

DETERMINANTS OF FRAUDULENT FINANCIAL REPORTING IN MINING COMPANIES : PENTAGON THEORY FRAUD PERSPECTIVE

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ABSTRACT

This research hopes to produce empirical evidence of the fraud pentagon effect which consists of pressure, opportunity, rationalisation, competence and arrogance on Fraudulent Financial Statements. The research method used in this research is multivariate analysis using the Generalized Structured Component Analysis tool. The research population is the manufacturing industry in the mining sector which is listed in Indonesian Stock Exchange for the 2017-2021 period with a total sample of 60 companies. This study produces empirical results that pressure, opportunity and content have a significant effect on fraudulent financial statements, while rationalization and arrogance have no significant effect on fraudulent financial statements.

Keywords : fraud Pentagon Theory; Fraudulent Financial Reporting

ABSTRAK

Penelitian ini bertujuan dapat menghasilkan bukti empirikal terkait pengaruh fraud teori pentagon yang terdiri dari tekanan, peluang, rasionalisasi, kompetensi dan arogansi atas kecurangan laporan keuangan. Metode penelitian yang diaplikasikan atas penelitian ini adalah analisis multivariat dengan mengaplikasikan tools Generalized Structured Component Analysis. Populasi penelitian adalah industri manufaktur di sektor pertambangan yang terdaftar di Bursa Efek Indonesia periode 2017-2021 dengan jumlah sampel sebanyak 60 perusahaan. Penelitian ini menghasilkan fakta empiris bahwa tekanan, peluang dan isi berpengaruh signifikan terhadap kecurangan laporan keuangan, sedangkan dalam variabel rasionalisasi dan arogansi tidak berpengaruh signifikan terhadap kecurangan laporan keuangan.

Kata Kunci : Teori Fraud Pentagon, Kecurangan Laporan Keuangan

INTRODUCTION

The main indicator in an entity is a financial report which provides information related to the efficiency and effectiveness of the company on a certain period. The process of a series of financial reports includes the stages of identification, recording, financial reports and making decisions (Weygant et al, 2015). Process of preparing the financial statements of business entities is often done as an effort to window dressing which is one of the strategies to reduce corporate taxes or increase the entity's position in the capital market. Differences in interests are a major factor, especially between management as a principal aspect of shareholders and agents. Sales of stock prices.

False financial reports and performance reports and material misstatements in the form of overstating make the entity gain direct profit from the occurrence of fraud. Therefore it is necessary to have an auditor to detect and find out the types of fraud committed by an entity. A similar statement was also put forward by Trihargo (2020) who stated thus at laten danger that thraetens the globe is world. Trihargo (2020) has stated that a latent danger that can threaten the business world of an entity is fraud supported by data evidence that 5% of an organization's revenue is a victim of fraud.

Data taken from ACFE (Association Certified Fraud of Examiners) states that in 2017 business entities in Indonesia ranked second in Asia in terms of fraudulent financial reporting at the Asia Pacific level. Based on data cited from the Corruption Perception Index agency which explains that companies in Indonesia are ranked 90th out of 176 countries where companies commit corruption, such as the lack of transparency in public financial reporting to corruption. Based on data obtained from Transparency International (2016) there are still as many as 51% of companies in various business sectors that often commit financial statement fraud. Other data from a fraud survey in Indonesia conducted by ACFE Indonesia.

Trihargo (2020) reveals that fraud related to financial reports ranks third. (Fraud related to financial statements based on the ACFE Indonesia survey (2020) has been ranked third. Mining companies are considered the most detected for committing fraud. Fraud committed by companies in the mining sector based on data from ACFE (2020) reaches 0.9%. Gash and oilk mining in commiitng acts of fr.aud is ranked 11th. (It can be shown that PT Timah based on Aviantara & Ryan (2021) states that PT. TImah has made fictitious financial reports since 2015, the reason for making fictitious financial reports is based on a statement from the Chairperson of the Timah Employees Association (IKT), namely there was a motive to cover up unhealthy financial conditions for 3 years and resulted in a loss of Rp. 59 billion. Based on data published by Hadi et al (2021) apart from PT. Timah, the company PT. Bumi Resources also made the act of fraud by reducing the value of financiial steatements in a firm on a markdown with the Peng motive Earth's development. The fraud committed by PT. Great River caused a loss of around Rp. 315 Billion (Larum et al, 2021). (Not only that, the State Gas Company (PGN) in 2011 also indicated acts of fraud in the form of misappropriating project funds for the establishment of a Float Storage Regasification

Unit (FSRU) in the Lampung region. Meeting the needs for power generation and gas sales in the Muara Tawar Bekasi area were ultimately was damaged and in 2016 the project had to be stopped but PT. Perusahaan Gas Negara (PGN) was still financing these operational activities which indicated fraud in the form of markdown costs.)

Fraud is difficult to detect because certain parties cover it. The factor that makes it difficult to detect is the misuse of the ease of committing fraud. These factors are, opportunity, pressure, rationalization, capability, and arrogance. Pressure is usually motivated by orders from superiors and targets or life demands. Opportunity is an indicator that is believed to make it easy to commit fraud, namely the opportunity that a person has to take an action. The opportunity is easy because there is minimal supervision, with the support of colleagues and superiors. Rationalization is the nature to justify all actions, for example someone commits fraud because the action is considered right and normal by that person. Capability is (expertise that a person has to be immune to sanctions and law when committing fraud because that person tends to use his position and knowledge to commit fraud that is difficult to detect). Arrogance is an attitude of feeling right and superior to one's actions so that internal rules and policies in the organization tend not to apply to that person. The five factors of pentagon fraud were coined by Crowe in 2011. Fraud pentagon is a development of the fraud triangle theory. According to Gamers in Zulkarnaen, W., et al. (2020:2473): Although there are various types of fraud, the basic working definition fraud was "an erroneous know the truth or concealment of a material fact to encourage others to act on the loss")

This study uses the concept of the pentagon theory found in mining companies because Harahap et al. (2017)'s research only focuses on fraud diamonds, which only see fraud from four sides, namely opportunity, pressure, rationalization, capability, and arrogance. In addition to the pentagon theory of fraud, this fraud is related to agency theory, which states that there is a relationship between principals and agents, agents have the opportunistic nature of fulfilling their own interests by committing acts of fraud. This study uses this theory with the assumption that from data and cases of agents who are trusted by principals to manage state agencies and assets for the common good, it turns out that agents misuse them to enrich themselves personally. Some of the phenomena, cases, data and theories that have been described regarding fraud are

influenced by the fraud pentagon theory, there are research gaps that support this research.

Based on previous research, has inconsistent results. Research Gaps in this study include. Projected pressure with ROA which affects financial statement fraud. Research from Tessa (2016) and Ariyanto (2021) pressure as measured using ROA haven't effect on financial statement fraud, while research from Septriani and Handayani Ariyanto (2021) and Anggraini & Suryani (2021) shows that projected pressure with leverage as an effect on financial fraud statements. Research conducted by Cynthia and Puji (2016) and Marsellisa (2018), shows that there is a significant relationship that affects ineffective monitoring as a proxy for the opportunity variable for the detection of fraudulent financial reports. Unlike the research conducted at Prasetyo (2018) which states that opportunity has no effect on fraudulent financial reporting. Research from Faiz et al (2017) and Abdullahi and Mansor (2018), states that auditor turnover as a projection of the rationalization variable has a significant influence on the detection of fraudulent financial reporting, while research from Kusumaningrum (2016), Sariutami and Nurbaiti (2016) states that the rationalisation variable haven't significant effect on the detection of fraudulent financial reporting. Annisya (2016) and Ariyanto (2021) state that change of directors as a projection of the capability variable has a significant effect on fraudulent financial reporting. Research conducted in Harahap et al. (2017) states thus change of directors haven't effect in fraudulent financial reporting. Based on research conducted by Arisandi and Verawaty (2017) stated that arrogance proceed by the frequency of CEO images appearing have effect on fraudulent financial reporting, while research conducted by Anggraini & Suryani (2021) and Ulfah et al. (2017) stated that the frequency of CEO images appearing has no effect on fraudulent financial reporting. The theory put forward by Crowe Howarth (2011) and corroborated by research by Anggraini & Suryani (2021) states that pressure, opportunity, rationalization, ability, and arrogance are factors that influence fraudulent financial reporting. Based on the background of the above problems, the researcher can conclude the research title "Determinants of Fraudulent Financial Reporting in Mining Companies: Fraud Pentagon Theory Perspectives."

LITERATURE REVIEW

Financial statements

According to Sujarweni (2016) financial statements are financial records in the form of company transactions during a certain period which explain financial and non-financial conditions in the form of company operational performance, financial reports are also an indicator for assessing company performance..

Agency Theory

Agency theory has a pattern of thinking which is described according to Jensen and Meckling (1976) is a theory that describes agency relationships and thus problems thus arise from these relationships. This agency relationship is an agreement between 2 or more parties. On this relationship, 1 party is called the principal and the other party is called the agent. Stockholders are called principals. While management is referred to as the agent. The principal expects a significant return on investment, when the agent needs adequate compensation. This creates a conflict of interest, in which the manager acts for individuality matters without thinking about the interests of shareholders. Within this debate on affairs, selfishness will rise through management and ultimately management will make financial reports that are incorrect or fraudulent (Tesa and Puji, 2016).

Fraud

Fraud according to ACFE (2020) can be interpreted as an error in the management or employees of a company that is done intentionally for personal or group goals by deceiving and deceiving other parties. Fraud is divided into three types, namely asset misappropriation or misappropriation of assets, is fraud classified into three types, namely misappropriation of assets, fraud in preparing financial reports and corruption.

Fraud Pentagon Theory

Fraud pentagon theory put forward by Crowe Howarth (2010) is a refinement of the theory of the fraud triangle and the most recent diamond theory and all complement the fraud triangle theory and fraud diamond theories which are classified from elements of pressure, opportunity, rationalization, competence and arrogance. The following is an explanation of each element that influences the fraudulent financial statement :

Pressure

Pressure is the desire of an individual or group to commit fraud based on pressure from both financial and non-financial factors. Financial factors arise due to the desire to improve lifestyles which lead to greed due to high lifestyles. Non-financial factors arise due to the lack of stability in the culture and work environment and frustration with the work being done, which tends to hide fraud, Crowe Howarth (2010).

Opportunity

Opportunity is (a condition caused by a weak control that creates an opportunity for an individual or group to commit fraud). According to Anggraini & Suryani (2021), the existence of fraud occurs karena pelaku berprinsip bahwa perilaku tersebut tidak akan diketahui. Companies that have weak internal controls and lack of management oversight, no procedures and sanctions that clearly create fraud.

Rationalization

Rationalization is (the thoughts of a person or group that seeks to justify their behavior and thoughts even though these actions tend to violate rules and procedures. In justifying their actions fraud perpetrators tend to look for rational reasons to cover up their actions Anggraini & Suryani (2021).

Competence

Competence is the ability or expertise of an individual or group to commit fraud, in committing fraud individuals or groups tend to use their abilities in the form of penetrating the internal control system and using fraud strategies in order to benefit themselves and the group Anggraini & Suryani (2021).

Arrogance

Arrogance is (superiority traits that feel the most right, and have high self-confidence so they feel that internal control does not apply and cannot detect their behavior, this is due to a lack of conscience in the individual or group). According to Anggraini & Syriac (2021). This arrogance is based on the principle that the perpetrator can undergo fraud and no supervisor is able to find out, so that the perpetrator will assume gift is akson for undergo fraud without worrying about the sanctions imposed.

The effect of pressure on fraudulent financial reporting based on the Pentagon's Fraud Perspective.

The first element of the fraud pentagon is pressure. Based on research conducted by Septriani and Handayani Ariyanto (2021) and Anggraini & Suryani (2021) shows

that the pressure factor in the form of external pressure with the proxy leverage ratio has a significant effect on fraudulent financial statements. When the leverage ratio is high, the higher the level of debt owned by the company and the higher the credit risk, which results in a large risk of loss. Based on this description, the following hypothesis is formulated:

H1: pressure has an affects on fraudulent financial reporting based on the pentagon fraud perspective.

The effect of opportunity on Fraudful Financial Reporting based on the Pentagon's Fraud Perspective.

Opportunities are calculated using ineffective monitoring. Fraud occurs due to lack of control or monitoring which provides opportunities managers to commit fraud by managing profits. The ineffectiveness of the industrial internal control system is caused by management power at one's individuality or small organization, the absence of control, the ineffective control of the board of directors and the findings committee in the process of preparing financial reports (Ariyanto, 2021). Thus supported by research from Chyntia and Puji (2016) and Marsellisa (2018) which shows that there is a significant relationship that affects ineffective monitoring as a proxy for the opportunity variable for the detection of financial statement fraud.

H2: Opportunity has an effect on fraudulent financial reporting based on the pentagon fraud perspective.

The effect of rationalization on Fraudful Financial Reporting based on the Pentagon's Fraud Perspective.

Rationalization can be sought by using the change of auditors. Auditor changes must be used with cause indicators to minimize the possibility of finding fraudulent financial statements by the auditor. Switching of auditors is generally undertaken because the organization hopes to embezzle things that are not fair because the quality of auditors tends to be low. Anggraini & Suryani (2021). This is supported by research conducted by Faiz et al (2017) and Abdullahi and Mansor (2018) stating that auditor turnover as a projection of the rationalization variable has a significant effect on the detection of fraudulent financial reporting.

H3: Rationalization has an effect on fraudulent financial reporting based on the pentagon fraud perspective.

The influence of competence on fraudulent financial reporting at on the pentagon fraud perspective.

Competence can be identified by applying indicators of changes in directors. The power of a person or group in a company usually tends to be able to take advantage of opportunities to commit fraud. (Faradiza, 2019). Affairs over politics can be known by the change of directors to take over the previous directors. Meanwhile, from another point of view, changing directors is assumed to reduce performance effectiveness due to adaptation. This is in accordance with research from Annisya (2016) and Ariyanto (2021) which states that competence has a significant relationship with the detection of fraudulent financial statements.

H4: Competence has an effect on fraudulent financial reporting based on the pentagon fraud perspective.

The influence of arrogance on fraudulent financial reporting at on the pentagon fraud perspective.

Arrogance which is proxied by the frequency of appearance of the CEO's image is a factor that influences fraudulent financial reporting. This is because the increasing number of CEO photos that appear in the company's annual report shows the level of arrogance and superiority that they have where they want to show the wider community about the status and position held in a company (Setriani and Handayani (2018). A long measure of arrogance must result in fraud especially the CEO has been that the intern auditor have nor apply to him because of his status and position (Tesaa and Puji, 2016). This is confirmed by the research conducted by Arisandi and Ariyanto (2021) which states that arrogance has an effect on the detection of fraudulent financial statements.:

H5: arrogance has an effect on fraudulent financial reporting based on the pentagon fraud perspective.

RESEARCH METHODS

Population and Sample

This research is descriptive quantitative. Quantitative descriptive is research that just to explain variables by collecting data to be processed to look the effect of these variables. This research uses objects from minig companies lusted on the Indonesia Stock Exchange (IDX) in 2017-2021. The population is 49 companies. The observation and measurement periods are some series and cross section data. The time

series data in those studies were 5 years and the cross section consisted of 12 companies using purposive sampling, so that a sample of 40 companies with 6 research variables was obtained. While the data source used in this study is secondary data in the form of annual reports of companies engaged in the mining sector and have been registered on the Indonesia Stock Exchange (IDX) during 2017-2021 and obtained from the website www.idx.co.id.

Analysis Technique

The data analysis technique used is descriptive statistical analysis and multivariate analysis using Generalized Structured Component Analysis or GSCA software.

Operational and Measurement of Variables

1. The variable of fraudulent financial reporting

Fraudulent financial reporting is measured by the Beneish M-Score model formula referring to eight financial ratios to indicate the occurrence of fraud on financial statements in Herviana companies (2017).

Beneish M-Score = $-4,830 + 0,930 \text{ DRSI} + 0,528 \text{ GMI} + 0,404 \text{ AQY} + 0,892 \text{ SIG} + 0,115 \text{ DEPI} - 0,173 \text{ SGAI} - 0,327 \text{ LWGI} + 4,693 \text{ TATA}$.

2. Pressure variables

Pressure is measured using a proxy for the company's ability to repay its debts using its assets. The formula for the leverage model is the following formula:

Leverage = Total Debt/Total Assets..

3. Opportunity variables.

Opportunity is measured by ineffective monitoring (which describes the ineffective monitoring process carried out by the audit committee and board of commissioners in carrying out their main duties and functions. The formula used in measuring opportunity : $\text{BDOUT} : \text{NOBIC} / \text{TNOBC}$

4. Rationalization variables.

Rationalization is proxied by change in auditors measured by a dummy variable, where if there is a change in the Public Accountant during the 2016-2020 period then it is given a value of 1, whereas if there is no change then it is given a code of 0

5. Competence variables.

Competence is proxied by the change of directors which is calculated using a dummy variable, if there is a change in the board of directors during the 2017-2021 period then it is given a value of 1, whereas if there is no change it is given a code of 0.

6. Arrogance variables

Arrogance is proxied by the change of directors which is calculated by the Frequent number of CEO's picture The number of CEO photos contained in an annual report during the 2017-2021 period.

RESULT AND DISCUSSION

Outer Loadings Test

Outer loadings include validity and reliability tests. Validity testing is carried out to determine whether an indicator is valid or not for each of these variables. Reliability test to measure consistent or not indicators in research used to measure the influence of variable X on variable Y. The validity and reliability tests that have been carried out in this study are shown in the following table :

Based on table 2, it can be seen that validity has a value above 0.7 and reliability is found to have a value above 0.6 so that the indicators that represent these variables are said to be valid and reliable (reliable).

Inner Model Test

Based on the results of processing descriptive statistical data using a component-based analysis technique in the form of Generalized Structured Component Analysis or GSCA, it produces a global optimization test of fit that complies with established standards. The following is described in table 3 regarding the feasibility model of the Generalized Structured Component Analysis as follows:

The table 3 above shows, it can be seen that the Fit value is $0.670 \geq$ the cut off value (0.5) so that it can be explained that fraudulent financial reporting. can be explained by indicators or variants of tax audits, tax authorities and risk preferences of 64.0 percent, and an AFIT value of $0.641 < FIT$ (0.670), the established construct criteria it is declared appropriate or feasible. The GFI global optimization index is $0.951 >$ the cut off value (0.9), thus based on the criteria, the construct formed is declared appropriate or feasible. SRMR value of $0.463 \leq$ cut off value (by 0.08) as high as it can be indicated that there is no difference in the data analyzed against the model,

and the NPAR value is 167, with the above empirical evidence based on construct criteria that have been declared feasible or feasible.

1. The direct effect (path analysis) between Pressure (X1) on Fraudulent Financial Statement (Y) has a Critical Ratio (CR) value of 2.19 or $CR > 1.96$ which indicates that it has a direct positive effect on the variable Pressure (X1) on Fraudulent Financial Statement (Y). This means that these results indicate that the greater the pressure in a company, the more likely it is for fraud to occur in financial statements. Theoretically, external pressure is excessive pressure for management to meet the requirements or expectations of third parties. SAS No. 99 explains that when the pressure received by management feels excessive from external parties, then there is a negative impact of fraudulent financial reporting. This is reinforced by the opinion of Skousen, et al., (2009) who discussed that one of the most pressures found by corporate influence is the need to master additional debt or sources of investment and external credit. And this pressure will lead to financial statement fraud. This is in accordance with research conducted by Septriani and Handayani Ariyanto (2021) and Anggraini & Suryani (2021) which shows that the pressure factors on the firm of external pressure with the leverage ratio have a significant effect on fraudulent financial statements.
2. The direct influence (path analysis) between Opportunity (X2) on the Fraudulent Financial Statement (Y) has a Critical Ratio (CR) value of 4.01 or $CR > 1.96$ which indicates that it has a positive effect on the direct relationship between the Opportunity variable (X2) on Fraudulent Financial Statement (Y). These results indicate that the greater the opportunity to commit fraud in a company, the greater the opportunity for fraud to occur in the financial statements. Opportunity (perceived opportunity) is an opportunity to commit fraud as perceived by the perpetrator of the fraud. The nature of the industry or activity of the entity that has the opportunity to commit fraudulent financial reporting through means, namely transactions with significant related-party transactions that are not part of the normal business of the entity concerned, or with related entities that are not audited or audited by other auditors. A financial position that is so strong or the ability to dominate a particular industry or sector that it allows an entity to impose certain terms or conditions on suppliers or customers. This may indicate inappropriate or non-arm's-length transactions. These opinions show that

opportunity has a positive effect on the occurrence of fraud. If the opportunity is higher, the occurrence of fraud will also be higher, Cynthia and Puji (2016). This is consistent with research conducted by Cynthia and Puji (2016) and Marselisa (2018) which shows that there is a significant relationship that affects ineffective monitoring as a proxy for the opportunity variable for the detection of financial statement fraud).

3. The direct effect (path analysis) between Rationalization (X3) on the Fraudulent Financial Statement (Y) has a Critical Ratio (CR) value of 1.00 or $CR < 1.96$ which indicates that there is no effect between the Rationalization variable (X3) on Fraudulent Financial Statements (Y). These results indicate that the greater the opportunity, opportunity and justification for committing fraud in a company, the less fraudulent behavior is conveyed in the financial statements. These results show that the application of management policies (discretion) is not significant or the motive for taking profits is not too high. The rationalization variable is classified as the third foundation in the five terms of fraud which is defined as the most difficult element to apply as a benchmark, because rationalization is defined as behavior justifying fictitious things done by management, managers or the board of commissioners. This is not supported by research conducted by Faiz et al (2017) and Abdullahi and Mansor (2018) which states that auditor turnover as a projection of the rationalization variable had a significant effect on the detection of fraudulent financial reporting.

4. The direct influence (path analysis) between Competence (X4) on the Fraudulent Financial Statement (Y) has a Critical Ratio (CR) value of 2.12 or $CR > 1.96$ which indicates thus the effect between the Competence variable (X4) on the Fraudulent Financial Statement (Y). These results indicate that the greater the opportunity, opportunity and justification for committing fraud in a company, the smaller the possibility of fraud in financial statements. The position of directors is seen as a position in a company that obtains various sources of information so that it had the ability or capability to commit fraud (Apriliana and Agustina, 2017). The position of directors has the ability to influence other people to cooperate in committing acts of fraud. Substitution of directors can indicate the existence of certain political interests such as getting rid of directors who already know or find indications of fraud in Ariyanto (2021). The direct effect (path analysis) between Competence (X4) on

Fraudulent Financial Statements (Y) has a Critical Ratio (CR) value of 2.12 or CR >1.96 which indicates that there is no influence between Competence (X4) and Fraudulent Financial Statements (Y) variable. Those results indicate that the greater the opportunities, opportunities and justifications for committing fraud in a company, the less likely it is for fraud to occur in the financial statements. The position of directors is seen as a position in a company that obtains various sources of information so that it has the ability or capability to commit fraud (Apriliana and Agustina, 2017). The position of directors has the ability to influence other people to cooperate in committing acts of fraud. Substitution of directors can indicate the existence of certain political interests such as getting rid of directors who already know or find indications of fraud in Ariyanto (2021). This is in accordance with research from Annisya (2016) and Ariyanto (2021) which states that competency has a significant relationship with the detection of financing statement fraud.

5. The direct effect (path analysis) between Arrogance (X5) on the Fraudulent Financial Statement (Y) has Critical Ratio (CR) value of 0.60 or CR <1.96 which indicates that there is no effect between the variable Arrogance (X5) on the Fraudulent Financial Statement (Y). The number of CEO images that are often used to see the influence of arrogance on fraudulent financial statements. This study applied that many CEO photos displayed in financial reports do not commit fraudulent financial reporting actions that occur, due to the purpose of the photos. The CEO's annual report can introduce the profile and achievements of the company's CEO. This does not support research from Arisandi and Verawaty (2017) which states that arrogance has an effect on the detection of fraudulent financial statements.

CONCLUSION

Based on the results and discussion of each variable directly, the researcher can conclude that:

1. Pressure as measured by leverage should be a motivation for perpetrators to make fraudulent financial statements, but in practice, the level of debt or leverage of a company motivates companies to make fraudulent financial statements
2. Opportunity is measured by ineffective monitoring as a reason for management to make fraudulent financial statements. Opportunities that exist from estimated accounts such as bad debts are not a reason for management to make fraudulent

financial statements because fraud with estimated accounts is difficult to hide without attracting the attention of others

3. Rationalization is procied by chan9e in audytor maesured by a dummis vaiable because high accrual rates within the company are the reason for management to rationalize the use of accruals in committing fraudulent financial statements.
4. Competence as measured by the change of directors is the reason for management to make fraudulent financial statements because the change of directors is carried out by the company to find new, more competent directors so that the company's performance will be better
5. Arrogance as measured by majority ownership is not a reason for management to commit fraudulent financial statements because even though majority ownership in a company has power, it is still supervised by the law of the Limited Liability Company Law Number 40 of 2007 and various applicable accounting and auditing regulations so that no become a trigger for fraudulent financial statements.

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FIGURES AND TABLE

Figures 1



Conceptual Framework

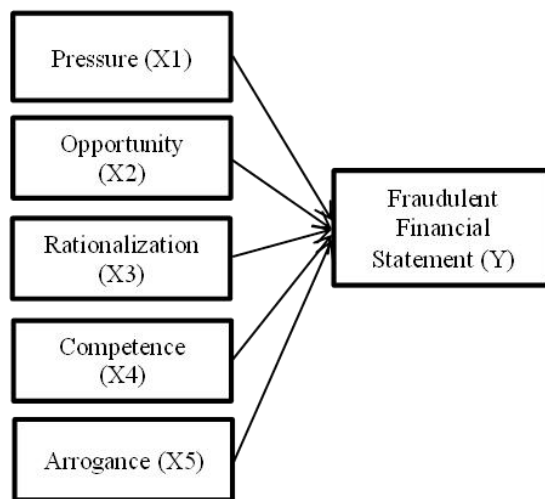


Table 1. Mining Company Indonesia Stock Exchange Year 2021

No	Kode	Perusahaan
1	ADRO	PT Atlas Resources Tbk
2	ANTM	PT Aneka Tambang Tbk
3	ARII	PT Adaro Energy Tbk
4	BYAN	PT. Bayan Resources Tbk
5	BSSR	PT. Baramulti Suksessarana Tbk
6	DEWA	PT. Darma Henwa Tbk
7	DOID	PT. Delta Dunia Makmur Tbk
8	DSSA	PT. Dian Swastatika Sentosa Tbk
9	INDY	PT. Indika Energy Tbk
10	MITI	PT. Mitra Investindo Tbk
11	RUIS	PT. Radiant Utama Interinsco Tbk
12	TINS	PT. Timah Tbk

Table 2. GeSCA Validity and Reliability Test Output (Path Coefficient).

Variables	Validity and Reliability Test	
	Loading Factors	Cronbach Alpha
Pressure (X1)	1.000	1.000
Opportunity (X2)	1.000	1.000
Rationalization (X3)	1.000	1.000
Competence (X4)	1.000	1.000
Arrogance (X5)	1.000	1.000

Source : Generalized Structured Component Analysis

Table 3. GeSCA Model Fit (Path Coefficient) output

Fit Models	
FIT	0.670
AFIT	0.641
GFI	0.951
SRMR	0.463
NPAR	177
R-Square	0.6480

Source : Generalized Structured Component Analysis

Table 4. GeSCA Structural Model Output (Path Coefficient)

Path Coefficients			
	Estimate	SE	CR
X1->Y	4.751	2.172	2.19*
X2->Y	6.168	1.538	4.01*
X3->Y	1.413	1.413	1.00
X4->Y	8.285	3.912	2.12*
X5->Y	1.535	2.550	0.60

Sources : Generalized Structured Component Analysis