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Uncovering Financial Statement Fraud in Indonesian Banks: A Post-COVID Fraud Hexagon Perspective

*Damayanti Kusumaningsih & Sri Sulistyowati
Universitas Islam Sultan Agung, Indonesia

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ABSTRACT

Financial statement fraud remains a critical issue in the banking sector, particularly in the post-COVID-19 period marked by economic uncertainty and performance pressure. This study aims to examine the factors influencing financial statement fraud in banking companies listed on the Indonesia Stock Exchange during 2023–2024 based on the fraud hexagon approach. This research employs a quantitative method using multiple linear regression analysis on 86 samples selected through purposive sampling. The findings indicate that financial stability and external pressure have a negative effect on financial statement fraud, while director change and ineffective monitoring have a positive effect. Meanwhile, auditor change, CEO's picture frequency, political connections, and government projects do not significantly affect financial statement fraud. This study recommends strengthening corporate governance mechanisms and encouraging investors to exercise greater caution in assessing fraud risk within the banking sector.

Keywords:
Financial Statement Fraud, Fraud Hexagon Theory, Banking Sector, Post Covid-19.

INTRODUCTION

Financial statements are an essential component for a company in presenting its financial condition. They play a crucial role as a communication tool between management and stakeholders who have an interest in the company, such as investors, suppliers, and creditors. Financial statements disclose a company's operational activities and financial data to stakeholders. Therefore, the information presented must possess high-quality characteristics, particularly reliability, to ensure that it does not mislead users of financial information (Safitri & Rahayu, 2024). This disclosure represents the company's accountability for the flow of investment and credit funds received and also serves as an important instrument for attracting investors in making future investment decisions.

However, in practice, financial statements often become targets of manipulation or fraud, particularly by management (Trusty & Triadmaja, 2023). Such fraudulent activities are generally carried out to create a positive image of the company, with the aim of attracting investors or maintaining corporate reputation. Financial statement fraud, also known as fraudulent

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financial reporting, refers to intentional acts of manipulation that violate the law to obtain personal or group benefits (Setiawati & Baningrum, 2018) opportunity, rationalization, competence, and arrogance. Fraud remains a serious threat to the financial and banking sectors in Indonesia. According to a survey conducted by the Association of Certified Fraud Examiners (ACFE) Indonesia Chapter in 2019, the financial and banking sectors were among the sectors that most frequently suffered losses due to fraudulent practices committed by internal employees.

The impact of fraud is not limited to material losses but also damages institutional reputation and incurs additional costs related to recovery processes and the strengthening of internal control systems. ACFE (Association of Certified Fraud Examiners Indonesia, 2019) classifies fraud into three main types that commonly occur in organizations: asset misappropriation, corruption, and financial statement fraud. Among these, asset misappropriation ranks as the most frequently occurring type of fraud. In contrast, financial statement fraud occurs less frequently but results in significantly higher financial losses.

Similar findings were reported in the ACFE Report to the Nations 2020, which indicated that although financial statement fraud accounted for only approximately 10% of total fraud cases, it caused the largest losses, with an average loss of USD 954,000 per case. Conversely, asset misappropriation accounted for about 86% of total fraud cases but resulted in a much lower average loss of approximately USD 100,000 per case (ACFE Global, 2020). Overall, the findings from ACFE Indonesia surveys and global ACFE reports highlight the need for the financial and banking sectors to strengthen internal supervision systems, organizational ethics, and anti-fraud training for employees in order to minimize potential losses arising from fraudulent activities in the future.

In the financial sector, particularly in banking, financial statement fraud has become a highly critical issue. Cases such as the embezzlement of customer funds at Bank BCA, amounting to IDR 345 million in 2022, and the manipulation of financial statements by Bank Bukopin over three consecutive years illustrate the vulnerability of the banking sector to fraud. The decline in public trust resulting from such fraud can threaten economic stability and the sustainability of corporate operations. Therefore, preventive measures through effective audits and reliable detection methods are urgently required.

The increasing number of financial statement fraud cases has led to a loss of public trust in companies involved in such practices, as financial statements serve as a benchmark for corporate performance. When financial statements are manipulated, multiple stakeholders suffer losses. Given the prevalence of fraud cases, it is necessary to detect financial statement fraud to identify the factors that drive fraudulent behavior. This study employs the fraud hexagon theory, which is an extension of earlier theories, namely the fraud triangle theory, fraud diamond theory, and fraud pentagon theory.

The fraud hexagon theory was developed by Vousinas in 2019 and consists of six elements: pressure, opportunity, rationalization, capability, arrogance, and collusion. In this study, the Fraud Hexagon Theory is used as a framework to explain fraudulent behavior committed by individuals. Fraud Hexagon represents an advancement of fraud theories by introducing collusion as a new element.

This study investigates the application of the Fraud Hexagon Theory in detecting financial statement fraud. The dependent variable is the likelihood of financial statement fraud, as supported by prior research, including Doss & Bacha (2026). The independent variables encompass the six dimensions of the fraud hexagon, with particular emphasis on pressure, which is proxied by external pressure and financial stability. The selection of these proxies is grounded in prior empirical studies, including Skousen et al. (2009), Dechow et al. (2011), Gepp et al. (2021), Rahman & Jie (2024), Taslim (2024), Septriani & Handayani (2018), Imtikhani and Sukirman (2021), as well as Mukaromah & Budiwitjaksono (2021).

The opportunity dimension is proxied by ineffective monitoring, reflecting weaknesses in corporate governance mechanisms that may enable fraudulent behavior. This proxy has been widely adopted in prior studies, such as Agusputri and Sofie (2019), Mukaromah & Budiwitjaksono (2021), Kassem (2022), Brennan (2021), Sari et al. (2022), Cui et al. (2021), and Skousen et al. (2009). The rationalization dimension is represented by auditor switching, which may indicate attempts by management to justify or conceal fraudulent reporting practices. This proxy is supported by previous research, including Charlopova et al. (2020), Susanto (2018), Khaksar et al. (2022), Widharma and Susilowati (2020), and Septriani and Handayani (2018).

Furthermore, the capability dimension is proxied by changes in directors, reflecting the role of individuals with the authority and competence to execute fraud. This approach is consistent with the conceptual framework of Wolfe and Hermanson (2004) and supported by empirical evidence from Mukaromah and Budiwitjaksono (2021) and Imtikhani & Sukirman (2021). The arrogance dimension is measured by the frequency of CEO photographs disclosed in annual reports. Arrogance, often associated with narcissistic traits, reflects a sense of superiority and a belief that internal controls do not apply to oneself (Koomson et al., 2020). Prior studies suggest that narcissistic executives are more likely to engage in earnings manipulation, financial misreporting, and aggressive accounting practices (Schrand & Zechman, 2012; Sahla & Ardianto, 2023; Shen et al., 2024). Finally, the collusion dimension is proxied by political connections and government-related projects, which may facilitate coordinated fraudulent activities. Evidence from major corporate scandals indicates that collusion plays a critical role in complex, high-value financial fraud and corporate misconduct (Peltier-Rivest & Lanoue, 2011).

Empirical studies examining financial statement fraud in Indonesian banking companies during the post-COVID-19 period using the fraud hexagon approach remain limited, as most prior studies focus on different sectors or observation perios. The novelty of this study lies in its focus on the post-COVID-19 recovery period (2023–2024), during which the Indonesian banking sector operates under intensified regulatory supervision by the Financial Services Authority and Bank Indonesia. This study provides updated empirical evidence on how fraud hexagon elements influence financial statement fraud in the banking industry, which has unique characteristics due to its role as a financial intermediary, thereby enriching fraud detection research under post-pandemic regulatory and operational dynamics.

This study employs a quantitative approach using multiple regression analysis to examine the effect of the fraud hexagon on financial statement fraud. The data used are secondary data obtained from the financial statements of banking companies listed on the Indonesia Stock Exchange during the post-COVID-19 period, which serve as the research sample. The sampling technique applied is purposive sampling, based on specific criteria aligned with the objectives of the study.

The banking sector is selected because its primary activities involve the collection and distribution of funds, making it inherently associated with financial transactions. This characteristic creates a higher exposure to financial reporting fraud, thereby providing a relevant context for examining fraudulent behavior. Accordingly, the findings of this study are expected to contribute to the detection and understanding of financial statement fraud within the banking industry.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Fraud Hexagon Theory

Fraud theory was first introduced by Cressey in 1953 through the Fraud Triangle Theory, which states that fraud is influenced by three main factors: pressure, opportunity, and rationalization. This theory was later developed by Wolfe and Hermanson in 2004 into the Fraud Diamond Theory by adding the capability factor, which emphasizes an individual's ability to commit fraud.

The most recent development was proposed by Vousinas (2019) through the Fraud Hexagon Theory by adding the collusion factor. As a result, this theory encompasses six elements of fraud: pressure, capability, opportunity, rationalization, arrogance, and collusion. Pressure may take the form of financial or non-financial demands, such as performance targets, workplace pressure, and professional ambition. Capability reflects the individual's skills and personal characteristics that enable fraud to be committed. Opportunity arises when weaknesses in internal control systems or positions of authority provide opportunities to commit fraud without detection. Rationalization occurs when perpetrators justify their fraudulent actions. Arrogance is associated with ego and the belief that the perpetrator is above existing rules and controls.

Meanwhile, collusion refers to cooperation among internal individuals or between internal and external parties, making fraud more difficult to detect and prevent.

Financial Stability on Financial Statement Fraud

Financial stability reflects a firm's ability to maintain stable financial conditions, which are typically indicated by asset growth, operational performance, and business sustainability. When a company experiences a decline in financial stability, such conditions may create pressure for management to present favorable performance, even when it does not reflect the underlying reality. Within the framework of the Fraud Hexagon Theory proposed by Vousinas (2019), pressure is considered a key driver of fraudulent behavior. This pressure often arises from deteriorating financial conditions (financial instability), which may incentivize management to manipulate financial statements in order to preserve the firm's reputation and meet external stakeholders' expectations. Empirically, Skousen et al. (2009) find that changes in financial condition, proxied by changes in total assets (ACHANGE), significantly influence the likelihood of financial statement fraud. This finding suggests that firms experiencing financial instability tend to have a greater propensity to engage in manipulation. Furthermore, Dechow et al. (2011), through the development of the F-Score model, demonstrate that firms under higher financial pressure are more likely to commit material misstatements in financial reporting.

This argument is further supported by Gepp et al. (2021) and Rahman & Jie (2024), who argue that the need for external financing may encourage managers to manipulate financial information. In addition, Mukaromah & Budiwitjaksono (2021) provide empirical evidence that financial stability significantly affects financial statement fraud. In conclusion, the lower the level of a firm's financial stability, the greater the pressure faced by management, which in turn increases the likelihood of financial statement fraud. Based on the above discussion, the hypothesis proposed in this study is as follows:

H_1: Financial stability has a positive effect on the potential occurrence of financial statement fraud.

External Pressure on Financial Statement Fraud

External pressure arises when a company faces demands from external parties to maintain financial stability and business reputation. Management may feel compelled to present favorable financial performance in order to attract investors and preserve market confidence. According to (Taslim, 2024), external pressure is one of the factors that can encourage the occurrence of financial statement fraud. Situations that reflect the presence of external pressure include significant pressure to obtain financing in order to sustain operations and maintain a financial position that is perceived positively by external stakeholders.

External pressure is measured using the leverage ratio, specifically the ratio of total liabilities to total assets (debt-to-assets ratio). A high leverage ratio indicates that a company has substantial debt obligations. Under such conditions, the risk of failing to meet debt repayment increases, creating pressure on management. This pressure may motivate management to engage in fraudulent financial reporting in an effort to present a more favorable financial condition. Studies conducted by Septriani & Handayani (2018) ineffective supervision, changes in auditors, changes in the board of directors, and the number of CEO photos. The research sample used is 30 data from state-owned companies (BUMN as well as Imtikhani & Sukirman (2021) provide empirical evidence that external pressure has a significant positive effect on the potential occurrence of financial statement fraud. Based on the above discussion, the hypothesis proposed in this study is as follows:

H_2: External pressure has a positive effect on the potential occurrence of financial statement fraud.

Director Change on Financial Statement Fraud

According to Mukaromah and Budiwitjaksono (2021), capability refers to the competence possessed by an individual to commit fraudulent acts within a company. The potential for fraud increases when a company's CEO experiences high pressure to improve sales performance while being aware of weaknesses in the company's internal monitoring system (Wolfe & Hermanson, 2004). One example of a factor that may lead to financial statement fraud is a change in directors.

A change in directors may occur because the previous director is no longer aligned with the company's objectives or as an attempt to conceal fraud that has already occurred (Imtikhani & Sukirman, 2021). When previous directors are involved in financial statement fraud, the company may attempt to cover up such misconduct by appointing new directors. As stated earlier, the likelihood of fraud increases when top management faces significant performance pressure and recognizes deficiencies in internal control systems (Wolfe & Hermanson, 2004). Based on the above discussion, the hypothesis proposed in this study is as follows:

H_3: Director change has a positive effect on the potential occurrence of financial statement fraud.

Ineffective Monitoring of Financial Statement Fraud

Within the Fraud Hexagon Theory (Vousinas, 2019), one of the key manifestations of opportunity is ineffective monitoring, defined as a condition in which a firm's oversight function does not operate effectively. Factors contributing to ineffective monitoring include dominant management without adequate compensating controls, insufficient oversight over the financial reporting process, and weak internal control systems implemented by those responsible for corporate governance (AICPA, 2003).

Such conditions create asymmetry information and reduce the likelihood of fraud detection, thereby providing opportunities for management to manipulate financial statements. Kassem (2022) reports that inadequate monitoring enables executives to manipulate financial reports with a lower risk of detection. Similarly, Brennan (2021) and Sari et al. (2022) argue that firms with weak internal controls provide stronger incentives for managers to engage in financial statement manipulation. In line with this, Cui et al. (2021) find that fraudulent practices are more prevalent in firms with weaker governance mechanisms.

Studies conducted by Agusputri & Sofie (2019)the variable are pressure (financial targets, financial stability and external pressure as well as Mukaromah & Budiwitjaksono (2021) provide empirical evidence that ineffective monitoring has a significant effect on financial statement fraud. Based on the discussion above, the hypothesis proposed in this study is as follows:

H_4: Ineffective monitoring has a positive effect on the potential occurrence of financial statement fraud.

Auditor Change on Financial Statement Fraud

The change of auditors used by a company can be considered as a means to eliminate the fraud trail identified by the previous auditor. This tendency encourages companies to replace their independent auditors in order to conceal fraud within the organization (Charlopova dkk., 2020). Companies with a tendency to misstate financial statements are generally more likely to voluntarily change auditors (Susanto, 2018; Khaksar et al., 2022). Auditor changes are often used as a strategy to reduce the likelihood of fraudulent disclosure in financial statements (Widharma & Susilowati, 2020).

The authors note that frequent auditor changes increase the risk of fraudulent financial statements because new auditors need time to understand the company's financial reporting practices. According to the study conducted by Septriani & Handayani (2018) ineffective supervision, changes in auditors, changes in the board of directors, and the number of CEO photos. The research sample used is 30 data from state-owned companies (BUMN, changes in auditors have a significant positive effect on financial statement fraud. Based on this statement, the hypothesis can be formulated as follows:

H_5: Changes in auditors have a positive effect on financial statement fraud.

The Frequent Number of CEO's Picture on Financial Statement Fraud

According to Agnihotri & Bhattacharya (2021), the frequent appearance of CEO photos may reflect a level of arrogance, as CEOs may use these images to emphasize their rank, position, and presence within the organization. Salehi et al. (2021) and Shen et al. (2024) report that the frequent presence of CEO photos in annual reports may signal a form of arrogance associated with narcissism, which can encourage risk-taking behavior, financial manipulation,

and erosion of internal controls, ultimately increasing the risk of fraud.

Another study conducted by Tessa & Harto (2016) demonstrates that the CEO's picture is a factor that reinforces arrogance and has a significant positive effect on the potential occurrence of financial statement fraud. This is because the CEO perceives that the company's internal controls do not apply to him due to his position and authority. Tessa & Harto (2016), also stated that the CEO will take any measures necessary to maintain his current position and role, as well as to ensure that external parties perceive the company's performance under his management positively. Based on this explanation, the hypothesis used in this study is formulated as follows:

H_6: The frequent display of the CEO's picture has a positive effect on the potential for financial statement fraud

Political Connection on Financial Statement Fraud

Political connection occurs when a company has special relationships with individuals working in the political field, such as government officials, politicians, and public authorities. A company with such political connections may gain advantages in obtaining business permits, securing projects, and facilitating access to financing. These special political ties can lead to fraud, as the company might provide additional funds to government officials to ensure that its projects are approved. Furthermore, having political connections may foster arrogance among company directors, as they perceive that business matters will be more easily managed, thereby increasing the potential for fraud.

This variable leads to collusive actions. Collusion refers to cooperative actions conducted by a group of individuals, either with external parties or among employees within an organization. When collusive fraud occurs, individuals who previously did not engage in fraud may be influenced by a fraudulent organizational environment. Consequently, fraud within an organization can expand in scope and develop into a culture of fraud that is difficult to eliminate.

The study conducted by Kusumosari & Solikhah (2021), demonstrated that political connection has a significant effect on the potential for financial statement fraud. Based on this conclusion, the hypothesis used in this study is formulated as follows:

H_7: Political connection has a positive effect on the potential for financial statement fraud.

Government Project on Financial Statement Fraud

Collaboration between a company and the government provides significant benefits, as it demonstrates to external parties that the company's performance is strong and enables the company to undertake government projects. Such collaboration can also facilitate access to financing. When a company engages extensively in government projects, its revenue increases, which may create

opportunities for management to commit financial statement fraud by taking advantage of the company's income. Furthermore, collaboration with the government may lead the company to provide additional funds to government officials to ensure that its projects are approved, thereby increasing the potential for fraud.

Other studies indicate that involvement in government projects can positively influence the potential for financial statement fraud. For example, the study by Fathmaningrum & Maharani (2024) found that government project involvement has a positive effect on financial statement fraud. Based on this explanation, the hypothesis used in this study is formulated as follows:

H_8: Government projects have a positive effect on the potential for financial statement fraud.

RESEARCH METHOD

Types of Research

In this study, the researcher chose to use a quantitative approach. According to Jauza & Albina (2025), quantitative research is an approach derived from positivist philosophy and is used to investigate a specific population or sample. This study employs a quantitative research approach with an explanatory design to examine the causal relationship between fraud hexagon variables and financial statement fraud. Data analysis is conducted using statistical techniques to test the proposed hypotheses.

Population and Sample

The population in this study consists of banking companies listed on the Indonesia Stock Exchange (IDX) in the post-COVID-19 period, specifically from 2023 to 2024. The sample in this study was selected using purposive sampling. After applying the sampling criteria, a total of 47 banking companies were obtained. Observations were collected over a two-year period, resulting in 94 firm-year data. During the data screening process, several observations were identified as outliers and excluded to prevent extreme values from affecting the robustness of the regression

Table 1. Sample Selection Criteria

No	Criteria	Total
1	Banking companies listed on the Indonesia Stock Exchange during the post-COVID-19 period (2023–2024)	47
2	Banking companies that were delisted from the Indonesia Stock Exchange during 2023–2024	(0)
3	Banking companies that did not publish complete research data during the 2023–2024 period	(0)
	Total of sampled companies	47
	Multiplied by the research period (47 × 2 years)	94
	Outliers	8
	Final research sample	86

Source: Data Processed

analysis. Consequently, the final sample used in this study comprised 86 firm year observations. The criteria for sample selection in Table 1.

The data collection method uses secondary data in the form of published annual financial reports obtained from banking companies for the period 2023–2024. This data is sourced from the Indonesia Stock Exchange (IDX) and can be accessed through websites such as www.idx.co.id, the company's official website, and the Indonesian Capital Market Directory (ICMD).

Operational Definition

Variabel Dependen

Financial reporting fraud is an intentional act involving the misrepresentation of financial information to mislead users of financial information in decision-making (Kranacher & Riley, 2019). Financial reporting fraud is measured using the Fraud Score Model (F Score). The Fraud Score Model is calculated using the following formula (Situngkir & Triyanto, 2020)

F – Score = Accrual Quality + Financial Performance

Accrual quality is calculated using RSST Accrual with the following formula:

RSST Accrual = ((ΔWC+ΔNCO+ΔFIN))/(Average Total Asset)

Working Capital (WC) = Current Asset - Current Liability
Non-current operating accrual (NCO) = (Total assets – current asset – investment and advances) – (total liabilities – current liabilities – long-term debt)
Financial Accrual (FIN)= Total investment – total liabilities
Average Total Asset (ATS)=(Beginning Total Asset+Ending Total Asset)/2

Financial performance is calculated using the following formula:

Financial performance= change in receivables + change in inventories + change in cash sales + change in earnings

change in receivable= ΔReceivable/(Average Total Asset)
change in inventories= ΔInventories/(Average Total Asset)
change in cash sales= (ΔSales/(Sales (t)) - (ΔReceivable/(Receivable(t))
change in earnings= (ΔEarnings/(Average Total Asset (t)) - ((Earning (t-1))/(Average Total Asset (t-1))

Independent Variable

Financial Stability

Financial stability is paramount in a company because it attracts investors. Stable financial performance indicates good company performance. Unstable financial performance puts pressure on

managers to maintain financial stability, potentially leading to financial reporting fraud. Financial stability is measured using the following formula:

ACHANGE = (Total Asset (t)-Total Asset (t-1))/(Total Asset (t-1))

External Pressure
According to Novita (2022), external pressure arises from external demands on a company. The greater the external pressure, the greater the potential for financial reporting fraud. Research by Lestari & Prastiani (2022) also explains that external pressure is generally measured using the leverage ratio (LEV), which is the ratio of total debt to total assets. The higher the leverage ratio, the greater the external pressure a company faces. The formula for measuring external pressure is:

Debt To Assets Ratio = (Total Debt)/(Total Assets)

Director Change
A change in the board of directors is the replacement of the previous board of directors with new directors to improve board performance. The variable for director turnover is measured on a nominal scale with a dummy variable. Coded 1 if the company changes directors and 0 if the company does not.

Ineffective Monitoring
Weak internal controls can lead to ineffective oversight. This ineffective oversight can lead to fraud within the company. The ineffective monitoring variable uses the following formula for the independent board of commissioners ratio:

BDOUT = (Total Independent Boards)/(Total Boards)

Auditor Change
A change in auditors prevents the new auditor from discovering any fraud, making it impossible to detect any fraud discovered by the previous auditor. The auditor change variable will be measured by the change in external auditors (AUDCHANGE). This is measured using a dummy variable and is coded 1 for companies that change auditors and 0 for companies that do not.

Frequent Number of CEO's Picture
If a CEO has multiple photos in financial reports, it can give rise to arrogance, as they want to show off their position to everyone. Therefore, this can be measured by examining the number of CEO photos displayed in financial reports in the post-COVID-19 period, namely 2023-2024.

Political Connection
Having political connections between companies and various politicians can benefit the company by making it easier to obtain loans and business permits. The political connection variable will be measured using a dummy variable. If the president commissioner and/or independent commissioner have political connections in

the 2023-2024 period, they will be given a code of 1, and if the president commissioner and/or independent commissioner do not have political connections, they will be given a code of 0.

Projects with the Government

Collaborating with the government can benefit companies by facilitating permits for their businesses or projects. Projects with the government are measured using a dummy variable. A company collaborating with the government during the 2023-2024 period will receive a code of 1, and a company not collaborating with the government during the 2023-2024 period will receive a code of 0.

RESULTS AND DISCUSSION

The results of data processing for research variable testing are presented, starting from table 2. Based on Table 2, the financial stability variable, measured using changes in assets (ACHANGE), has a minimum value of -0.30, recorded by Bank QNB Indonesia in 2023, and a maximum value of 0.83, recorded by Krom Bank Indonesia in 2024. The mean value of financial stability is 0.087, with a standard deviation of 0.132. The external pressure variable, measured by leverage (LEV), has a minimum value of 0.09 at Bank Aladin Syariah in 2024 and a maximum value of 0.91 at Bank KB Bukopin in 2024. The mean value is 0.716, with a standard deviation of 0.204.

The Director Change variable, measured using a dummy variable for board of directors changes (DCHANGE) coded 0 (no) and 1 (yes), has a mean of 0.606 and a standard deviation of 0.491. The Ineffective Monitoring variable, measured by the proportion of independent commissioners (BDOUT), has a minimum value of 0.33 at Bank Pembangunan Daerah Banten in 2023 and 2024, and a maximum value of 1.000 at Bank Nationalnobu (2023 & 2024) and Bank Panin Dubai Syariah (2024). The mean value is 0.594, with a standard deviation of 0.122.

Table 2. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
ACHANGE	86	-0.30	0.83	0.0876	0.13247
LEV	86	0.09	0.91	0.7160	0.20406
DCHANGE	86	0.00	1.00	0.6064	0.49117
BDOUT	86	0.33	1.00	0.5939	0.12170
AUDCHANGE	86	0.00	1.00	0.3723	0.48602
CEOPIC	86	1.00	9.00	3.1383	0.97937
POLCON	86	0.00	1.00	0.6064	0.49117
PROYEK	86	0.00	1.00	0.3617	0.48307
F-Score	86	-0.72	.85	0.0279	0.21208
Valid N (listwise)	86				

Source: Data Processed

Table 3. t-test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.037	0.097		0.384	0.702
	ACHANGE	-0.429	0.108	-0.354	-3.955	0.000
	LEV	-0.320	0.066	-0.448	-4.879	0.000
	DCHANGE	0.066	0.027	0.225	2.422	0.018
	BDOUT	0.255	0.104	0.216	2.448	0.017
	AUDCHANGE	0.044	0.029	0.150	1.511	0.135
	CEOPIC	0.011	0.013	0.081	0.868	0.388
	POLCON	-0.031	0.028	-0.105	-1.107	0.272
	PROYEK	0.039	0.029	0.131	1.324	0.189

Source: Data Processed

Table 4. F-test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.765	8	0.096	7.368	0.000b
	Residual	1.000	77	0.013		
	Total	1.765	85			

Source: Data Processed

Table 5. R-squared Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.658a	0.434	0.375	0.11396

Source: Data Processed

The Auditor Change variable (AUDCHANGE), representing external auditor changes, ranges from 0 to 1, with a mean of 0.372 and a standard deviation of 0.486. The Frequent Number of CEO's Picture variable (CEOPIC) ranges from 1, recorded at Bank Jago (2023 & 2024), to 9 at Bank Woori Saudara Indonesia 1906 in 2023. The mean is 3.14, with a standard deviation of 0.979.

The Political Connection variable (POLCON), coded 0 (no) and 1 (yes) for commissioners having political ties, has a mean of 0.606 and a standard deviation of 0.491. The Government Project variable (PROYEK), coded as a dummy variable (0 = no, 1 = yes) for companies collaborating with government projects, has a mean of 0.362 and a standard deviation of 0.483. Finally, the financial statement fraud variable, measured using F-Score, has a minimum value of -0.72 at Bank Pan Indonesia in 2023 and a maximum of 0.85 at Bank QNB Indonesia in 2023. The mean is 0.028, with a standard deviation of 0.212.

Based on the t-test results presented in Table 3, it is evident that four variables have significance values of $p < 0.05$, indicating that these variables have a significant effect on financial statement

fraud. The variables with significant effects are financial stability (ACHANGE), external pressure (LEV), director change (DCHANGE), and ineffective monitoring (BDOUT). Meanwhile, the variables auditor change (AUDCHANGE), frequent number of CEO's picture (CEOPIC), political connection (POLCON), and government projects (PROYEK) have significance values of $p > 0.05$, indicating that they do not have a significant effect on financial statement fraud.

Furthermore, based on Table 4, the overall significance value of $0.000 < 0.05$ indicates that the independent variables financial stability, external pressure, director change, ineffective monitoring, auditor change, frequent number of CEO's picture, political connection, and government projects jointly have a significant effect on the dependent variable, namely financial statement fraud.

Based on Table 5, the R-squared value of the research model is 0.434, or 43.4%. This indicates that the independent variables collectively explain 43.4% of the variation in financial statement fraud, while the remaining 56.6% is influenced by factors outside the scope of this study.

The Effect of Financial Stability on Financial Statement Fraud in Banking Companies

Based on the results of this study, it was found that financial stability has a significant negative effect on financial statement fraud in banking companies. Therefore, the first hypothesis, which states that "Financial Stability has a positive effect on the potential for financial statement fraud," is not supported. This finding contradicts the fraud hexagon theory, which explains that pressure is one of the main drivers of fraud. Such pressure may arise from high financial needs, the existence of targets to be achieved, workplace pressure, professional aspirations, and the desire to achieve goals quickly, even if it involves circumventing the system (Vousinas, 2019). The contradiction with the fraud hexagon theory may be due to the nature of the pressure associated with maintaining financial stability, which encourages management to preserve financial stability organically, without resorting to financial statement fraud, especially considering that banking operations are closely monitored by both internal and external parties.

This finding can be further explained by the specific regulatory environment of the Indonesian banking sector. Banking companies are subject to strict supervision by the Financial Services Authority and Bank Indonesia, particularly during the post-COVID-19 period. Such regulatory pressure encourages banks to maintain financial stability and strengthen internal control systems to ensure transparency and compliance. Consequently, higher financial stability in banks tends to reduce the incentive for management to engage in financial statement fraud, as maintaining credibility and public trust becomes a primary concern.

These results are consistent with the findings of Aprilia & Furqani (2021), who demonstrated that financial stability has a significant negative effect on financial statement fraud.

Similar results were also reported by Widnyana & Widyawati (2022) and Umar et al. (2020) external pressure, individual financial requirement and financial target. According to Aprilia & Furqani (2021), a stable financial condition reduces the need for management to commit fraud in the company's financial reporting.

The Effect of External Pressure on Financial Statement Fraud in Banking Companies

The results of this study indicate that external pressure has a significant negative effect on financial statement fraud in banking companies. Therefore, the second hypothesis, which states that "External Pressure has a positive effect on the potential for financial statement fraud," is not supported. This finding contradicts the fraud hexagon theory, which explains that pressure is one of the main drivers of fraud. Such pressure may arise from high financial needs, targets to be achieved, workplace pressures, professional aspirations, and the desire to accomplish goals quickly, even if it involves circumventing the system (Vousinas, 2019). The contradiction with the fraud hexagon theory may be due to the nature of external pressure, which results in strict oversight by external parties, making it more difficult for management to commit financial statement fraud.

This negative relationship can be attributed to the role of external pressure in strengthening monitoring mechanisms within the banking sector. External pressure from creditors, regulators, and investors leads to increased scrutiny over banks' financial performance and reporting practices. During the post-COVID-19 period, heightened regulatory oversight and risk-based supervision by Financial Services Authority and Bank Indonesia have further limited managerial discretion in financial reporting. As a result, external pressure functions as a control mechanism that discourages financial statement fraud rather than motivating it.

This result is consistent with the findings of Dewi & Yuliati (2022) nature of industry, change in auditor, change in director, frequent number of CEO's picture, dan political connection, who demonstrated that external pressure has a significant negative effect on financial statement fraud. Similar results were reported by Adhania et al. (2024) and Dewi & Luthan (2023), showing that external pressure negatively affects financial statement fraud. Dewi & Yuliati (2022) nature of industry, change in auditor, change in director, frequent number of CEO's picture, dan political connection explain that with a high level of corporate debt, external parties such as creditors closely monitor the company's debt cycle, reducing the likelihood of management engaging in fraudulent financial reporting.

The Effect of Director Change on Financial Statement Fraud in Banking Companies

The results indicate that director change has a significant positive effect on financial statement fraud in banking companies. Therefore, the third hypothesis, which states that "Director Change has a

positive effect on the potential for financial statement fraud," is supported. This finding is consistent with the fraud hexagon theory, which identifies capability as one of the factors contributing to financial statement fraud. Capability refers to the traits and skills of an individual that play a crucial role in determining whether fraud occurs under conditions of pressure, opportunity, and rationalization (Vousinas, 2019). This finding further reinforces the predictive value of the fraud hexagon theory in explaining management's engagement in financial statement fraud.

The results also align with the study by Dewi & Yuliati (2022)nature of industry, change in auditor, change in director, frequent number of CEO's picture, dan political connection, which demonstrated that director change has a significant positive effect on financial statement fraud. Similar findings were reported by Larum et al. (2021) and Widnyana & Widyawati (2022). Dewi & Yuliati (2022) nature of industry, change in auditor, change in director, frequent number of CEO's picture, dan political connection explain that changes in the board of directors can serve as a mechanism to conceal fraud committed by previous directors, particularly during periods of organizational stress, when the company is in an unstable condition.

The Effect of Ineffective Monitoring on Financial Statement Fraud in Banking Companies

The results of this study indicate that ineffective monitoring has a significant positive effect on financial statement fraud in banking companies. Therefore, the fourth hypothesis, which states that "Ineffective monitoring positively affects the potential for financial statement fraud," is supported. This finding aligns with the fraud hexagon theory, which identifies opportunity as one of the factors contributing to financial statement fraud. Opportunity is often determined by an individual's position and authority within the company, particularly for those in high-level positions, where they may believe they can commit fraud without being detected (Vousinas, 2019) . This evidence further supports the predictive power of the fraud hexagon theory in explaining management's engagement in financial statement fraud.

These results are consistent with the findings of Aprilia & Furqani (2021), who also demonstrated that ineffective monitoring has a significant positive effect on financial statement fraud. Similar results were reported by Ainiyah & Effendi (2021) in 75 data there were 8 outlier data so that it tested 67 observations data. Morever, the research analysis technique used multiple linear regressions analysis with the instrument SPSS 25 version. The research result concluded that: (1 and Prakoso & Setiyorini (2021). Aprilia & Furqani (2021) explain that fraud can be reduced through the presence of credible independent commissioners who enhance oversight. Therefore, when monitoring is ineffective, the likelihood of financial statement fraud tends to increase.

The Effect of Auditor Change on Financial Statement Fraud in Banking Companies

The results of this study indicate that auditor change does not have a significant effect on financial statement fraud in banking companies. Therefore, the fifth hypothesis, which states that "Auditor Change positively affects the potential for financial statement fraud," is not supported. This finding is inconsistent with the fraud hexagon theory, which identifies rationalization as one of the factors contributing to financial statement fraud. Rationalization occurs when fraudsters justify their actions, believing that what they are doing is correct (Vousinas, 2019). The lack of a significant effect suggests that, even if management has rationalizations for committing fraud, it does not necessarily mean they will act on them.

These results are consistent with the research of Khamainy et al. (2022), who found that auditor change does not affect financial statement fraud. Similar findings were reported by Andriani et al. (2022) sometimes still hide facts and information that have a bad influence on their company's reputation. Public companies in Indonesia in carrying out their business activities have been specifically regulated and supervised by an independent institution, called the Financial Services Authority OJK and Dewi & Yuliati (2022) nature of industry, change in auditor, change in director, frequent number of CEO's picture, dan political connection. Khamainy et al. (2022) explain that auditor changes in companies are not primarily aimed at reducing the detection of fraud by previous auditors. Instead, they are mostly motivated by compliance with the Financial Services Authority Regulation No. 13/POJK.03/2017 concerning the Use of Public Accountant Services and Public Accounting Firms in financial activities, specifically Article 16 paragraph (1), which limits the use of a single public accountant to auditing no more than three consecutive fiscal years.

The Effect of Frequent Number of CEO's Picture on Financial Statement Fraud in Banking Companies

The results of this study indicate that the frequent number of CEO's pictures does not have a significant effect on financial statement fraud in banking companies. Therefore, the sixth hypothesis, which states that "Frequent Number of CEO's Pictures positively affects the potential for financial statement fraud," is not supported. This finding is inconsistent with the fraud hexagon theory, which identifies arrogance as a factor contributing to fraud. Arrogance, from a psychological perspective, suggests that fraudulent behavior is a product of mental processes (Vousinas, 2019). The results indicate that management's arrogance does not necessarily translate into an increased likelihood of financial statement fraud in banking companies.

These results are consistent with the findings of Khamainy et al. (2022), who demonstrated that the frequent number of CEO's pictures does not influence financial statement fraud. Similar

results were also reported by Khairani et al. (2024) and Akbar et al. (2022). Khamainy et al. (2022) explain that the CEO's photos included in annual reports are not intended to show arrogance but to present a positive image of the company. Additionally, companies with a below-average number of CEO photos may have newly appointed CEOs during the reporting period. Furthermore, these photos are often included in financial reports when the CEO receives awards or attends official events. In other words, the CEO's pictures are displayed to convey a positive corporate image and enhance public trust rather than to signal personal arrogance.

The Effect of Political Connection on Financial Statement Fraud in Banking Companies

The results of this study indicate that political connection does not have a significant effect on financial statement fraud in banking companies. Therefore, the seventh hypothesis, which states that "Political Connection positively affects the potential for financial statement fraud," is not supported. This finding is inconsistent with the fraud hexagon theory, which identifies collusion as a factor contributing to fraud. When collusion occurs among employees or between employees and external parties, fraud becomes difficult to stop, especially as such issues continue to evolve (Vousinas, 2019). The inconsistency with the theory may be due to the fact that the political connections possessed by the company are not used to commit financial statement fraud, but rather to achieve other benefits that are more advantageous for the company.

These results are consistent with the findings of Wicaksono & Suryandari (2021), who demonstrated that political connection does not have a significant effect on financial statement fraud. Similar results were reported by Yunita & Julia (2022) opportunity, rationalization, capability, ego, and collusion and Suryakusuma & Stephanus (2023). Wicaksono & Suryandari (2021) explain that political connections in a company primarily serve to support the organization. The larger the company, the greater the need for connections, as political ties help in areas such as financial accessibility, product development, licensing, and other benefits within regulated industries.

The Effect of Government Projects on Financial Statement Fraud in Banking Companies

The results of this study indicate that government projects do not have a significant effect on financial statement fraud in banking companies. Therefore, the eighth hypothesis, which states that "Government Projects positively affect the potential for financial statement fraud," is not supported. This finding is inconsistent with the fraud hexagon theory, which identifies collusion as a contributor to fraud. When collusion occurs among employees or with external parties, fraud is difficult to prevent and may continue to evolve (Vousinas, 2019). The inconsistency with the theory may be because government projects directly increase company profits, reducing the need for management to commit financial statement fraud.

These results are consistent with the findings of Sari & Sari (2023), who showed that government projects do not influence financial statement fraud. Similar results were also reported by Rahma & Sari (2023) and Sari & Nugroho (2020). Sari & Sari (2023) explain that collaboration with government projects is aimed at improving the quality of the company's products rather than committing fraud in financial reporting.

CONCLUSIONS AND SUGGESTIONS

This study aims to examine the application of the fraud hexagon theory in banking companies listed on the Indonesia Stock Exchange during the post-COVID-19 period, specifically from 2023 to 2024. By testing the influence of asset changes, leverage, director changes, the proportion of independent commissioners, auditor changes, the presence of CEO's pictures, political connections, and company projects on financial statement fraud, this study obtained several notable findings. The results indicate that asset changes, leverage, director changes, and the proportion of independent commissioners have a significant effect on financial statement fraud. In contrast, auditor changes, the presence of CEO's pictures, political connections, and company projects do not show a significant effect on financial statement fraud.

The study further shows that financial stability and external pressure have a significant negative effect on financial statement fraud. These findings can provide important considerations for investors in making investment decisions, as stable financial conditions and controlled external pressures may indicate a lower potential for fraud in published financial statements. Additionally, the study demonstrates that director changes and ineffective monitoring have a significant positive effect on financial statement fraud, suggesting that frequent changes in the board of directors and a low proportion of independent commissioners can serve as signals for investors to exercise caution, particularly when investing in banking companies. Therefore, future studies are recommended to include additional variables by applying different theories or using alternative measurement proxies, so that the examination of factors affecting financial statement fraud in the banking sector can be more comprehensive.

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***Coressponding Authors:**
Author can be contacted on E-mail: nuningk939@gmail.com