


## FINANCIAL STATEMENT FRAUD: EVIDENCE FOOD AND BEVERAGE COMPANIES

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Article Info	ABSTRACT
<p><b>Article history:</b> Received May 15, 2024 Revised May 20, 2024 Accepted Jun 10, 2024</p> <p><b>Keywords:</b> Diamond fraud; Financial Leverage; Financial Stability; and Financial Statement Fraud</p>	<p>This research aims to analyze the influence of Fraud Diamond, Financial Leverage, and Financial Stability on Fraudulent Financial Statements. This research uses quantitative methods with company annual financial report data that has been published during the 2017-2021 period and can be accessed via the official website of the Indonesia Stock Exchange at <a href="http://www.idc.co.id">www.idc.co.id</a>. The population chosen as the research object in this study is manufacturing companies in the food and beverage industry subsector listed on the Indonesia Stock Exchange (BEI) in 2017-2021. The sample selection technique in this study used a purposive sampling technique. In accordance with the research results, it was found: The results of the analysis of the influence of Fraud Diamond have a significant effect on the Fraudulent Financial Report, Financial Leverage has a significant effect on the Fraudulent Financial Report, and Financial Stability has no effect on Fraudulent. financial statements. It can be concluded as follows</p> <p>This is an open-access article under the <a href="https://creativecommons.org/licenses/by-nc-nd/4.0/">CC-BY 4.0</a> license.</p> 

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## INTRODUCTION

A term for fraud or in accounting language is called fraud. Fraud is very familiar and easy to spot. From year to year we encounter many forms of fraud, especially fraud in financial reports. Even in our country today, there are many people who commit fraud in financial reports which leads to corruption. Likewise with companies, a good company will control and supervise financial reports and monitor the company's work performance. This is to find out if the financial reports are correct, the aim is to prevent fraud in the financial reports.

Competition between companies has the potential to encourage companies to do whatever they can even though the company's condition is unstable. Various methods are

used to get attention from stakeholders. Fraudulent financial statements are a solution for every company. This fraud is usually carried out by manipulating accounting methods to show good profits. This is information that if in the bookkeeping, a company shows good profits, it will attract stakeholders' thoughts that the company is in a stable condition so that this action is called management practice. Fraudulent acts of financial reporting are currently increasing, which has an impact on individual investors and also an impact on global economic stability (Jao et al., 2020) . In general, the purpose of publishing company financial reports is to provide accurate information about the condition and performance of the company during that period, so that the benefits of financial reports are a source of information that can be obtained by potential investors. In addition, publishing financial reports shows some of management's responsibility for the work carried out during the period, and can be used as a basis for considering considerations that need to be taken into account before making investments (Agusputri & Sofie, 2019) . Fraud in financial statements is an act that is not supposed to be and constitutes a material negligence in reporting financial statements. Where financial reports should be presented properly and correctly but there is fraud in them. This can cause many parties to lose trust, such as investors, other companies who want to collaborate and even the public. *Financial Statement Fraud* is defined as deliberate or careless doing something or what should have been done did not happen and caused the financial statements to change materially (Imtikhani & Sukirman, 2021) .

Former director of PT. Tiga Pilar Sejahtera Food Tbk (Mr. During the trial process it was discovered that Mr. X and Mr. Y manipulated the financial reports by increasing the receivables figures from 6 distributor companies with the aim of giving the impression of increasing AISA sales so that the company's performance could be seen as a whole. Apart from the manipulation of receivables, the results of the trial showed that Mr. X has the six companies, but is referred to as a third party entity in the 2016 and 2017 financial statements. In the investigation audit held by Ernst and Young found the results that the value of *overstatement* to the 6 companies concerned reached up to Rp4 trillion. Not only that, the *overstatement value* was apparently also carried out on the sales account which had a value of IDR 662 billion and Tiga Pilar's EBITDA in the food division of IDR 329 billion. Apart from that, without adequate disclosure, it is suspected that there was a flow of funds worth IDR 1.78 trillion to parties affiliated with Pak X and Pak Y (Nugroho, 2017) .

There are several factors that can influence fraudulent financial statements. One of them is *the fraud diamond* , which is an updated theory of the *fraud triangle theory* which adds qualitative elements believed to have a significant relationship with *fraud* . The *fraud diamond* has several parts called *capability* , this ability can lead to fraudulent financial statements and there are 3 more parts, namely *pressure* or encouragement for someone to commit fraud, *opportunity* or having the opportunity to commit fraud. , *rationalization* (justification) or the opportunity for someone to commit fraud because of justification and support (Nasirudin & Nugroho, 2021) . *Fraud diamond* is a form of refinement of the fraud triangle (Budiarti, 2021) . In *fraud diamonds* there are *The capability or ability* section is a measure of how much potential and opportunity a person

has to commit fraudulent acts within the company (Junardi, 2017) . Judging from the results of previous research, according to (Wijaya, 2019) states that *fraud diamonds* have an influence on fraudulent financial statements. Meanwhile, research [8] states that *fraud diamonds* have no effect on fraudulent financial statements.

The second factor that influences financial statement fraud is *financial leverage* . *Financial leverage* is a funding policy carried out by management through debt by bearing the burden which is permanent in order to increase *earnings per share* (Fadrul et al., 2021) . The existence of *financial leverage* can give rise to fraudulent financial statements, because if a company has a lot of debt and cannot minimize debt to creditors, investors will hesitate to invest in the company, so the company owner will manipulate its financial reports to create a balance between debt and profit in order to attract investors. to invest in his company. Judging from the results of previous research, according to (Sabatian & Hutabarat, 2020) it is stated that *financial leverage* has an effect on fraudulent financial reports. Meanwhile, research (Hangarista, 2021) states that *financial leverage* has no effect on fraudulent financial statements. *Financial Leverage* is a solvency ratio to determine a company's ability to pay its obligations (Pratiwi et al., 2021) .

The third factor that influences financial statement fraud is *financial stability* , which is a picture of the company's financial condition in a stable condition. When the company's *financial stability* is in a condition where the company is experiencing external pressure, the company will make material misstatements which result in fraud. This aims to stabilize company's financial condition (D. Lestari, 2021) . *Financial stability* is a condition that describes the stability of financial conditions in a company, this causes an increase in company value when the company's financial stability or profitability is threatened by economic conditions, industry or operational conditions, the company may manipulate profits in the view of investors, creditors and the public (Fathmaningrum & Budget, 2021) . *Financial stability* is the company's financial condition in a stable condition. This stability of financial conditions can lead to fraudulent financial reports because there will be manipulation of financial reports if the company's finances are experiencing a decline (Anzani & Tugiman, 2020) . Judging from the results of previous research, according to (Fernando Pasaribu & Kharisma, 2018) *financial stability* influences financial statement fraud. Until now, there has been no research found that says that *financial stability* has no effect on fraudulent financial statements.

This research develops research from (Maheswari et al., 2021) . What differentiates previous research from current research is the addition of *fraud diamonds* . *Fraud diamonds* are divided into 4 dimensions, namely *pressure* , opportunity, *rationalization* , and *capability* . Tuanakotta stated that when someone faces financial problems that cannot be shared with others and their needs are limited, stress or pressure will arise. The diamond dimension fraud opportunity, also known as fraud opportunity, is when a person is faced with the opportunity to commit an act of fraud. Fraud is defined as a person's ability or power to take advantage of the circumstances around them, to exploit the situation to deceive the internal control system with the aim of legalizing

things that are actually prohibited by law. environment. The rationalization aspect of diamond fraud is the justification a person gives for their actions (Utama et al., 2018) .

This research uses research subjects, namely *food and beverage sub-sector manufacturing companies* listed on the Indonesia Stock Exchange (BEI). In this study, researchers chose this sub-sector because food and beverages have an important role in influencing economic activities, so that food and beverages can be used as a benchmark for economic development in Indonesia. From the explanation above, the researcher aims to re-examine the analysis of the influence of *diamond fraud*, *financial leverage* and *financial stability* on financial statement fraud. This research intended to provide additional information and can be used as a reference for subsequent research.

Second, investors can consider the *financial stability* and rationalization variables in predicting fraudulent financial reporting. By looking at high financial stability and rationalization figures, it can be predicted that the company will have a greater chance of fraudulent financial reporting. There are other suggestions that are expected and can be used as input and consideration in taking steps, actions and policies in presenting financial reports that avoid fraud or misstatement because they greatly influence the results of decisions that will be made by the parties concerned.

### **Hypothesis Development**

#### **The influence of *Fraud Diamond pressure* dimensions on Financial Report Fraud**

Basically, management will be given financial goals by the company owner to achieve the highest possible return on assets (ROA) ratio. Management will usually receive awards such as bonuses if financial targets are met. Here, there will be a conflict of interest between the two parties, in accordance with agency theory. Management will try to fulfill the owner's requests, but they also want to get bonuses from the owner. Because of the pressure that management faces, management can organize financial reports in a way that is not in line with objectives (Maghfiroh et al., 2015) . Research (Luvita, 2021) found that diamond fraud had an impact on fraudulent financial statements. As a result, it can be concluded that:

#### **H1: The pressure dimension of *Fraud Diamond* influences Financial Statement Fraud. The influence of the opportunity dimension of *Fraud Diamond* on Financial Statement Fraud**

If the receivables ratio increases, it does not affect the possibility of financial statement fraud. This may be because the increase in the receivables ratio is the result of higher company credit sales and not an adjustment to the financial statements. In addition, the company has a good internal control system (SPI) and monitors the financial reporting of accounts that require subjective supervision, such as company receivables, including estimates for determining allowances for credit losses. A good internal control and monitoring system can reduce the risk of fraudulent financial reporting (Putri & Nugroho, 2021) .

**H2: *The Fraud Diamond dimension of opportunity influences financial statement fraud. The influence of the Fraud Diamond dimension of rationalization on financial statement fraud.***

There is no possibility of fraudulent financial statements if the company changes auditors. If the performance of the old auditor is deemed unsatisfactory, the company usually hires a new auditor. This is not evidence of rationalization for fraudulent financial statements aimed at erasing traces of previous auditor fraud. In order for quality audit results, companies will always look for better auditors. In addition, Article 11 Paragraph 1 of the Republic of Indonesia Government Regulation No. 20 of 2015 stipulates that a public accountant may not provide audit services to an entity for a maximum of five (5) consecutive financial years (Lestari & Nuratama, 2020) .

**H3: *Fraud Diamond ratinalization dimension influences Financial Report Fraud. Influence of Fraud Diamond capability dimension on Financial Statement Fraud.***

There is no possibility of fraudulent financial statements if the company changes directors. In a company, changes in directors must be carried out periodically. This replacement is not always caused by fraud committed by the old directors because they replace them with people who are more experienced and have better talent. New directors will also study the company well, reducing the possibility of fraud in financial reports (Susianti & Yasa, 2015) .

**H4: *Fraud Diamond capability dimension influences financial statement fraud. The effect of financial leverage on financial statement fraud***

*Financial Leverage* is a smaller change in financial costs (which are fixed) which will result in a large price change. The company's ability to use fixed financial charges to increase the impact of changes in EBIT on earnings per share (EPS) is known as financial leverage, if the burden is more and the net profit is less then the company will change the financial statements to attract investors [18]. *Financial leverage* is the use of funds from company assets with securities with a fixed (limited) withdrawal rate, which is expected to increase profits for shareholders (Yesiariani & Rahayu, 2017) . The results of research conducted by (Damanik, 2020) state that *financial leverage* has an effect on fraudulent financial reports. With this, it can be concluded that:

**H5: *Financial Leverage influences financial statement fraud. The effect of financial stability on financial statement fraud***

Financial stability is when the company's financial condition is stable. When financial stability is threatened by economic conditions, industry, or other situations, company management can be forced to do things they should not do [14]. Results of research conducted by (Aprilia, 2017) states that *financial stability* influences financial statement fraud. With this, it can be concluded that:

**H6: *Financial Stability influences Financial Report Fraud***

## METHODS

### Types of research

This research was conducted using a quantitative approach, a scientific approach to decision making which aims to obtain evidence about research variables (Sugiyono, 2017).

### Data Types and Sources

Secondary data is the data source used in this research. Secondary data in the research is the company's annual financial report data which has been published during the 2017-2021 period and can be accessed via the official website of the Indonesian Stock Exchange at [www.idx.co.id](http://www.idx.co.id).

### Population and Sample

This research studies manufacturing companies in the food and beverage industry subsector listed on the Indonesia Stock Exchange (BEI) from 2017 to 2021. In this research, a purposive sample selection technique was used. This means that the sample is selected through special considerations in accordance with the sample attributes and criteria that have been previously determined, with the following criteria provisions:

**Table 1. Sample Selection Criteria**

No	Criteria	Amount
1	Companies that publish financial reports from 2017-2021	47
2	Companies that have not experienced losses since 2017-2021	(25)
3	Companies that use the rupiah currency as reporting currency	(8)
Companies that meet the criteria are used as research samples		14
Observation period		5
Total research sample		70

Source: Summarized by researchers

### Data analysis technique

In this research, the data analysis technique method uses the SPSS approach by measuring:

#### 1. Descriptive Statistical Analysis

Descriptive statistics is a technique for drawing conclusions without analyzing the data and only using a description of the object being studied in the sample data. This analysis method presents data in tabular form by showing variable standard deviation, mean, median, maximum and minimum (Hermawan & Amirullah, 2016).



## 2. Classic assumption test

The classical assumption test in this research was used to determine residual normality, multicollinearity and heteroscedasticity (Hermawan & Amirullah, 2016) .

## 3. Multiple Linear Regression Test

The data analysis technique used in this research is multiple linear regression analysis. This analysis is used to analyze the influence of more than one independent variable on the dependent variable. This analysis model is used to explain the relationship and how much influence the variables have (Cooper, 2017) .

## 4. Hypothesis testing

Hypothesis testing is carried out to find out how the independent variable interacts with the dependent variable. This is useful for checking the significance of regression coefficients, or if their values are not statistically equal to zero. The following are the criteria for the t hypothesis test: There are two possibilities: the significance value of the t test is greater than 0.05 and  $H_0$  is accepted and  $H_a$  is rejected; On the other hand, the significance value of the t test is less than 0.05, indicating that there is an influence between the independent variable and the dependent variable (Wahidwarni, 2017) .

## 5. Validity and Reliability Test

The validity test is used to measure whether the instruments used in a study are valid or not. The reliability of the research instrument is assessed through the magnitude of the *Cronbach Alpha coefficient* , which shows the internal consistency of the items underlying a variable.

# RESULTS AND DISCUSSION

## Descriptive Statistical Test

The results of descriptive statistical tests are able to summarize or describe information from each variable used in this research by displaying minimum, maximum, mean and standard deviation values. The following descriptive statistical test results for each variable are presented in the following table:

**Table 2. Description Test Results**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X1	70	.00	.53	,1107	,09293
X2	70	.67	.67	,6670	,00000
X3	70	.00	.79	,1658	,13940
X4	70	1.00	1.00	1,0000	,00000
X5	70	.12	1.66	,5942	,38592
X6	70	-,25	1135.24	73.3264	266.82883
		-	-		
		5006571859142.0		89336331379,471	598985137436,968
Y1	70	0 648790110.00		4	30
Y2	70	-,20	2.31	,9665	,66152
Valid N	70				
(listwise)					

Source: Data Processing Results with SPSS 26 (2024)

The SPSS output results show that the number of research samples (N) is 70 variables. The following is an explanation of each variable:

Table 2 shows the value of the *Fraud diamond variable* with the *pressure indicator* (X1) with an average value of 0.1107, a minimum value of 0.00, a maximum value of 0.53, and a standard deviation of 0.09293. The *opportunity indicator* (X2) has an average value of 0.6670, a minimum value of 0.67, a maximum value of 0.67, and a standard deviation of 0.00000. The *rationalization indicator* (X3) has an average value of 0.1658, a minimum value of 0.00, a maximum value of 0.79, and a standard deviation of 0.13940. The *capability indicator* (X4) has an average value of 1.0000, a minimum value of 1.00, a maximum value of 1.00, and a standard deviation of 0.00000.



Table 2 shows the value of the financial leverage variable (X5), the average value of the sample of 70 manufacturing companies in the food and beverage industry sector listed on the Indonesia Stock Exchange (BEI) in the research obtained an average value of 0.5942. , minimum value 0.12, maximum value 1.66 and standard deviation 0.38592.

Table 2 shows the value of *the Financial Stability variable* (X6), the average value of 70 samples of manufacturing companies in the food and beverage industry sub-sector listed on the Indonesia Stock Exchange (BEI) in the research obtained an average value of 73.3264, minimum value -0.25, maximum value 1135.24, and standard deviation 266.82883.

Table 2 shows the value of the Fraud Report variable with the F-Score (Y1) indicator, the average value is -89336331379.4714, the minimum value is -5006571859142.00, the maximum value is 648790110.00, and the standard deviation is 598985137436.96830. In the RSST Accrual (Y2) indicator the average value is 0.9665, the minimum value is 0.20, the maximum value is 2.31, and the standard deviation is 0.66152.

### Classic assumption test

In this research, classical assumption testing was carried out to determine the feasibility of using the regression model used. This test also ensures that the regression model used has been tested for normality, multicollinearity, heteroscedasticity and autocorrelation. The following are the results of classic hypothesis testing on the information evidence used in this research.

### Normality test

**Table 3. One-Sample Kolmogorov-Smirnov Normality Test Results**

One-Sample Kolmogorov-Smirnov Test									
		X1	X2	X3	X4	X5	X6	Y1	Y2
N		70	70	70	70	70	70	60	70
Normal Parameters a, b	Mean	,1107	,6670	,1658	1,0000	,5942	73.3264	,9764	,9665
	Std. Deviation	,09293	,00000 <sup>d</sup>	,13940	,00000 <sup>d</sup>	,38592	266.82883	,69306	,66152
Most Extreme	Absolute	,160		,162		,125	,525	,110	,094

Differences	Positive	,160		,162		,125	,525	,110	,094
	Negative	-,119		-,119		-,111	-,391	-,085	-,074
Statistical Tests		,160		,162		,125	,525	,110	,094
Asymp. Sig. (2-tailed)		,000 <sup>c</sup>		,000 <sup>c</sup>		,008 <sup>c</sup>	,000 <sup>c</sup>	,069 <sup>c</sup>	,200 <sup>c,e</sup>

Source: Data Processing Results with SPSS 26 (2024)

Table 3 shows the results of the normality test with Kolmogorov Smirnov, which shows that the Ashimp. Sig. of 0.200 is greater than  $\alpha = 0.05$ . This result shows that the probability value is more than 0.05, which means the normality test is met. There is a possibility that the research data is normally distributed because the significance value of the regression model is greater than 0.05.

### Multicollinearity Test

**Table 4. Multicollinearity Test Results**

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	X1	,802	1,247
	X2	,800	1,251
	X3	,857	1,167
	X4	,953	1,050
	X5	,829	1,207
	X6	,838	1,193
a. Dependent Variable: Y			

Source: Data Processing Results with SPSS 26 (2024)

The results of the multicollinearity test shown in table 4 show that there are no symptoms of multicollinearity; The tolerance value for each variable must be greater than

0.10 and the variance inflation factor (VIF) value must be less than 10. If the VIF value is less than 10 or the tolerance value is greater than 0.1, then it is considered that there is no multicollinearity.

### Heteroscedasticity Test

**Table 5. Coefficientsa -Glejser Heteroscedasticity Test Results**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,555	,111		13,989	,000
	X1	3,422	1,255	,305	2,728	,008
	X2	-.841	,218	-.433	-3,866	,000
	X3	,203	,414	,043	,491	,625
	X4	.026	,064	,042	,410	,038
	X5	-1.121	,152	-.654	-7,370	,000
	X6	,001	,000	,244	2,762	,007

a. Dependent Variable: Y

Source: Data Processing Results with SPSS 26 (2024)

See the results of the heteroscedasticity test in table 5. The significant value of each independent variable is greater than 0.05, which indicates that the independent variable has no impact on the absolute residual (ABS\_RES).

**Model Feasibility Test ( *Goodness of Fit* )****Test R<sup>2</sup>****Table 6. Coefficient Value of Determination Model Summary<sup>b</sup>**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,754 <sup>a</sup>	,569	,550	,444

Source: Data Processing Results with SPSS 26 (2024)

*adjusted R square* coefficient of determination value is 0.569, this means that 56.9% of fraudulent financial statements in manufacturing companies in the food and beverage industry sub-sector in 2017 - 2021 are influenced by *Diamond Fraud, Financial Leverage* , *Financial Stability* , then the remainder is 43.1 % influenced by other factors not included in this study.

**Individual Parameter Significant Test (t test)****Table 10. Significant Test Results for Individual Parameters (t test)**

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

1	(Constant)	1,555	,111		13,989	,000
	X1	3,422	1,255	,305	2,728	,008
	X2	-.841	,218	-.433	-3,866	,000
	X3	,203	,414	,043	,491	,625
	X4	.026	,064	,042	,410	,038
	X5	-1.121	,152	-.654	-7,370	,000
	X6	,001	,000	,244	2,762	,007

a. Dependent Variable: Y

Source: Data Processing Results with SPSS 26 (2023)

Based on the multiple linear regression test in table 10, the results show that:

1. *Fraud diamond pressure* dimension (X1) with a t value of 2.728 and a significant value of  $0.008 < 0.005$ , which means it has a significant influence on fraudulent financial statements (Y).
2. *Fraud diamond has the opportunity* dimension (X2) with a t value of -3.866 and a significant value of  $0.000 < 0.005$ , which means it has a significant influence on financial statement fraud (Y).
3. *Fraud diamond rationalization* dimension (X3) with a t value of 0.491 and a significant value of  $0.625 > 0.005$ , which means it does not have a significant effect on financial statement fraud (Y).
4. *Fraud diamond capability* dimension (X4) with a t value of 0.410 and a significant value of  $0.038 > 0.005$ , which means it has a significant influence on fraudulent financial statements (Y).
5. *Financial Leverage* (X5) with a t value of -7.370 and a significant value of  $0.038 < 0.000$ , which means it has a significant influence on fraudulent financial statements (Y).
6. *Financial Stability* (X6) with a t value of 2.762 and a significant value of  $0.007 < 0.005$ , which means it has a significant influence on fraudulent financial statements (Y).

## DISCUSSION

### **The influence of *the fraud diamond pressure dimension* on financial statement fraud**

The results of testing the t hypothesis show that the diamond fraud dimension pressure results (X1) have a t value of 2.728 and a significant value of  $0.008 < 0.005$ , which indicates that it has a significant influence on financial statement fraud (Y). The first hypothesis is accepted. As a result, the higher the company's financial target value, the greater the possibility of financial statement fraud. Managers will try to show that business conditions produce high profits, with the hope that the resulting asset value ratio (ROA) will also be high. A high ROA value will increase investor and creditor confidence in the business. This shows that financial targets put the company under pressure (Daud & Yuniasih, 2020) . This finding is in line with other research (Saputra & Kesumaningrum, 2017) which found that financial targets proxied by ROA increase financial statement fraud.

### **The influence of *the opportunity dimension of fraud diamonds* on financial statement fraud**

The results of testing the t hypothesis show that the diamond fraud opportunity dimension (X2) has a t value of -3.866 and a significant value of  $0.000 < 0.005$ , which indicates that the second hypothesis has a significant influence on financial statement fraud (Y). Therefore, an increase in the receivables ratio does not affect the possibility of financial statement fraud. The results of this research are in line with research (Septriani & Handayani, 2018) which found that the nature of the industry as proxied by receivables did not influence financial statement fraud.

### **The influence of *the fraud diamond dimension of rationalization* on financial statement fraud**

The results of testing the t hypothesis show that the results of the rationalization of the diamond fraud dimension (X3) do not have a significant influence on financial statement fraud (Y), with a t value of 0.491 and a significant value of 0.625 which is greater than 0.005. Thus, the third hypothesis is rejected. Thus, financial statement fraud will not occur if the company changes auditors. This study is in line with previous research (Ozelik, 2020) , which found that auditor changes proxied by DCHANGE had no impact on financial statement fraud.

### **The influence of *the fraud diamond capability dimension* on financial statement fraud**

In the results of testing the t hypothesis, *the Fraud diamond dimension capability* (X4) results were obtained with a t value of 0.410 and a significant value of  $0.038 > 0.005$ , which means it has a significant influence on financial statement fraud (Y),

meaning the fourth hypothesis is accepted. Thus, financial statement fraud will not occur if the company changes directors. Previous studies (Alfian, 2020) found a relationship between director changes and financial statement fraud.

### **The Effect of *Financial Leverage* on Financial Statement Fraud**

*the Financial Leverage* hypothesis test (X5) with a t value of -7.370 and a significant value of  $0.038 < 0.000$ , which means it has a significant influence on fraudulent financial statements (Y). Which means that the variable (*Financial Leverage*) X2 has a significant negative effect on Y (Financial Statement Fraud), so the fifth hypothesis is accepted. Hypothesis testing proves that *financial leverage* has a significant effect on financial statement fraud. The company's ability to use fixed financial charges to increase the impact of changes in EBIT on earnings per share (EPS) is known as financial leverage. If the expenses are more and the net profit is less then the company will change the financial statements to attract investors (Nilzam, 2020). Financial leverage can increase fluctuations in company profits because interest expenses will increase when profits decrease. This can encourage management to manipulate financial reports to maintain a positive company image, cover up losses, or create the illusion of greater profits. The results of research conducted by (Fuadin, 2017) are in accordance with this research which states that *financial leverage* has an effect on fraudulent financial statements.

### **The Influence of *Financial Stability* on Financial Statement Fraud**

Based on the results of the Financial Stability test (X6) with a t value of 2.762 and a significant value of  $0.007 < 0.005$ , which means it has a significant effect on financial statement fraud (Y), so the sixth hypothesis is accepted. One of the reasons for fraud caused by pressure is financial stability. It is possible that total assets indicate the state of the business (Listyaningrum et al., 2017). When a company's financial situation is more stable, it will be more difficult to commit fraudulent financial reporting. This is because when a company's finances are stable, it shows that the company can manage its assets well, which eliminates the need for fraudulent financial reporting (Sulastri, 2019). There is no relationship between financial stability and fraudulent financial statements, according to research (Ulfah et al., 2017)

## **CONCLUSION**

The results of the analysis of the influence of fraud diamond, financial leverage, and financial stability on fraudulent financial statements can be concluded that the fraud diamond dimensions of pressure (X1), opportunity (X2), and capability (X4) have a significant influence on fraudulent financial statements (Y). Meanwhile, the Fraud



diamond rationalization dimension (X3) does not have a significant influence on financial statement fraud (Y). Financial Leverage (X5) has a significant influence on financial statement fraud (Y). Financial Stability (X6) has a significant influence on financial statement fraud (Y).

The limitation of researchers lies in that financial statement fraud data may be difficult to obtain, so researchers must have adequate access or use valid alternative measurement methods. Researchers hope that future research will have higher quality results with suggestions on several things, namely that future research should add other variables that can influence financial report fraud. Future research should use companies with a wider coverage or use all companies listed on the IDX, so that you can get more company data and get the best results from this data. Future research should increase the research period to obtain better results

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