27.637	15.874	3.031	1	016	0
	Arrogance (X5)	-20.071	16.125	1.549	1	213	0
	Collusion (X6)	-8.009	6.71	1.425	1	233	000
	Window Dressing (Z)	974	290	11.299	1	001	2.647
	X1*Lol	8.75	5.57	2.468	1	012	0
	X2*Lol	319	215	2.189	1	039	727
	X3*Lol	1.138	427	7.091	1	008	321
	X4*Lol	2.519	1.056	5.694	1	017	12.417
	X5*Lol	1.243	1.03	1.457	1	227	3.467
	X6*Lol	AT8	403	1.41	1	235	1.613
	Constant	-17.801	4.843	13.509	1	0	0

Source: SPSS output, 2024

Based on the table above, the following results are obtained:

From the SPSS output results above, it shows that the significance value of the effect of Pressure (Financial Targets) (X_1) on the Potential for Financial Statement Fraud (Y) through *Lack of Integrity* (X1*Lol) shows a significance value of 0.012 smaller than the provision, which is 0.05, hence significant (moderation). The coefficient value of the interaction test of the Financial Target variable (X_1) with *Lack of Integrity* (X1*Lol) is 8.750. Thus, *Lack of Integrity* can strengthen the relationship between Financial Target and Potential Financial Statement Fraud in Banking Companies listed on the IDX from 2019 – 2022.

The significance value of the effect of Capability (X_2) on the Potential for Financial Statement Fraud (Y) through *Lack of Integrity* (X2*Lol) shows a significance value of 0.039 smaller than 0.05 then significant (moderation). The value of the coefficient of the interaction test of the Capability variable (X_2) with *Lack of Integrity* (X2*Lol) is 0.319. Thus, *Lack of* Integrity strengthens the relationship between Capability (*Change In CEO)* and Potential Financial Statement Fraud in Banking Companies listed on the IDX from 2019 – 2022.

The significance value of the effect of Ineffective Monitoring (X_3) on the Potential for Financial Statement Fraud (Y) through *Lack of Integrity* (X3*Lol) shows a significance value of 0.008 smaller than 0.05 hence significant (moderation). The value of the coefficient of the interaction test of the Ineffective Monitoring variable (X_3) with *Lack of Integrity* (X3*Lol) is 1.138. Thus, *Lack of Integrity* strengthens the relationship of Ineffective Monitoring of Potential Financial Statement Fraud in Banking Companies listed on the IDX from 2019 – 2022.

The significance value of the effect of Rationalization (TATA) (X_4) on the Potential for Financial Statement Fraud (Y) through *Lack of Integrity* (X4*Lol) shows a significance value of 0.017 smaller than 0.05 hence significant (moderation). The value of the coefficient of the interaction test of the Rationalization variable (X_4) with *Lack of Integrity* (X4*Lol) is 2.519. Thus, *Lack of Integrity* strengthens the relationship between Rationalization (TATA) against

Potential Financial Statement Fraud in Banking Companies listed on the IDX from 2019 – 2022.

The significance value of the influence of Arrogance (CEO *duality*) (X5) on the Potential for Financial Statement Fraud (Y) through *Lack of Integrity* (X5*Lol) shows a significance value of 0.227 greater than 0.05 then it is not significant (not moderation). Thus, *Lack of Integrity* does not strengthen or weaken the relationship of Arrogance (CEO *duality*) to Potential Financial Statement Fraud in Banking Companies listed on the IDX from 2019 – 2022.

The significance value of the effect of Collusion (Political Connection) (X6) on the Potential for Financial Statement Fraud (Y) through *Lack of Integrity* (X6*Lol) shows a significance value of 0.235 greater than 0.05 then not significant (not moderation). Thus, *Lack of Integrity* does not strengthen or weaken the relationship of Collusion (Political Connection) to Potential Financial Statement Fraud in Banking Companies listed on the IDX from 2019 – 2022.

Conclusion

Based on the results of research and discussion in the previous chapter, several things can be concluded as that *Lack of Integrity* can moderate by strengthening the relationship of 4 Independent variables, namely Financial *Target* proxied with ROA, Capability proxied with *Change In* CEO, Opportunity proxied by *Ineffective Monitoring*), Rationalization proxied by TATA on the Potential for Financial Statement Fraud in Banking Companies Listed on the IDX from 2019 – 2022, while *Lack of Integrity* cannot moderate the relationship of 2 other independent variables, namely Arrogance proxied with CEO *Duality* and Collusion proxied with Political Connections to Potential Financial Statement Fraud in Banking Companies Listed on the IDX from 2019 – 2022.

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