Determinant Analysis of Fraudulent Financial Statements in Perspective of Fraud Hexagon Theory and Covid-19 (Empirical Study of Manufacturing Companies in the Goods and Consumption Sector Listed on the IDX in 2018-2021)

Bagus Ghery Setiawan[1] Fatchan Achyani[2]

Faculty of Economics and Business, University of muhammadiyah surakarta, indonesia 1
Faculty of Economics and Business, University of muhammadiyah surakarta, indonesia 2

Abstract: *According to Statement of Financial Accounting (SFAC) No. 1, users of financial statements have a considerable worry regarding profit information in the company's financial statements when evaluating performance and the company's earning potential in the future. The purpose of this study was to examine the effect of external pressure, nature of industry, rationalization, capability, arrogance, collusion, and covid-19 on fraudulent financial statements. The research sample is a manufacturing company in the goods and consumption sector which is listed on the Indonesia Stock Exchange for the 2018-2021 period. Sampling in this study uses a purposive sampling method. The number of samples is 46 companies per year, with the amount of data studied being 147. This study's analysis method makes use of multiple linear regression analysis. M-Score for Beneish, this model was created using logit regression to predict false financial statements (fraud). The origin the following variables can be identified based on the outcomes of the data processing shown above: Variable H2 is approved since the nature of the industry has a considerable favorable impact on false financial statements. This occurs because businesses with a lot of receivables are vulnerable to manipulation.*

I.   INTRODUCTION

In the financial accounts, the performance of the company during a specific time period is summed up. Users of financial statements should pay close attention to information on earnings in order to evaluate the performance of the company and its potential for future growth, in accordance with Statement of Financial Accounting (SFAC) No. 1. Therefore, managers regularly engage in fraud in an effort to enhance the company's appearance and appeal to investors by pretending to have better profit margins. Cheating or fraud is defined as a divergence from the law or an illegal conduct that is committed with specific aim, like fraud. Three forms of fraud exist: financial statement fraud, asset acquisition fraud, and corruption.

Manufacturing development in Indonesia has exceeded the total investment figure of IDR 64 trillion. The development of the manufacturing industry is of concern to the government because it can increase investment by 30.4%. From this situation, there are several interesting facts related to the development of this industry. This can be seen from the results of the Indonesian Manufacturing Purchasing Managers' Index (PMI), which is at its highest position since 2015. (www.hashmicro.com/id/blog/industrial-manufaktur).

Table 1

Source: https://acfe-indonesia.or.id/

Above, to the Association According to the ACFE survey, the percentage of fraudulent manufacturing companies is quite high when compared to other sectors, so it is very possible for fraud to occur compared to other sectors. sectors. (https://acfe-indonesia.or.id/). Manufacturing companies affected by fraud, for example, PT.Kimia Farma, in the financial audit report December 31, 2001, reported a net profit of Rp. 132 billion. However, the net profit was too large and contained an element of engineering. In the new financial report, it turns out that the company's profit was only IDR 99.56 billion, IDR 32.6 billion lower than the reported initial profit. PT. Kimia Farma said that the Covid19 pandemic had also affected the pharmaceutical industry. The impact of the pandemic has resulted in domestic hospitals experiencing a decrease of 54% while the number of customer visits to retail outlets has also decreased by 11%, practicing doctors at Kimia Farma pharmacies cannot practice directly.
(CNBC-Indonesia).

PT Tiga Pilar Sejahtera (AISA), or TPS Food, is a company engaged in the production of consumer goods. This case stems from the discovery that a subsidiary of PT TPS Food, namely PT Indo Beras Unggul (IBU), was collecting subsidized farmers' rice to be processed and repackaged into premium rice. Due to this incident, AISA's shares dropped significantly, making the company try to beautify its 2017 financial statements. At the 2018 Extraordinary General Meeting of Shareholders (EGMS), shareholders filed an investigation into the 2017 financial statements. They appointed Ernst & Young Indonesia (EY) to conduct an audit Return to the 2017 financial statements. (www.Accountingbinus.ac.id).

COVID-19 Indonesia's manufacturing industry has been hit hard by the Covid-19 pandemic. There were several positive achievements, especially in the field of investment. for the export-import balance experienced a surplus of up to 8.8 billion dollars. Likewise, investment also reached a value of IDR 129.56 trillion during January–June 2020, an increase of 23% compared to the same period last year. Before the pandemic the average utilization of the Indonesian manufacturing industry sector could reach around 76.29%. That number dropped drastically when COVID-19 began to spread in Indonesia. Indonesia At the beginning of the pandemic, utilization dropped by around 30-40%. 30–40%. (www.CNBC-Indonesia).

Fraudulent Financial Statements According to The Association of Certified Fraud Examiners (ACFE, 2014) in (Novarina & Triyanto, 2022), What is intended as a deliberate mistake of the financial condition of a company that is done through intentional misstatement or omission of the amount or disclosure in the financial statements to deceive financial report users.

The factors in fraud Hexagon theory cannot be examined so that they are proxied by other variables the proxies used in this study are pressure proxied by Pressure is proxied by external pressure. Financial instability can cause pressure on a manager. It can encourage managers to manipulate the financial statements of a company. The opportunity is proxied by the nature of the industry. Is the ideal state of a company in the industry. Rationalization is proxied by a change in auditor. The change of auditors in a company is a weakness of the audit. Because there is a new auditor, it is still new to get to know the company capabilities, which is proxied by a change in directors. Change in directors is one way to measure the capability variable. Arrogance is proxied by the frequent number of CEO's pictures. The arrogance and high superiority of a person can lead to fraudulent financial statement. Collusion proxied by COL. Collusion is related to agreements that make one party feel cheated. This is because one party will try to commit an act fraudulently on the rights owned by a third party. (Vousinas, 2019)

II. LITERATURE REVIEW

Agency Theory

Agency theory is a theory that is used to describe how an employer and employee interact. According to contract theory, an agency may employ one or more persons. In this situation, the principle works on behalf of the agent to deliver a service, and the agent is given power to decide what is best for the principal. (Jassim et al., 1988).

Fraud

Fraud is an intentional fraud/wrong action that results in a material misstatement in the financial statements so that it has an incorrect impact on decision-making (SAS No.99, 2002). According to Bologna et al. in (Kurniawan & Andini, 2021) namely: "Fraud is criminal deception intended to financially benefit the deceiver.

Fraudulent financial statement

According to The Association of Certified Fraud Examiners (ACFE, 2014) (Diyanty, 2022) as follows: "The intentional falsification or omission of numbers or disclosures in the financial statements to mislead financial users so as to misrepresent the financial position of a business." What is meant by an intentional misrepresentation of a company's financial situation that is done by deliberate misstatements or omissions of numbers or disclosures in financial statements with the aim to deceive users of financial statements.

Fraud Hexagon theory

Source : (Vousinas, 2019)

The Fraud Hexagon Model is a theory by Georgios L. Vousinas in 2019. This theory is a refinement of previous theories that can explain why people commit acts of fraud. The hexagon fraud theory is a theory that contains an explanation of why a company or a specific party commits fraud (Sagala & Siagian, 2021).

The diamond fraud theory was further developed into the pentagon fraud theory put forward by Crowe Horwath in 2011 by adding a fifth factor, namely arrogance. The pentagon fraud theory was later refined by Georgios L. Vousinas in 2019 to become more complex by adding a sixth factor, collusion. According to (Vousinas, 2019) if collusion has occurred between employees or between employees and external parties, it will be difficult to stop fraud from occurring. Therefore, indirectly, collusion factors can encourage acts of fraud.

External pressure is a pressure that comes from outside the company. In developing a business, companies need not only funds from internal parties, but companies also need financial assistance from external parties, both creditors and investors. According to SAS no. 99, the more the flow of funds into the company, the more the burden is borne by management to pay off the company's debts. When credit risk is high, managers are encouraged to commit financial statement fraud so that the company's conditions become more attractive to investors (Aprilia, 2017) So in this study, the external variable pressure is measured using the LEV ratio. This statement is supported by (Prasmaulida, 2016) which show that external pressure has a negative effect on fraudulent financial statement Based on this description, the hypothesis is taken.

H1: External pressure has impacted on financial statement fraud

The nature of industry is an ideal state of the industry where in the financial statements, there are accounts whose total balance is determined by the company. One of them is the bad debts account. Determination of the amount of the account balance is estimated based on estimates. Thus managers have the opportunity to use receivables and inventory accounts as a tool for manipulating financial statements (Apriyani & Ritonga, 2019) When a company has

large accounts receivable account, management will try to minimize its receivables and then increase its cash balance so that the company's liquidity looks good in the eyes of the public (Sihombing & Rahardjo, 2014) That way, when the amount of a company's receivables looks small, there is a possibility that the company is indicated to be committing financial statement fraud so that the company's finances look good. So, it can be concluded that receivables have a negative effect on fraudulent financial statements. This research is in line with Putriasih, (Apriyani & Ritonga, 2019) where the nature of industry has a negative effect on fraudulent financial statements. Based on this description, the hypothesis is taken.

H2 : Nature of industry has an unaffected on financial statement fraud

Change in auditor is the replacement of an old public accountant with a new public accountant as an attempt to cover up fraudulent actions that have been committed by internal parties of the company. This action was carried out with the aim that the fraud that had been committed was not detected by the new public accountant. According to (Septriani & Desi Handayani, 2018), companies that commit fraud tend to change public accountants more often to minimize the detection of fraud that has been committed. This research is in line with the research of (Bawekes et al., 2018) where a change in auditors is measured by using the ratio of the number of KAP changes to have a positive effect on fraudulent financial statements. Based on this description, the hypothesis is taken.

H3 : Rationalization has impacted on financial statement fraud

According to Wolfe & Hermanson, ability is one of the essential elements when someone wants to commit fraud. Where someone has the capacity to understand and exploit the accounting system and internal control weaknesses (Wolfe & Hermanson, 2004), substitution of directors is carried out to improve the performance of the previous directors, but this action can also be misused when the replacement is intended to cover up fraud that is suspected of having been known by the company (Maryani et al., 2021). This research is in line with Putriasih (Maryani et al., 2021) Change in directors as measured by the ratio of the number of directors changes has a positive effect on fraudulent financial statements. Based on this description, the hypothesis is taken.

H4 : Capabillity has impacted on financial statement fraud

A frequent number of CEO's pictures is the number of CEO's pictures in the company's annual report displaying display pictures, profiles, achievements, photos, or other information regarding the track of the CEO, which is presented repeatedly. Does not apply to him because of his status and position in the company. In addition, it allows the CEO to take any means to maintain his position and position(Wolfe & Hermanson, 2004). Based on this description, the hypothesis is taken.

H5: Arrogance has impacted on financial statement fraud

Collusion is a matter related to an agreement that misleads a party where the party who is deceived is between 2 or more people, where one party will try to take action to cheat on the rights owned by a third party. ((Vousinas, 2019) Collusion is a new component in the Fraud Hexagon Model. Collusion itself plays a vital role in detecting fraud. This is under the opinion (Sari & Nugroho, 2020) which states that collusion proxied by cooperation in projects between the private sector and the government could affect fraudulent financial statements. Research conducted by (Sari & Nugroho, 2020) shows that cooperation between companies and government projects positively influences fraudulent financial statements, and government project cooperation can provide opportunities for fraud to occur. Cooperation between companies and government projects will generate revenue for the company. The greater the scale of cooperation between the company and the government, the greater the income received by the company. This can trigger management to take advantage by manipulating the company's financial statements. Based on this statement, the hypothesis can be drawn.

H6 : Collusion has impacted on financial statement fraud

Research conducted by Fransesco et al., (2021) The research results show that competency and adherence to government accounting standards have a positive effect on the quality of financial statement, while external pressure has no effect and environmental uncertainty has a negative effect on the quality of financial statement.
H7 : Covid-19 has unaffected on financial statement fraud

III.   METHOD

Sample

This research used goods and consumer goods manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021. The use of goods and consumer goods manufacturing company's techniques in carrying out sampling, which is carried out by representing the population under study, and already has predetermined criteria. The criteria used in this sample include, Registered Manufacturing Company in the Goods and Consumption Industry Sector on the Indonesia Stock Exchange (IDX) for the 2018-2021 period, Goods and Consumer Goods Sector listed manufacturing company consecutively on the Indonesia Stock Exchange (IDX) period 2018-2021 years, Manufacturing companies

Companies that publish reports financial statements on the company website or the Indonesian Stock Exchange (IDX) website during the 2018-2021 period.

multiple linear to determine how much of an impact the independent variables have on the dependent variable, regression is performed. In this study's multiple regression analysis, the connection between the independent factors and the dependent variable was predicted using SPSS software. The fraud score model is used to measure financial statement fraud (M-score) (Skousen et.al, 2015). the following model to explain how the fraud score model and the indications on the variables under test relate:

M-Score= $\beta 0$ + $\beta 1$ EPS + $\beta 2$ RECEIVABLE + $\beta 3$ AUDCHANGE + $\beta 4$ DCHANGE + $\beta 5$ CEO PIC + $\beta 6$ KMS + $\beta 7$ PDM + e

Information:

M-SCORE	= Fraudulent Financial Statements
$\beta 0$	=Constant
β 1-7	=Regression coefficient of each proxy
LEV	= leverage
RECEIVE	= Receivable
AUDCHANGE	=Change of External Auditor
DCHANGE	= Change of Directors
CEO PIC	= Frequent Number of CEO Picture
KMS	= Collusion
PDM	=Covid-19
e	=Error

Dependent Variables

According to (Colby, 2002), financial statement fraud is an intentional misrepresentation of the financial performance of a company that is carried out through intentional misstatement or omission of amounts or disclosures in financial statements to deceive users. Colby used the Beneis m-Score model to calculate the fraudulent financial statement.

M-Score = -4.48 + 0.920 DSRI + 0.528 GMII + 0.404 AQI + 0.892 SGI +0.115 DEPI – 0.172 SGAI - 0.327 LVGI + 4.697 TATA

Eight variables are used in the Beneish M-Score Model:

1) Index of Days Sales in Receivables (DSRI) The ratio of daily sales to accounts receivable in the first year where profit manipulation is discovered (year t) to the appropriate size in year t-1 is the variable in question.. (Hantono,

2018) The following is the formula for the Days Sales in Receivables Index (DSRI) :

$$DSRI : \frac{\frac{Net\ Receivables\ t}{Sales\ t}}{\frac{Net\ Receivables\ t-1}{Sales\ t-1}}$$

2) Index of Gross Margin (GMI) The gross margin index (GMI) is the ratio of the profit margin in the current year to the profit margin in the prior year (t-1) (t). When GMI exceeds 1, it sends a signal that the company's prospects

are poor. (Hantono, 2018) formula is as follows:

$$GMI : \frac{\frac{(Sales\ t-1 - COGS\ t-1)}{Sales\ t-1}}{\frac{(Sales\ t - COGS\ t)}{Sales\ t}}$$

3) Index of Asset Quality (AQI) This ratio contrasts the company's total assets in a year (t) and the year before with its non-current assets, excluding fixed assets (t -1) (Hantono, 2018) The Asset Quality Index (AQI) formula is as follows:

$$AQI : \frac{\frac{Current\ Asset + Fixed\ Asset\ t}{Total\ Aktiva\ t}}{\frac{Current\ Asset\ t-1 + Fixed\ Asset\ t-1}{Total\ Asset\ t-1}}$$

4) Index of Sales Growth (SGI) The sales growth rate of the company is shown by this variable. A score higher than 1 denotes an increase in sales from the prior year. SGI does not necessarily mean that earnings have been manipulated, but companies with rising sales are more prone to do so. The following is the Sales Growth Index (SGI) formula:

$$SGI : \frac{Sales\ t}{Sales\ t-1}$$

5) Depreciation Index (DEPI) This ratio compares the depreciation expense on fixed assets before depreciation in a year (t) and the previous year (t -1(Hantono, 2018)The DEPI calculation formula is as follows:

$$DEPI : \frac{\frac{Depreciation\ t-1}{Depreciation\ t-1 + Fixed\ Asset\ t-1}}{\frac{Depreciation\ t}{Depreciation\ t + Fixed\ Asset\ t}}$$

6) Sales and General Administration Expenses Index (SGAI) This ratio compares selling, general and administrative expenses to sales in a year (t) and the previous year (t -1)((Hantono, 2018)). The SGAI calculation formula is as follows:

$$SGAI : \frac{\frac{SGAI\ Expenses\ t}{sales\ t}}{\frac{SGAI\ expenses\ t-1}{sales\ t-1}}$$

7) Leverage Index (LVGI) This ratio compares the amount of debt to total assets in a year (t) and the previous year (t - 1). This ratio aims to find out how the level of debt owned by the company to its total assets from year to year((Hantono, 2018)The LVGI calculation formula is as follows:

$$\text{LVGI}: \frac{\dfrac{Total\ Liabilities\ t}{Total\ Asset\ t}}{\dfrac{Total\ Liabilities\ t-1}{Total\ Asset\ t-1}}$$

8) Total Accrual, Total Accrual is a ratio to explain accounting profit that is not derived from cash profits (Hantono, 2018).

The calculation is:

$$\text{TATA}: \frac{Net\ Profit\ t - Net\ Cash\ flow\ by\ Operating\ activities\ t}{Total\ Asset\ t}$$

Independent Variables

a. External Pressure

According to Novarina & Triyanto (2022) The leverage ratio, which is the ratio of total liabilities to total assets, may be used to gauge external pressure. The corporation need a cash infusion or more funding from creditors to withstand these external challenges.

$$\text{LEVERAGE}: \frac{Total\ Debt}{Total\ Asset}$$

b. Nature of Industry

The nature of industry is a company in which there is an idealistic condition that can pose a threat because it provides the opportunity for third parties to carry out fraudulent acts, which can cause financial statement misstatements. There are several accounts, for example, uncollectible accounts receivable and obsolete inventories, that require estimation in measuring them (Sari & Nugroho, 2020) variable can be measured by calculating receivables using the following formula:

$$\text{RECEIVABLE}: \frac{Receivable\ t}{Sales\ t} - \frac{Receivable\ t-1}{Sales\ t-1}$$

c. Rationalization

Rationalization can be measured by a change in auditors, who are usually assigned by companies to audit their financial statements. The existence of a change in auditors can enable the emergence of financial report fraud to increase. Research results (Siddiq et al., 2017).

d. Capability

Capability can show the amount of expertise or capacity possessed by a person to commit acts of fraud within the corporate environment. According to (Wolfe & Hermanson, 2004) in(Sari & Nugroho, 2020)states that a change in directors is a form of conflict of interest. One of the factors that support the occurrence of financial statement fraud is the change in directors. This is done in order to get new directors with better quality. Research result (Siddiq et al., 2017).

e. Arrogance

According to (Siddiq et al., 2017) The number of photos of the CEO displayed in the financial statements is a form of arrogance and can trigger fraudulent financial reporting by taking advantage of the power possessed and a CEO considers that any internal control system cannot inhibit actions and behavior due to the influence of the authority and position he has.

f.   Collusion

According to Vousinas (2019) in (Desviana et al., 2020) collusion can indirectly develop the occurrence of fraud in a company. The potential for fraud to occur in a company will be higher if collusion increases. Collusion is proxied by government cooperation projects with companies.

g.   Covid-19

Fransesco et al., (2021) have investigated how the COVID-19 epidemic has affected the financial success of the firms listed on the Indonesia Stock Exchange. In order to compute Covid-19, a fake variable is used. Companies in the 2018–2019 fiscal year will receive a score of 0, while those in the 2020–2021 fiscal year will receive a score of 1 due to their impact.

IV.   RESULT

Descriptive statistics are those that are concerned with how informational material is presented so that data users may quickly process it. The data used in the study were analyzed using descriptive statistics to offer a summary or description of the variables, amount of data, maximum value, minimum value, average, and standard deviation. (Widarjono, 2015). Financial statements that have been fraudulent are used as the dependent variable and are scored using the M-SCORE. In addition, the LEV-measured External Pressure, Receivable-measured Industry Nature, AUDCHANGE-measured Rationalization, DCHANGE-measured Capability, Arrogance measured Ceo pic's, Dummy-measured Collusion, and Dummy-measured COVID-19 are employed as independent variables. Below is a table with each indicator's description :

Table 2

Results of Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Means	std. Deviation
External Pressure	147	0.05418	0.93128	0.4019495	0.18201512
Nature of Industry	147	-0.19416	0.17368	-0.002376	0.04635302
Rationalization	147	0	1	0.45	0.499
Capabillity	147	0	1	0.12	0.329
Arrogance	147	1	13	5,2	2,449
Collusion	147	0	1	0.59	0.494
Covid-19	147	0	1	0.48	0.501
Fraudulent Financial Statements	147	-4.19679	2.02554	-2.442146	0.83025166
Valid N (listwise)	147				

Source : Output data SPSS

From the results of the descriptive statistical analysis above, it can be seen that each research indicator has a total of

147 data which are the samples in this study. Further explanation of each indicator is explained as follows:

1)   The External Pressure variable, as determined by the LEV indicator, shows a minimum value of 0.05418, namely the company Campina Ice Cream Industry Tbk in 2019. At the same time, the maximum value is 0.93128, namely the company Prasidha Aneka Niaga Tbk in 2021. The average pressure indicator is 0. 4019495. The

standard deviation is an illustration of the level of variation in the data so that the level of variation in the LEV indicator data is 0.18201512.

2)   The nature of the industry variable, determined by the Receivable indicator, shows a minimum value of -0.19416, namely the Langgeng Makmur Industri Tbk company in 2018. In comparison, the maximum value is 0.17368, namely the Integra Indocabinet Tbk company in 2019. The average Receivable indicator is -0.0023761. The standard deviation is an illustration of the level of variation in the data, so the level of variation in the REC indicator data is 0.04635302.

3)   The Rationalization variable measured using the AUDCHANGE indicator shows a minimum value of 0, which is a company that has not experienced a change in external auditors. In comparison, the maximum value is 1, which is a company that has experienced a change in external auditors. The AUDCHANGE indicator average is 0.45. The standard deviation is an illustration of the level of data variation so that the AUDCHANGE indicator data variation level is 0.499.

4)   The Capability variable, as measured using the DCHANGE indicator, shows a minimum value of 0, which is a company that has not experienced a change of directors. In contrast, the maximum value is 1, which is a company that has experienced a change of directors. The average DCHANGE indicator is 0.12. The standard deviation is an illustration of the level of variation in the data so that the level of variation in the DCHANGE indicator data is 0.329.

5)   The Arrogance variable, as measured using the CEO Pic's indicator, shows a minimum value of 1, namely the company PT Kotobukiya Indo Classic Industries, which has a photo of the directors in 2020 in the annual report. Meanwhile, the maximum value is 13, namely the Unilever company, whose annual report contains a photo of the directors of the year 2018. The average CEO Pic's indicator is 5.20. The standard deviation is an illustration of the level of variation in data, so the level of variation in CEO Pic's indicator data is 2.449.

6)   The Collusion variable, as measured using the dummy indicator, shows a minimum value of 0, namely, companies that do not cooperate with the government. At the same time, the maximum value is 1, which is a company that cooperates with the government. The average dummy indicator is 0.59. The standard deviation is an illustration of the level of variation in the data, so the level of variation in the dummy indicator data is 0.494.

7)   The Covid-19 variable measured using a dummy indicator shows a minimum value of 0, namely companies that are not affected by Covid-19. At the same time, the maximum value is 1, namely companies affected by Covid-19. The average dummy indicator is 0.48. The standard deviation is an illustration of the level of variation in the data so that the level of variation in the dummy indicator data is 0.501.

Tabel 3

Recapitulation of Hypothesis Test Results

No	Hypothesis Description	B	Sig	Conclusion
	(Constant)	-2,494	0.000	
1	External Pressure	0.244	0.518	not approved
2	Nature of Industry	5,567	0.000	approved
3	Rationalization	0.148	0.280	not approved
4	Capabillity	0.069	0.737	not approved
5	Arrogance	-0.007	0.789	not approved
6	Collusion	0.005	0.972	not approved
7	Covid-19	-0.152	0.258	not approved

a. Dependent Variable: Fraudulent Financial Statement

Source : Output data SPSS

The goal of the multicollinearity test is to determine whether the independent variables in the regression model are correlated. A good regression model shouldn't include a correlation between just one of the independent variables (Ghozali, 2013), According to the multicollinearity test results, all independent variables have a valuetolerance of less than 0.10 and a VIF value more than 10. Therefore, it can be stated that there is no connection between the independent variables, or that the independent variables employed in the regression model of this study do not exhibit multicollinearity.

Examining Durbin Watson data served as the basis for the autocorrelation test (DW). The value of DuDW is the necessary need for autocorrelation to not occur (4-Du). The dU value is visible. The Durbin-Watson table can be used to determine the value of Du. The table below shows the results of the autocorrelation test. The Durbin-Watson value is 2.182, according to the findings of the aforementioned autocorrelation test. The Durbin Watson table shows that the dU value is 1.8310. The value (4-dU) is 2.169 concurrently. If the formula dU DW (4-dU) is used, the outcome is 1.8310 2.182 2.169. In light of this, it can be said that the linear regression model employed in this study does not correlate with residual errors in periods t and t-1. Since the Asymp.sig(2-tailed) value is more than 0.05 and there are no indications of autocorrelation, the linear regression analysis can proceed.

The heteroscedasticity test is used to determine whether the residual variance between one observation and another in the regression model is uneven. The Spearman Rank correlation coefficient test, which examines the correlation between the absolute residuals of the regression results and all independent variables, was used to assess heteroscedasticity. The regression equation has heteroscedasticity if the correlation values are significant and are more than 0.05 (5%); otherwise, it is homoscedasticity or non-heteroscedasticity. Sig value > 0.05 is a pass. The significant correlation findings are more than 0.05 (5%), which indicates that the variables evaluated do not have heteroscedasticity, according to the data in the table above. so that an even larger inaccuracy won't result from enlarging the data.

The ability of the independent variables to explain the dependent variable is measured using the coefficient of determination test (R2) (Ghozali, 2013). Between zero and one is the range for the coefficient of determination. The independent variables employed in this study can explain the dependent variable if the R2 value approaches one. On the other hand, the independent variables have a limited ability to explain the dependent variable if the value of R2 is approaching zero. The coefficient of determination test results from the test results of the coefficient of determination above are listed below. The value of AdjustedR2 is 0.069, or 6.9%. This indicates that 6.9% of the independent variables included in this study can account for the dependent variable's potential for misleading financial statement. Other factors not included in this study account for the remaining 93.1%.

The F test evaluates the practicality or fit of the regression model. With a significance level of 0.05 (=5%), the F test can be performed by examining the significance value of F at the output of the regression results. The regression model is not fit if the probability value exceeds. In the meantime, the regression model is a fit if the significance value is less than. The F test results are as follows: The above F test results yielded a significant value less than 0.05, or 0.017 (0.0170.05). In light of this, it can be said that the regression model employed in this work is a fit or practicable regression model.

To determine how the independent factors affect the dependent variable, multiple linear regression analysis is utilized. The value of B on the unstandardized coefficients of the outcomes of the multiple linear regression analysis is examined in this analysis. The regression equation is then updated to reflect this result. Below are the outcomes of the multiple linear regression analysis. The regression model or equation utilized was based on the findings of the aforementioned analysis:

M-score =-2.494 + 0.244 EPS + 5.567 REC + 0.148 AUDCHANGE + 0.069 DCHANGE – 0.007 CEO Pic's + 0.005 COL - 0.152 CVD

+ e The following is an explanation of the previous equation:

1)   continuous value of of -2.494 suggests that if EPS, REC, AUDCHANGE, DCHANGE, CEO Pic's, COL, and COVID do not exist or have a zero value, M-SCORE will have a value of -2.494

2)   Regression coefficient value

Table 3 findings from the hypothesis test indicate that External Pressure, as determined by LEV, has a coefficient of 0.244 and a significant level of 0.518 > 0.05. This number indicates that falsified financial statements are not significantly impacted by external pressure. As stated by (Novarina & Triyanto, 2022). The leverage ratio, which is the ratio of total liabilities to total assets, can be used to gauge external pressure. The corporation requires a cash infusion or more funding from creditors to withstand these external challenges. However, if a corporation has a high level of leverage, it has a significant amount of debt and a high credit risk. No matter how large a company's ratio of net income growth is, it has no bearing on the possibility of a fake financial statement.

H1 : External Pressure has a significant effect on fraudulent financial statement

Table 3 hypothesis testing findings reveal that the RECEIVABLE measure of industry nature has a coefficient of 5.567 and a significant level of 0.000 0.05. Because of this value, false financial statements are positively and significantly impacted by the nature of the industry. Because it gives third parties the chance to commit fraud, which can result in financial statement misstatements, the nature of the industry is one in which an ideological situation can be dangerous. Measurement of some accounts, such as uncollectible accounts receivable and obsolete inventories, requires estimation. in (Sari & Nugroho, 2020). The likelihood of falsified financial statements increasing with a company's ratio of changes in receivables to sales.

H2 : Nature of Industry has a significant Positive effect on fraudulent financial statement

Table 3 test findings reveal that the coefficient of rationalization, as determined by AUDCHANGE, is 0.148, with a significant level of 0.280 > 0.05. This score indicates that fake financial statements are unaffected by reasoning. When fraud has happened, rationalization might be seen as a kind of defense on the part of management. These actions are taken to make people feel secure so they won't commit crimes. (Aprilia, 2017). A change in the auditors often chosen by businesses to audit their financial statements can be used to measure rationalization. Financial report fraud may become more prevalent as a result of a change of auditors (Siddiq et al., 2017). No matter how frequently the external auditor changes within a firm, misleading financial statements are unaffected.

H3 : Rationalization has a significant effect on fraudulent financial statement

According to table 3 results of hypothesis testing, the capability measured by CHANGE has a coefficient of 0.069 and a significant level of 0.737 > 0.05. This value indicates that fake financial statements are unaffected by capacity. Capability can demonstrate a person's level of knowledge or ability to engage in fraud in a professional setting. Wolfe and Hermanson (2004) claim that in (Sari & Nugroho, 2020) a change in directors is a type of conflict of interest, according to this. The changing of directors is one of the elements that encourages the occurrence of financial statement fraud. To find new, higher-caliber directors, this is done. research finding (Siddiq et al., 2017) No matter how frequently a company's board of directors changes, falsified financial statements remain unaffected.

H4 : Capabillity has a significant effect on fraudulent financial statement

Table 3 test findings reveal that arrogance, as determined by CEO Pic, has a coefficient of -0.007 and a significant level of 0.789 > 0.05. This score indicates that arrogance has no impact on financial statements that are dishonest. This variable is quantified by counting the instances in which the CEO's picture appears in the financial statements of the business. It is required to include profile information on the company's management, where the president, director, or primary director holds the CEO, when presenting the company's annual financial statements. As stated by (Siddiq et al., 2017), Arrogance manifests itself in the quantity of images of the CEO that are included in the financial accounts. A CEO believes that any internal control mechanism cannot deter acts and behavior owing to the effect of the authority and position he has, which can lead to fraudulent financial reporting by taking advantage of the power.

H5 : Arrogance has a significant effect on fraudulent financial statement

According to table 3 results of hypothesis testing, the Collusion has a coefficient of 0.005 and a significant level of 0.972 > 0.05 as determined by COL. With this number, Collusion is unaffected by false financial statements. As stated

by (Vousinas, 2019), Fraud in a firm may arise indirectly as a result of collusion. The likelihood of fraud in a corporation will rise as collusion levels climb. Governmental partnerships with businesses serve as a stand-in for collusion.

H6 : Collusion has a significant effect on fraudulent financial statement

According to the results of the test shown in Table 3, the dummy variable used to quantify covid-19 has a coefficient of -0.152 and a level of significance of 0.258 > 0.05. This figure shows that Covid-19 has no effect on falsified financial statements. In (Fransesco et al., 2021) Susanto (2021) proclaimed that a lot of risks are created by the Covid-19 outbreak for ministries and institutions (K/L) to carry out their responsibilities and activities, particularly in submitting financial reports. Ministries and institutions must take into account five risks when preparing financial reports during a pandemic crisis: strategic, operational, compliance, moral hazard and fraud, and presentation.

H7 : Covid-19 has a significant effect on fraudulent financial statement

V.   CONCLUSSION

This study aims to investigate the impact of external pressure, industry characteristics, rationalization, capability, arrogance, collusion, and Covid-19 on false financial statements made by manufacturing firms in the consumer goods and goods sectors listed on the Indonesia Stock Exchange in the years 2018 through 2021. Based on the test results, it can be said that External Pressure serves as a proxy for Pressure, Rationalization serves as a proxy for AUDCHANGE, Capability serves as a proxy for DCDHNAGE, Arrogance serves as a proxy for the frequency of CEO Pics, Collusion serves as a proxy for Dummy, and Covid-19 with the Dummy variable has no discernible effect on fraudulent financial statement (fraud). Meanwhile, the type of industry has a positive effect on fraudulent financial statements.

Based on Research on Determinant Analysis of Fraudulent Financial Statements in the Perspective of Fraud Hexagon Theory and Covid-19 The There are a number of research restrictions, including the following: This research cannot yet be the standard because the population and sample used in it only include non-financial businesses, specifically the infrastructure industry. re are several research limitations, namely as follows, The population and sample in this study only use non-financial companies, namely the infrastructure sector, so this research cannot yet become the main reference for assessing fraud in other sectors, Several companies in the goods and consumption sector did not provide complete data information on the variables tested in the study, resulting in a lack of data in this study, It is difficult for several variables to find supporting journal theory because research on the fraud hexagon variable is rare.

REFERENCES

[1.] Aprilia, R. (2017). Pengaruh Financial Stability, Personal Financial Need, Ineffective Monitoring, Change In Auditor Dan Change In Director terhadap Financial Statement Fraud dalam Perspektif Fraud Diamond. *JOM Fekon*, *4*(1), 1472– 1486.

[2.] Apriyani, N. K., & Ritonga, F. (2019). Nature of Industry dan Ineffective Monitoring sebagai Determinan Terjadinya Fraud dalam Penyajian Laporan Keuangan. *JSMA (Jurnal Sains Manajemen Dan Akuntansi)*, *XI*(2), 1–28.

[3.] Bawekes, H. F., Simanjuntak, A. M., & Christina Daat, S. (2018). Pengujian Teori Fraud Pentagon Terhadap Fraudulent Financial Reporting (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Tahun 2011-2015). *Jurnal Akuntansi & Keuangan Daerah*, *13*(1), 114–134.

[4.] Desviana, D., Basri, Y. M., & Nasrizal, N. (2020). Analisis Kecurangan pada Pengelolaan Dana Desa dalam Perspektif Fraud Hexagon. *Studi Akuntansi Dan Keuangan Indonesia*, *3*(1), 50–73. https://doi.org/10.21632/saki.3.1.50-73

[5.] Diyanty, V. (2022). *HEXAGON FRAUD IN FRAUDULENT FINANCIAL STATEMENTS : 19*(1). https://doi.org/10.21002/jaki.2022.03

[6.] Fransesco, T., Patty, Q., & Ardini, L. (2021). *RISIKO KECURANGAN LAPORAN KEUANGAN PEMERINTAH PADA MASA PANDEMI COVID-19*. *10*(2).

[7.] Ghozali, I. (2013). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 21 Update PLS Regresi*.

[8.] Hantono, . . (2018). Deteksi Financial Statement Fraud Melalui Model Beneish Pada Perusahaan Bumb. *JMBI UNSRAT (Jurnal Ilmiah Manajemen Bisnis Dan Inovasi Universitas Sam Ratulangi).*, *5*(3), 135–150. https://doi.org/10.35794/jmbi.v5i3.21705

[9.] Jassim, A., Dexter, C., & Sidhu, A. (1988). AGENCY THEORY:: Implications for Financial Management. *Managerial Finance*, *14*(4), 1–5.

[10.] Kurniawan, A., & Andini, A. (2021). *ANALYSIS THE EFFECT OF PENTAGON FRAUD THEORY IN DETECTING FINANCIAL STATEMENT FRAUD . 05*, 139–164.

[11.] Maryani, N., Natita, R. K., & Herawati, T. (2021). *Fraud Hexagon Elements as a Determination of Fraudulent Financial Reporting in Financial Sector Services*. *21*, 4300–4314.

[12.] Novarina, D., & Triyanto, D. N. (2022). *Jurnal Akuntansi dan Keuangan (JAK) Pengaruh Fraud Hexagon Terhadap Kecurangan Laporan Keuangan Pada Perusahaan LQ 45 Yang Terdaftar di Bursa Efek Indonesia Periode 2016-2020*. *10*(2), 182–193.

[13.] Prasmaulida, S. (2016). Financial Statement Fraud Detection Using Perspective of Fraud Triangle Adopted By Sas No. 99. *Asia Pacific Fraud Journal*, *1*(2), 317. https://doi.org/10.21532/apfj.001.16.01.02.24

[14.] Sagala, S. G., & Siagian, V. (2021). 3956-Article Text-15431-1-10-20211103. *Jurnal Akuntansi*, *13*(November), 245–259.

[15.] Sari, S. P., & Nugroho, N. K. (2020). Financial Statements Fraud dengan Pendekatan Vousinas Fraud Hexagon Model:

[16.] Tinjauan pada Perusahaan Terbuka di Indonesia 26. *1st Annual Conference of Ihtifaz: Islamic Economics, Finance, and Banking*, 409–430.

[17.] Septriani, Y., & Desi Handayani, dan. (2018). *Mendeteksi Kecurangan Laporan Keuangan dengan Analisis Fraud Pentagon*. *11*(1), 11–23. http://jurnal.pcr.ac.id

[18.] Siddiq, R. F., Achyani, F., & Zulfikar. (2017). Fraud Pentagon Dalam Mendeteksi Financial Statement Fraud. *Seminar Nasional Dan the 4Th Call for Syariah Paper*, *ISSN 2460-0784*, 1–14. http://hdl.handle.net/11617/9210

[19.] Sihombing, K. S., & Rahardjo, S. N. (2014). Analisis Fraud Diamond dalam Mendeteksi Financial Statement Fraud (Studi Empiris pada Perusahaan manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2010 – 2012). *Diponegoro Journal of Accounting*, *3*(2), 1–12. http://ejournal-s1.undip.ac.id/index.php/accounting

[20.] Skousen et.al. (2015). Article information : Earnings management behaviour of Shariah-compliant firms and non-Shariah- compliant. In *Journal of Islamic Accounting and Business Research* (Vol. 6, Issue 2).

[21.] 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

[22.] Widarjono, A. (2015). *Analisis multivariat terapan*.

[23.] Wolfe, D. T., & Hermanson, D. R. (2004). The FWolfe, D. T. and Hermanson, D. R. (2004) 'The Fraud Diamond : Considering the Four Elements of Fraud: Certified Public Accountant', The CPA Journal, 74(12), pp. 38–42. doi: DOI:raud Diamond : Considering the Four ElemWolfe, D. T. and Hermanson, D. R. *The CPA Journal*, *74*(12), 38–42.