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Analysis of Fraud Financial Statement with Fraud Hexagon and Financial Distress

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Abstract— *This study aims to detect the effect of fraud hexagon model and financial distress on fraud financial statements. The population in this study are banking companies registered on the IDX during 2020-2021 with a total sample is 72 data. Sampling determined using the purposive sampling method. The analysis technique used Logistic Regression Analysis. The results of this study indicate financial stability, external pressure, personal financial need, change of director, change of auditor, effective monitoring, arrogance, and collusion have no effect on fraud financial statements. Then, the nature of the industry and financial distress have an effect on fraud financial statements.*

Keywords— *Fraud financial statement, fraud hexagon, financial distress.*

I. INTRODUCTION

Financial reports are records of financial information that can provide information related to company performance descriptions, company profiles, and are useful for some users of financial reports in making decisions (Bawekes 2018). Financial reports are a means of management accountability to all stakeholders for the company's performance during a certain period, so management as the preparation of financial reports tries to present financial reports as attractive as possible to the wishes of its users (Sukmadilaga 2022). Financial reports should be prepared and presented honestly and transparently in accordance with the Financial Accounting Standards guidelines set by the Indonesian Accounting Association.

Fraud financial statement is defined as an intentional or unintentional act or action, which causes the financial statements to be materially misleading. According to the Association of Certified Fraud Examiners (ACFE, 2018) in its report that acts of fraud experience growth over time which begins with someone's bad intention to act intentionally to commit crimes that cause shocks in the economy. The company pays close attention that this is not a trivial matter that is easy to handle, because criminals must have many strategies that lead to fraud in order to keep losses to a minimum with internal controls running within the company (Sari & Nugroho, 2020).

Examples of fraud cases in Indonesia, 2019, PT. Garuda Indonesia was caught in a case of fraudulent financial reporting which eventually received sanctions from the Financial Services Authority (OJK). In the 2018 financial report, Garuda Indonesia managed to record a net profit of US $ 809 thousand. This value is controversial because in 2017 Garuda Indonesia recorded a loss of US $ 216.58 million. This performance was quite surprising because in the third quarter of 2018 Garuda Indonesia still lost US$114.08 million (CNN Indonesia, 2019). The nature of this problem stems from a cooperation agreement between Garuda Indonesia and PT. Mahata Aero Teknologi worth US$239.94 million, of which the funds are still receivable but have been recognized by Garuda Indonesia's management as revenue. This acknowledgment is deemed not in accordance with the rules of Statement of Financial Accounting Standards (PSAK) number 23. The market responded to the chaos in Garuda Indonesia's financial report, causing the company's shares to drop 4.4 percent. Garuda Indonesia's shares fell to a level of IDR 478 per share from the previous IDR 500 per share (CNN Indonesia, 2019).

Fraud Financial statement can't be considered trivial, it has been proven that this fraud can occur every year and cause substantial losses (Harto, 2016). It doesn't stop there that the impact of this fraud can reduce the company value and public trust. The role of the auditor is needed to detect this fraud as early as possible, as an effort to minimize and even prevent prolonged problems that can harm the company.

The rise of cases of fraud financial statements in Indonesia, especially in the financial and banking sectors, which tend to be quite difficult to disclose. this prompted the researcher to conduct this research. In the research conducted, researchers applied the fraud hexagon model and financial distress. This is done because the theory is the latest theory and is a refinement of several previous theories.

II. LITERATURE REVIEW & HYPOTESIS

Agency theory

Jensen and Meckling (1976) introduced a theory is agency theory, where an agency relationship arises when there is cooperation between the agent and the principal, where management as an agent is employed and given responsibility by the shareholder as the principal in terms of decision making. This bond requires management to be accountable for the work and tasks that have been given by the shareholder. However, problems often occur in the relationship between agents and principals due to differences in interests which are called conflicts of interest (Jensen & Meckling, 1976).

Fraud Financial Statement

Fraud financial statement is a misrepresentation of a company's financial performance that is intentionally made to mislead users of financial statements. According to ACFE (2016), there are 2 forms of fraud financial statements. First, fraud aims to gain the trust of shareholders by demonstrating good financial performance by presenting financial statements above their true value. Second, fraud that aims to obtain a reduction in the obligation to pay taxes through the presentation of financial statements below their true value.

Beneish M-Score Model

The Beneish M-Score Model is a model used to detect fraud that occurs in financial transactions (Mehta and Bhavani, 2017). Beneish suggests that typically corporate financial disclosures involving profit-based manipulation will reveal a significant increase in the amount of payments and a significant decrease in the account balance between the exemption periods. For the purpose of determining the Beneish M-Score, Beneish uses the delapid ratio related to changes in assets and transaction volume.

The eight ratios used by Beneish (Kartikasari and Irianto, 2000) is Days' Sales In Receivables Index (DSRI), Gross Margin Index or Gross Profit Index (GMI), Assets Quality Index or Asset Quality Index (AQI), Sales Growth Index or Sales Growth Index (SGI), Depreciation Index (DEPI), Sales General and Administrative Expenses Index (SGAI), Leverage Index (LVGI), Total Accrual to Total Asset or Index of Total Accruals to Total Assets (TATA).

Fraud Hecagon Model

Fraud hexagon model is a theory that explains why certain businesses or parties commit fraud. This theory begin with the fraud triangle or commonly known as Cressey's Theory by Donald R. Cressey in 1953. The Fraud Triangle consists of three factors, pressure, opportunity, and rationalization. The Cressey model was updated by David Wolfe and Dana Hermanson in 2004 by expanding the fraud triangle theory by adding one factor, capability. In 2011, the 2 previous theories, Fraud Triangle and Fraud Diamond, were developed by Crowe Horwath to become a Fraud Pentagon by adding one factor, Arrogance. The pentagon fraud theory was then developed with the addition of collusion (Vousinas, 2019).

A. Pressure

Pressure is the pressure that drives the perpetrator to commit a fraud. When the company's financial condition is declining and management is under pressure to meet business objectives while reducing costs due to a tighter budget, this encourages management to commit fraud to become more significant (Siddiq 2017).

1. Financial Statbility

Financial stability is a condition that describes the company's financial stability in various kinds of economy. When a company is in a stable condition, investors' view of the company's value will increase. According to Skousen and Twedt (2009), this can be measured by examining changes in the company's total assets. The results of the study (Preicilia 2022) and (Octani 2022) shows that the financial stability variable as a proxy for the pressure variable have an effect on fraud financial statements.

H1: financial stability affects fraud financial statement.

2. External Pressure

Financial pressure experienced by management can also come from external parties of the company. External pressure can occur if the company has a high debt ratio to parties outside the company. The results of the study (Wulandari & Trisnawati, 2022) shows that external pressure proxied by using leverage ratios (LEV) have an effect on fraud financial statements.

H2: external pressure affect fraud financial statement.

3. Personal Financial Need

Personal financial need is a condition when a company's finances are also influenced by the financial condition of company executives (Skousen et al., 2009). When company executives have a significant role in the company, the personal financial needs of these executives will be influenced by the company's financial performance. The results of the study (Sari & Nugroho, 2020) show that personal financial need have an effect on fraud financial statements.

H3: personal financial need affects fraud financial statement.

B. Capability

Change of director as proxy the variable capability is a quality or character and skills possessed by a person and is very important in determining whether fraud will occur in the face of pressure, opportunity and justification (Vousinas 2019). According to Handoko (2021) states that a change of directors might be a detection of fraud in financial reports. The results of the study (Septriyani & Handayani, 2018) show that change in director have an effect on fraud financial reporting.

H4: change of director affects fraud financial statement.

C. Rationalization

Change of auditor as a proxy rationalization is a justification that appears in management's mind when fraud has occurred. This thinking will arise because they do not want their actions to be known so they justify the manipulation that has been done. This action is taken so that they remain safe and free from punishment (Aprilia, 2017). The change of auditor used by the company can be considered as a form of action in eliminating fraud trails that have been carried out by previous auditors. The results of the study (Hartadi, 2022) states that change of auditors have an effect on fraud financial statements.

H5: Change of Auditor affects fraud financial statement.

D. Opportunity

Opportunity is a gap that allows fraud to occur. This can usually occur due, as a result of weak internal controls, lack of oversight, or abuse of authority.

1. Effective Monitoring

Effective monitoring is a situation where the company have an effective supervisory unit to monitor the performance of the company's management. Effective monitoring is monitoring the company's operations with the aim of ensuring that the company's goals are met. In increasing the effectiveness of supervision, the company includes an independent board of commissioners to carry out the oversight function within the board of commissioners. Research results (Herdiana & Sari, 2018) show that effective monitoring have an effect on fraud financial statements.

H6: Effective Monitoring affects Fraud financial statement.

2. Nature Of Industry

Nature of Industry is the ideal state of a company in the industry. In the financial statements there are certain accounts whose balance is determined by the company based on an estimate, for example the bad debts account and obsolete inventory account.

Because the amount of the balance can be determined by the company, the company is more flexible in making changes to the balance without arousing suspicion. The results of the study (Sari & Nugroho, 2020) show that the nature of industry have an effect on fraud financial statements.

H7: Nature of Industry affects Fraud financial statement.

E. Arrogance

Arrogance is an attitude of superiority or greed from people who believe that internal control does not apply personally (Crowe & Howarth, 2011). Sari & Nugroho (2020) also explained that the many photos of the CEO that are displayed in the company's annual report can represent the level of arrogance or superiority that the CEO has. The more CEO photos displayed in a report can indicate the high level of CEO arrogance in the company. The results of the study (Utami & Pusparini, 2019) show that arrogance, which is proxied by the frequent number of CEO's pictures, have an effect on fraud financial statements.

H8: Arrogance affects Fraud financial statement.

F. Collusion

Collusion is a term that refers to an agreement in which a fraudulent agreement is made between two or more people, for one party to take action against another party for malicious purposes (Vousinas, 2019). Companies that cooperate with the government want large revenues. The results of the study (Handoko, 2021) show that collusion have an effect on fraud financial statements.

H9: Collusion affects Fraud financial statement.

Financial Distress

Financial distress experienced by companies occurs when the company fails to meet payment schedules or when cash flow projections show that the company is experiencing a decline. Companies experiencing financial distress will lead to bankruptcy. The financial distress experienced by the company will be a driving factor for company management to improve the company's financial condition or manipulate financial reports (Aviantara, 2021). The results of the study (Utami & Pusparini, 2019) show that financial distress have an effect on fraud financial statements.

H10: Financial Distress affects Fraud Financial Distress.

III. METHODOLOGY

This research is a quantitative research, namely data presented in the form of numbers related to research variables. The population in this study are banking companies listed on the Indonesia Stock Exchange (IDX) in the 2020-2021 period. The sample in this study was taken using a purposive sampling method, namely determining the sample with certain considerations according to the characteristics and criteria of the sample that had been determined. The type of data used in this research is secondary data. in this study the data is in the form of annual financial reports (annual reports) for banking companies listed on the Indonesia Stock Exchange in 2020-2021.

The Beneish M-Score Model measurement is a mathematical model used to detect fraud that occurs in financial transactions (Sari & Nugroho, 2020). The Beneish M-score is calculated with 8 indices as follows:

1. *Day's Sales in Receivables Index (DSRI)*

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

2. *Gross margin index (GMI)*

$$GMI = \frac{(sales\ t-1 - COGS\ t-1) \div sales\ t-1}{(Sales\ t - COGS\ t) \div sales\ t}$$

3. *Asset quality Index (AQI)*

$$AQI = \frac{(1-((Current\ Asset\ t + PPE\ t) \div Total\ Asset\ t))}{(1-((Currrent\ Aset\ t-1 + PPE\ t-1) \div Total\ Aset\ t-1))}$$

4. *Sales Growth Index (SGI)*

$$SGI = \frac{sales\ t}{sales\ t-1}$$

5. *Depreciation Index (DEPI)*

$$DEPI = \frac{(Depretiation\ t-1 \div (depretiation\ t-1 + PPE\ t-1))}{(depretiation\ t \div (depretiation\ t + PPE\ t))}$$

6. *Sales General and Administrative Expense Index (SGAI)*

$$SGAI = \frac{(SGA\ expenses \div sales\ t)}{(SGA\ expenses\ t-1 \div sales\ t-1)}$$

7. *Leverage Index (LEVI)*

$$LEVI = \frac{((LTD + Current\ Liabilities\ t) \div total\ asset\ t)}{((LTD\ t-1 + Current\ Liabilities\ t-1) \div total\ asset\ t-1)}$$

8. *Total Accruals to Total Assets Index (TATA)*

$$TATA = \frac{(net\ income\ from\ continuing\ operations - operating\ cash\ flow\ t)}{(total\ asset\ t)}$$

Based on the results of the calculation of the eight indexes above, it will be recalculated using the formula as below:

M = -4,84 + 0,920*DSR + 0,528*GMI + 0,404*AQI + 0,892*SGI + 0,115*DEPI – 0,172*SGAI + 4,679*TATA-0,327*LEVI

The Beneish M-Score value of the model will focus on companies that have detected financial statement fraud if the Beneish M-Score value is higher than -2.22. If a company is detected committing fraud in its financial statements, it will be given a score of 1, while those that are not will be given a score of 0.

Measurement of Fraud Hexagon Variables

1. *Financial Stability (FS)*

$$FS = \frac{Total\ Assets_{(t)} - Total\ Assets_{(t-1)}}{Total\ Assets_{(t)}}$$

2. *External Pressure (EP)*

$$EP = \frac{Total\ Liabilities}{Total\ Assets}$$

3. *Personal Financial Need (PFN)*

$$PFN = \frac{Number\ of\ Manajerial\ Shares}{Total\ Number\ of\ Shares}$$

4. *Change of Director (CY)*

in this study the change of directors is measured by a dummy variable, code 1 if there is a change of directors in the company during 2020-2021, conversely code 0 for those who have not changed directors in the company 2020-2021.

5. *Change of Auditor (RN)*
   In this study, auditor turnover was also measured by a dummy variable. code 1 if there is a change in KAP during 2020-2021, on the other hand, code 0 for those who have not changed KAP.
6. *Effective Monitoring (EM)*
   $EM = \frac{\text{Number of Independent Commissioners}}{\text{Total Board of Commissioners}}$
7. *Nature of Industry (NOI)*
   $NOI = \frac{\text{Receivable}}{\text{Sales}} - \frac{\text{Receivable}_{(t-1)}}{\text{Sales}_{(t-1)}}$
8. *Arrogance (EG)*
   proxied by the Frequent Number of CEO's Picture measured by the total photos of the Directors displayed in the annual report.Collusion (CN)
9. In this study, Collusion is measured by a dummy variable, code 1 for companies collaborating with government projects during 2020-2021, while those that are not will be given a score of 0.

Measurement of Financial Distress Variables

In predicting the level of financial distress in banking companies, you can use the X-Score or the Zmijewski method. Systematically the Zmijewski prediction model can be formulated as follows:

X-Score = -4,3 – 4,5X1 + 5,7X2 - 0,004X3

Keterangan:

X1 = Return of Asset (ROA)

X2 = Total Liabilities/Total Aset

X3 = Current Asset/Current Liabilities

If the calculated score from the Zmijewskin model > 0 then the company has the potential to experience bankruptcy and if the resulting score is < 0 then the company has no potential to experience bankruptcy. If the company has the potential to go bankrupt, give a score of 1, and if not, give a score of 0.

Data analysis technique

Fraud financial statements are included in the dummy variable, logistic regression is used. The regression model is as follows:

FFS = a + b1FS + b2EP + b3PFN + b4CY + b5RN + b6EM + b7NOI + b8EG + b9CN + b10FD + e

IV. Result and Discussion

The object of this research is to use banking companies listed on the Indonesia Stock Exchange (IDX) in the 2020-2021 period. The population numbered 38, the companies were re-selected using a purposive sampling method to determine which research samples fit the predetermined criteria. The number of samples that can be used in this study are 36 companies (36 companies x 2 years).

TABLE 1. Hosmer and Lemeshow's Goodness of Fit Test

Chi-square	df	Sig.
15,199	8	0,055

Source: Data Processing, 2023.

Based on table 1, the results of the Hosmer and Lemeshow's Goodness of Fit Test show that the significant value is 0.055. This means that the significance value is greater than 0.05, so it can be concluded that the model is able to predict the observed value or it can be said that the model is acceptable because it matches the observation data.

TABLE 2. Nagelkerke R Square

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
58,593[a]	0,123	0,200

Source: Data Processing, 2023.

Based on table 2, the Nagelkerke R Square value is 0.200. This shows that the magnitude of the influence of the independent variable on the dependent variable is 20% while the remaining 80% is influenced by other variables outside this research model.

TABLE 3. Logistic Regression

	B	Wald	Sig.
FS	0,5	0,054	0,816
EP	-0,245	0,01	0,92
PFN	-5,518	0,216	0,642
CY	0,093	0,01	0,919
RN	0,338	0,21	0,646
EM	1,103	0,107	0,743
NOI	-0,485	2,768	,096**
EG	0,171	1,213	0,271
CN	-0,383	0,19	0,663
FD	1,636	4,226	,040*
Constant	-0,364	0,016	0,898

Source: Data Processing, 2023.
Ref : * significance at the 0,5 or 5%.
** significance at the 1 or 10%.

Based on the table above shows that the results of the logistic regression analysis are as follows:

FFS = -0,364+ 0,500FS + -0,245EP + -5,518PFN + 0,093CY + 0,338RN + 1,103EM + -0,485NOI + 0,171EG + -0,383CN + 1,636FD + e

The above equation shows that:

1. Constant = -0.364 with a negative direction this can be interpreted if the independent variables (Financial Stability, external pressure, personal financial need, change of director, change of auditor, effective monitoring, nature of industry, Arrogance, Collusion, Financial Distress) can assumed to be constant, or zero, the fraud disclosure value will remain at -0.364.
2. The regression coefficient on the financial stability variable is 0.500 in a positive direction, which means that for every 1 unit increase in financial stability, fraud will increase by 0.500 units. This can be interpreted that the higher the financial stability of the company, the fraud will increase. Conversely, the lower the financial stability, the less fraud.
3. The regression coefficient on the external pressure variable is -0.245 in a negative direction, which means that for every 1 unit increase in external pressure, fraud will decrease by -0.245 units. The higher the external pressure, the less fraud. Conversely, the lower the external pressure, the higher the fraud.

4. The regression coefficient on the variable personal financial need is -5.518 with a negative direction, which means that for every increase in personal financial need by 1 unit, fraud will decrease by -5.518 units. The higher the personal financial need, the less fraud. Conversely, the lower the personal financial need, the higher the fraud.
5. The regression coefficient on the change of directors variable is 0.093 in a positive direction, which means that for every change of directors increase by 1 unit, fraud will increase by 0.093 units. The higher the change of director, the more fraud will increase. On the other hand, the lower the change of directors, the lower the fraud.
6. The regression coefficient on the change of auditor variable is 0.338 in a positive direction, which means that for every increase in the change of auditors by 1 unit, fraud will increase by 0.338 units. The higher the change of auditors, the fraud will increase. On the other hand, the lower the change of auditor, the lower the fraud.
7. The regression coefficient on the effective monitoring variable is 1.103 in a positive direction, which means that for every 1 unit increase in effective monitoring, fraud will increase by 1.103 units. The higher the effective monitoring, the fraud will increase. Conversely, the lower the effective monitoring, the less fraud.
8. The regression coefficient on the nature of industry variable is -0.485 with a negative direction, which means that for every increase in the nature of industry by 1 unit, fraud will decrease by -0.485 units. The higher the nature of industry, the less fraud. Conversely, the lower the nature of industry, the more fraud will increase.
9. The regression coefficient on the ego/arrogance variable is 0.171 in a positive direction, which means that for every 1 unit increase in ego/arrogance, fraud will increase by 0.171 units. The higher the ego/arrogance, the higher the fraud. Conversely, the lower the ego/arrogance, the lower the fraud.
10. The regression coefficient on the collusion variable is -0.383 in a negative direction, which means that for every 1 unit increase in collusion, fraud will decrease by -0.383 units. The higher the collusion, the less fraud. Conversely, the lower the collusion, the higher the fraud.
11. The regression coefficient on the variable financial distress is 1.636 in a positive direction, which means that for every increase in financial distress by 1 unit, fraud will increase by 1.636 units. The higher the financial distress, the fraud will increase. Conversely, the lower the financial distress, the less fraud.

TABLE 4. Result of T test

Variable	Sig.	Keterangan
Financial Stability	0,816	H1 Rejected
External Pressure	0,920	H2 Rejected
Personal Financial Need	0,642	H3 Rejected
Change of Director	0,919	H4 Rejected
Change of Auditor	0,646	H5 Rejected
Effective Monitoring	0,743	H6 Rejected
Nature of Industry	0,096**	H7 Accepted
Ego/Arrogance	0,271	H8 Rejected
Collusion	0,663	H9 Rejected
Financial Distress	0,040*	H10 Accepted

Source: Data Processing, 2023.

The Results:

1. Financial stability variable has a significance value of 0.816 which means it is greater than 0.5 or 5%. Thus it can be concluded that H1 is rejected, meaning that financial stability have no effect on fraud financial statements. This is because managers do not necessarily manipulate financial reports to improve the company's prospects when the financial condition is unstable or decreases because this will actually worsen the company's financial condition in the future. The results of this study supported with research conducted by Agusputri & Sofie (2019) which provides research results that financial stability have no effect on fraud financial statements.
2. External pressure variable has a significance value of 0.920 which means it is greater than 0.5 or 5%. Thus it can be concluded that H2 is rejected, meaning that external pressure have no effect on fraud financial statements. The greater the debt owned by the company, the tighter the supervision carried out by creditors in viewing the credit history of a company. In addition, if the company's debt is large and the company commits fraud by beautifying its financial statements (hiding the value of the debt it has), this will actually make the company's situation worse, once upon time the company will go bankrupt. The results of this study supported with research conducted by Utami & Pusparini (2019); Handoko (2021), which provides research results that external pressure have no effect on fraud financial statements.
3. Personal financial need variable has a significance value of 0.642 which means it is greater than 0.5 or 5%. Thus it can be concluded that H3 is rejected, meaning that personal financial need does not affect fraud financial statements. This is due to the low average managerial share ownership in the sample companies. Low share ownership indicates that in the sample companies there has been a clear separation between shareholders as owners who control the running of the company and managers as managers of the company. The existence of clear separation causes managers to not have sufficient ability to commit fraud financial statements. The results of this study supported with research conducted by Setiawati & Baningrum (2018) which provides research results that personal financial need have no effect on fraud financial statements.
4. Change of director variable has a significance value of 0.920 which means it is greater than 0.5 or 5%. Thus it can be concluded that H4 is rejected, meaning that the change of director have no effect on fraud financial statements. This is because the change of directors carried out by the company is not because they want to cover up the fraud committed by the previous directors, but because the company wants to improve the company's performance by replacing new directors who are considered more competent and maximal in doing their jobs. The replacement of more competent directors is considered effective in enabling an increase in company performance that is better than before. The results of this study

supported with research conducted by Bawekes (2018) which provides research results that change of directors have no effect on fraud financial statements.

5. Change of auditor variable has a significance value of 0.646 which means it is greater than 0.5 or 5%. Thus it can be concluded that H5 is rejected, meaning that the change of auditor have no effect on fraud financial statements. This is because the sample companies that change auditors are not because these companies reduce the possibility of detecting fraudulent financial statements by the old auditors, but rather because the companies want to comply with the Regulation of the Minister of Finance of the Republic of Indonesia Number 17/PMK.01/2008 article 3 paragraph 1 which states whereas the provision of general audit services on the financial statements of an entity can be carried out for a maximum of 6 consecutive financial years by the same KAP and 3 consecutive years by the same auditor to the same client. The results of this study supported with research conducted by Octani (2022); Setiawati & Baningrum (2018) which provides research results that change of Auditor have no effect on fraud financial statements.
6. Effective monitoring variable has a significance value of 0.743 which means it is greater than 0.5 or 5%. Thus it can be concluded that H6 is rejected, meaning that effective monitoring have no effect on fraud financial statements. This is due to the effective oversight carried out by several independent commissioners, besides overseeing the effectiveness of the company's performance, the board of commissioners also oversees management's performance in managing the company. This certainly can make it easier for the board of commissioners to detect fraud committed by management where management will find it difficult to commit fraud because of effective supervision from the commissioners so that with effective supervision it can prevent management from committing fraud because they feel they are always being monitored and supervised.. The results of this study supported with research conducted by Sari & Nugroho (2020) which provides research results that change of Auditor have no effect on fraud financial statements.
7. Nature of industry variable has a significance value of 0.096, which means less than 1 or 10%. Thus it can be concluded that H7 is accepted, meaning that the nature of industry influences fraud financial statements. The nature of industry influences fraud financial statements. This is due to an increase in the amount of the company's receivables in the previous year which may indicate that the company's cash turnover is not good. A significant increase in trade receivables can be a serious indication of fraudulent financial statements in a company, because an increasing number of company trade receivables will certainly reduce the amount of cash that a company can use for its operational activities. The limited cash can be an incentive for management to manipulate financial reports. The results of this study supported with research conducted by Sari & Nugroho (2020) which provides research results that the nature of industry have an effect on fraud financial statements.
8. Arrogance variable has a significance value of 0.271 which means it is greater than 0.5 or 5%. Thus it can be concluded that H8 is rejected, meaning that ego/arrogance have no effect on fraud financial statements. This is because the image shown is only the profile of the company's leadership. The photo of the directors in the annual report is also a form of introduction to the leader in charge of the company to investors. So that investors have an idea of the director who leads a company and as a form of responsibility for someone with the highest position in the company. The results of this study supported with research conducted by Handoko (2021); Wulandari & Trisnawati (2022) who provided research results that arrogance have no effect on fraud financial statements.
9. Collusion variable has a significance value of 0.663 which means it is greater than 0.5 or 5%. Thus it can be concluded that H9 is rejected, meaning that collusion have no effect on fraud financial statements. This is because the company cooperates with government projects will not give rise to the company's efforts to commit fraud in the financial statements. In general, companies that cooperate with government projects will get a lot of relationships and also cooperation that can be profitable for the company's development. The results of this study supported with research conducted by Octani (2022); Nurardi & Wijayanti (2021) who provide research results that collusion have no effect on fraud financial statements.
10. Financial distress variable has a significance value of 0.040 which means less than 0.5 or 5%. Thus it can be concluded that H10 is accepted, meaning that financial distress have an effect on fraud financial statements. This is because when a company experiences financial distress, managers tend to manipulate its financial reports in order to continue to provide a good signal by displaying short-term profit performance which always increases even though the company's condition is in trouble. The results of this study supported with research conducted by Utami & Pusparini (2019); Annafi & Yudowati (2021) who provided research results that financial distress have an effect on fraud financial statements.

V. CONCLUSION

This study aims to empirically test the detection of financial statement fraud through the fraud hexagon model and financial distress in banking companies listed on the Indonesia Stock Exchange for the 2020-2021 period. Based on the test results and discussion obtained from 10 independent variables, 2 influential variables, namely the nature of industry and financial distress, have an effect on fraud financial statements, while 8 variables, namely financial stability, external pressure, personal financial need, change of director, change of auditor, effective monitoring, arrogance, collusion have no effect on fraud financial statements.

The limitations of this research are that this research was only conducted within the scope of banking companies listed on the Indonesia Stock Exchange during 2020-2021, so the

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amount of data used is limited and this research only uses two research years, namely 2020 and 2021 so that it does not reflect the company's condition as a whole.

The suggestion for this research is that future researchers are expected to be able to expand the research sector so that they are expected to be able to obtain more samples and produce better research and future researchers are expected to add years of research period so that they are expected to obtain better results.

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