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Analysis Of The Determinants Of Financial Statement Fraud In Banking Companies On The Indonesia Stock Exchange: The Fraud Pentagon Approach

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ABSTRACT

This study aims to analyze financial stability, external pressure, the nature of the industry, ineffective monitoring, changes in auditors, the total accrual ratio, and capability as factors that motivate financial statement fraud. This study focuses on banking companies because the banking sector is synonymous with cases of financial statement fraud and tends to have a high conflict of interest. The study sample consisted of 23 banking companies for the period 2021–2025, totaling 115 observations. The results of this study indicate that the total accrual ratio variable has a positive effect on motivating financial statement fraud. The external pressure variable has a negative effect on motivating financial statement fraud. This study does not prove that financial stability, the nature of the industry, ineffective monitoring, changes in auditors, and capability have an influence on motivating financial statement fraud.

Keywords: Financial stability; external pressure, nature of industry ; Ineffective monitoring; Change in auditor; total accrual ratio; capability ; financial statement fraud.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis *financial stability, external pressure, nature of industry, ineffective monitoring, change in auditor, total accrual ratio*, dan *capability* sebagai faktor-faktor yang memotivasi kecurangan laporan keuangan yang diuji dalam penelitian ini. Penelitian ini berfokus pada perusahaan perbankan dikarenakan sektor perbankan identik dengan kasus-kasus kecurangan laporan keuangan dan cenderung memiliki *conflict of interest* yang tinggi. Sampel penelitian sebanyak 23 perusahaan perbankan periode 2021-2025 berjumlah 115 observasi. Hasil penelitian ini menunjukkan bahwa variabel *total accrual ratio* terbukti berpengaruh positif dalam memotivasi kecurangan laporan keuangan. Variabel *external pressure* terbukti memiliki efek negatif dalam memotivasi kecurangan laporan keuangan. Penelitian ini tidak membuktikan bahwa *financial stability, nature of industry, ineffective monitoring, change in auditor*, dan *capability* memiliki pengaruh dalam memotivasi *financial statement fraud*.

Kata Kunci : *Financial stability; External pressure, Nature of industry; Ineffective monitoring; Change in auditor; Total accrual ratio; Capability; Financial statement fraud.*

1. INTRODUCTION

Fraud in financial statements can be defined as dishonest actions taken by company management through the presentation of misleading information in financial statements, which can harm investors and lenders. This action can be financial or non-financial fraud. Typically, this fraud occurs when a company overstates the value of its assets or revenues, or understates its liabilities and costs. Anyone, from any level, who has the opportunity, can be involved in fraudulent financial reporting practices. (Herianti et al., 2023)

Based on a report from the Association of Certified Fraud Examiners (ACFE) in 2024, fraud is an act that violates the law and is carried out intentionally. This action is carried out by individuals or companies by manipulating reports so that they do not match the facts, then presenting them to interested parties in order to obtain certain personal or group benefits. ACFE itself divides fraud into three main types, namely fraudulent financial statements, asset misappropriation, and corruption. Based on a survey that is routinely held every two years, ACFE (2024) revealed that the average loss due to fraud has increased sharply during the pandemic, while the period of time needed to uncover the fraud has not changed.

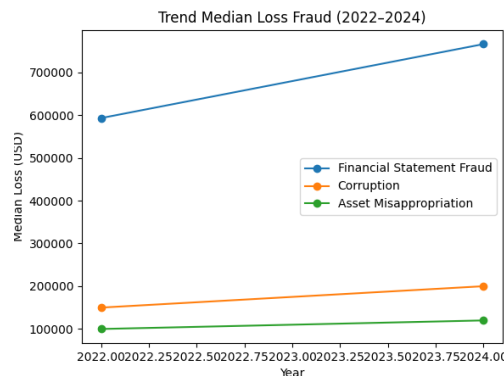


Figure 1. Median Losses

Source: ACFE Report to the Nations 2022 & 2024

The issue of fraudulent practices in the presentation of financial statements has emerged in various industrial fields, including the banking sector. Banking itself is a highly regulated sector, because banks have an important function as a link between capital owners and those who need capital (Warisi, 2024).

Cases of fraud that manipulate financial statements often surface. One example in Indonesia is the scandal found by the Supreme Audit Agency (BPK) and contained in the State Loss Calculation Report (LHPKKN) on Sunday, May 5, 2024. This report highlights the provision of working capital credit facilities from PT Bank Rakyat Indonesia (Persero) Tbk to PT Linkadata Citra Mandiri between 2016 and 2019. Based on the results of the PKN, BPK believes that there are indications of violations that lead to criminal acts by certain individuals, which caused state losses to PT Bank Rakyat Indonesia (Persero) Tbk in the amount of Rp120.14 billion (Muawanah, 2024).

The three elements in the fraud triangle cannot be assessed directly, so it is necessary for researchers to formulate variables and proxies to measure them. The first component is pressure. This pressure can arise when the company's performance does not meet the average standards in the industry, which indicates that the utilization of company resources is less effective and efficient, thus having a negative impact on investors. Pressure consists of several aspects, namely financial stability which reflects the company's solid financial condition and is proxied by changes in assets over a two-year period, external pressure which shows the excessive burden on management to fulfill obligations from third parties by comparing liabilities to total assets, needs to total assets, personal financial needs calculated from the percentage of share ownership by internal parties, and financial targets which function as a measure of company performance.

The second component of the fraud triangle is opportunity. In the financial statements, there are certain accounts whose balances are determined by the company based on estimates. Intentional errors in determining estimates to evaluate bad debts and inventory balances can provide opportunities for management to commit fraudulent acts. Therefore, for the industry trait category, this is measured using the trade receivables ratio, while ineffective monitoring is proxied by the percentage of independent commissioners compared to the total board of commissioners.

The third component of the fraud triangle is rationalization, where perpetrators seek to justify their actions. In this research, rationalization is assessed from total accruals divided by total assets, as well as auditor changes. A change of auditor means a change from the old public accounting firm to a new one. This step can sometimes help eliminate traces of fraud in the financial statements that may occur in management. Change in auditor can be measured using a dummy variable.

Another factor that can have an impact on financial statement fraud is capability. One indicator that is often used to assess capability is director change. When there is a rotation in the board of directors, someone may take advantage of his position to commit fraud and abuse authority in the financial statements. This directors change can be measured using a dummy variable (Handayani, 2022) .

In contrast, variables such as financial stability, poor supervision, industry character, total accruals, auditor changes, and capability have no effect in motivating financial statement fraud. Meanwhile, research by Darise et al (2021) found that financial stability, and external pressure have a positive effect on financial statement fraud. While financial targets, opportunities, and rationalization did not show a significant effect.

Departing from various previous studies that highlight the factors that trigger financial statement fraud, this study is here to dig deeper into these elements with pressure variables measured by financial targets, financial stability, and external pressure. The opportunity variable is measured by the nature of the industry and ineffective supervision. Meanwhile, rationalization is seen from auditor turnover and total accrual ratio. Coupled with the capability variable. These variables have similarities with those used in research by Ratnasari and Rofi (2020). That research focused on non-bank state-owned companies listed on the IDX in the 2011-2017 period, while the researchers chose a sample of banking sector companies listed on the IDX in the 2021-2025 period.

The urgency of this research lies in two aspects: (1) The sample of this research is a bank, this sample was chosen because the banking sector has a high level of transaction complexity,

is strictly regulated by regulators, but fraud cases still often appear. This shows that there is a gap that needs to be studied more deeply. In addition, banks hold public funds, so the impact of fraud in this sector is much wider than other sectors; (2) This study applies the fraud score model, also known as F-Score, to assess the motivation behind financial statement fraud. This fraud score model is relatively rarely used because many studies focus more on earnings manipulation to commit financial statement fraud. Researchers chose the F-Score model because the F-Score model can detect indications of fraud through the quality of accruals and the company's financial performance quantitatively. This model is more objective than simply assessing subjective earnings manipulation.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency theory proposed by Jensen and Meckling in 1976 describes the relationship between management acting as *agents* and shareholders as *principals*. Sometimes, there is a conflict of interest between the two, where the agent seeks to gain a large profit from their performance, while the principal hopes to get a high return on investment related to improving the company's financial performance. Therefore, management as an *agent* may be tempted to change the numbers in the financial statements to satisfy shareholders as the *principal*.

In a company, there are shareholders and management who collaborate to achieve the welfare of the company. Shareholders really want management to be able to carry out their duties well so that the company can progress. However, agents are often not only responsible for the interests of the company or shareholders, but also for fulfilling their personal interests.

This difference in interests can lead to conflicts between management and shareholders, which in turn can generate *pressure* to always show satisfactory company results. With good results, management hopes to get recognition or reward (*rationalization*). However, on the other hand, the possibility of committing *fraud* can arise if management has the ability to change financial statements and at the same time has the *opportunity* to increase company profits.

Based on the latest publication from the *Association of Certified Fraud Examiners* (ACFE, 2024) classifies *fraud* into *asset misappropriation*, *financial statement fraud*, and *corruption*. ACFE (2024) illustrates the scheme or structure of fraudulent practices in the form of a *fraud tree*. By using this *fraud tree* structure, we can more easily understand the grouping of various types of *fraud* practices. In the *fraud tree* there are three main branches, namely:

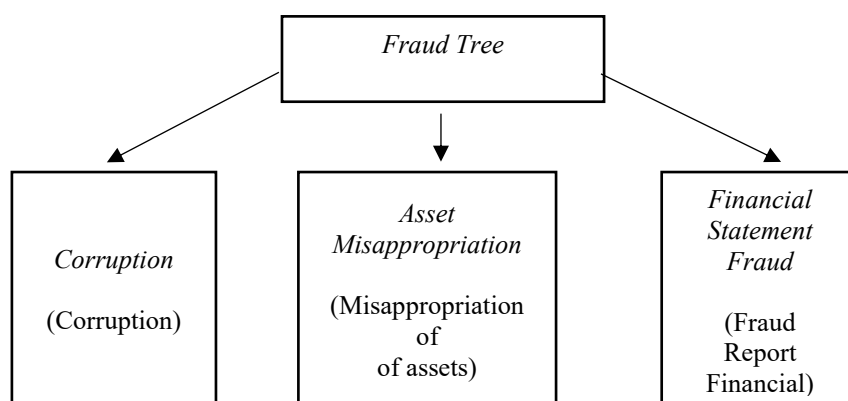


Figure 2. The Fraud Tree

Source: ACFE Report to the Nations 2022 & 2024

The *fraud triangle* is a fundamental idea that explains the elements related to fraud. This theory was introduced by Donal R. Cressy in 1953 and is commonly referred to as the Cressy Theory. In this theory there are three main components, namely: pressure, opportunity, and rationalization. The following is a description of these three components:

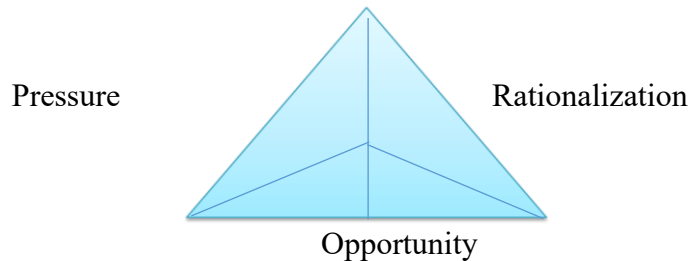


Figure 3. The Fraud Triangle
Source: ACFE Report to the Nations 2022 & 2024

Fraud Triangle Theory

The *fraud diamond* concept initiated by Wolfe and Hermanson in 2004, provides a new perspective on the occurrence of fraud. Both argue that fraud would not be possible without a capable individual to do so. Usually, fraud starts with pressure. When a person experiences a stressful situation, they tend to look for solutions to get through the situation by looking for possibilities or opportunities. Furthermore, rationalization appears as an element that inhibits individuals from committing fraud. If the perpetrator is able to provide convincing reasons to justify their actions, then they will consider whether they can do it. The capacity of the perpetrator of fraud is not only related to skills, but also to the power and position held in the organization. Therefore, the *Fraud Diamond* theory is proposed to explain more about *capability* as one of the fourth factors that influence fraudulent behavior. Here is a clearer picture:

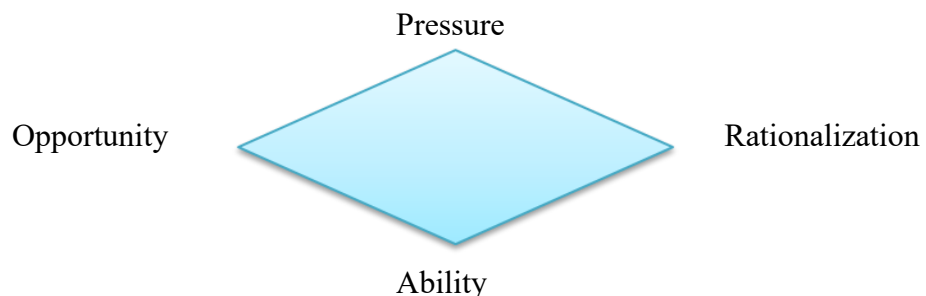


Figure 4. The Fraud Diamond
Source: ACFE Report to the Nations 2022 & 2024

Financial Stability on Financial Statement Fraud

The stability of a company has the ability to increase its perceived value in the eyes of investors, creditors, and the general public. Conversely, financial instability can put pressure on management, which may result in harmful actions, such as fraud in the presentation of financial statements. Loebbecke et al. (1989) and Bell et al. (1991), as cited in (Ratnasari & Rofi, 2020), argue that management may be tempted to change financial statements to look better if the company's growth is below the industry average, The decline in the value of the

company's assets reflects the financial instability faced. In such conditions, management often feels pressured and has the potential to manipulate financial statements. Therefore, the ratio of changes in total assets is used as a measuring tool to assess financial stability. The greater the total assets owned, the higher the value of the company's assets. Thus, the proposed hypothesis is as follows:

H₁ = Financial Stability affects Financial Statement Fraud.

External Pressure on Financial Statement Fraud

Often, a company manager feels pressure from external parties. One form of pressure is the need to obtain capital injections or loans from external sources, which is crucial for maintaining the company's competitiveness. This need includes financing for research and expenses related to development or capital investment (Ratnasari & Rofi, 2020). Additional debt that becomes a burden on managers can cause external pressure, which has the potential to encourage fraudulent acts in the financial statements. In this study, external pressure will be assessed through a comparison of debt ratios (leverage). Based on this explanation, the research hypothesis is proposed as follows:

H₂ = External Pressure affects Financial Statement Fraud

Nature of Industry on Financial Statement Fraud

Many businesses operate in sectors that rely on predictions and estimates. This kind of evaluation process can open a gap for management to manipulate, especially on items such as accounts receivable and inventory. Summer and Sweeney's study in 1998 showed that there were differences in conditions on receivables and inventory between companies that committed fraud and those that did not. They stated that both items require subjective judgment in estimating receivables that may be difficult to collect. In addition, Summers and Sweeney argue that if a manager intends to manipulate financial statements, their attention will usually be drawn to these two items. The research also found that changes in the accounts receivable ratio, which acts as a signal of the nature of the industry, has an effect on financial statement fraud. This measure is obtained from the difference between the ratio of receivables to sales in year t and the ratio of receivables to sales in year $t-1$, where t is the year before the fraud occurred (Ratnasari & Rofi, 2020). Referring to this description, the following research hypothesis is proposed:

H₃ = Nature of Industry affects Financial Statement Fraud

Ineffective Monitoring on Financial Statement Fraud

Lack of supervision often triggers fraudulent practices, providing a gap for management to act dishonestly. Usually, there is a board of commissioners whose job is to supervise and guide directors in a company. Hopefully, this board of commissioners can improve the quality of company supervision. The board of commissioners is very important in ensuring that the company's strategy can run, overseeing management performance, and encouraging accountability (Ratnasari & Rofi, 2020). This study sees the ratio of independent commissioners as an indicator of poor supervision. Therefore, the hypothesis of this study is as follows:

H₄ = Ineffective Monitoring affects Financial Statement Fraud.

Change in Auditor on Financial Statement Fraud

Changing auditors can be a way to reduce the risk of disclosing financial statement fraud. Old auditors usually know better the tricks of fraud that management may commit, either directly or indirectly. The public accounting firm transition process can be a difficult time for companies. Companies that routinely change auditors every year may indicate fraud from management. In addition, the SAS No. 99 statement suggests that auditor turnover is associated with financial statement fraud (Ratnasari & Rofi, 2020). Therefore, this study formulates the following hypothesis:

H₅ = Change in Auditor affects Financial Statement Fraud

Total Accrual Ratio on Financial Statement Fraud

The accrual principle is an accounting concept that requires recording income and expenses when transactions occur, without waiting for cash receipts or disbursements. According to Ratnasari and Rofi (2020), the total accrual ratio represents the rationalization of the application of the accrual principle by management. The application of this principle provides a loophole for management to commit irregularities, such as creating unreal income to display the desired figures in the financial statements. This can be considered as financial statement fraud. Based on this description, the research hypothesis is formulated as follows:

H₆ = Total Accrual Ratio affects Financial Statement Fraud

Capability on Financial Statement Fraud

Capability is an element added in 2004 as a complement to the fraud triangle model introduced by Cressey in 1953, with the aim of improving the fraud theory framework (Ratnasari & Rofi, 2020). Capability is a measure of the strength and capacity of individuals to commit fraud in the company. The ability factor affects fraud, because without sufficient skills, it is difficult for individuals to carry out these actions. In this study, the ability is seen from the change of directors in the relevant year. Directors are very important in managing and overseeing company operations. Changes in directors are often related to politics and certain interests, which can lead to conflicts of interest. Based on this description, the research hypothesis is formulated as follows:

H₇ = Capability affects Financial Statement Fraud

The framework in this study is taken from the theory and reference hypothesis from previous research, so it can be described as follows:

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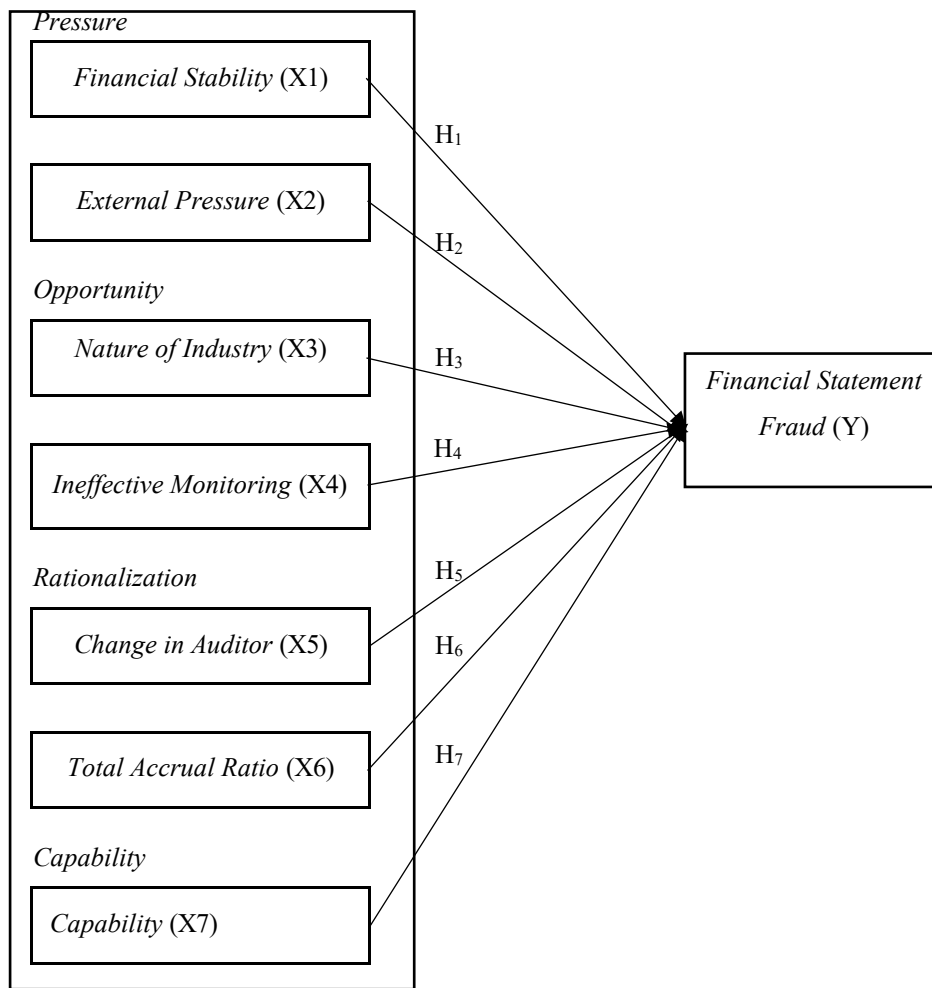


Figure 5. Conceptual Framework

3. RESEARCH METHOD

The population of this study consists of banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2025. The sample was selected using a purposive sampling method, resulting in a final dataset of 115 firm-year observations derived from 23 banking companies. The data were analyzed using multiple linear regression, preceded by classical assumption tests. The sample technique employed is purposive sampling, with specific criteria matched to the research aims and data availability.

Table 1. Sample Selection Criteria

No	Criteria	Total
1	Banking companies listed on the Indonesia Stock Exchange for the period 2021 - 2025	47
2	Banking companies that did not publish complete financial reports during the period 2021 - 2025	(10)
3	Banking companies that are not always profitable during the period 2021 - 2025	(14)

Companies that met the criteria	23
Observation period	5
Total observations (23 companies x 5 years)	115

Source : Processed data by the author, 2026

Based on the sample selection process described above, the final dataset consists of 23 banking companies examined across a five years period, resulting in 115 firm year observations. These companies were selected to ensure data consistency, comparability, and completeness across the research variables.

To analyze the association between financial stability, external pressure, nature of industry, ineffective monitoring, change in auditor, total accrual ratio, and capability, each variable must be clearly defined and measured using appropriate financial statement fraud indicators. The operational definitions of variables are essential to ensure measurement accuracy and consistency with prior empirical studies. This study adopts ratio-based measurements derived from financial statement fraud to maintain objectivity and reliability. The operational definitions and measurement formulas for each research variable are presented in Table 2.

Table 2. Measurement Variable

No	Variable	Variable Type	Measurement Scale	Indicator
1	Financial Stability	Independent	$ACHANGE = \frac{(Total\ Asset\ t - Total\ Asset\ t - 1)}{Total\ Asset\ t} \times 100\%$	Ratio
2	External Pressure	Independent	$LEVERAGE = \frac{Liabilities}{Total\ Asset} \times 100\%$	Ratio
3	Nature of Industry	Independent	$RECEIVABLE = \frac{Receivable\ t}{Sales\ t} - \frac{Receivable\ t - 1}{Sales\ t - 1}$	Ratio
4	Ineffective Monitoring	Independent	$BDOUT = \frac{Independent\ Members\ of\ the\ Board\ of\ Commissioners}{Total\ Members\ of\ the\ Board\ of\ Commissioners}$	Ratio
5	Change in Auditor	Independent	Dummy variables are used to assess changes in the Public Accounting Firm (KAP), with code 1 if there is a change during the 2020-2024 period, and code 0 if there is no change in that period.	Nominal
6	Total Accrual Ratio	Independent	$TATA = \frac{(Net\ Income - Cash\ Flow\ from\ Operation)}{Total\ Asset} \times 100\%$	Ratio
7	Capability	Independent	Dummy variables are used to identify changes in company directors, with code 1 if there is a change during the 2021-2025 period, and code 0 if there is no change in that period.	Nominal
8	Financial Statement Fraud	Dependent	$F-Score = Accrual\ Quality + Financial\ Performace$ $RSST\ Accrual = \frac{(\Delta WC + \Delta NCO + \Delta FIN)}{ATS}$ $Financial\ Performace = Change\ in\ Receivable + Change\ in\ Inventories + Change\ in\ Cash\ Sales + Change\ in\ Earnings$	Ratio

4. RESULT AND DISCUSSION

Based on the results presented in Table 1, the descriptive analysis of the 115 observations reports the minimum, maximum, mean, and standard deviation of financial statement fraud and related variables for banking companies in Indonesia.

Table 3. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Stability	115	-.18	.45	.0786	.08977
External Pressure	115	.07	1.13	.7667	.19645
Nature of Industry	115	-20.88	16.97	-.1799	3.93115
Ineffective Monitoring	115	.33	.75	.5654	.08529
Total Accrual Ratio	115	-.24	.44	-.0002	.09264
Valid N (listwise)	115				

Source: Author's processed data

From Table 3, the average financial stability of 0.0786 shows that the low difference between the current total asset value and last year results in a fairly good condition of financial stability. The average external pressure of 0.7667 shows that the company's *leverage* ratio which is below 1 (one) means that the company is able to carry out its obligations to third parties properly, so that the external pressure received can be managed properly. The average the nature of the industry of -0.1799 shows that the ratio of receivables to sales in this year is relatively low compared to the previous year, which indicates that management has the opportunity to assess receivables and and increase sales. The average ineffective monitoring of 0.5654, which means that the company follows the minimum rules regarding the composition of the independent board of commissioners, so that the risk of adverse actions against the company can be minimized. The average total accrual ratio of -0.0002 shows that the average profit value of the company is below the operating cash flow received compared to total assets.

Classical assumption tests were conducted to ensure that the regression model met the required statistical assumptions and that the results were valid, reliable, and suitable for decision-making. A comprehensive set of classical assumption tests was performed, including tests for normality, multicollinearity, heteroskedasticity, and autocorrelation. The results of each test are presented below.

The first classical assumption test conducted was the normality test. This test aims to ensure that the research data are normally distributed, thereby allowing the regression results to be valid and appropriately interpreted.

Table 4. Normality Test

			Unstandardized Residual
N			115
Normal	Mean		.0000000
Parameters ^{a,b}	Std.		.00370562
	Deviation		
Most	Extreme	Absolute	.080
Differences	Positive		.080
	Negative		-.061
Test Statistic			.080
Asymp. Sig. (2-tailed)			.069 ^c

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- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Based on the results of the *One-Sample Kolmogorov-Smirnov Test*, the asymp.sig value shows. (2-tailed) of 0.069, these results indicate that in this regression the residual data is normally distributed because the value is > 0.05 , it can be concluded that the regression model is normally distributed and can be used for further analysis.

The next classical assumption test is the multicollinearity test, which aims to examine whether strong linear relationships or high correlations exist among the independent variables in the regression model. High multicollinearity may lead to unstable regression coefficient estimates and make the results difficult to interpret.

Table 5. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	Financial Stability	.848	1.179
	External Pressure	.778	1.286
	Nature of Industry	.912	1.096
	Ineffective Monitoring	.895	1.118
	Change in Auditor	.918	1.089
	Total Accrual Ratio	.838	1.193
	Capability	.902	1.108
	Financial Target	.968	1.033

a. Dependent Variable: Financial Statement Fraud

Based on the findings of the multicollinearity test that has been carried out, it can be seen that all independent variables show a tolerance value greater than 0.10 and a VIF value that is less than 10.00. Thus, it can be concluded that from the results of the data test, there is no multicollinearity problem or there is no relationship between each independent variable in this regression model.

The heteroskedasticity test was conducted to examine whether the variance of the residuals is constant across all levels of the independent variables. This test ensures that the data used in this study do not exhibit heteroskedasticity and that the regression model meets the homoscedasticity assumption.

Table 6. Heteroskedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.055	.026		2.114	.037
	Financial Stability	.011	.042	.026	.255	.799
	Nature of Industry	.000	.001	-.042	-.424	.672
	Change in Auditor	.005	.007	.060	.613	.541
	Capability	.002	.008	.025	.244	.808
	Total Accrual Ratio	.045	.034	.131	1.312	.192
	External Pressure	-.010	.020	-.063	-.519	.605
	Ineffective	-.056	.037	-.154	-	.139
	Monitoring				1.491	

a. Dependent Variable: Financial Statement Fraud

The results of the heteroscedasticity test show that the significance of the two variables is above 0.05 so it can be concluded that there are no symptoms of heteroscedasticity in this regression model.

The autocorrelation test was conducted to determine whether the residuals of the regression model are correlated across the observation period. Residuals are required to be independent and free from serial correlation. A violation of this assumption indicates the presence of autocorrelation, which may result in inefficient or biased parameter estimates.

Table 7. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.484 ^a	.234	.175	.11201	1.909

Source: Author's processed data

Based on table 7, using the *Durbin-Watson* table, the number of samples analyzed is (N = 115), and the number of independent variables is (k = 7), and the Significance value (Sig.) 0.05. Then the $dl = 1.5691$ value is obtained and the $dU = 1.8265$ value and the $4-dU = 2.1735$ value. Based on the value in the *Durbin-Watson* Test table $dU < d < 4-dU$ then $1.8265 < 1.909 < 2.1735$. Shows d is located between dU and $(4-dU)$, so it can be concluded that the hypothesis is accepted and there is no autocorrelation.

In multiple linear regression analysis, the F-test is conducted first to examine the overall model fit and to assess whether the independent variables jointly explain variation in the dependent variable.

Tabel 8. The Result of F-test

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.377	7	.172	11.817	.000 ^b
Residual	1.544	106	.015		
Total	2.922	114			

Source: Author's processed data

Based on table 8, the F-test results indicate a significance value of 0.000, which is lower than the 0.05 threshold. This finding suggests that the research model is statistically significant and that the independent variables jointly influence the dependent variable. Accordingly, the model demonstrates good fit, allowing for further analysis using partial tests (t-tests).

The partial test (t-test) is applied in multiple linear regression analysis to examine the effect of each independent variable on the dependent variable individually. Table 9 presents the results of the t-test.

Table 9. The Result of the Hypothesis Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.204	.123		1.645	.100
	Financial Stability	.250	.137	.140	1.814	.070
	External Pressure	-.396	.084	-.486	-4.669	.000
	Nature of Industry	-.005	.002	-.136	-1.847	.065
	Ineffective Monitoring	.201	.140	.107	1.430	.152
	Change in Auditor	.040	.023	.121	1.639	.101
	Total Accrual Ratio	.476	.134	.275	3.524	.000
	Capability	.003	.024	.013	.167	.850

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Source: Author's processed data

The t_{table} value can be seen in the t_{table} significance at the 0.05 level with the degree of freedom $df = n - k - 1$ or $115 - 7 - 1 = 107$ which is the number of respondents, so that $t_{table} = 1.984$ is obtained.

Table 10. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.663 ^a	.483	.440	.121

Source: Author's processed data

Based on table 10, the results of the coefficient of determination analysis show the coefficient of determination (Adjusted R Square) of 0.440. From this result, we can conclude that the ability of independent variables which include financial stability, external pressure, nature of industry, ineffective monitoring, change in auditor, total accrual ratio, and capability has an influence of 44% on financial statement fraud, while the other 56% is explained by factors outside the regression model.

Effect Financial Stability on Financial Statement Fraud

Financial stability has a t -value of $1.814 < t_{table} 1.984$ with a significance level of $0.070 > 0.05$. Changes in total assets did not significantly affect fraud. Banks with declining assets did not necessarily commit fraud because there were still other funding sources (bonds, stocks, liquidity loans). Asset stability was not the only pressure, banks have multiple funding channels. The results of this study differ from the findings of Ratnasari & Rofi (2020), but support the research results of Dewi (2021) and Abimanyu (2021) which state that financial stability has no effect on financial statement fraud.

Effect External Pressure on Financial Statement Fraud

The t -value of -4.669 is the largest absolute value among all predictors, indicating this is the most statistically reliable finding in the study and a significance level of $0.000 < 0.05$ indicate that the higher a company's leverage ratio, the lower the likelihood of financial statement fraud. Banks with high leverage (e.g., 0.85-0.95) are typically large, systemically important institutions subject to: capital adequacy requirements, stress testing by regulators, enhanced disclosure requirements. Thus, leverage functions as a credible commitment device rather than a pressure source. Higher leverage reduces fraud likelihood. This contradicts the conventional wisdom that debt pressure incentivizes manipulation. The negative coefficient suggests a disciplinary effect of debt in regulated banking environments. Creditors (other banks, bondholders, depositors) impose monitoring mechanisms that constrain managerial discretion. The negative trend indicates that banks with large debts are closely monitored by creditors (other banks, bonds, depositors, and regulators). External pressure creates natural monitoring companies fear losing trust if proven fraudulent. Management tends to be more cautious and transparent, rather than manipulative. High debt is not a red flag for fraud, it can actually be a tool of external control. The results of this study are not in line with Dewi's research (2021) and Abimanyu (2021). However, the results of this study are in line with research conducted by Ratnasari & Rofi (2020) and Darise et al (2021) which show that financial targets affect financial statement fraud.

Effect Nature of Industry on Financial Statement Fraud

The nature of industry obtained a t-value of -1.847 and a t-table of 1.984. Therefore, t-value $1.847 < 1.984$ with a significance level of $0.066 > 0.05$. Changes in the receivables-to-sales ratio were insignificant. In banking, receivables (credit) are indeed susceptible to manipulation of loss reserves, but due to strict OJK regulations (e.g., PSAK 71 on impairment), opportunities for fraud are limited. PSAK 71 constrains receivable manipulation. The results of the study are not in accordance with Handayani (2022) and Abimanyu (2021). However, the results of this study are consistent with the research of Ratnasari & Rofi (2020) which states that industry characteristics do not play a role in influencing financial statement fraud.

Effect Ineffective Monitoring on Financial Statement Fraud

The Ineffective monitoring obtained a t-value of 1.430 and a t-table of 1.984. Therefore, $1.430 < 1.984$ with a significance level of $0.152 > 0.05$. The ratio of independent commissioners is not significant. The number of independent commissioners does not guarantee effective supervision, banking has layered supervision. What is more important is the quality, actual independence, and mechanism of the audit committee. The banking sector already has multiple layers of supervision (regulators, external auditors, audit committees), so independent commissioners are not the main determinant. The results of this study are not in line with Dewi's research (2021) and Abhimanyu (2021). However, the results of this study are in line with research conducted by Ratnasari & Rofi (2020) and Dewi (2021) which show that ineffective monitoring has no effect on financial statement fraud. Other studies that provide similar results include research by nuraya et al.(2024) and Azizah et al. (2025).

Effect Change in Auditor on Financial Statement Fraud

The change in auditor obtained a t-value of 1.639 and t-table of 1.984. Therefore, $1.639 < 1.984$ with a significance level of $0.101 > 0.05$. The change in KAP was not significant. Most banking companies (60.9%) did not change auditors. The changes that occurred were generally due to KAP rotation regulations (mandatory every 5-6 years), not due to efforts to eliminate traces of fraud. New auditors also continue to be monitored by regulators. The results of this study are not in line with the research of Ayuningrum et al. (2021). However, the results of this study are in line with research conducted by Ratnasari & Rofi (2020) and Abhimanyu (2021) which show that change in auditor has no effect on financial statement fraud.

Effect Total Accrual Ratio on Financial Statement Fraud

The total accrual ratio obtained a t-value of $3.524 > 1.984$ and a significance level of $0.000 < 0.05$ indicate that the greater the total accrual value relative to total assets, the higher the risk of financial statement fraud. This finding robustly supports the rationalization element of the Fraud Triangle theory. The coefficient of 0.476 indicates that for every 1% increase in the total accrual ratio, financial statement fraud risk increases by 0.476 units. TATA measures the gap between net income and operating cash flow. A positive accrual means management reports profits without corresponding cash inflows. Banking companies have inherent discretion over: Loan loss provisions (allowance for impairment losses), accrued interest income recognition, deferred tax assets. Unlike manufacturing firms, banks' core assets (loans) are measured using significant estimates under PSAK 71 (IFRS 9). Management can rationalize aggressive provisioning policies as "prudent" when they are actually manipulative. Accruals reflect accounting policies that contain subjective estimates and judgments of

management. The greater the difference between net income and operating cash flow, the stronger the indication of earnings management, which can lead to fraud. In the fraud triangle theory, high accruals can be a form of rationalization (justification) that manipulation is still within reasonable limits, even though it violates the principle of materiality. The results of this study are not in line with the research of Ratnasari & Rofi (2020) and Abhimanyu (2021). However, the results of this study are in line with research conducted by Putri and Suhartono (2023) and Octaviana(2022) which shows that the total accrual ratio has an effect on financial statement fraud.

Effect Capability on Financial Statement Fraud

The capability obtained t-value of 1.167 and t-table of 1.984. Therefore, t-value $1.167 < 1.984$ with a significance level of $0.860 > 0.05$. The change in directors was not significant. Changes in directors do not automatically create the ability for fraud. In banking, internal control and compliance systems are very strong, making it difficult for new individuals to immediately manipulate. Strong internal controls prevent immediate manipulation by new directors. Furthermore, the study only measured the presence or absence of changes, without measuring the competence or integrity of the new directors. The results of this study are not in line with the research of Darise et al (2021) and Sulaiimah et al (2022) . However, the results of this study are in line with research conducted by Ratnasari & Rofi (2020), and Nuraya et al (2024) which shows that capability has no effect on financial statement fraud.

5. CONCLUSIONS

This study investigates the determinants of financial statement fraud in Indonesian banking companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 period, employing the Fraud Pentagon approach. Using a sample of 23 banking firms (115 firm-year observations) and multiple regression analysis, the following conclusions are drawn:

1. Total Accrual Ratio (TATA) has a significant positive effect on financial statement fraud ($\beta = 0.476$, $t = 3.524$, $p = 0.000$). This indicates that a larger gap between net income and operating cash flow increases the risk of fraud, supporting the rationalization element of the Fraud Triangle. Accrual-based estimation in banking (e.g., loan loss provisions) provides a loophole for manipulation.
2. External Pressure (leverage) has a significant negative effect on financial statement fraud ($\beta = -0.396$, $t = -4.669$, $p = 0.000$). Contrary to conventional expectations, higher debt levels reduce fraud likelihood. This finding suggests that in the strictly regulated banking sector, creditors and regulators impose effective monitoring that disciplines management behavior.
3. Five other variables show no significant effect on financial statement fraud:
 - Financial stability ($p = 0.070$)
 - Nature of industry ($p = 0.065$)
 - Ineffective monitoring ($p = 0.152$)
 - Change in auditor ($p = 0.101$)
 - Capability ($p = 0.850$)

These non-significant results imply that in the Indonesian banking context, regulatory oversight (OJK, BI, LPS) and strong internal controls may suppress the influence of these factors.

4. The research model demonstrates good explanatory power (Adjusted $R^2 = 0.440$; $F = 11.817$, $p = 0.000$), meaning that the seven independent variables collectively explain 44% of the variation in financial statement fraud. The remaining 56% is attributed to factors outside the model.
5. The F-Score model (combining RSST accruals and financial performance) proves to be an objective and effective tool for detecting financial statement fraud in the banking sector, offering an improvement over traditional earnings manipulation proxies.

This study has limitations. The sample size is limited to the banking sector, so the results cannot be generalized to other sectors (manufacturing, property, trade, etc.), which may have different fraud risk characteristics. Furthermore, banking regulations are very strict (OJK, BI, LPS), so the results may not be applicable to sectors with less oversight. Many variables are insignificant due to high external oversight.

Investors should pay attention to the total accrual ratio (TATA). If net income is significantly higher than operating cash flow, be wary of potential manipulation. High debt is not an automatic warning sign, but companies with high leverage tend to be more cautious (due to close monitoring by creditors). Also, use the F-Score as a screening tool before investing. An F-Score > 1.00 is suspicious. From the board of commissioners' perspective, oversight is not sufficient by simply increasing the number of independent commissioners, as ineffective monitoring has not been proven significant. More important is monitoring the substance of accruals and cash flow. The board of commissioners must encourage management to be transparent in accrual policies, as total accruals are a major loophole for manipulation. Because ineffective monitoring is insignificant, management should not rely solely on independent commissioners. From a managerial perspective, because ineffective monitoring is insignificant, management should not rely solely on independent commissioners. An accrual-based early detection system and a whistleblowing system are needed. For further research, extend the observation period and add proxy variables from the fraud diamond, so that observations of the variables studied become more comprehensive, for example by considering personal financial needs, audit opinions, organizational structure, institutional ownership, and ethical culture.

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