

FACTORS INFLUENCING FINANCIAL STATEMENT FRAUD IN THE PENTAGON'S FRAUD PERSPECTIVE

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ABSTRACT

Financial statement fraud is a serious problem in Indonesia, threatening investor confidence and damaging the integrity of public companies. This phenomenon causes huge losses for investors and stakeholders and erodes confidence in the capital market. This study aims to identify how the five elements of the fraud pentagon—pressure, opportunity, rationalization, capability, and arrogance—contribute to financial statement fraud. Using a quantitative approach, this study analyzes data from public companies listed on the Indonesia Stock Exchange (IDX) during the period 2021-2024. The sample was selected using purposive sampling, and the data were processed through logistic regression analysis using SPSS 30 software. The data used were obtained from annual financial reports, yielding 120 samples. The results indicate that only rationalization and capability are significant factors in fraud, while pressure, opportunity, and arrogance are not significant in financial statement fraud. In conclusion, this study confirms that the fraud pentagon is a comprehensive and useful framework for detecting potential fraudulent practices in financial statements. Therefore, companies are advised to invest in improving their internal control systems and ensuring effective supervision to prevent fraud.

Keywords: Corporate Governance, Financial Statement Fraud, Fraud Pentagon, Internal Control System, Logistic Regression Analysis

ABSTRAK

Kecurangan laporan keuangan merupakan masalah yang sangat serius di Indonesia, yang mengancam kepercayaan investor dan merusak integritas perusahaan publik. Fenomena ini menyebabkan kerugian besar bagi investor dan pemangku kepentingan, serta mengikis kepercayaan terhadap pasar modal. Penelitian ini bertujuan untuk mengidentifikasi bagaimana lima elemen dari pentagon fraud—tekanan, kesempatan, rasionalisasi, kemampuan, dan arogansi—berkontribusi terhadap kecurangan laporan keuangan. Menggunakan pendekatan kuantitatif, penelitian ini menganalisis data dari perusahaan publik yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2021-2024. Sampel dipilih dengan menggunakan purposive sampling, dan data diproses melalui analisis regresi logistik menggunakan perangkat lunak SPSS 30. Data yang digunakan diperoleh dari laporan keuangan tahunan, menghasilkan 120 sampel. Hasil penelitian menunjukkan bahwa hanya rasionalisasi dan kemampuan yang merupakan faktor signifikan dalam kecurangan, sementara tekanan, kesempatan, dan arogansi tidak signifikan dalam kecurangan laporan keuangan. Kesimpulannya, penelitian ini mengonfirmasi bahwa pentagon fraud adalah kerangka yang komprehensif dan berguna untuk mendeteksi potensi praktik kecurangan dalam laporan keuangan. Oleh karena itu, perusahaan disarankan untuk berinvestasi dalam meningkatkan sistem pengendalian internal mereka dan memastikan efektivitas pengawasan untuk mencegah kecurangan.

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Kata Kunci: Analisis Regresi Logistik, Fraud Pentagon, Kecurangan Laporan Keuangan, Sistem Pengendalian Internal, Tata Kelola Perusahaan

A. INTRODUCTION

Financial statements are a means of obtaining and storing information related to a company's performance and profile and can be useful for users of financial statements in making economic decisions (Rachma, Sapitri, & Novelina, 2024). The importance of information in a financial statement can motivate managers to improve a company's performance to obtain better assessments and views from stakeholders (Abimanyu & Sidauruk, 2021). Fraud is a deliberate act of presenting false information or manipulating data in the preparation of reports to obtain financial gain for oneself or others (A. Setiawan & Qur'an, 2022). This act includes inconsistencies in the

presentation of annual financial reports that deviate from applicable accounting principles, thereby potentially misleading decision makers (Fadhilah, Agustin, Novitasari, Mulyadi, & Paulina, 2023).

Financial reports, as a representation of a company's financial information, present a picture of its performance and profile that is very useful for users in making economic decisions. In presenting financial statements, companies tend to want to present their best image (Risal, Jaurino, Kristiawati, Sartono, & Wulandari, 2022). This can encourage financial reporting fraud through the presentation of irrelevant information, with the aim of keeping the company's performance and condition looking positive in the eyes of various parties (Rachma et al., 2024).

According to D. Setiawan, Wea, Safitri, and Sumarni (2024) accountants at PT Garuda Indonesia and KAP Tanubrata, Sutanto, Fahmi, Bambang & Rekan are suspected of violating professional ethics. Manipulation or falsification of financial statements is a form of fraud that aims to deceive investors, the public, and other relevant parties. According to Haryanti (2023), PT Asuransi Jiwasraya faced a liquidity crisis that ultimately led to default due to fund placement and stock purchase policies that were not in line with sound investment principles.

It is important to understand the factors that can lead to annual financial-reporting fraud. One way to understand the motivation behind financial reporting fraud is to use the fraud pentagon theory. This theory is an extension of the previous theories, namely the fraud triangle and fraud diamond theories, with the addition of new elements to capture the complexity of the causes of fraud more comprehensively. The Fraud Pentagon covers five main dimensions that are considered to contribute to fraud: pressure, opportunity, rationalization, competence, and arrogance. The Fraud Pentagon perspective is applied descriptively, simultaneously, and partially to public sector companies listed on the Indonesia Stock Exchange between 2021 and 2024.

B. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Financial statement fraud

According to Ratnasari and Rofi (2020), financial statement fraud in a company is the deliberate manipulation of financial statements designed to mislead users of those statements. This often involves distorting accounting figures or inadequate disclosure, with the aim of presenting a better picture of a company's financial performance than is actually the case (Sawu, Mitan, & Dilliana, 2023).

Fraud Pentagon Theory

According to Sahla and Ardianto (2023), the Fraud Pentagon is an extension of the Fraud Diamond. By adding the elements of arrogance and competence, the Fraud Pentagon provides a more complete picture of the profile of fraud perpetrators and the factors that can contribute to fraud. This theory helps organizations identify potential fraud perpetrators more effectively and take appropriate preventive measures.

The Influence of Pressure on Financial Statement Fraud

Pressure is a force that can manipulate a company's financial reporting, arising from a decline or instability in the entity's economic conditions (Anggraeni, 2023). External pressure is a factor beyond the direct control of an entity (individual or organization) that creates an impulse or motivation to commit an act that may be unethical or illegal, including fraud. This pressure comes from the entity's external environment and can influence its behavior and decision-making (Natasya & Kuntadi, 2023). External pressure in this study is measured using the leverage ratio (LEV), which reflects the proportion of total liabilities to total assets of a firm. A fairly high level of leverage indicates a large dependence on external funding and increases the perception of credit risk for companies. This increase in credit risk can cause concern among creditors, which, in turn, can pressure companies to manipulate their financial reporting.

Sohada and Tanusdjaja (2024) stated that pressure factors negatively affect financial reporting fraud. However, according to Khoyriyah, Mila, and Pujiastuti (2025), pressure has a significant effect on financial reporting fraud. Financial pressure or high-performance targets do not directly encourage individuals to commit financial reporting fraud. Other factors play a greater role in influencing this behavior than the aforementioned factors. Based on this explanation, the research hypothesis is that pressure negatively affects financial reporting irregularities.

H1: Pressure negatively affects financial reporting fraud.

The Influence of Opportunity on Financial Statement Fraud

Opportunities arise when there are loopholes that allow individuals to commit fraud with impunity. The audit

committee's selection of external auditors is seen as a mechanism to ensure the audit's objectivity and avoid potential conflicts of interest, thereby guaranteeing the integrity of the audit process as a whole (Rahman, 2019). Studies on the quality of external auditors often focus on the differences between the use of audit services provided by BIG4 Public Accounting Firms (PWC, Deloitte, Ernst & Young, and KPMG) and non-BIG4 Public Accounting Firms. The belief behind this argument is that BIG 4 PAs have more adequate resources and expertise to identify and uncover potential manipulation in financial reporting. Therefore, it can be hypothesized that companies that use the audit services of the BIG 4 PAs have a greater ability to detect financial reporting manipulation practices than companies that choose non-Big 4 PAs.

Rahman (2019) showed that previous studies indicate that opportunity, as measured by indicators of quality in external audit services, has a negative impact on financial reporting manipulation. However, Hastuti, Rahayu, and Pratiwi (2023) state that opportunity factors have a positive effect on financial reporting fraud. Weaknesses in internal control do not necessarily lead to financial fraud. Strict supervision and a strong organizational culture effectively prevent or eliminate fraud opportunities. Based on this explanation, the hypothesis is formulated that opportunities can negatively impact financial statement manipulation.

H2: Opportunity negatively affects financial statement fraud.

The Influence of Rationalization on Financial Statement Fraud

Rationalization is a mental process used by fraud perpetrators to justify their dishonest or illegal actions. It is a way for perpetrators to reduce feelings of guilt, maintain self-esteem, and convince themselves that what they are doing is acceptable or at least understandable in certain situations (Setiawati & Baningrum, 2018). A company's action in replacing auditors can be assumed to be an attempt to remove evidence of fraud (fraud trail) that could be identified by the previous auditors. The tendency to rotate independent auditors is often driven by the company's goal of hiding fraudulent practices within the organization.

This is similar to the research by Setiawati and Baningrum (2018), which shows that rationalization, as measured by the indicator of auditor replacement, has a positive effect on financial statement manipulation. However, according to Amalia and Annisa (2023), the rationalization factor has no positive effect on the occurrence of financial statement fraud. An individual's ability to justify fraudulent actions is a key factor that facilitates financial statement fraud. Individuals are more likely to engage in fraud when they can convince themselves that their actions are acceptable. Based on these findings, we hypothesized that rationalization has a positive impact on financial statement fraud.

H3: Rationalization has a positive effect on financial statement fraud.

The Influence of Competence on Financial Statement Fraud

Competence refers to an individual's ability to circumvent internal controls, devise effective concealment strategies, and utilize their understanding of social dynamics to achieve their personal goals. The ability to manage stress can be reflected in the practice of changing directors (Sari, Jaurino, Khasanah, & Setiawan, 2025). According to Rahman (2019), board turnover can trigger a period of instability that has the potential to increase vulnerability to fraudulent practices. Although board turnover is often intended to improve company performance through restructuring or recruiting more competent personnel, it may reflect the existence of certain political issues. However, replacing directors can hinder performance because it may take time for new directors to adapt to the culture of an organization.

Rahman (2019) shows that competence, using the indicator of board change, has a positive effect on financial statement fraud. However, Kurniawan and Reskino (2023) state that the competence factor does not have a positive effect on financial reporting fraud. High expertise in accounting and finance enables individuals to commit and cover up financial statement fraud without detection. In-depth knowledge of how to manipulate financial statements is an important factor in fraud success.

H4: Competence positively affects financial statement fraud.

The Influence of Arrogance on Financial Statement Fraud

Arrogance is defined as behavior that disregards or ignores internal controls, policies, and company regulations based on the belief that one is above the rules. This attitude can eliminate guilt over fraudulent behavior, as individuals feel that they are not bound by the restrictions that apply to others (Setiawati and Baningrum, 2018). Many photos/images of CEOs in companies' annual financial reports can represent their arrogance. CEOs habitually

highlight their status and position in the company to maintain control and influence.

The results of research by Kurniawan and Reskino (2023) show that the arrogance factor is measured using an indicator of the frequency of the CEO's face appearing, which has a negative effect on financial statement fraud. However, Rahman (2019) states that arrogance has a positive effect on financial statement fraud. A strong belief in one's ability to avoid detection is the main driver of financial statement fraud. Arrogant individuals feel that they are immune to the law and will not be caught; therefore, they are more daring in committing fraud.

H5: Arrogance negatively affects financial statement fraud.

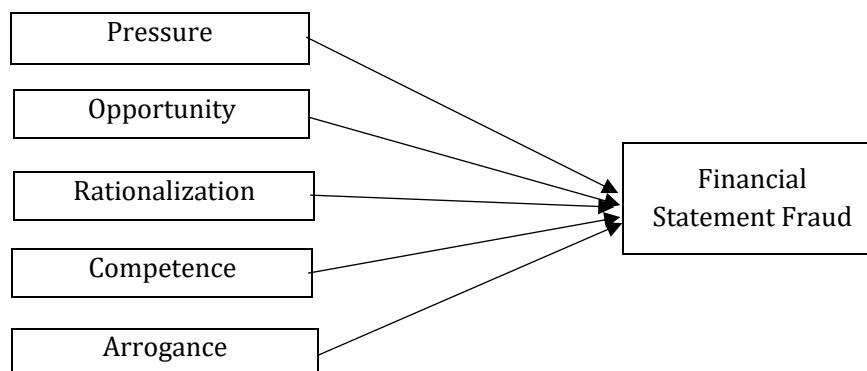


Figure 1. Frame of Mind

C. RESEARCH METHODOLOGY

This study used quantitative methods to test the research hypotheses. The aim was to determine how independent variables relate to dependent variables based on existing figures. A systematic approach to research that uses numerical data to observe the phenomena. The aim is to test a hypothesis and find the relationship between the cause and effect (Kusumastuti, Nurhayati, Faisal, Rahayu, & Hartini, 2024). This study examines how pressure, opportunity, rationalization, competence, and arrogance can minimize financial statement manipulation in Indonesian mining companies. The data are secondary data for the 2021-2024 observation period obtained from the official publications of the Indonesia Stock Exchange (IDX).

The population in this study includes mining companies listed on the official website of the Indonesia Stock Exchange (IDX) during the observation period. Samples were selected using the purposive sampling method based on the following criteria: (1) companies listed on the Indonesia Stock Exchange (IDX) website during 2021–2024, (2) companies with complete financial reports, and (3) companies that actively published financial reports during the study period. Based on these criteria, 30 mining companies were selected, resulting in a total sample size of 120. This study used six main variables.

Table 1. Variable Operational Definition

Variabel	Definition	Indicator
Pressure (X1)	External pressure on this research can be measured by the leverage ratio (LEV), which reflects the proportion of a company's total liabilities to its total assets. A high level of leverage may indicate a large dependence on external funding and increase the perception of credit risk for the company (Andriani, Budiarta, Sari, & Widanaputra, 2022).	LEV= Total Liabilities / Total Assets
Opportunity (X2)	The underlying argument is that the BIG 4 accounting firms have more adequate resources and expertise to identify and uncover potential manipulation in financial statements (Andriani et al. 2022).	Code 1 indicates that the firm is audited by a BIG4 accounting firm, and code 0 indicates that the firm is not audited by a BIG4 accounting firm.
Rationalization (X3)	A company's decision to replace its auditor can be assumed to be an attempt to eliminate evidence of fraud (fraud trails) that may have been identified by the previous auditor. The tendency to rotate independent auditors is often driven by a company's desire to conceal fraudulent practices within the organization (Andriani et al., 2022).	Code 1 does not change auditors every year, and code 0 changes auditors.

Competence (X4)	A change in directorship can trigger a period of instability that has the potential to increase vulnerability to fraud. Although a change in directorship is often intended to improve company performance through restructuring or recruiting more competent personnel, it can also reflect certain political interests (Andriani et al., 2022).	Code 1 does not change its directors every year, whereas code 0 does change its directors.
Arrogance (X5)	The number of photos of the CEO displayed in a company's annual report or financial statements can indicate the level of arrogance or power that the CEO possesses. CEOs generally tend to highlight their status and position in the company as a mechanism to maintain their control and influence (Andriani et al., 2022).	Code 1 if the company includes a photo of its CEO in its annual report every year, while code 0 if the company does not include a photo of its CEO in its annual report every year.
Financial Statement Fraud (Y)	Companies with an F-score value exceeding one are indicated to have committed financial statement fraud. Conversely, companies with an F-score value of less than one are not indicated to have committed financial statement fraud. To simplify the calculation of the F-score (Miharsi, Gamayuni, & Dharma, 2024).	<p>F – Score = Accrual Quality + Financial Performance</p> <p>Accrual quality was calculated using the accrual RSST. The accrual RSST formula is as follows:</p> <p>RSSTa Accrual = $(\Delta WC + \Delta NCO + \Delta FIN) / \text{Average Amount of Assets}$</p> <p>Description formula:</p> <p>WC = (Asset - Short-Term)</p> <p>NCO = (Total Assets - Assets Current - Advance Payment Investments) - (Total Liabilities - Short-Term Liabilities - Long-Term Liabilities)</p> <p>FIN = (Amount Investment - Amount Liability)</p> <p>Average Total Assets = (Number + Total) / 2</p> <p>Financial performance is measured using the following formula:</p> <p>Financial Performance = Change in Accounts + Change in Inventory + Change in Cash Sales + Change in Revenue</p> <p>Description:</p> <p>Changes Receivable = Average Receivables / Total Assets</p> <p>Change Setup = Inventory / Average Total Assets</p> <p>Change Sales Tunaia = Sales / Sales (t) - Receivables / Receivables (t)</p> <p>Revenue Change = Revenue (t) / Average Total Assets (t) - Revenue (-t) / Average Total Assets (-t)</p>

Data Analysis Method

In this study, the regression method applied was Multiple Linear Regression Analysis. Multiple Linear Regression Analysis is useful for researchers to determine the impact of the relationship between the dependent variables, namely the components of the Pentagon Fraud Model, on the independent variables, namely financial statement manipulation assessed using the F Score (Miharsi et al., 2024).

$$F\text{-SCORE} = \alpha + \beta_1 LEV + \beta_2 BIG + \beta_3 CPA + \beta_4 DCHANGE + \beta_5 CEOPI + e \quad \dots \quad (1)$$

Description:

F-SCORE	: Financial Statement Fraud
LEV	: Pressure
BIG	: External Auditor Quality
CPA	: Auditor Turnover
DCHANGE	: Board Change
CEOPIIC	: CEO Change
α	: Constant
β_1 - β_5	: Regression Coefficients
e	: Standard Error

D. RESULTS AND DISCUSSION

Statistics Descriptive

Descriptive statistics can be used to describe the various properties of the data obtained from an example.

Descriptive statistics include measures such as averages, middle values, emergent values, percentiles, deciles, and quartiles, which are presented in a numerical analysis format or graphs or illustrations (Sujarwani, 2014). The following are the descriptive statistics of the variables Pressure (LEV), Opportunity (BIG4), Rationalization (CPA), Competency (DCHANGE), and Arrogance (CEOPIC), which are applied to public companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2024 period.

Table 2. Descriptive Statistical Analysis Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Pressure	120	0.00	89.00	39.8745	22.74144
Opportunity	120	0.00	1.00	0.2936	0.45750
Rationalization	120	0.00	1.00	0.8073	0.39621
Competence	120	0.00	1.00	0.8440	0.36450
Arrogance	120	0.00	1.00	0.6147	0.48892
Financial Statement Fraud	120	-266613435.00	588318384.00	266901574.0642	158178418.77658
Valid N (listwise)	120				

Table 2 shows the descriptive statistics of several variables studied, including leverage (LEV), the presence of auditors from the Big Four (BIG4), the presence of certified public accountants (CPA), changes in directors (DCHANGE), duality of the CEO's role (CEOPIC), and the level of financial statement fraud (FSFRAUD). The number of observations (N) for each variable was 120, indicating the sample size used in the analysis. The LEV variable has an average value of 39.8745 with a standard deviation of 22.74144, indicating considerable variation in the leverage levels of the sample companies. The BIG4 variable has an average of 0.2936, which means that approximately 29.36% of companies are audited by Big4 public accounting firms. Meanwhile, 80.73% of companies have certified public accountants (CPAs, with an average of 0.8073). Changes in directorship (DCHANGE) occurred in 84.40% of the companies (average 0.8440), and 61.47% of the companies had dual CEO roles (CEOPIC with an average of 0.6147). The financial statement fraud variable shows a wide range of values, with an average of 266901574.0642 and a standard deviation of 158178418.77658, indicating significant variation in the level of fraud between companies. The number of valid observations (listwise) was 120, indicating no missing data in this analysis. These descriptive statistics provide an important preliminary overview of the characteristics of a sample that can be used for research.

Classic Assumption Test

The classical assumption test is a statistical test performed to determine whether the linear regression model to be used meets the basic assumptions. This test is important because the regression model produces an estimator that is BLUE (Best, Linear, Unbiased, Estimator). The first is a normality test, the second is a multicollinearity test, the third is a heteroscedasticity test, and the fourth is an autocorrelation test (Mardiatmoko, 2020).

Table 3. Normality Test Results

Unstandardized Residual		
N	120	
Normal Parameters ^{a,b}	Mean	0.0000000
	Std. Deviation	0.12322283
Most Extreme Differences	Absolute	0.049
	Positive	0.031
	Negative	-0.049
Test Statistic		0.049
Asymp. Sig. (2-tailed) ^c		0.200 ^d

Source: Processed Data (2025)

The results of the table above show a significant value of $0.200 > 0.05$. This indicates that the data were normally distributed.

Table 4. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Pressure	0.932	1.073
Opportunity	0.816	1.225
Rationalization	0.796	1.257
Competence	0.662	1.510

Arrogance	0.942	1.061
Source: Processed Data (2025)		

In table 4 of the results of the analysis of the data above, the VIF value for all variables is < 10 and tolerance > 0.10 . The results indicate that the regression model is free of multicollinearity.

Table 5. Hasil Uji Heteroskedastisitas

Independent Variable	Significance Value	Information
(Constant)	<.001	No Heteroscedasticity
Pressure	0.783	No Heteroscedasticity
Opportunity	0.553	No Heteroscedasticity
Rationalization	0.139	No Heteroscedasticity
Competence	0.304	No Heteroscedasticity
Arrogansi	0.334	No Heteroscedasticity

Source: Processed Data (2025)

The results of the heteroscedasticity test indicated that the significance values were 0.783 for pressure, 0.553 for opportunity, 0.139 for rationalization, 0.304 for competence, and 0.334 for arrogance. Because all values are higher than 0.05, it can be said that the independent variables in this study do not indicate the presence of heteroscedasticity. Thus, the regression model can be considered to be problem-free.

Table 6. Autocorrelation Test Results

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.168 ^a	0.028	-0.018	91176986.21411	2.045

Source: Processed Data (2025)

Table 6 shows that the Durbin-Watson values obtained are DW 2.045 and DU 1.7846, compared to the Durbin-Watson (DW) value of 2.045, indicating no autocorrelation in the model. This is based on the fact that the value of DW (2.045) is greater than that of DU (1.7846).

Uji Hipotesis

Hypothesis testing in regression analysis is used to ascertain whether there is a significant relationship between independent and dependent variables and how well the regression model can explain variations in dependent variables. The following is an explanation of each test:

Table 7. Results of R Determination Coefficient

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.627 ^a	0.393	0.364	0.12618	1.585

Source: Processed Data (2025)

Based on Table 7, the R value was recorded at 0.627, and the R value squared at 0.393. This situation proves that the contribution of independent variables to the dependent variables reaches 39.3%. Meanwhile, the remaining 60.7% was influenced by other factors not covered in this research model.

Table 8. Model Feasibility Test Results

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.062	5	0.212	13.345
	Residual	1.640	103	0.016	<.001 ^b
	Total	2.702	108		

Source: Processed Data (2025)

In the table data, the value of F is calculated to be 13.345 at a significance level of 0.001; therefore, it can be concluded that F is greater than the F of the table (1.585). This finding indicates that the independent variable is suitable for use and has a significant impact on the fluctuation of the value in the dependent variable.

Table 9. Linear Regression Model Test Results

Model	Coefficients ^a				Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	0.171	0.049		3.510	<.001	
Pressure	0.008	0.056	0.011	0.142	0.888	0.932
Opportunity	-0.031	0.029	-0.090	-1.057	0.293	0.816
Rationalization	0.279	0.034	0.699	8.125	<.001	0.796
Competence	-0.160	0.041	-0.369	-3.911	<.001	0.662
Arrogance	0.018	0.026	0.056	0.710	0.479	0.942
						1.061

Based on the results of the regression analysis, the regression equations formed in this regression test are as follows:

$$Y = 0,171 + 0,008 X_1 + -0,031 X_2 + 0,279 X_3 + -0,160 X_4 + 0,018 X_5 + e$$

The Effect of Pressure on Financial Statement Fraud

The test results show that leverage has a regression coefficient (B) of 0.008 with a significance value (Sig.) of 0.888. This indicates that the effect of leverage on the dependent variable is positive but not statistically significant (Sig. > 0.05). In other words, although an increase in leverage tends to increase the value of the dependent variable, this effect is not strong enough to be considered significant in the model. This is similar to the research by Sohada and Tanusdjaja (2024), which states that pressure has a negative impact on financial reporting manipulation. However, according to Khoyriyah et al. (2025), pressure factors have a positive impact on financial reporting manipulation.

The Effect of Opportunity on Financial Statement Fraud

The BIG4 variable has a regression coefficient (B) of -0.031 with a significance value (Sig.) of 0.293. This indicates that the presence of Big Four auditors has a negative effect on the dependent variable; however, this effect is not statistically significant (Sig. > 0.05). This means that companies that conduct audits using the Big Four accounting firms tend to have lower dependent variable values; however, this difference is not significant enough to draw a strong conclusion. These results may indicate that audit quality does not always guarantee better performance or that other factors may be more dominant in influencing the dependent variable. This is in line with Rahman (2019), who showed that previous studies indicate that opportunity, as measured by external auditor quality indicators, has a negative effect on financial statement fraud. However, Hastuti et al. (2023) stated that the opportunity factor has a positive effect on financial statement fraud.

The Effect of Rationalization on Financial Statement Fraud

The test results show that the CPA variable has a regression coefficient (B) of 0.279 with a significance value (Sig.) < 0.001. This indicates that the presence of certified public accountants has a positive and significant effect on the dependent variable (sig. < 0.05). A coefficient of 0.279 indicates that companies with certified public accountants tend to have high values for the dependent variable. Research by Setiawati and Baningrum (2018) is consistent with the results showing that previous studies indicate that rationalization, measured through the indicator of auditor change, has a positive effect on financial statement fraud. However, according to Amalia and Annisa (2023), rationalization has no positive effect on the occurrence of financial statement manipulation.

The Effect of Competence on Financial Statement Fraud

The DCHANGE variable has a regression coefficient (B) of -0.160 with a significance value (Sig.) < 0.001. This indicates that changes in management have a negative and significant effect on the dependent variable (Sig. < 0.05). This implies that companies that experience a change in management tend to have a lower dependent variable value. Rahman (2019) research is in line with the results showing that competence using the indicator of management change can have a positive impact on financial reporting manipulation factors. However, according to Kurniawan and Reskino (2023), competence factors have no positive effect on financial reporting fraud.

The Effect of Arrogance on Financial Statement Fraud

The test results show that the CEOPIC variable has a regression coefficient (B) of 0.018 with a significance value (Sig.) of 0.479. This indicates that the dual role of the CEO has a positive effect on the dependent variable, but this effect is not statistically significant (sig. > 0.05). This means that companies with CEOs who also serve as chairpersons of the board tend to have higher dependent variable values, but this difference is not significant enough to draw a strong conclusion. This is supported by Kurniawan and Reskino (2023), who state that arrogance has no positive effect on financial reporting manipulation. However, Rahman (2019) shows that arrogance, measured using the frequency of CEO photos, has a positive impact on financial reporting fraud.

Table 9. Summary of Regression Results

Independent Variables	Regression Coefficients (B)	Standardized Coefficients (Beta)	t	Significance Level (Sig.)	Description
(Constant)	0.171		3.510	<.001	Regression model intercept.
Pressure	0.008	0.011	0.142	0.888	The negative effect is insignificant for financial statement fraud.
Opportunity	-0.031	-0.090	-1.057	0.293	The negative effect is insignificant for financial statement fraud.
Rationalization	0.279	0.699	8.125	<0,001	The positive effect is significant for financial statement fraud.
Competence	-0.160	-0.369	-3.911	<0,001	The positive effect is significant for financial statement fraud.
Arrogance	0.018	0.056	0.710	0.479	The negative effect is insignificant for financial statement fraud.
R	0.627				Multiple correlation coefficients.
R Square	0.393				The proportion of variance in the dependent variable is explained by the model.
Adjusted R Square	0.364				The adjusted R Square for the number of variables and sample size.
F	13.345		<.001		Model feasibility test, showing that the independent variables significantly influenced the dependent variable together.
Regression Equation					$Y = 0.171 + 0.008 X_1 - 0.031 X_2 + 0.279 X_3 - 0.160 X_4 + 0.018 X_5 + e$ (where: Y = Financial Statement Fraud, X1=Pressure, X2=Opportunity, X3=Rationalization, X4=Competence, X5=Arrogance, e = error)

E. CONCLUSION AND RECOMMENDATIONS

Conclusion

This study confirms that, in the context of mining companies listed on the Indonesia Stock Exchange, rationalization and competence are crucial factors in triggering financial statement fraud. These findings enrich the theoretical understanding of the Fraud Pentagon by emphasizing the important dynamic role of auditor and director turnover as fraud risk indicators. In practical terms, the results of this study emphasize the need for stricter supervision of internal structural changes within companies to mitigate the risk of financial statement misstatements.

Recommendations

For further research, it is recommended to expand the time frame and industry sectors covered to obtain a more comprehensive picture of the factors that cause fraud. The addition of variables such as internal control quality, organizational culture, and supervisory board oversight needs to be focused on to gain a more holistic understanding of the mechanisms of fraud. A mixed research method that combines quantitative and qualitative approaches is recommended to explore internal processes that cannot be measured statistically.

In practical terms, auditors must increase their awareness and understanding of risk indicators arising from frequent changes in the auditors and directors. Regulators must implement stricter regulations to oversee these dynamics and maintain the integrity of financial reporting. Company management should strengthen governance by instilling a culture of ethics and transparency to prevent fraud rationalization. The theoretical implications of this study emphasize the importance of expanding the Fraud Pentagon concept by incorporating contextual and organizational factors so that the theory can be more adaptive to changes in corporate practices.

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